

IMPORTANT NOTICE

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the attached preliminary listing prospectus accessed from this page or otherwise received as a result of such access and you are therefore advised to read this disclaimer page carefully before reading, accessing or making any other use of the attached preliminary listing prospectus. In accessing the attached preliminary listing prospectus, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access and you acknowledge that UBS Group AG together with its subsidiaries ("**UBS Group**" or "**UBS**") and its respective affiliates and others will rely upon the truth and accuracy of the following representations, acknowledgements and agreements. **IF YOU DO NOT AGREE TO THE TERMS DESCRIBED IN THIS DISCLAIMER, YOU MAY NOT OPEN THE ATTACHED PRELIMINARY LISTING PROSPECTUS.**

The attached preliminary listing prospectus is being furnished to you solely for your information and may not be forwarded, reproduced, redistributed or passed on in whole or in part, directly or indirectly, to any other person. The distribution of the attached preliminary listing prospectus in certain jurisdictions may be restricted by law and persons into whose possession the attached preliminary listing prospectus comes should inform themselves about, and observe any such restrictions. Failure to comply with this notice may result in a violation of the United States Securities Act of 1933, as amended (the "**Securities Act**"), or the applicable laws of other jurisdictions.

Confirmation of Your Representation: You have been sent the attached preliminary listing prospectus on the basis that you have confirmed to UBS, being the sender of the attached: (i) that the electronic (or e-mail) address to which it has been delivered is not located in the United States, its territories and possessions, any State of the United States and the District of Columbia (including Puerto Rico, the US Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands) and, if you are in the any European Economic Area ("**EEA**"), you are a qualified investor (as defined in Article 2(1)(e) of the Prospectus Directive (Directive 2003/71/EC) (as amended or superseded); and (ii) that you consent to delivery by electronic transmission.

The attached preliminary listing prospectus has been sent to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently neither UBS nor any person who controls it or any director, officer, employee or agent of it, nor any affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the preliminary listing prospectus distributed to you in electronic format and any hard copy version available to you on request from UBS.

You are reminded that the attached preliminary listing prospectus has been delivered to you on the basis that you are a person into whose possession the attached preliminary listing prospectus may be lawfully delivered in accordance with the laws of jurisdiction in which you are located and you may not nor are you authorised to deliver the attached preliminary listing prospectus to any other person.

Restrictions: Nothing on this electronic transmission constitutes an offer of securities for sale in the United States or any other jurisdiction where such offer is prohibited. Neither the Guarantee nor any Notes (each as defined herein) to be issued will be registered under the Securities Act and may not be offered or sold in the United States or to or for the account or benefit of U.S. persons (as such terms are defined in Regulation S under the Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Your attention is drawn to the first page of the attached preliminary listing prospectus. If you are in the United States or are a U.S. person (as such term is defined in Regulation S under the Securities Act), you should not open the attached preliminary listing prospectus. The attached preliminary listing prospectus may only be communicated to persons in the United Kingdom, in circumstances where section 21(1) of the Financial Services and Markets Act 2000, as amended does not apply to the Issuer.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**") or; (ii) a customer within the meaning of Directive 2002/92/EC, as amended, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No. 1286/2014 on key information documents for packaged and retail and insurance-based investment products (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

MIFID II product governance/Professional investors and ECPs only target market – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible

for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

The securities described in the attached preliminary listing prospectus are not intended to be sold and should not be sold to retail clients in the EEA, as defined in the rules set out in the Product Intervention (Contingent Convertible Instruments and Mutual Society Shares) Instrument 2015 (as amended or replaced from time to time) (the "PI Rules"). Prospective investors are referred to the section headed "*Restrictions on marketing and sales to retail investors in the EEA*" in the attached preliminary listing prospectus for further information.

Singapore Securities and Futures Act Product Classification – Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act (Chapter 289 of Singapore) (the "SFA"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the Notes are "prescribed capital markets products" (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and "Excluded Investment Products" (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

A hard copy of the attached preliminary listing prospectus may be obtained from your usual sales contact at UBS.

NOT FOR DISTRIBUTION, DIRECTLY OR INDIRECTLY, IN OR INTO THE UNITED STATES, CANADA, AUSTRALIA OR ANY OTHER JURISDICTION IN WHICH OFFERS OR SALES WOULD BE PROHIBITED BY LAW.

LISTING PROSPECTUS DATED [•] NOVEMBER 2018



UBS GROUP FUNDING (SWITZERLAND) AG

SS[•]

[•] per cent. Tier 1 Capital Notes

Guaranteed by

UBS GROUP AG

This listing prospectus (the "**Listing Prospectus**") relates to the issue of SS[•] [•] per cent. Tier 1 Capital Notes (the "**Notes**") by UBS Group Funding (Switzerland) AG (the "**Issuer**"). The payment of all amounts in respect of the Notes will be irrevocably and unconditionally guaranteed on a subordinated basis by UBS Group AG (in such capacity, the "**Guarantor**" and together with its subsidiaries, the "**UBS Group**" or "**UBS**" or the "**Group**") pursuant to a subordinated guarantee (the "**Guarantee**"), except that, upon the occurrence of a Contingent Write-down (as defined herein), the Guarantee will cease to exist as of the relevant Write-down Date (as defined herein) and all rights of any Holder (as defined herein) for payment of any amounts under the Guarantee will become null and void, irrespective of whether such amounts have become due and payable prior to, or whether any Holder has requested payment of such amounts from the Guarantor under the Guarantee prior to, the relevant Write-down Notice Date or the Write-down Date.

The issue price of the Notes is [•] per cent. of their principal amount. Subject to the right or obligation of the Issuer to cancel any payment of interest in respect of the Notes in accordance with Condition 5(j) (*Interest – Cancellation of interest; prohibited interest*) and subject to Condition 7 (*Contingent Write-down*), interest will accrue on the principal amount of the Notes: (i) from (and including) [•] November 2018 (the "**Issue Date**") to (but excluding) [•] (the "**First Call Date**"), at [•] per cent. per annum payable semi-annually in arrear; and (ii) thereafter, at the applicable Reset Interest Rate (as defined herein) per annum, payable semi-annually in arrear. Interest payments on the Notes (including any amounts paid by the Guarantor under the Guarantee) will be made without withholding or deduction for or on account of taxes of Switzerland to the extent described herein under Condition 9 (*Taxation*). The Issuer may elect, in its sole discretion, to cancel in whole or in part any payment of interest in respect of the Notes (including, for the avoidance of doubt, any related Additional Amounts (as defined below)) which is otherwise scheduled to be paid on an Interest Payment Date and payments of interest in respect of the Notes must also not be made in certain other circumstances as provided in Condition 5(j) (*Interest – Cancellation of interest; prohibited interest*). Interest payments in respect of the Notes will be non-cumulative. Accordingly, if any payment of interest (or part thereof) is not made in respect of the Notes then the right of the Holders to receive the relevant interest payment (or part thereof) will be extinguished (and shall not accumulate) and the Issuer and the Guarantor will have no obligation to pay such interest payment (or part thereof), whether or not future interest payments on the Notes are paid. The cancellation of interest will not constitute an event of default or entitle any action to be taken by Holders shall have no right thereto whether in a winding-up, dissolution or liquidation of the Issuer or otherwise, nor any entitlement to demand payment from the Guarantor under the terms of the Guarantee.

The Notes are perpetual securities and have no fixed or final redemption date. Unless previously redeemed or purchased and cancelled, and provided that no Contingent Write-down has occurred, the Notes may, subject to the satisfaction of certain conditions described herein and applicable law, be redeemed at the option of the Issuer, on the First Call Date or on any other Interest Payment Date thereafter, in whole but not in part, at their aggregate principal amount, together with any accrued and unpaid interest thereon. The Notes are also subject to redemption, in whole but not in part, at the option of the Issuer, upon the occurrence of: (i) a Tax Event; or (ii) a Regulatory Event (each as defined herein), as more particularly described in Condition 6 (*Redemption and Purchase*).

If either a Trigger Event or a Viability Event (each as defined herein) occurs, a Contingent Write-down will occur at the relevant Write-down Date. In such circumstances, interest on the Notes shall cease to accrue, the full principal amount of each Note will automatically and permanently be written-down to zero, Holders will lose their entire investment in the Notes and all accrued and unpaid interest thereon irrespective of whether such amounts have become due and payable prior to the relevant Write-down Notice Date, as further described in Condition 7 (*Contingent Write-down*). All rights of any Holder for the payment of any amounts under or in respect of the Notes and Guarantee will become null and void. See "*Risk Factors – The Notes may be subject to a Contingent Write-down*". Each Holder and beneficial owner of a Note acknowledges and agrees, by accepting a direct or beneficial interest in such Note, to be bound by and consents to the application of the Contingent Write-down and the guarantee simultaneously becoming null and void.

The Notes will constitute direct, unsecured and subordinated obligations of the Issuer and shall rank *pari passu* and without any preference among themselves, as more particularly described in Condition 3 (*Status and Subordination*). The obligations of the Guarantor under the Guarantee will constitute direct, unsecured and subordinated obligations of the Guarantor, as more particularly described in Condition 4 (*Guarantee*).

An investment in the Notes involves certain risks. For a discussion of these risks see "Risk Factors".

The Notes have been assigned a rating of [BBB-] by Fitch Ratings Ltd. ("**Fitch**").

A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

The Notes will be issued to Holders in minimum denominations of SS250,000. The Notes may only be held and transferred in minimum denominations of SS250,000. The Notes will be issued in uncertificated form (*Wertrechte*) and governed by Swiss law. It is expected that delivery of the Notes will be made through the systems operated by SIX SIS Ltd, Olten, Switzerland ("**SIX SIS**") on [•] November 2018. See Condition 2 (*Amount and Denomination; Form and Transfer*) for more details.

The Notes have been provisionally admitted to trading on the SIX Swiss Exchange from [•] November 2018. The last day of trading in the Notes on the SIX Swiss Exchange is expected to be the second trading day prior to the date on which the Notes are fully redeemed or the Write-down Date, as applicable, in accordance with the Terms and Conditions of the Notes (the "**Terms and Conditions**"). Application will be made for the Notes to be listed on the SIX Swiss Exchange.

The Notes are not intended to be sold and should not be sold to retail clients in the European Economic Area ("EEA"), as defined in the rules set out in the Product Intervention (Contingent Convertible Instruments and Mutual Society Shares) Instrument 2015 (as amended or replaced from time to time) (the "PI Rules"). Prospective investors are referred to the section headed "Restrictions on marketing and sales to retail investors in the EEA" on page 2 of this Listing Prospectus for further information.

MIFID II product governance / Professional investors and ECPs only target market – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "**MIFID II**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

Singapore Securities and Futures Act Product Classification – Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act (Chapter 289 of Singapore) (the "**SFA**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the Notes are "prescribed capital markets products" (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and "Excluded Investment Products" (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

The Notes are not bank deposits: An investment in the Notes carries risks which are very different from the risk profile of a bank deposit placed with UBS or its affiliates. The Notes have different yield, liquidity and risk profiles and would not benefit from any protection provided to deposits.

Neither the Notes nor the Guarantee have been, or will be, registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") and are subject to United States tax law requirements. The Notes are being offered outside the United States by the Managers (as defined herein) in accordance with Regulation S under the Securities Act ("**Regulation S**"), and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

GLOBAL COORDINATOR
UBS

JOINT LEAD MANAGERS

UBS
STANDARD CHARTERED BANK

DBS BANK LTD.
UOB

CO-LEAD MANAGERS

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IMPORTANT NOTICES

Prohibition on marketing and sales to retail investors in the EEA

The Notes discussed in this Listing Prospectus are complex financial instruments and are not a suitable or appropriate investment for all investors. In some jurisdictions, regulatory authorities have adopted or published laws, regulations or guidance with respect to the offer or sale of securities such as the Notes to retail investors.

In particular, in June 2015, the United Kingdom Financial Conduct Authority (the "FCA") published the PI Rules. In addition: (i) on 1 January 2018, the provisions of Regulation (EU) No. 1286/2014 on key information documents for packaged and retail and insurance-based investment products (the "**PRIIPs Regulation**") became directly applicable in all EEA member states; and (ii) MiFID II was required to be implemented in EEA member states by 3 January 2018. Together, the PI Rules, the PRIIPs Regulation and MiFID II are referred to as the "**Regulations**".

The Regulations set out various obligations in relation to: (i) the manufacturing and distribution of financial instruments; and (ii) the offering, sale and distribution of packaged retail and insurance-based investment products and certain contingent write down or convertible securities, such as the Notes.

Potential investors should inform themselves of, and comply with, any applicable laws, regulations or regulatory guidance with respect to any resale of the Notes (or any beneficial interests therein), including the Regulations.

The Managers and their affiliates are required to comply with some or all of the Regulations. By purchasing, or making or accepting an offer to purchase any Notes (or a beneficial interest in such Notes) from the Issuer and/or the Managers, each prospective investor represents, warrants, agrees with and undertakes to the Issuer and each of the Managers that:

1. it is not a retail client in the EEA (as defined in MiFID II);
2. whether or not it is subject to the Regulations, it will not:
 - (a) sell or offer the Notes (or any beneficial interests therein) to retail clients in the EEA (as defined in MiFID II); or
 - (b) communicate (including the distribution of this Listing Prospectus) or approve an invitation or inducement to participate in, acquire or underwrite the Notes (or any beneficial interests therein) where that invitation or inducement is addressed to or disseminated in such a way that it is likely to be received by a retail client (as defined in MiFID II). In selling or offering Notes or making or approving communications relating to the Notes, it may not rely on the limited exemptions set out in the PI Rules; and
3. it will at all times comply with all applicable laws, regulations and regulatory guidance (whether inside or outside the EEA) relating to the promotion, offering, distribution and/or sale of the Notes (or any beneficial interests therein), including (without limitation) MiFID II and any other applicable laws, regulations and regulatory guidance relating to determining the appropriateness and/or suitability of an investment in the Notes (or any beneficial interests therein) by investors in any relevant jurisdiction.

Each prospective investor further acknowledges that:

1. the identified target market for the Notes (for the purposes of the product governance obligations in MiFID II) is eligible counterparties and professional clients; and
2. no key information document ("**KID**") under the PRIIPs Regulation has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor (as defined in MiFID II) in the EEA may be unlawful under the PRIIPs Regulation.

PRIIPs Regulation / Prohibition of Sales to EEA Retail Investors - The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the

meaning of Directive 2002/92/EC (as amended or superseded, the "IMD"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by the PRIIPs Regulation for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

MiFID II product governance / Professional investors and ECPs only target market – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

Singapore Securities and Futures Act Product Classification – Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the SFA, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the Notes are "prescribed capital markets products" (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and "Excluded Investment Products" (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

The Notes may not be suitable investments for all investors. The Notes may be purchased by investors as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (a) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risk of investing in the Notes and the information contained or incorporated by reference in this Listing Prospectus;
- (b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio;
- (c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes or where the currency for principal or interest payments is different from the currency in which such investor's financial activities are principally denominated;
- (d) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- (e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

If a potential investor is in any doubt whatsoever as to the risks involved in investing in the Notes he should consult his professional advisers.

Where acting as agent on behalf of a disclosed or undisclosed client when purchasing, or making or accepting an offer to purchase, any Notes (or any beneficial interests therein) from the Issuer, the Guarantor and/or any Managers, the foregoing representations, warranties, agreements and undertakings will be given by and be binding upon both the agent and its underlying client.

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

Each of the Issuer and the Guarantor has confirmed to the Managers that this Listing Prospectus contains all information regarding the Issuer, the Guarantor, the Notes and the Guarantee which is (in the context of the issue of the Notes) material; such information is true and accurate in all material respects and is not misleading in any material respect; any opinions, predictions or intentions expressed in this Listing Prospectus on the part of the Issuer or (as the case may be) the Guarantor are honestly held or made and are not misleading in any material respect; this Listing Prospectus does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in such context) not misleading in any material respect; and all reasonable enquiries have been made to ascertain and to verify the accuracy of the foregoing.

Neither the Issuer nor the Guarantor has authorised the making or provision of any representation or information regarding the Issuer, the Guarantor, the Notes or the Guarantee other than as contained in this Listing Prospectus or as approved for such purpose by the Issuer and the Guarantor. Any such representation or information should not be relied upon as having been authorised by the Issuer, the Guarantor or the Managers.

Neither the Managers nor any of their respective affiliates have authorised the whole or any part of this Listing Prospectus and none of them makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Listing Prospectus. Neither the delivery of this Listing Prospectus nor the offering, sale or delivery of any Note shall in any circumstances create any implication that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer or the Guarantor since the date of this Listing Prospectus.

To the fullest extent permitted by law, the Managers accept no responsibility whatsoever for the contents of this Listing Prospectus or for any other statement, made or purported to be made by the Managers or on their behalf in connection with the Issuer or (as the case may be) the Guarantor or the issue and offering of the Notes. The Managers accordingly disclaim all and any liability whether arising in tort or contract or otherwise (save as referred to above) which they might otherwise have in respect of this Listing Prospectus or any such statement.

Prospective investors should inform themselves as to the legal requirements and tax consequences within the countries of their residence and domicile for the acquisition, holding or disposal of Notes and any foreign exchange restrictions that might be relevant to them and must obtain any consent, approval or permission required by it for the acquisition, holding or disposal of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such acquisition, holding or disposal, and none of the Issuer, the Guarantor and the Managers shall have any responsibility therefor.

This Listing Prospectus does not constitute an offer of, or an invitation by or on behalf of, the Issuer, the Guarantor or the Managers to subscribe for or purchase any of the Notes.

Prospective investors should satisfy themselves that they understand all of the risks associated with making investments in the Notes. If a prospective investor is in any doubt whatsoever as to the risks involved in investing in the Notes, he should consult his professional advisers.

An investment in the Notes is only suitable for financially sophisticated investors who are capable of evaluating the merits and risks of such investment and who have sufficient resources to be able to bear any losses which may result therefrom.

The distribution of this Listing Prospectus and the offering, sale and delivery of Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Listing Prospectus comes are required by the Issuer, the Guarantor and the Managers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on distribution of this Listing Prospectus and other offering material relating to the Notes, see "*Subscription and Sale*".

Neither the Guarantee nor any Notes have been or will be registered under the Securities Act and may not be offered or sold in the United States or to or for the account or benefit of U.S. persons (as such terms are defined in Regulation S under the Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

The Notes are subject to US tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by US tax regulations. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code and regulations thereunder.

This Listing Prospectus and any other documents or materials in relation to the issue, offering or sale of the Notes have been prepared solely for the purpose of the initial sale by the Managers of the Notes and, in the case of this Listing Prospectus, for the purpose of listing the Notes on the SIX Swiss Exchange. This Listing Prospectus and such other documents or materials are made available to the recipients thereof solely on the basis that they are persons falling within the ambit of Section 274 and/or Section 275 of the SFA and may not be relied upon by any person other than persons to whom the Notes are sold or with whom they are placed by the Managers as aforesaid or for any other purpose. Recipients of this Listing Prospectus shall not reissue, circulate or distribute this Listing Prospectus or any part thereof in any manner whatsoever.

In connection with the issue of the Notes, UBS AG Hong Kong Branch (the "**Stabilising Manager**") (or any person acting on behalf of the Stabilising Manager) may over-allot Notes or effect transactions with a view to supporting the price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the Stabilising Manager (or any person acting on behalf of the Stabilising Manager) in accordance with all applicable laws and rules.

In this Listing Prospectus, unless otherwise specified, references to a "**Member State**" are references to a Member State of the EEA, references to "**Singapore Dollars**", "**SGD**" or "**S\$**" are to the lawful currency of Singapore, references to "**USD**", "**US dollars**" or "**dollars**" are to United States dollars, references to "**CHF**" are to Swiss francs and references to "**€**", "**EUR**" or "**euro**" are to the currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the euro, as amended.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents are incorporated in and taken to form part of this Listing Prospectus:

- (a) UBS Group AG's and UBS AG's annual report for the year ended 31 December 2017 ("**Annual Report 2017**"), which UBS Group AG filed on Form 20-F with the United States Securities and Exchange Commission (the "**SEC**") on 9 March 2018 (accessible at the date of this Base Prospectus at https://www.ubs.com/global/en/about_ubs/investor_relations/sec/_jcr_content/par/accordionbox_4489/linklist_2d18/link_46de.1233427969.file/bGluay9wYXR0PS9jb250ZW50L2RhbS9zdGF0aWMvZ2xvYmFsL2ludmVzdG9yX3JlbGF0aW9ucy9hbm51YWwtcmVwb3J0LzIwMTcvMjBmLWZ1bGwtcmVwb3J0LTIwMTcucGRm/20f-full-report-2017.pdf);
- (b) UBS Group AG's audited standalone financial statements for the year ended 31 December 2017 (the "**Standalone Financial Statements**"), which UBS Group AG furnished on Form 6-K to the SEC on 9 March 2018 (accessible at the date of this Base Prospectus at https://www.ubs.com/global/en/about_ubs/investor_relations/sec/_jcr_content/par/accordionbox_4489/linklist_d1f9/link_e774.0972181781.file/bGluay9wYXR0PS9jb250ZW50L2RhbS9zdGF0aWMvZ2xvYmFsL2ludmVzdG9yX3JlbGF0aW9ucy9hbm51YWwtcmVwb3J0LzIwMTcvNmstdWJzLWdyb3VwLWFnLXN0YW5kYWxvbmUtmZEtMTItMTcucGRm/6k-ubs-group-ag-standalone-31-12-17.pdf);
- (c) The Issuer's audited financial statements as of 31 December 2017 and income statement for the period from incorporation on 14 November 2016 to 31 December 2017 (accessible at the date of this Listing Prospectus at https://www.ubs.com/global/en/about_ubs/investor_relations/sec/_jcr_content/par/accordionbox_4489/linklist_d1f9/link_42407125.1437358034.file/bGluay9wYXR0PS9jb250ZW50L2RhbS9zdGF0aWMvZ2xvYmFsL2ludmVzdG9yX3JlbGF0aW9ucy9hbm51YWwtcmVwb3J0LzIwMTcvNmstdZ3JvdXAAtZnVuZGluZy0zMS0xMi0xNy5wZGY=/6k-group-funding-31-12-17.pdf);
- (d) UBS Group AG's first quarter 2018 financial report (the "**First Quarter 2018 Report**"), which UBS Group AG furnished on Form 6-K to the SEC on 23 April 2018 (accessible at https://www.ubs.com/global/en/about_ubs/investor_relations/sec/_jcr_content/par/accordionbox_4489/linklist_2bce/link.0023067430.file/bGluay9wYXR0PS9jb250ZW50L2RhbS91YnMvZ2xvYmFsL2Fib3V0X3Vicy9pbnZlc3Rvc19yZWxhdGlvbnMvc2VjLWZpbGluZ3MvMjAxOC8xcTE4LzZrLWZ1bGwtcmVwb3J0LXVicy1ncm91cC1hZy1jb25zb2xpZGF0ZWQtMXE5OC5wZGY=/6k-full-report-ubs-group-ag-consolidated-1q18.pdf);
- (e) UBS Group AG's second quarter 2018 financial report (the "**Second Quarter 2018 Report**"), which UBS Group AG furnished on Form 6-K to the SEC on 24 July 2018 (accessible at https://www.ubs.com/global/en/about_ubs/investor_relations/sec/_jcr_content/par/accordionbox_4489/linklist_fdf2/link.1479330109.file/bGluay9wYXR0PS9jb250ZW50L2RhbS91YnMvZ2xvYmFsL2Fib3V0X3Vicy9pbnZlc3Rvc19yZWxhdGlvbnMvc2VjLWZpbGluZ3MvMjAxOC8ycTE4LzZrLWZ1bGwtcmVwb3J0LXVicy1ncm91cC1hZy1jb25zb2xpZGF0ZWQtMnExOC5wZGY=/6k-full-report-ubs-group-ag-consolidated-2q18.pdf);
- (f) UBS Group AG's Form 6-K furnished to the SEC on 27 July 2018, containing UBS Group AG's standalone financial information, UBS Group Funding (Switzerland) AG's standalone interim financial statements and UBS Switzerland AG's standalone interim financial statements, for the half-year ended 30 June 2017 (accessible at https://www.ubs.com/global/en/about_ubs/investor_relations/sec/_jcr_content/par/accordionbox_4489/linklist_fdf2/link_834668155.0804278736.file/bGluay9wYXR0PS9jb250ZW50L2RhbS91YnMvZ2xvYmFsL2Fib3V0X3Vicy9pbnZlc3Rvc19yZWxhdGlvbnMvc2VjLWZpbGluZ3MvMjAxOC8ycTE4LzZrLXN0YW5kYWxvbmUtmZEtMTItMTcucGRm/6k-standalone-reporting-2q18.pdf);
- (g) UBS Group AG's third quarter 2017 financial report (the "**Third Quarter 2018 Report**"), which UBS Group AG furnished on Form 6-K to the SEC on 25 October 2018 (accessible at https://www.ubs.com/global/en/about_ubs/investor_relations/sec/_jcr_content/par/accordionbox_4489/linklist_3598/link_31df.0118628322.file/bGluay9wYXR0PS9jb250ZW50L2RhbS91YnMvZ2xvYmFsL2Fib3V0X3Vicy9pbnZlc3Rvc19yZWxhdGlvbnMvc2VjLWZpbGluZ3MvMjAxOC8

[zcTE4LzZrLWZ1bGwtcmVwb3J0LXVicy1ncm91cC1hZy1jb25zb2xpZGF0ZWQtM3ExOC5wZGY=/6k-full-report-ubs-group-ag-consolidated-3q18.pdf](https://www.ubs.com/global/en/about_ubs/corporate-governance/aofassociation.html));

- (h) the Issuer's articles of association dated 11 November 2016 (available at the registered office of the Issuer at Bahnhofstrasse 45, 8001 Zurich, Switzerland);
- (i) the articles of association of UBS Group AG dated 5 March 2018 (accessible at https://www.ubs.com/global/en/about_ubs/corporate-governance/aofassociation.html); and
- (j) all amendments and supplements to this Listing Prospectus prepared by the Issuer from time to time.

Copies of the documents incorporated by reference herein are available free of charge from the Issuer at UBS AG, Zurich, Swiss Prospectus, Switzerland (voicemail: +41 44 239 47 03, fax: +41 44 239 69 14, email: swiss-prospectus@ubs.com).

In addition, the annual and quarterly reports and the results materials of UBS Group AG are published on UBS's website, at www.ubs.com/investors. UBS's financial result-related submissions and filings with the SEC are available at https://www.ubs.com/global/en/about_ubs/investor_relations/sec.html. The information contained on these websites or other securities filings do not form part of this Listing Prospectus unless otherwise specifically incorporated by reference hereto.

UBS Group AG is subject to the informational requirements of the Securities Exchange Act of 1934, as amended, and, in accordance therewith, files reports and other information with the SEC. Such reports and other information filed with the SEC can be accessed at <http://www.sec.gov> via the internet. The information contained on this website does not form part of this Listing Prospectus unless otherwise specifically incorporated by reference herein.

SUMMARY

This summary must be read as an introduction to this Listing Prospectus and any decision to invest in the Notes should be based on a consideration of the Listing Prospectus as a whole, including the documents incorporated by reference. No civil liability attaches to the persons responsible for this summary solely on the basis of this summary.

Words and expressions defined in the Terms and Conditions or elsewhere in this Listing Prospectus have the same meanings in this summary.

The Issuer:	UBS Group Funding (Switzerland) AG (the " Issuer ").
The Guarantor	UBS Group AG (the " Guarantor ").
The Notes:	SS[•] [•] per cent. Tier 1 Capital Notes.
Risk Factors:	There are certain factors that may affect the Issuer's ability to fulfil its obligations under the Notes or, as the case may be, the Guarantor's ability to fulfil its obligations under the Guarantee. Certain of these factors are set out under " <i>Risk Factors</i> " below and include, among others, risks relating to regulatory and legislative changes, reputation, market, liquidity and legal risks and the general economic situation. In addition, there are certain factors that are material for purposes of assessing the risks associated with the Notes. These include the fact that the Notes may not be a suitable investment for all investors, certain risks relating to the structure of the Notes (including that they are subject to a Contingent Write-down upon the occurrence of a Trigger Event or if the Issuer or UBS Group AG gives a Write-down Notice to the Holders upon the occurrence of a Viability Event, both of which would result in Holders' loss of the entire investment in the Notes) and the Guarantee (including that upon the occurrence of a Contingent Write-down, the Guarantee will cease to exist as of the relevant Write-down Date and all rights of any Holders for payment of any amounts under the Guarantee will become null and void) and certain market risks.
Global Coordinator:	UBS AG Hong Kong Branch
Joint Lead Managers:	UBS AG Hong Kong Branch, DBS Bank Ltd., Standard Chartered Bank and United Overseas Bank Limited.
Co-Managers:	[•] (together with the Joint Lead Managers, the " Managers ")
Issue Price:	[•] per cent. of the principal amount of the Notes.
Form of the Notes:	The Notes will be issued in uncertificated form as uncertificated securities (<i>Wertrechte</i>) and will be entered into the main register (<i>Hauptregister</i>) of SIX SIS or any other intermediary in Switzerland recognised for such purposes by the SIX Swiss Exchange. Neither the Issuer nor any holder of a Note nor any third party will at any time have the right to effect or demand the conversion of any Note into, or the delivery of a Note in, global or definitive form.
Status of the Notes:	The Notes will constitute direct, unsecured and subordinated obligations of the Issuer and rank <i>pari passu</i> and without any preference among themselves. The rights and claims of the Holders against the Issuer under the Notes are subordinated as described in Condition 3(b) (<i>Status and Subordination – Subordination</i>).

Holders have limited enforcement remedies under the Notes, as more particularly described in Condition 11 (*Events of Default*). See also "*Risk Factors—There are limited remedies available under the Notes*".

Guarantee: The Guarantor has, pursuant to and in accordance with the terms and conditions of a subordinated guarantee dated as of the Issue Date, and governed by Swiss law (the "**Guarantee**"), undertaken for the benefit of Holders irrevocably and unconditionally to guarantee on a subordinated basis the payment of principal and interest and any other amounts due under the Notes. Upon the occurrence of a Contingent Write-down, the Guarantee will cease to exist as of the relevant Write-down Date and all rights of any Holder for payment of any amounts under the Guarantee will become null and void, irrespective of whether such amounts have become due and payable prior to, or whether any Holder has requested payment of such amounts from the Guarantor under the Guarantee prior to, the relevant Write-down Notice Date or the Write-down Date. See further Condition 4(a) (*Guarantee – Guarantee of the Notes*). Upon the occurrence of an Automatic Issuer Substitution or if the Issuer voluntarily substitutes the Guarantor for itself as principal debtor under the Notes in accordance with clause (a) of Condition 14 (*Issuer Substitution – Voluntary Issuer Substitution*), the Guarantee will cease to exist.

The Guarantee provides that in the event of (i) a Bankruptcy Event with respect to the Guarantor or (ii) an order being made, or an effective resolution being passed, for the liquidation or winding-up of the Guarantor (except, in any such case, a solvent liquidation or winding-up of the Guarantor solely for the purposes of a reorganisation, reconstruction or amalgamation of the Guarantor or the substitution in place of the Guarantor of a successor in business to the Guarantor, the terms of which reorganisation, reconstruction, amalgamation or substitution (x) have previously been approved by a valid resolution of the Holders and (y) do not provide that the Notes shall become redeemable in accordance with the Terms and Conditions), the rights and claims of the Holders against the Guarantor in respect of or arising under (including, without limitation, any damages awarded for breach of any obligation under) the Guarantee will, subject to any obligations that are mandatorily preferred by law, rank (A) junior to the rights and claims of all holders of Guarantor Senior Obligations, (B) *pari passu* with the rights and claims of holders of Guarantor Parity Obligations and (C) senior to the rights and claims of holders of Guarantor Junior Obligations. See further Condition 4(b) (*Guarantee – Subordination*).

Principal Paying Agent and Calculation Agent: UBS AG fulfils the function of paying agent and calculation agent for the Notes. The Issuer reserves the right to appoint or, after any such appointment, to terminate the appointment of, one or more paying agents to carry out any payment, calculation or other functions in respect of the Notes.

Swiss Listing Agent: UBS AG

Issue Date: [•] November 2018

Currency: Singapore Dollars ("S\$")

Denomination: The Notes will be issued to Holders in minimum denominations of S\$250,000.

The Notes may only be held and transferred in minimum denominations of S\$250,000.

Maturity:	The Notes are perpetual securities in respect of which there is no fixed or final redemption date. Unless previously redeemed or purchased and cancelled, and provided that no Contingent Write-down has occurred and subject to the satisfaction of certain conditions described in Condition 6 (<i>Redemption and Purchase</i>) and applicable law, the Notes may be redeemed at the option of the Issuer on the First Call Date or on any other Interest Payment Date thereafter, in whole but not in part, at their aggregate principal amount, together with any accrued and unpaid interest thereon.
Interest:	Subject to Condition 7 (<i>Contingent Write-down</i>) and Condition 5(i) (<i>Interest – Accrual of Interest in the case of Redemption or a Write-down Event</i>), the Notes will bear interest on their principal amount (i) from (and including) the Issue Date to (but excluding) the First Call Date at [•] per cent. per annum and (ii) thereafter, at the applicable Reset Interest Rate per annum.
Interest Payment Dates:	Subject to Condition 7 (<i>Contingent Write-down</i>) and Condition 5(j) (<i>Interest – Cancellation of interest; prohibited interest</i>), interest on the Notes will be payable semi-annually in arrear on [•] May and [•] November of each year, commencing on [•] May 2019.
Discretionary Interest Payments:	The Issuer may elect, in its sole discretion, to cancel all or part of any payment of interest in respect of the Notes (including, for the avoidance of doubt, any related Additional Amounts) which is otherwise scheduled to be paid on an Interest Payment Date. In addition, payments of interest in respect of the Notes must not be made in certain other circumstances as provided in Condition 5(j) (<i>Interest – Cancellation of interest; prohibited interest</i>). Interest payments in respect of the Notes will be non-cumulative. Accordingly, if any payment of interest (or part thereof) is not made in respect of the Notes then the right of the Holders to receive the relevant interest payment (or part thereof) will be extinguished (and shall not accumulate) and the Issuer will have no obligation to pay such interest payment (or part thereof), whether or not future interest payments on the Notes are paid. The cancellation or non-payment of any interest will not constitute a default for any purpose (including, without limitation, Condition 11 (<i>Events of Default</i>) on the part of the Issuer or entitle any action to be taken by Holders and Holders shall have no right thereto whether in a winding-up, dissolution or liquidation of the Issuer or otherwise, nor any right to demand payment from the Guarantor under the terms of the Guarantee.
Restrictions following failure to pay Interest:	If any payment of interest is not made in full pursuant to Conditions 5(i)(i) or 5(i)(ii) (<i>Interest – Accrual of interest in the case of redemption or a write-down event</i>), the Issuer shall procure that UBS Group AG shall not (and UBS Group AG has agreed in the Guarantee not to) directly or indirectly; (a) recommend to holders of Ordinary Shares that any dividend or other distribution in cash or in kind (other than in the form of Ordinary Shares) be paid or made on any Ordinary Shares; and (b) redeem, purchase or otherwise acquire any Ordinary Shares other than as a Permitted Transaction, in each case unless and until either (x) the interest payment due and payable on the Notes on any subsequent Interest Payment Date has been paid in full or, if earlier (y) all outstanding Notes have been cancelled.
Optional Redemption:	Unless previously redeemed or purchased and cancelled, and provided that a Contingent Write-down has not occurred on or prior to the applicable date fixed for redemption and subject to certain conditions as described under Condition 6 (<i>Redemption and Purchase</i>), the Issuer

may elect, in its sole discretion, to redeem the Notes, in whole but not in part in the following circumstances:

- (i) on the First Call Date or on any other Interest Payment Date thereafter at their aggregate principal amount, together with any accrued and unpaid interest thereon to (but excluding) the First Call Date or such other Interest Payment Date, as applicable; or
- (ii) upon the occurrence of a Tax Event at any time after the Issue Date, at their aggregate principal amount on the relevant Redemption Date, together with any accrued and unpaid interest thereon to (but excluding) such Redemption Date; or
- (iii) upon the occurrence of a Regulatory Event at any time after the Issue Date, at their aggregate principal amount on the relevant Redemption Date, together with any accrued and unpaid interest thereon to (but excluding) such Redemption Date,

provided that (x) in the case of any redemption described in clauses (i) or (ii) above, the Swiss Financial Market Supervisory Authority FINMA (the "FINMA") has approved such redemption in writing and no Trigger Event or Viability Event has occurred prior to the relevant Redemption Date and (y) in all cases, the Issuer has complied with the relevant requirements, all as more particularly described in Condition 6(e) (*Redemption and Purchase - Conditions for redemption*).

Purchases:

The Issuer or any other member of the Group or any of their respective affiliates may at any time purchase Notes at any price in the open market or otherwise, **provided that** (i) such purchase complies with any limits or conditions to which any member of the Group is subject under applicable banking laws and regulations at the time of such purchase, (ii) other than in the case of purchases made in connection with stabilisation measures in compliance with applicable law or in connection with any market making in the Notes, the FINMA has approved such purchase (if such approval is then required) on or prior to the date of such purchase; and (iii) no Trigger Event or Viability Event has occurred prior to the date of such purchase. Any Notes so purchased may, at the option of the Issuer, be held, reissued, resold or cancelled.

Contingent Write-down:

Following the occurrence of a Trigger Event or Viability Event, a Contingent Write-down will occur and the full principal amount of the Notes will automatically and permanently be written-down to zero on the Write-down Date.

If a Trigger Event occurs or, upon the occurrence of a Viability Event, the Issuer or the Guarantor gives a Write-down Notice to the Holders in accordance with the terms of the Notes, then as of the relevant Write-down Date:

- (i) the full principal amount of, and any accrued and unpaid interest (whether or not due and payable) on, each Note will automatically be written down to zero and the Notes will be cancelled;
- (ii) the Holders will be automatically deemed to have irrevocably waived their right to receive, and will no longer have any rights against the Issuer with respect to repayment of the aggregate principal amount of, and payment of any accrued

and unpaid interest on, the Notes written down as described in clause (i) above; and

- (iii) all rights of any Holder for payment of any amounts under or in respect of the Notes (including, without limitation, any amounts arising as a result of, or due and payable upon the occurrence of, an Event of Default) will become null and void, irrespective of whether such amounts have become due and payable prior to the relevant Write-down Notice Date or the Write-down Date.

Each Holder and beneficial owner of a Note acknowledges and agrees, by accepting a direct or beneficial interest in such Note, to be bound by and consents to the application of the Contingent Write-down.

Trigger Event:

A "**Trigger Event**" will occur if the Issuer or the Guarantor gives the Holders a Trigger Event Write-down Notice.

A Trigger Event Write-down Notice is required to be given to Holders (within the required notice period) if the Trigger CET1 Ratio as of the relevant Publication Date is less than the Write-down Threshold.

Notwithstanding the above, in the case of an Ordinary Publication Date, if the FINMA, upon the request of UBS Group AG and prior to the earlier of the Ordinary Trigger Event Notice Date and the Trigger Breach Determination Date (i.e., the fifth Business Day after such Ordinary Publication Date), has agreed in writing that a Contingent Write-down is not required as a result of actions taken by the Group or circumstances or events, in each case, that have had, or imminently will have, the effect of restoring the CET1 Ratio as of the Balance Sheet Date relating to such Ordinary Publication Date, after giving *pro forma* effect to such actions, circumstances or events, to a level above the Write-down Threshold that the FINMA and UBS Group AG deem, in their sole discretion, to be adequate at such time, neither the Issuer nor the Guarantor shall give a Trigger Event Write-down Notice and either the Issuer or the Guarantor shall give notice to the Holders on or prior to the Trigger Breach Determination Date that no Contingent Write-down will occur with respect to such Ordinary Publication Date.

Furthermore, if any Higher-Trigger Contingent Capital is outstanding on the relevant Publication Date, the date on which the Issuer or, as the case may be, UBS Group AG gives the Trigger Event Write-down Notice and/or the Trigger Event Write-down Date may be postponed, as more particularly described in clause (b)(ii) of Condition 7 (*Contingent Write-down*).

Viability Event:

A "**Viability Event**" will be deemed to have occurred if prior to an Alternative Loss Absorption Date (if any):

- (i) the FINMA has notified UBS Group AG in writing that it has determined a write-down of the Notes, together with the conversion or write-down, as applicable, of Holders' claims in respect of all other capital instruments issued by, or other capital obligations (whether qualifying fully or partially for capital treatment) of, any member of the Group that, pursuant to their terms or by operation of law, are capable of being converted into equity or written down at that time, is, because customary measures to improve the Group Holding Company's (as defined in the Terms and Conditions) capital adequacy are at the time inadequate or infeasible, an essential requirement to prevent the Group Holding Company from

becoming insolvent, bankrupt, unable to pay a material part of its debts as they fall due or unable to carry on its business; or

- (ii) customary measures to improve the Group Holding Company's capital adequacy being at the time inadequate or infeasible, the Group Holding Company has received an irrevocable commitment of direct or indirect extraordinary support from the Public Sector (beyond customary transactions and arrangements in the ordinary course) that has, or imminently will have, the effect of improving the Group Holding Company's capital adequacy and without which, in the determination of (and as notified in writing by) the FINMA, the Group Holding Company would have become insolvent, bankrupt, unable to pay a material part of its debts as they fall due or unable to carry on its business.

Upon the occurrence of a Viability Event, the Issuer or the Guarantor is required to give notice to the Holders within three days of the date on which such Viability Event occurred, which notice will state that a Viability Event has occurred and a Contingent Write-down will take place on the Write-down Date specified therein.

Taxation:

The Issuer will pay such Additional Amounts as will result in the Holders receiving, after withholding or deduction for, or on account of, any Taxes imposed, levied, collected, withheld or assessed by or on behalf of Switzerland (or any political subdivision thereof or authority thereof or therein having the power to impose, levy, collect, withhold or assess Taxes) upon payments made by or on behalf of the Issuer under the Notes (including, for the avoidance of doubt, amounts paid by the Guarantor under the Guarantee and payments by a Paying Agent), an amount equal to the amount that the Holders would have received under the Notes in the absence of such withholding or deduction, except in certain limited circumstances, as more particularly described in Condition 9 (*Taxation*).

Events of Default:

It will be an Event of Default if:

- the payment of the principal amount of any Note, if and when the same becomes due and payable under the Terms and Conditions, is 30 days or more overdue; or
- the payment of any interest amount, if and when such interest becomes due and payable under the Terms and Conditions, on any Note is 30 days or more overdue; or
- there is any other default under the Notes or the Guarantee that continues unremedied for 60 days or more after written notice thereof by a Holder to the Issuer; or
- a Bankruptcy Event with respect to either the Issuer or the Guarantor occurs.

However, upon the occurrence of an Event of Default or a default by the Guarantor under the Guarantee, Holders have limited enforcement remedies, as more particularly described in Condition 11 (*Events of Default*) and in the Guarantee, respectively. See also "*Risk Factors—There are limited remedies available under the Notes*".

Substitution and Amendment:

If a Tax Event, a Regulatory Event or an Alignment Event has occurred, the Issuer may, subject to certain conditions as described under Condition 12 (*Substitution and Amendment*), without the consent of the Holders unless so required by the mandatory provisions

of Swiss law, either substitute all, but not some only, of the Notes for, or amend the Terms and Conditions so that they remain or become, Compliant Securities, as more particularly described in Condition 12 (*Substitution and Amendment*).

Voluntary Issuer Substitution:	Holder s will be deemed to have acknowledged, and explicitly consented to, the fact that the Issuer may at any time, without the consent of the Holder s, substitute any entity (whether or not such entity is organised under the laws of Switzerland) for itself as principal debtor under the Notes, provided that certain conditions are satisfied, as more particularly described in Condition 14(a) (<i>Issuer Substitution – Voluntary Issuer Substitution</i>). Upon the occurrence of any such voluntary issuer substitution, if the Substitute Issuer is UBS Group AG, the Guarantee will cease to exist.
Automatic Issuer Substitution	Holder s will be deemed to have acknowledged, and explicitly consented to the fact that, upon the occurrence of a Guarantee Event at any time on or after the Issue Date but prior to the occurrence of a Trigger Event or a Viability Event, UBS Group AG will, without the consent of the Holder s, automatically be substituted for the Issuer for all purposes under the Notes and Conditions on the Automatic Issuer Substitution Effective Date (such substitution, an " Automatic Issuer Substitution "). Any such Automatic Issuer Substitution will automatically take place on the Automatic Issuer Substitution Effective Date without requiring any action to be taken and without regard to the conditions that would be applicable to a voluntary Issuer substitution. Upon the occurrence of an Automatic Issuer Substitution, the Guarantee will cease to exist. See further Condition 14(b) (<i>Issuer Substitution – Voluntary Issuer Substitution</i>).
Use of Proceeds:	The net proceeds of the issue of the Notes, expected to amount to S\$[•] after deduction of the commission incurred in connection the issue of the Notes, will be used by the Issuer to augment the regulatory capital base of the UBS Group.
Rating:	The Notes will be assigned a rating of [BBB-] by Fitch.
Listing and Trading:	The Notes have been provisionally admitted to trading on the SIX Swiss Exchange from [•] November 2018. The last day of trading in the Notes on the SIX Swiss Exchange is expected to be the second trading day prior to the date on which the Notes are fully redeemed or the Write-down Date, as applicable, in accordance with the Terms and Conditions. Application will be made for the Notes to be listed on the SIX Swiss Exchange.
Governing Law:	The Notes and the Guarantee will be governed by Swiss law. The Subscription Agreement will be governed by English law.
Jurisdiction:	The courts of the Canton of Zurich, Switzerland (venue being the City of Zurich), shall have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Notes or the Guarantee.
Selling Restrictions:	See " <i>Subscription and Sale</i> "
United States Selling Restrictions:	Regulation S, Category 2
Security Codes:	ISIN: [•] Common Code: [•] Swiss Security Number: [•]

RISK FACTORS

Investing in the Notes involves risk, including the risk of loss of a Holder's entire investment in the Notes. Prospective investors should reach their own investment decision with regard to the Notes only after consultation with their own financial and legal advisers about risks associated with an investment in the Notes and the suitability of investing in the Notes in light of their particular circumstances. Additional risks not currently known to the Issuer or the Guarantor or that they now deem immaterial may also adversely affect the Issuer or the Guarantor or affect an investment in the Notes.

Prospective investors should read the entire Listing Prospectus. Words and expressions defined in the Terms and Conditions or elsewhere in this Listing Prospectus have the same meanings in this section.

The sequence in which the risk factors are presented below is not indicative of their likelihood of occurrence or the potential magnitude of their financial consequences. Prospective investors should consider, among other things, the following:

Risks relating to the Notes

The Notes are novel and complex financial instruments and may not be a suitable investment for all investors

The Notes are novel and complex financial instruments. As a result, an investment in the Notes will involve certain increased risks. Each potential investor in the Notes must determine the suitability of such investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Listing Prospectus;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understand thoroughly the terms of the Notes, such as the provisions governing a Contingent Write-down (including, in particular, calculation of the CET1 Ratio and Trigger CET1 Ratio, as well as under what circumstances a Trigger Event or a Viability Event will or may be deemed to occur), and be familiar with the behaviour of any relevant financial markets and their potential impact on the likelihood of certain events under the Notes occurring; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment, the Contingent Write-down of the Notes, and its ability to bear the applicable risks.

Sophisticated institutional investors generally do not purchase complex financial instruments (such as the Notes) as stand-alone investments. They purchase complex financial instruments as a way to enhance yield or hedge risk with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Notes unless it has the knowledge and expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions and their resulting effects on the likelihood of a Contingent Write-down and the value of the Notes, and the impact this investment will have on the potential investor's overall investment portfolio. Prior to making an investment decision, potential investors should consider carefully, in light of their own financial circumstances and investment objectives, all the information contained in this Listing Prospectus or incorporated by reference herein.

The Notes may be subject to a Contingent Write-down

Investors will lose the entire amount of their investment in the Notes following the occurrence of a Trigger Event or a Viability Event, each of which will lead to a Contingent Write-down. Upon the occurrence of a Contingent Write-down, the full principal amount of, and any accrued and unpaid interest on, the Notes

will be automatically and permanently written-down to zero and the Notes will be cancelled, and the Guarantee will cease to exist, as of the relevant Write-down Date.

Furthermore, following the occurrence of a Contingent Write-down and as of the relevant Write-down Date, (i) interest will cease to accrue and (ii) all rights of any Holder for payment of any amounts under or in respect of the Notes or the Guarantee (including, without limitation, any amounts arising as a result of, or due and payable upon the occurrence of, an Event of Default) shall become null and void, irrespective of whether such amounts have become due and payable prior to the relevant Write-down Notice Date or the Write-down Date.

Any Contingent Write-down will be irrevocable and the Holders will, upon the occurrence of a Contingent Write-down, not (i) receive any shares or other participation rights of UBS Group AG or be entitled to any other participation in the upside potential of any equity or debt securities issued by UBS Group AG, the Issuer or any other member of UBS, or (ii) be entitled to any subsequent write-up or any other compensation in the event of a potential recovery of UBS Group AG or any other member of UBS or any subsequent change in the CET1 Ratio or Higher-Trigger Amount or financial condition. A Contingent Write-down may occur even if existing shares of UBS Group AG and/or the Issuer remain outstanding. Furthermore, the current and future outstanding securities issued (or guaranteed) by UBS Group AG and the Issuer that rank *pari passu* with or junior to the Guarantee and the Notes, respectively, might not include write-down or similar features with triggers comparable to those of the Notes. As a result, it is possible that the Notes will be subject to a Contingent Write-down, while such other securities remain outstanding and continue to receive payments.

A Trigger Event will be deemed to have occurred if the Issuer or UBS Group AG notifies the Holders that UBS's Trigger CET1 Ratio has fallen below the Write-down Threshold of 7 per cent.. A Viability Event will be deemed to have occurred if (i) the FINMA determines that a Contingent Write-down is necessary to prevent the insolvency, bankruptcy or failure of UBS Group AG to pay a material part of its debts as they fall due or to prevent UBS Group AG from becoming unable to carry on its business or (ii) UBS Group AG has received a commitment of extraordinary support from the Public Sector that is, as determined by the FINMA, necessary to prevent the insolvency, bankruptcy or failure of UBS Group AG to pay a material part of its debts as they fall due or to prevent UBS Group AG from becoming unable to carry on its business. Either could occur before formal insolvency or restructuring proceedings would be commenced in respect of UBS Group AG or the Issuer.

The circumstances surrounding or triggering a Contingent Write-down are unpredictable

The occurrence of a Trigger Event or a Viability Event is inherently unpredictable and depends on a number of factors, any of which may be outside of the control of the Issuer and UBS Group AG.

The occurrence of a Trigger Event under the Notes depends, in part, on the calculation of the Trigger CET1 Ratio. This calculation could be affected by, among other things, the growth of UBS's business and its future earnings, future dividend payments by UBS Group AG, regulatory changes (including changes to definitions and calculations of risk weighted assets and regulatory capital) and UBS's ability to mitigate risk weighted assets in accordance with its plans. This calculation may also be affected by changes in applicable accounting rules or by changes to regulatory adjustments modifying the regulatory capital impact of accounting rules. Moreover, even if changes in applicable accounting rules or the related changes to regulatory adjustments are not applicable as of the relevant calculation date, the FINMA could require UBS Group AG to reflect such changes in any particular calculation of the CET1 Ratio. Those accounting changes may have a material adverse impact on the calculation of the CET1 Capital and BIS Risk Weighted Assets used to calculate the CET1 Ratio. Furthermore, although UBS Group AG reports the CET1 Ratio only as of each quarterly period end, the FINMA as part of its supervisory activity may instruct UBS Group AG to calculate the CET1 Ratio as of any date during such periods. The CET1 Ratio and other capital metrics fluctuate during any reporting period in the ordinary course of business. In addition, the occurrence of a Trigger Event depends on the Higher-Trigger Amount. The Higher-Trigger Amount will fluctuate with any future issuance, redemption, maturity of or other reduction in Higher-Trigger Contingent Capital, although, the terms and conditions of the relevant Higher-Trigger Contingent Capital may permit the FINMA to waive the conversion into equity or write-down of the relevant Higher-Trigger Contingent Capital.

Furthermore, changes that may occur to National Regulations and/or the BIS Regulations subsequent to the date of this Listing Prospectus, and changes to the basis of UBS Group AG's calculation of the CET1 Ratio resulting therefrom, may individually or in the aggregate negatively affect the CET1 Ratio, including the

Trigger CET1 Ratio, and thus increase the risk of a Contingent Write-down, as a result of which Holders will lose their entire investment in the Notes and have no further rights against the Issuer or UBS Group AG with respect to the repayment of the principal amount of the Notes or the payment of interest on the Notes. Refer to the "*Regulatory and legal developments*" section of the Annual Report 2017 for more information on the finalisation of the Basel III capital framework and related developments in Switzerland.

The occurrence of a Viability Event is dependent upon, among other things, the subjective determination of the FINMA regarding the viability of UBS Group AG. Namely, it is up to the FINMA to determine whether a write-down of the Notes, together with the conversion or write-down, as applicable, of holders' claims in respect of all other capital instruments issued by, or other capital obligations (whether qualifying fully or partially for capital treatment), of any member of UBS that, pursuant to their terms or by operation of law, are capable of being converted into equity or written down at that time, is, because customary measures to improve UBS Group AG's capital adequacy are inadequate or infeasible, an essential requirement to prevent UBS Group AG from becoming insolvent, bankrupt, unable to pay a material part of its debts as they fall due or unable to carry on its business. Additionally, if customary measures to improve UBS Group AG's capital adequacy are inadequate or infeasible and, as a result, UBS Group AG has received an irrevocable commitment of direct or indirect extraordinary support from the Public Sector (beyond customary transactions and arrangements in the ordinary course), it is up to the FINMA to determine whether UBS Group AG would have become insolvent, bankrupt, unable to pay a material portion of its debts as they fall due or unable to carry on its business without such extraordinary support, and the FINMA has considerable discretion in making such determination. As a result, the FINMA may require, or the Swiss federal government may take actions contributing to the occurrence of, a Contingent Write-down in circumstances that are beyond the control of the Issuer and UBS Group AG and with which the Issuer and UBS Group AG may not agree.

Due to the inherent uncertainty regarding the determination as to whether a Trigger Event or a Viability Event has occurred, it will be difficult to predict when, if at all, a Contingent Write-down will occur. Accordingly, the trading behaviour of the Notes is not necessarily expected to follow the trading behaviour of other types of subordinated securities. Any indication that the condition of UBS is heading towards a condition that could result in the occurrence of a Trigger Event or a Viability Event can be expected to have an adverse effect on the market price of the Notes.

Interest payments on the Notes may be cancelled by the Issuer (in whole or in part) at any time and, in certain circumstances, the Issuer will be required to cancel such interest payments

The Issuer may elect, in its sole and absolute discretion, to cancel in whole or in part any payment of interest in respect of the Notes (including, for the avoidance of doubt, any related Additional Amounts) that is otherwise scheduled to be paid on an Interest Payment Date.

Furthermore, the Issuer will be prohibited from making, in whole or in part, any payment of interest on the Notes (including, for the avoidance of doubt, any related Additional Amounts) on the relevant Interest Payment Date if and to the extent that the amount of Distributable Items as at such Interest Payment Date is less than the sum of (x) the amount of such interest payment, plus (y) all other payments (other than redemption payments) made by the Issuer or UBS Group AG on or in respect of the Notes or any Parity Obligations, Guarantor Parity Obligations, Junior Obligations or Guarantor Junior Obligations since the balance sheet date of the Relevant Accounts and prior to such Interest Payment Date, plus (z) all amounts (other than redemption amounts) payable by the Issuer or UBS Group AG on such Interest Payment Date on or in respect of any Parity Obligations, Guarantor Parity Obligations, Junior Obligations or Guarantor Junior Obligations, in the case of each clauses (x), (y) and (z), excluding any portion of such payments already accounted for in determining the amount of such Distributable Items. The Distributable Items will be calculated based on the non-consolidated audited financial statements of UBS Group AG from time to time in accordance with the Swiss Code of Obligations. In addition, the Issuer will also be prohibited from making any such payments if (i) UBS Group AG is not, or will not immediately after the relevant payment of interest be, in compliance with all applicable minimum capital adequacy requirements of National Regulations on a consolidated (*Finanzgruppe*) basis (for the avoidance of doubt, it being understood that such minimum requirements will reflect any reduction in such requirements granted by the FINMA to the Group pursuant to the Capital Adequacy Ordinance); and/or (ii) the FINMA has required the Issuer not to make such interest payment (see further – Condition 5(j) (*Interest – Cancellation of interest; prohibited interest*)). It should be noted that FINMA has broad discretion to prevent the Issuer from making interest payments on the Notes, including in situations where UBS Group AG is not, or will immediately after the relevant payment of interest not be, in compliance with all applicable capital buffer requirements (*Eigenmittelpuffer*) or requirements to hold additional loss absorbing capacity (*zusätzliche*

verlustabsorbierende Mittel) or any similar requirements under National Regulations on a consolidated (*Finanzgruppe*) basis.

Interest payments in respect of the Notes will be non-cumulative. Accordingly, if any payment of interest (or part thereof) is not made in respect of the Notes then the right of the Holders to receive the relevant interest payment (or part thereof) will be extinguished (and shall not accumulate) and the Issuer will have no obligation to pay such interest payment (or part thereof), whether or not future interest payments on the Notes are paid. In addition, the Guarantor will not be obliged to make any payment under the Guarantee to the extent that the Issuer has elected to cancel, or is prohibited from making, any payment of interest under the Notes. The cancellation of interest will not constitute a default or an Event of Default or entitle any action to be taken by Holders and Holders shall have neither any right to such cancelled interest, whether in a winding-up, dissolution or liquidation of the Issuer, nor any entitlement to demand payment therefor from the Guarantor under the terms of the Guarantee.

Other regulatory capital instruments may not be subject to a write-down

The terms and conditions of other regulatory capital instruments already in issue or to be issued (or guaranteed) after the date hereof by UBS Group AG or the Issuer or any of its other subsidiaries may vary and accordingly such instruments may not convert into equity or be written-down at the same time, or to the same extent, as the Notes, or at all. In particular, regulatory capital instruments issued by a member of the Group with terms that require such instruments to be converted into equity and/or written-down when a capital measure falls below a threshold that is equal to or higher than the Write-down Threshold, may not be converted or written-down in case of the occurrence of a Trigger Event if the relevant capital measure for triggering a conversion or write down, as the case may be, under those instruments is calculated differently from the CET1 Ratio or the Trigger CET1 Ratio. Also, regulatory capital instruments issued by any subsidiary of UBS Group AG that are required pursuant to their terms to be converted into equity and/or fully or partially written down when the relevant capital measure falls below the relevant write-down threshold, or a viability event occurs, may not be converted or written-down in case of the occurrence of a Trigger Event or a Viability Event if the events triggering a conversion or write down, as the case may be, under the terms of those instruments are determined with respect to a group or subgroup of entities that is different from the Group.

In certain instances the Issuer could vary the Terms and Conditions and Holders may be bound by certain other amendments to the Notes to which they did not consent

If at any time a Regulatory Event, Tax Event or Alignment Event occurs and is continuing, in addition to its option to redeem the Notes, if applicable, the Issuer has the option, without the consent of the Holders (unless then so required by mandatory provisions of Swiss law), to substitute all (but not some only) of the Notes for, or vary the terms of the Notes so that they remain or, as appropriate, become, Compliant Securities, as described under Condition 12 (*Substitution and Amendment*) (see also "*Risk Factors – Changes of law may adversely affect the rights of Holders under the Notes*" below). While the Issuer cannot so substitute the Notes for securities that have, or so vary the terms of the Notes so that they have, economic terms materially less favourable to a Holder than the terms of the Notes, no assurance can be given as to whether such substitution or variation will negatively affect any particular Holder. In addition, the tax and stamp duty consequences of holding such substituted or amended Notes could be different for some categories of Holders from the tax and stamp duty consequences for them of holding the Notes prior to such substitution or amendment.

In addition, the Notes are subject to statutory provisions of Swiss law allowing for the calling of meetings of Holders to consider matters affecting their interests. These provisions permit defined majorities to bind all Holders, including Holders who did not attend and vote at the relevant meeting and Holders who voted in a manner contrary to the majority. Pursuant to the relevant statutory provisions of Swiss law as in effect as at the date of this Listing Prospectus, (i) the Issuer will be required to provide Holders with at least ten days' notice of any meeting of Holders, (ii) the Issuer will be required to call a meeting of Holders within 20 days if it is requested to do so by Holders holding an aggregate principal amount of Notes that represents at least one-twentieth of the outstanding aggregate principal amount of the Notes, and (iii) only Holders or their proxies will be entitled to attend or vote at a meeting of Holders. In addition, the Holder approval requirements under the relevant statutory provisions of Swiss law as in effect as at the date of this Listing Prospectus for amendments to the Terms and Conditions will depend on the type of amendment. Pursuant to article 1170 of the Swiss Code of Obligations, the consent of Holders holding at least two-thirds of the outstanding aggregate principal amount of the Notes is required for any resolution limiting Holders' rights under the Notes (such as a moratorium on interest or capital and certain amendments to the interest

provisions). In the case of resolutions that do not limit Holders' rights under the Notes, pursuant to article 1181 of the Swiss Code of Obligations, an absolute majority of the votes represented at a meeting of Holders is sufficient to approve any such resolution, unless article 1170 of the Swiss Code of Obligations or the Terms and Conditions provide for more stringent requirements.

Further, under the Terms and Conditions, the Issuer may also, without the consent or approval of the Holders, make such amendments thereto as it considers necessary or desirable to give effect to certain provisions of the Terms and Conditions (see, in particular, "*Risk Factors – Risks related to the method pursuant to which the Mid Market Swap Rate is determined may adversely affect the value of and return on the Notes*" below) and such other changes that in its opinion are of a formal, minor or technical nature or made to correct a manifest error, or that in its opinion are not materially prejudicial to the interests of the Holders.

Holdings will bear the risk of fluctuations in the CET1 Ratio and/or Trigger CET1 Ratio

The market price of the Notes is expected to be affected by fluctuations in the CET1 Ratio since the amount of CET1 Capital may vary, as may the amount of the BIS Risk Weighted Assets. Moreover, the market price of the Notes may be affected by fluctuations of the Trigger CET1 Ratio since the applicable Higher-Trigger Amount may vary with the future issuance, redemption, maturity of or other reduction in Higher-Trigger Contingent Capital (see "*Risk Factors – The circumstances surrounding or triggering a Contingent Write-Down are unpredictable*" above). Any indication that the CET1 Ratio and/or Trigger CET1 Ratio, as the case may be, is trending towards a Trigger Event may have an adverse effect on the market price of the Notes. The level of the CET1 Ratio and/or Trigger CET1 Ratio, as the case may be, may significantly affect the trading price of the Notes.

For the purpose of the calculation of the CET1 Ratio and/or Trigger CET1 Ratio, as the case may be, which is relevant for the determination of a potential Trigger Event resulting in a Contingent Write-down of the Notes, the CET1 Capital and the BIS Risk Weighted Assets are determined in accordance with the relevant Swiss regulations as applied by the FINMA. In respect of systemically relevant bank groups (such as UBS), the Swiss regulations differ from the capital adequacy standards and guidelines promulgated by the Basel Committee on Banking Supervision.

The interest rate on the Notes will reset on the First Call Date, which can be expected to affect the market value of the Notes

The Notes will initially bear interest at the fixed rate of [•] per cent. per annum until (but excluding) the First Call Date. From (and including) the First Call Date, however, the interest rate will be reset to the Reset Interest Rate in relation to the relevant Reset Interest Period (as described under Condition 5 (*Interest*)). There can be no assurance that the Reset Interest Rate will be sufficient to ensure that the market value of the Notes will not be adversely affected (see also "*Risk Factors – Risks related to the method pursuant to which the Mid Market Swap Rate is determined may adversely affect the value of and return on the Notes*" below).

Risks related to the method pursuant to which the Reference Rate is determined may adversely affect the value of and return on the Notes.

Since April 2013, the FCA has regulated the London Interbank Offered Rate ("**LIBOR**"), the "benchmark" utilised for the purposes of determining the Reference Rate upon which interest payments on the Notes will, from and including the First Call Date, be linked. Efforts to transition from LIBOR to alternative benchmark rates are under way in several jurisdictions. The FCA announced in July 2017 that it will not intervene beyond 2021 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 present, if at all. In the third quarter of 2018, the working group on euro risk-free rates recommended ESTER (euro short-term rate) as the replacement for EONIA (Euro OverNight Index Average), which will be prohibited by the EU Benchmark Regulation after 1 January 2020. Futures contracts referenced to the Secured Overnight Financing Rate (SOFR), the recommended successor to US dollar LIBOR (London Interbank Offered Rate), began trading on the Chicago Mercantile Exchange. The Bank of England consulted on the development of Term SONIA (Sterling Overnight Index Average) Reference Rates, which are expected to become available in the second half of 2019. The International Swaps and Derivatives Association, as part of an FCA mandate, consulted on preferred options for LIBOR transition fallbacks for derivatives. The FCA and the Prudential Regulation Authority have written to the CEOs of banks and insurance companies in the UK, including UBS, seeking assurance that senior managers and boards

understand the risks associated with the transition away from interbank offered rates ("**IBORs**") and are taking appropriate preparatory action to transition to alternative rates before the end of 2021. In July 2018, the International Swaps and Derivatives Association launched a market-wide consultation on technical issues related to new benchmark fallbacks for derivatives contracts that reference certain IBORs. At this time, it is not possible to predict the effect of any such changes, any establishment of alternative reference rates or any other reforms to IBORs that may be implemented in the United Kingdom or elsewhere. UBS has a substantial number of contracts linked to IBOR and has established a cross-divisional, cross-regional governance structure and change program to address the scale and complexity of the transition from 2018 to 2021. Discontinuance of, or changes to, benchmark rates as a result of these developments or other initiatives or investigations, as well as uncertainty as to the timing and manner of implementation of such changes or discontinuance, may require adjustments to agreements by UBS, its clients and other market participants, as well as to UBS's systems and processes

Pursuant to the Terms and Conditions, if in relation to a Reset Interest Period, the Reference Rate cannot be determined because the rate appearing under the column headed "ASK" for a maturity of five years under the caption "*Tullett Preborn – Rates – Interest Rate Swaps – Asia Pacific – SGD*" (the "**Existing Benchmark Rate**") does not appear on the Relevant Page at the Relevant Time, a fallback mechanism provides that the Reset Interest Rate applicable to such Reset Interest Period will be determined by the Calculation Agent by averaging quotes obtained from reference banks, if available, or, if no such quotes are available, by reference to the Reference Rate determined in connection with a preceding Reset Interest Period or, in respect of the Reset Interest Period commencing on the First Call Date, [\bullet] per cent. per annum. As a result, if the Calculation Agent is unable to obtain such quotes and rates, the Notes will effectively become fixed rate notes for the relevant Reset Interest Period (the "**Fallback Mechanism**").

Additionally, if the Issuer (in consultation with the Calculation Agent) determines that the Existing Benchmark Rate has been discontinued, then the Issuer shall use reasonable endeavours to appoint an Independent Adviser to (or, failing which, the Issuer may (in consultation with the Calculation Agent)) determine, in its reasonable discretion, an alternative benchmark rate that has replaced the Existing Benchmark Rate in customary market usage or, if it determines that no such rate has replaced the Existing Benchmark Rate, such other rate that it reasonably determines is most comparable to the Existing Benchmark Rate (the "**Alternative Benchmark Rate**") and whether to apply an adjustment spread (which spread may be positive or negative), or formula or methodology for calculating such a spread, if applicable, to such Alternative Benchmark Rate in order to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as applicable) to Holders as a result of the replacement of the Existing Benchmark Rate with the Alternative Benchmark Rate, as further described and pursuant to Condition 5(c) (*Interest – Benchmark replacement*) (an "**Adjustment Spread**"). Any such determination may also result in changes to, inter alia, the day count convention, definition of business day and/or Reference Rate Determination Date and any method for obtaining the Reference Rate if such Alternative Benchmark Rate is unavailable on the relevant business day, in a manner that has broad market support for such Alternative Benchmark Rate. If it has been determined that the Existing Benchmark has been discontinued, but (i) the Issuer is unable to appoint an Independent Adviser or if the Independent Adviser appointed by the Issuer fails to determine an Alternative Benchmark Rate, and (ii) the Issuer is unable or unwilling to determine the Alternative Benchmark Rate, the Reference Rate for the Affected Reset Interest Period (and, potentially, all succeeding Affected Reset Interest Periods) will be equal to the Reference Rate in respect of the immediately preceding Reset Interest Period (or, if there is no preceding Reset Interest Period, will be equal to the Fixed Interest Rate).

The use of an Alternative Benchmark Rate (including the determination to use (or not use) an Adjustment Spread, if applicable) may result in interest payments that are substantially lower than or that do not otherwise correlate over time with the payments that could have been made on the Notes if the Existing Benchmark Rate remained available in its current form. Furthermore, if the Issuer is unable to appoint an Independent Adviser or if the Independent Adviser appointed by the Issuer fails to determine an Alternative Benchmark Rate, the Issuer may have to exercise its discretion to determine (or to elect not to determine) an Alternative Benchmark Rate or Adjustment Spread, if applicable, in a situation in which it is presented with a conflict of interest.

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

More generally, any of the above changes or any other consequential changes to any "benchmark" on which interest payments under the Notes are based as a result of international, national, or other proposals for reform or other initiatives or investigations, or any further uncertainty in relation to the timing and manner

of implementation of such changes, could have a material adverse effect on the value of and return on the Notes.

The Notes are perpetual securities

The Notes are perpetual securities, which means they have no scheduled repayment date. The Issuer is under no obligation to redeem the Notes at any time before the date on which voluntary or involuntary liquidation proceedings are instituted in respect of the Issuer and/or the Guarantor (should such proceedings ever be instituted).

The Issuer may, in its sole discretion, elect to redeem the Notes on the First Call Date or on any other Interest Payment Date thereafter or upon the occurrence of certain events

The Terms and Conditions provide that the Notes are redeemable at the Issuer's option on the First Call Date or on any other Interest Payment Date thereafter, or in certain circumstances such as a Tax Event or a Regulatory Event occurring at any time after the Issue Date, and accordingly the Issuer may choose to redeem the Notes at times when its cost of alternative borrowing is lower than the interest rate on the Notes (see also "*Risk Factors – Changes of law may adversely affect the rights of Holders under the Notes*" below). In such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the Notes. Potential investors should consider whether and how to reinvest the proceeds of such redemption in light of other investments available at that time. There can be no assurance that Holders will be able to reinvest the redemption proceeds at a rate that will provide the same rate of return as their investment in the Notes.

In addition, the optional redemption feature of the Notes is likely to limit their market value. During any period when the Issuer has the right to elect to redeem the Notes, the market value of the Notes generally will not rise substantially above the price at which they can be redeemed. There is no requirement to redeem the Notes or any other capital instruments of UBS on a *pro rata* basis or otherwise upon the occurrence of any event giving the Issuer the right to redeem the Notes prior to maturity. Also, upon the occurrence of any event giving the Issuer the right to redeem the Notes prior to maturity, the Issuer, the Guarantor or any other member of UBS, as applicable, may, instead of redeeming the Notes, choose to redeem other outstanding capital instruments if the terms of those capital instruments so provide, leaving the Holders subject to the risk of a Contingent Write-down while other investors are redeemed at par or other advantageous prices.

Any redemption of the Notes on the First Call Date or on any other Interest Payment Date thereafter, or following the occurrence of a Tax Event at any time after the Issue Date, will be subject to the consent of the FINMA, which pursuant to applicable Swiss regulations requires, among other things, that at the time of the redemption UBS Group AG (i) in the case of a replacement of capital, issues (or guarantees) at least equivalent capital in the same amount, or (ii) without a replacement of capital, has capital in an amount that is materially above the applicable capital requirements. This requirement may result in the Issuer not being able to redeem the Notes even when it would appear likely to do so, which would leave the Holders at risk of a Contingent Write-down notwithstanding the occurrence of an event that would otherwise give rise to redemption at par.

The Issuer's obligations under the Notes, and the Guarantor's obligations under the Guarantee, are subordinated

In the event of a Bankruptcy Event with respect to the Issuer or in the case of an order being made, or an effective resolution being passed, for the liquidation or winding-up of the Issuer, the rights and claims of the Holders against the Issuer in respect of or arising under (including any damages awarded for breach of any obligation under) the Notes will, rank (i) junior to the rights and claims of all holders of Senior Obligations, (ii) *pari passu* with the rights and claims of holders of Parity Obligations and (iii) senior to the rights and claims of holders of Junior Obligations; provided, however, that, if certain Bankruptcy Events with respect to the Guarantor have occurred, any amount payable to Holders in respect of or arising under the Notes (including, for the avoidance of doubt, under the Guarantee) will not exceed the amount per Note that would be paid on a liquidation distribution out of the assets of the Guarantor had the Notes and any Parity Obligations ranked *pari passu* with Guarantor Parity Obligations. In the event of a Bankruptcy Event with respect to the Guarantor or in the case of an order being made, or an effective resolution being passed, for the liquidation or winding-up of the Guarantor, the rights and claims of the Holders against the Guarantor in respect of or arising under (including any damages awarded for breach of any obligation under) the Guarantee will, rank (i) junior to the rights and claims of all holders of Guarantor Senior

Obligations, (ii) *pari passu* with the rights and claims of holders of Guarantor Parity Obligations and (iii) senior to the rights and claims of holders of Guarantor Junior Obligations.

Therefore, if the Issuer or the Guarantor were wound up, liquidated or dissolved, the Issuer's or the Guarantor's liquidator, as the case may be, would first apply assets of the Issuer or the Guarantor to satisfy all rights and claims of holders of Senior Obligations or Guarantor Senior Obligations, respectively. If the Issuer or the Guarantor does not have sufficient assets to settle claims of holders of Senior Obligations or Guarantor Senior Obligations, respectively, in full, the claims of the Holders under the Notes or the Guarantee, respectively, will not be settled and, as a result, the Holders will lose the entire amount of their investment in the Notes. The Notes will share equally in payment with the Parity Obligations or the Guarantor Parity Obligations if the Issuer or the Guarantor, respectively, does not have sufficient funds to make full payments on all of them, as applicable. In such a situation, Holders could lose all or part of their investment.

Additionally, under certain circumstances, the FINMA has the power to open restructuring proceedings with respect to the Issuer or UBS Group AG and convert the Notes or any claims under the Guarantee into equity or cancel the Notes or any claims under the Guarantee, in each case, in whole or in part (see "*UBS Group AG and the Issuer are subject to the resolution regime under Swiss banking laws and regulations*" below). Holders should be aware that, in the case of any such conversion into equity or write-down, the FINMA would follow the order of priority set out under Swiss banking laws, which means, among other things, that the Notes or the claims under the Guarantee, as the case may be, would have to be written-down or converted prior to the write-down or conversion of any subordinated debt of the Issuer or the Guarantor, respectively, that does not qualify as regulatory capital with a contractual write-down or conversion feature. However, in the case of a cancellation upon the occurrence of a Contingent Write-down, the FINMA would not be required to follow any order of priority, which means, among other things, that the Notes may be cancelled in whole (and the Guarantee with respect to such cancelled Notes will cease to exist) prior to the cancellation of any or all of UBS Group AG's equity capital.

In addition, Holders should be aware that, upon the occurrence of a Contingent Write-down, the full principal amount of the Notes will automatically be written down to zero, the Notes will be cancelled and the Guarantee will cease to exist, and, as a result, the Holders will lose the entire amount of their investment in the Notes (including any accrued and unpaid interest) irrespective of whether the Issuer or the Guarantor has sufficient assets available to settle the claims of the Holders under the Notes or other securities subordinated to the same or greater extent than the Notes, in bankruptcy, liquidation, dissolution or winding-up proceedings or otherwise.

There are limited remedies available under the Notes

In accordance with the requirements for Additional Tier 1 instruments, and as more particularly described under Condition 11 (*Events of Default*), Holders have only limited enforcement remedies upon an Event of Default. These are limited, in the case of enforcing payment of sums due under the Notes, to instituting proceedings against the Issuer in accordance with Swiss insolvency laws and, in the case of any other Event of Default, to seeking specific performance or damages in accordance with the Swiss Code of Obligations. A Holder may accelerate its Notes only upon the occurrence of a Bankruptcy Event with respect to the Issuer or the Guarantor. Furthermore, even if a Bankruptcy Event with respect to the Issuer or the Guarantor occurs, if a Contingent Write-down occurs before such Bankruptcy Event, the Holder would have no claim that it could submit in the bankruptcy proceeding. Similarly, as more particularly described in the Guarantee, Holders have only limited enforcement remedies against the Guarantor. In the case of enforcing payment of sums due under the Guarantee, these are limited to instituting proceedings against the Guarantor in accordance with Swiss insolvency laws, and, in the case of any breach by the Guarantor of any of its other obligations under the Guarantee, these are limited to seeking specific performance or damages in accordance with the Swiss Code of Obligations.

There is no restriction on the amount or type of further securities or indebtedness that the Issuer or the Guarantor may issue, incur or guarantee

There is no restriction on the amount or type of further securities or indebtedness that the Issuer or the Guarantor may issue, incur or guarantee, as the case may be, that rank senior to, or *pari passu* with, the Notes or the Guarantee, respectively. The issue or guaranteeing of any such further securities or indebtedness may reduce the amount recoverable by Holders under the Notes or the Guarantee in a liquidation or winding-up of the Issuer or the Guarantor, respectively. In addition, the Notes do not contain any restriction on the Issuer, and the Guarantee does not contain any restriction on the Guarantor, issuing

(or guaranteeing) securities that may have preferential rights to the Notes or the Guarantee, respectively, or securities with similar, different or no Trigger Event or Viability Event provisions.

The Notes are not covered by any government compensation or insurance scheme and do not have the benefit of any government guarantee

An investment in the Notes will not be covered by any compensation or insurance scheme of any government agency of Switzerland or any other jurisdiction, and neither the Notes nor the Guarantee has the benefit of any government guarantee. The Notes and the Guarantee are the obligations of the Issuer and the Guarantor only and Holders must solely look to the Issuer and the Guarantor for the performance of its obligations under the Notes or the Guarantee, respectively. In the event of a Bankruptcy Event with respect to the Issuer or the Guarantor, a Holder may lose all or some of its investment in the Notes.

Tax treatment of the Notes under Singapore law is unclear

It is not clear whether the Notes will be regarded as "debt securities" under the Income Tax Act (Chapter 134) of Singapore (the "**Income Tax Act**") and the tax treatment to holders of the Notes may differ depending on the characterisation and treatment of the Notes by the Inland Revenue Authority of Singapore. In addition, the Notes are not intended to be "qualifying debt securities" for the purposes of the Income Tax Act and holders of the Notes will not be eligible for the tax exemption or concessionary tax rates under the qualifying debt securities scheme. Prospective holders and holders of the Notes should consult their own accounting and tax advisers regarding the Singapore tax consequences of their acquisition, holding or disposal of the Notes.

Credit Rating

The Notes have been assigned a rating of [BBB-] by Fitch. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Any adverse change in an applicable credit rating could adversely affect the trading price for the Notes.

A downgrade, suspension or withdrawal of the rating assigned by any rating agency to the Notes could cause the liquidity or market value of the Notes to decline

Upon issuance, the Notes will be rated by nationally recognised statistical ratings organisations and may in the future be rated by additional rating agencies. Any rating initially assigned to the Notes may not be consistent with the expected ratings set out elsewhere in this Listing Prospectus or may be lowered, suspended or withdrawn entirely by a rating agency if, in that rating agency's judgment, circumstances relating to the basis of the rating, such as adverse changes to UBS's business, so warrant. Any lowering, suspension or withdrawal of a rating by a rating agency could reduce the liquidity or market value of the Notes.

Unsolicited ratings, which may differ from the ratings expected to be assigned by Fitch may also be assigned to the Notes by other credit rating agencies. Issuance of an unsolicited credit rating which is lower than the ratings assigned by Fitch may adversely affect the market value and/or liquidity of the Notes.

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

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

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

UBS Business Solutions AG, a wholly owned subsidiary of UBS Group AG, was established in 2015 and acts as the Group service company. In 2017, UBS's shared services functions in Switzerland and the UK

were transferred from UBS AG to UBS Business Solutions AG. UBS also completed the transfer of shared services functions in the US to its US service company, UBS Business Solutions US LLC, a wholly owned subsidiary of UBS Americas Holding LLC.

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

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

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

The Terms and Conditions contain no restrictions on change of control events or structural changes, such as consolidations or mergers or demergers of the Issuer or the Guarantor or the sale, assignment, spin-off, contribution, distribution, transfer or other disposal of all or any portion of properties or assets of the Issuer or the Guarantor or any of their respective subsidiaries in connection with the announced changes to its legal structure or otherwise and no Event of Default, requirement to repurchase the Notes or other event will be triggered under the Terms and Conditions as a result of such changes. There can be no assurance that such changes, should they occur, would not adversely affect the credit rating of UBS Group AG and/or increase the likelihood of the occurrence of a Trigger Event or a Viability Event and, consequently, a Contingent Write-down. Such changes, should they occur, may adversely affect the ability of the Issuer or the Guarantor to pay the principal amount or the interest under the Notes or the Guarantee, respectively, and/or lead to circumstances in which the Issuer may elect to cancel such interest.

The Issuer may, without consent of the Holders, substitute the Guarantor or another controlled subsidiary of UBS Group AG as the Issuer under the Notes

Under the Terms and Conditions, the Issuer may, without consent of the Holders and subject to certain conditions, voluntarily substitute the Guarantor for itself as issuer under the Notes pursuant to Condition 14(a) (*Issuer Substitution – Voluntary Issuer Substitution*). In such a case, the Guarantee would cease to exist, and the Holders would only be owed obligations under the Notes by, and the only have a claim against, UBS Group AG.

In addition, under the Terms and Conditions, the Issuer may, without the consent of the Holders and subject to certain conditions, substitute for itself any direct or indirect controlled subsidiary of UBS Group AG as issuer under the Notes. So long as the conditions described in Condition 14 (*Issuer Substitution*) of the Terms and Conditions are satisfied, such subsidiary may be an entity incorporated in a jurisdiction other than Switzerland or having a different form from the original issuer or UBS Group AG. In such a case, the rights of Holders under the laws of the jurisdiction of such subsidiary may differ from the rights of Holders against the original issuer and UBS Group AG under the laws of Switzerland. For example, other types of entities or entities formed in other jurisdictions may be subject to different insolvency regimes or may not be subject to suit in the same manner. As a result, Holders may be required to comply with legal procedures for making a claim or enforcing an action against the substitute issuer specific to the jurisdiction or form of incorporation of the substitute issuer that differ from the legal procedures required for making a claim or enforcing an action against the original issuer and UBS Group AG under the laws of Switzerland.

The Issuer is a wholly-owned subsidiary of, and is controlled by, UBS Group AG and would make its determination as to whether to effect a voluntary issuer substitution with respect to the Notes, at the direction and under the control of UBS Group AG. UBS Group AG would make its decision as to whether to cause the Issuer to exercise its right to make such a voluntary issuer substitution based on whether doing so would be most beneficial to UBS Group AG for any reason. In particular, the Swiss Federal Council has requested the Swiss Federal Tax Administration to propose amendments to the current Swiss tax law in

order to reduce the additional tax burden on debt issuances by bank top holding companies. UBS Group AG currently expects to cause the Issuer to effect a voluntary issuer substitution, so that UBS Group AG would become the issuer under the Notes after such amendments have come into effect.

The Guarantor will need to be notified in order to claim any amounts under the Guarantee

Pursuant to the terms of the Guarantee and requirements of Swiss law, the Guarantor will need to be notified before any amounts can be enforced under the Guarantee. This requirement may result in a delay in the ability of the Holder to receive the relevant payment of principal and/or interest. This could have an adverse effect on the interests of the Holders.

As UBS Group AG is a holding company, its ability to meet its financial obligations is dependent upon funding, dividend and other distributions received from its subsidiaries, which may be subject to restrictions

UBS Group AG is a holding company and its direct and indirect subsidiaries conduct the operations of UBS as a financial services firm. UBS Group AG's interests in UBS AG represent substantially all of its assets and revenues. UBS Group AG's ability to meet its financial obligations in the future, including those under the Guarantee (or, if it is substituted for the Issuer as issuer under the Notes, under the Notes), will depend on the level of funding, dividends and other distributions, if any, received from its operating subsidiaries, including UBS AG and its subsidiaries and any new subsidiaries established by UBS Group AG in the future. UBS Group AG's subsidiaries are separate and distinct legal entities, and their ability to provide UBS Group AG with funds for UBS Group AG's payment obligations (including those under the Guarantee (or, if it is substituted for the Issuer as issuer under the Notes, under the Notes)), whether by dividends, distributions, loans or other payments, including but not limited to payments in connection with capital instruments issued by UBS Group AG's subsidiaries to UBS Group AG, may be restricted as a result of several factors, including restrictions in financing agreements and the requirements of applicable regulatory capital, liquidity and other restrictions. In particular, UBS Group AG's subsidiaries, including UBS AG, may be subject to laws that restrict dividend payments, authorise regulatory bodies to block or reduce the flow of funds from those subsidiaries to UBS Group AG, or limit or prohibit transactions with affiliates. Moreover, certain of UBS Group AG's subsidiaries are subject to, or may be subject to the exercise of statutory powers of a regulator that has powers similar to, the statutory powers of the FINMA (including its Swiss resolution powers in restructuring proceedings and ability to order protective measures) and/or subject to requirements with respect to loss-absorbing capacity that could impact their ability to repay any loans made to, or other investments in, such subsidiary by UBS Group AG or another member of UBS. Restrictions and regulatory actions of this kind could impede access to funds that UBS Group AG may need to meet its financial obligations. Moreover, any distribution of earnings to UBS Group AG from its subsidiaries, or advances or other distributions of funds by these subsidiaries to UBS Group AG, even if not restricted or limited as mentioned above, are contingent upon the subsidiaries' earnings, as well as approvals by relevant regulators and are subject to various business considerations. These requirements and/or limitations could adversely affect UBS Group AG's ability to pay amounts due under the Guarantee (or, if it is substituted for the Issuer as issuer under the Notes, under the Notes).

Additionally, since the creditors of any of UBS Group AG's subsidiaries would generally have a right to receive payment that is prior to UBS Group AG's right to receive payment from the assets of that subsidiary, the rights of Holders of the Notes against UBS Group AG under the Notes and/or the Guarantee, as the case may be, will be structurally subordinated to creditors of UBS Group AG's subsidiaries.

UBS Group AG and the Issuer are subject to the resolution regime under Swiss banking laws and regulations

Under the FBA, the FINMA is able to exercise its broad statutory powers thereunder with respect to UBS Group AG as a Swiss parent company of a financial group, including its powers to order protective measures, institute restructuring proceedings (and exercise any Swiss resolution powers in connection therewith), and institute liquidation proceedings, if there is justified concern that UBS Group AG is over-indebted, has serious liquidity problems or, after the expiry of a deadline, no longer fulfils capital adequacy requirements.

In addition, the Issuer has been designated as a "relevant group company" (*wesentliche Gruppengesellschaft*) pursuant to art. 2^{bis} paragraph 1 lit. b of the FBA. As a result, the FINMA is able to exercise the same broad statutory powers with respect to the Issuer as it is able to exercise with respect to UBS Group AG, including ordering protective measures, opening restructuring proceedings (and exercising

any Swiss resolution power in connection therewith), and instituting liquidation proceedings. In its position paper on resolution of global systemically important banks of 7 August 2013, the FINMA declared that its preferred resolution strategy for global systemically important financial groups consists of central resolution proceedings led by the bank's "home" supervisory and resolution authorities and focuses on the top-level group company. If the FINMA were to follow this so-called "single point of entry" resolution strategy, it would mean that it would open restructuring proceedings with respect to UBS Group AG prior to restructuring proceedings with respect to the Issuer. However, despite its stated preferred resolution strategy, the FINMA has the discretion to open restructuring proceedings with respect to the Issuer prior to (or concurrently with) restructuring proceedings with respect to UBS Group AG and it cannot be excluded that it would do so.

Protective measures may be ordered by the FINMA with respect to UBS Group AG or the Issuer even before a Trigger Event or a Viability Event has occurred. Such protective measures may include (i) giving instructions to the governing bodies of the relevant entity, (ii) appointing an investigating agent, (iii) stripping governing bodies of the relevant entity of their power to legally represent such entity or remove them from office, (iv) removing the regulatory or company-law audit firm from office, (v) limiting the business activities of the relevant entity, (vi) forbidding the relevant entity to make or accept payments or undertake security trades, (vii) closing down the relevant entity, or (viii) except for mortgage-secured receivables of central mortgage bond institutions, ordering a moratorium or deferral of payments. UBS Group AG and the Issuer will have limited ability to challenge any such protective measures. Additionally, Holders would have no right under Swiss law and in Swiss courts to reject, seek the suspension of, or to challenge the imposition of any such protective measures.

The FINMA's resolution powers that may be exercised during restructuring proceedings with respect to UBS Group AG or the Issuer include the power to (i) transfer the assets, or portions thereof, together with debt and other liabilities, or portions thereof, and contracts, to another entity, (ii) stay (for a maximum of two business days) the termination of contracts to which the relevant entity is a party, and/or the exercise of rights to terminate, netting rights, rights to enforce or dispose of certain types of collateral or rights to transfer claims, liabilities or certain collateral under contracts to which the relevant entity is a party, and/or (iii) partially or fully convert into equity of the relevant entity and/or write-down the obligations of the relevant entity, including, if the Notes have not already been written-down pursuant to their terms, in the case of UBS Group AG, obligations under the Guarantee and, in the case of the Issuer, the Notes. Creditors, including Holders, will have no right to reject, or to seek the suspension of, any restructuring plan pursuant to which such resolution powers are exercised with respect to UBS Group AG or the Issuer. Holders will have only limited rights to challenge any decision to exercise resolution powers with respect to UBS Group AG or the Issuer or to have that decision reviewed by a judicial or administrative process or otherwise.

The FINMA has broad powers and significant discretion in the exercise of its powers in connection with a resolution proceeding. Certain categories of debt obligations, such as certain types of deposits, are protected. As a result, holders of obligations of UBS Group AG or the Issuer may have their obligations written down or converted into equity even though obligations ranking *pari passu* with or junior to such obligations are not written down or converted.

While the Terms and Conditions provide for a contractual write-down of the claims of Holders under the Notes if a Trigger Event or a Viability Event occurs, there can be no assurance that the rights and claims of Holders, the price or value of an investment in the Notes and/or UBS Group AG's ability to satisfy its obligations under the Guarantee and/or the Issuer's ability to satisfy its obligations under the Notes would not be adversely affected as well or instead by the exercise of any of the FINMA's resolution powers with respect to UBS Group AG or the Issuer under the resolution regime described above. Moreover, the FINMA may decide that a Viability Event has occurred and require the Notes to be fully written down based on the relevant provisions contained in the Terms and Conditions regardless of whether or not the above-mentioned conditions for exercising its statutory powers are met and/or without respecting the principles and safeguards that apply to measures taken by the FINMA in a formal restructuring or liquidation proceeding.

Automatic Exchange of Information in Tax Matters

Switzerland has concluded a multilateral agreement with the EU on the international exchange of information ("AEOI") in tax matters, which applies to all 28 EU member states and some other jurisdictions. In addition, Switzerland has signed the multilateral competent authority agreement on the automatic exchange of financial account information (the "MCAA"), and based on the MCAA, a number of bilateral AEOI agreements with other countries.

Based on such agreements and the implementing laws of Switzerland, depending on the date of effectiveness of the applicable agreement, Switzerland began in 2017, or will begin at a later date, to collect data in respect of financial assets including Notes held in, and income derived thereon and credited to, accounts or deposits with a paying agent in Switzerland for the benefit of individuals resident in an EU member state or in a treaty state, and began in 2018, or will at a later date begin, as the case may be, to exchange it with authorities in the relevant jurisdiction. In addition, Switzerland has signed and will sign further AEOI agreements with further countries.

Risks relating to the Issuer

The Issuer is expected to lend all of the net proceeds of the Notes and any other securities that it may issue to other members of UBS, and it may do so from time to time on whatever terms the Issuer and the other relevant UBS member deem appropriate

At least 85 per cent. of the net proceeds of the Notes will be loaned by the Issuer to, or otherwise invested (whether in the form of debt, equity or otherwise) in, other members of UBS. These UBS members will use these funds for general corporate purposes, including providing funds to the subsidiaries of UBS Group AG from time to time. The Issuer may provide these funds to members of UBS, and such UBS members may provide such funds so received to other members of UBS, from time to time in the form of senior or subordinated debt, in the form of equity contributions, or otherwise, including on terms that may constitute "internal loss absorbing capital" or additional tier 1 capital of the subsidiaries of UBS Group AG. There will be no restrictions on the Terms and Conditions of any such loans, equity interests or investments made by the Issuer, and the Issuer may change its investment of the proceeds of the Notes and of any other securities issued by it at any time. In particular, such loans or other investments may include contractual write-down and/or subordination provisions that may lead to such instruments being written down prior to the opening of, or being treated as subordinated in, restructuring or liquidation proceedings with respect to the relevant member of UBS in which the net proceeds were invested, by the Issuer.

The initial investment to be made by the Issuer with the net proceeds of the Notes will be a loan to UBS AG, which is expected to include contractual write-down and subordination provisions. This loan may be repaid, amended, restated or transferred, with the result that the proceeds may be invested in any other form of loan to, purchase of equity of, or other investment in any other member of UBS.

The Issuer is expected to issue other series of securities to investors, Holders will have no direct interest in the assets of the Issuer, and there will be no separate security or other protection to ensure that the proceeds of the Notes, or investments made with those proceeds, are available to satisfy the Issuer's obligations under the Notes

UBS Group AG incorporated the Issuer to issue debt securities qualifying as additional tier 1 capital (*Zusätzliches Kernkapital*) or as bail-in bonds (*Forderungen zur Verlusttragung bei Insolvenzmassnahmen*) pursuant to applicable laws and regulations from time to time, and expects that it will cause the Issuer to issue both Notes and other securities to investors in the future. As a result, certain creditors of the Issuer will hold instruments that bear losses at a different stage than the Notes, which would mean that such creditors may have differing interests and incentives than Holders of Notes, in particular if the Issuer is in financial distress. In particular, such creditors may take legal measures to improve their position in an eventual insolvency of the Issuer, which measures, if successful, may adversely affect Holders of Notes.

All the proceeds of the Notes and these other securities will be commingled and the proceeds of the Notes will be invested as described under "*Use of Proceeds*" below. There will be no security interest in favour of Holders of the Notes over the investments made with the proceeds of the Notes, or other similar mechanism. The Holders of Notes will be general unsecured creditors of the Issuer and will have no direct interest in the assets of the Issuer, and no right to enforce or otherwise deal with the rights of the Issuer in respect of those assets.

The Issuer will have no significant assets other than cash balances representing its contributed equity capital and/or loans to, or other investments in, other members of UBS

The Issuer will have no significant assets other than cash balances representing its contributed equity capital and/or the loans (including accrued cash balances from interest payments thereunder) that it makes to, or the other investments (whether in the form of debt, equity or otherwise) that it may hold in, other members of UBS. Unless UBS Group AG elects to make additional payments or contributions to the Issuer, these assets will be the only assets available to the Issuer from which it may make payments under the Notes. In

addition, pursuant to a keep-well arrangement between UBS Group AG and the Issuer (the "**Keep-Well Arrangement**"), UBS Group AG will undertake to provide the Issuer with sufficient funds to enable the Issuer to pay its expenses, as well as any payment of principal, interest and other expenses in connection with debt securities qualifying as additional tier 1 capital (*Zusätzliches Kernkapital*) or as bail-in bonds (*Forderungen zur Verlusttragung bei Insolvenzmassnahmen*) pursuant to applicable laws and regulations issued by it. Such undertaking will cease to apply upon the occurrence of certain events, including if FINMA opens restructuring proceedings or liquidation proceedings with respect to UBS Group AG. This arrangement exists solely for the benefit of the Issuer and may not be enforced by any other party. UBS Group AG and the Issuer may modify or terminate this arrangement at any time. Please see "*Description of the Issuer—Assets*" and "*Description of the Issuer—Liabilities*" on pages 75-76 of this Listing Prospectus.

Furthermore, prior to or in connection with the opening of any restructuring proceedings with respect to the Issuer, the FINMA may instruct the Board of Directors of the Issuer to write-off all or part of any of the loans it has made to, or the other investments it holds in, other members of UBS.

Moreover, if the borrower of any internal loan or issuer of any investment made by the Issuer is a subsidiary that is subject to the bail-in or other statutory powers of a regulator, such regulator may be able to exercise its powers to fully or partially write-down and cancel, or delay payments by the subsidiary under, such internal loan or investment or convert such internal loan or investment into equity of the subsidiary. In such a case, the Issuer would still have payment obligations under the Notes, but would no longer receive some or all of the payments that would have otherwise been due to it, or would not receive some or all of the payments that are due to it in a timely manner, in connection with the internal loan or investment. Furthermore, UBS Group AG may at such time be unable or unwilling to provide the Issuer with the funds necessary to meet such obligations under the Notes (see also "*Risk Factor – There are limited remedies available under the Notes*").

For all these reasons, the potential investors in the Notes should not rely upon the creditworthiness of the Issuer in making a determination as to whether to invest in the Notes.

The Issuer is a finance vehicle and is dependent upon other members of UBS to fulfil its obligations under the Notes

As noted above, the Issuer is a finance vehicle established by UBS Group AG for the purpose of raising finance and on-lending the proceeds within UBS. The Issuer is therefore dependent upon other members of UBS paying interest on and repaying such internal loans in a timely fashion or, alternatively, on UBS Group AG paying such amounts under the Keep-Well Arrangement. Any failure by members of UBS to pay interest on or repay such internal loans in a timely fashion or by UBS Group AG to pay such amounts under the Keep-Well Arrangement would have a material adverse effect on the ability of the Issuer to fulfil its obligations under the Notes.

By virtue of its dependence on UBS, each of the risks described below that affect UBS Group AG will also indirectly affect the Issuer.

Risks relating to the Markets Generally

There is no active trading market for the Notes

The Notes are new securities that may not be widely distributed and for which there is currently no active trading market. If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer and UBS. This is particularly the case for the Notes as they are especially sensitive to credit risk of the Issuer and risk of occurrence of a Contingent Write-down or Viability Event, in addition to interest rate, currency and market risks, are designed for specific objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities.

Although application has been made to admit the Notes to trading on the SIX Swiss Exchange, there is no assurance as to the development or liquidity of any trading market for the Notes.

In addition, Holders of Notes should be aware that the secondary market for Notes and instruments of this kind may be illiquid.

Exchange rate risks and exchange controls

Neither the Issuer nor the Guarantor has any control over factors that generally affect exchange rate risks, such as economic, financial and political events and the supply and demand for applicable currencies. In recent years, exchange rates between certain currencies have been volatile and such exchange rate volatility with a variety of currencies may continue in the future.

The Issuer or, as the case may be, the Guarantor will pay principal and any interest due on the Notes in Singapore Dollars. If an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than Singapore Dollars, it may therefore bear certain exchange rate risks. These include: (i) the risk that exchange rates may significantly change (including changes due to devaluation of the Singapore Dollars or revaluation of the Investor's Currency); and (ii) the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls that could adversely affect an applicable exchange rate. Any appreciation in the value of the Investor's Currency relative to Singapore Dollars would decrease: (i) the Investor's Currency-equivalent yield on the Notes; (ii) the Investor's Currency equivalent value of the principal payment on the Notes; and (iii) the Investor's Currency-equivalent market value of the Notes. If the Notes are denominated in a currency other than the currency of the country in which the Holder is resident, the Holder is exposed to the risk of fluctuations in the exchange rate between the two aforementioned currencies.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate as well as the availability of a specified foreign currency at the time of any payment of principal or interest on a Note. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) Notes are legal investments for it, (ii) Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

Changes of law may adversely affect the rights of Holders under the Notes

The Terms and Conditions are based on Swiss law in effect as at the date of this Listing Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to Swiss law or administrative practice after the date of this Listing Prospectus.

Changes in laws after the date hereof may affect the rights and effective remedies of Holders under the Notes, as well as the market value of the Notes. Such changes in law may include changes in statutory, tax and regulatory regimes during the life of the Notes, which may have an adverse effect on investment in the Notes.

In particular, any amendment or replacement of the FBA or any amendment, replacement or implementation of an implementing ordinance or other implementing regulation and any change in their application in respect of the applicable provisions of the FBA or other regulation in respect of UBS, systemically relevant banks or generally could impact the calculation of the CET1 Ratio, the CET1 Capital and the BIS Risk Weighted Assets. Furthermore, because the occurrence of a Trigger Event depends, in part, on the calculation of the CET1 Ratio, any change in Swiss law that affects the calculation of the CET1 Ratio would also affect the determination of whether a Trigger Event Write-down Notice must be given (*i.e.* whether a Trigger Event will occur). Any such amendment that impacts the calculation of any of the aforementioned ratios can be expected to have an adverse effect on the market value of the Notes. In addition, any changes that may occur to National Regulations subsequent to the date of this Listing Prospectus may affect the minimum capital adequacy requirements of National Regulations applicable to UBS Group AG on a consolidated (*Finanzgruppe*) basis, and thus increase the risk that the Issuer may be prohibited from making interest payments on the Notes.

Furthermore, any change in National Regulations after the Issue Date that would cause the Notes to cease to be eligible in full to be (i) treated as Additional Tier 1 Capital, and/or (ii) counted towards either the Going-Concern LR Requirement or the Going-Concern RWA Requirement (or both) would trigger a Regulatory Event. There can be no assurance that any future amendment to the Capital Adequacy Ordinance or the manner in which is implemented would not adversely affect the rights of Holders (including by giving rise to a Regulatory Event), the price or value of an investment in the Notes and/or the Issuer's ability to satisfy its obligations under the Notes.

Also, any change under the laws or regulations of Switzerland or the United States that results in the Issuer or the Guarantor paying Additional Amounts or any additional tax in respect of the Notes or the Guarantee, would trigger a Tax Event. In addition, any change in the National Regulations that permits any Relevant Swiss Issuer to issue or guarantee (including by providing a guarantee, credit support agreement or similar undertaking), or has issued or guaranteed (including by providing a guarantee, credit support agreement or similar undertaking), a capital instrument that (i) is eligible in full to be treated as Additional Tier 1 Capital and counted towards either the Going-Concern LR Requirement or the Going-Concern RWA Requirement (or both), and (ii) has terms and conditions that (A) include a write-down feature, and (B) contain one or more provisions that are, in the reasonable opinion of UBS Group AG, different in any material respect from those in the Terms and Conditions, which provisions, if they had been included in the Terms and Conditions, would have prevented the Notes from qualifying as Additional Tier 1 Capital/or to be counted towards either the Going-Concern LR Requirement or the Going-Concern RWA Requirement (or both) immediately prior to such change in National Regulations, would result in an Alignment Event. Upon the occurrence of a Regulatory Event or a Tax Event, the Issuer would have the option, subject to certain conditions, to redeem the Notes (in whole, but not in part). In addition, upon the occurrence of a Regulatory Event, a Tax Event or an Alignment Event, the Issuer would also have the option to, without the consent of the Holders unless so required by mandatory provisions of Swiss law, either substitute all, but not some only, of the Notes for, or amend the Terms and Conditions so that they remain or become, Compliant Securities, as described in Condition 12 (*Substitution and Amendment*).

Such legislative and regulatory uncertainty could affect an investor's ability to accurately value the Notes and, therefore, affect the trading price of the Notes given the extent and impact on the Notes of one or more regulatory or legislative changes, including those described above. Any regulatory or legislative changes may also adversely affect UBS's business (see *Risks Factors - Regulatory and legal changes may adversely affect UBS's business and its ability to execute its strategic plans*).

Risks relating to UBS

Certain risks, including those described below, may affect UBS's ability to execute its strategy or its business activities, financial condition, results of operations and prospects. Because a broad-based international financial services firm such as UBS is inherently exposed to multiple risks, many of which become apparent only with the benefit of hindsight, risks of which UBS is not presently aware or which UBS currently does not consider to be material could also adversely affect UBS. The order of presentation of the risk factors below does not indicate the likelihood of their occurrence or the potential magnitude of their consequences.

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

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

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

UBS's equity and capital are also affected by changes in interest rates. In particular, the calculation of UBS's Swiss pension plan net defined benefit assets and liabilities is sensitive to the discount rate applied. Any further reduction in interest rates may lower the discount rates and result in pension plan deficits due to the long duration of corresponding liabilities. This would lead to a corresponding reduction in UBS's equity and fully applied common equity tier 1 ("**CET1**") capital.

UBS is subject to risk from currency fluctuations: UBS currently prepares its consolidated financial statements in Swiss francs. However, a substantial portion of its assets, liabilities, invested assets, revenues and expenses, equity of foreign operations and risk-weighted assets ("**RWA**") are denominated in US dollars, euros, British pounds and in other foreign currencies. Accordingly, changes in foreign exchange rates may adversely affect UBS's profits, balance sheet, including deferred tax assets, and capital, leverage and liquidity ratios. In particular, the portion of UBS's operating income denominated in non-Swiss franc currencies is greater than the portion of operating expenses denominated in non-Swiss franc currencies. Therefore, the appreciation of the Swiss franc against other currencies generally has an adverse effect on UBS's profits, in the absence of any mitigating actions.

In order to hedge UBS's CET1 capital ratio, CET1 capital needs to have foreign currency exposure, leading to currency sensitivity of CET1 capital. As a consequence, it is not possible to simultaneously fully hedge both the amount of capital and the capital ratio. As the proportion of RWA denominated in non-Swiss franc currencies outweighs the capital in these currencies, a significant appreciation of the Swiss franc against these currencies could benefit UBS's capital ratios, while a significant depreciation of the Swiss franc against these currencies could adversely affect its capital ratios.

Effective 1 October 2018 and as required by IAS 21, "*The Effects of Changes in Foreign Exchange Rates*", the functional currency of UBS Group AG and UBS AG's Head Office in Switzerland has changed from Swiss francs to US dollars and the functional currency of UBS AG's London Branch operations has changed from British pounds to US dollars. In line with these changes, the presentation currency of UBS Group AG's and UBS AG's consolidated financial statements will change from Swiss francs to US dollars effective with UBS's fourth quarter 2018 reporting. Following these changes, UBS will continue to be subject to risk from currency fluctuations. Refer to the "*Recent developments*" section of the Third Quarter 2018 Report for information on changes to UBS's functional and presentation currencies, as well as to the "*Current market climate and industry trends*" section of the Annual Report 2017 for more information.

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

Fundamental changes in the laws and regulations affecting financial institutions can have a material and adverse effect on UBS's business. Following the 2007–2009 financial crisis, regulators and legislators have adopted a wide range of changes to the laws, regulations and supervisory frameworks applicable to banks intended to address the perceived causes of the crisis and to limit the systemic risks posed by major financial institutions. These changes have caused UBS to make significant changes in its businesses and strategy and to move significant operations into subsidiaries to improve resolvability or meet regulatory requirements, resulting in substantial implementation costs, increased UBS's capital and funding costs and reduced operational flexibility. Although many of the regulatory changes have been completed, a number of these changes are being phased in over time or require further rulemaking or guidance for implementation, and certain changes are still under consideration. There remains significant uncertainty regarding a number of these changes.

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 like UBS. Swiss regulatory changes with regard to such matters as capital and liquidity have often proceeded more quickly than those in other major jurisdictions, and the requirements for Swiss major international banks are among the strictest of the major financial centers. This could put Swiss banks such as UBS at a disadvantage when they compete with peer financial institutions subject to more lenient regulation or with unregulated non-bank competitors.

Higher capital and total loss-absorbing capacity requirements increase UBS's costs: As an internationally active Swiss systemically relevant bank ("**SRB**"), UBS is subject to capital and total loss-absorbing capacity ("**TLAC**") requirements that are among the most stringent in the world. New Swiss SRB capital requirements impose significantly higher requirements based on RWA and a significantly higher leverage

ratio requirement. In addition, UBS is required to maintain minimum levels of TLAC measured based on both RWA and the leverage ratio denominator.

UBS expects increases in its RWA from changes in methodology, add-ons in the calculation of RWA and other changes in 2018 and 2019. Changes to international capital standards for banks recently adopted by the Basel Committee on Banking Supervision are expected to further increase UBS's RWA when the standards are scheduled to become effective in 2022. UBS also expects that it will incur significant costs to implement the proposed changes.

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

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

In the US, UBS has incurred substantial costs for implementing a compliance and monitoring framework in connection with the Volcker Rule under the Dodd-Frank Act. It has also been required to modify its business activities both inside and outside the US to conform to the Volcker Rule's activity limitations. The Volcker Rule may also have a substantial impact on market liquidity and the economics of market-making activities. UBS may incur additional costs in the short term if aspects of the Volcker Rule are repealed or modified. It may become subject to other similar regulations substantively limiting the types of activities in which it may engage or the way it conducts its operations. If adopted as proposed, the rule on single counterparty risk proposed by the US Federal Reserve Board may affect how UBS conducts its operations in the US, including its use of other financial firms for payments and securities clearing services and as transactional counterparties.

Resolvability and resolution and recovery planning: Under the Swiss too big to fail ("**TBTF**") framework, UBS is required to put in place viable emergency plans to preserve the operation of systemically important functions in the event of a failure. Moreover, under the Swiss TBTF framework and similar regulations in the US, the UK, the EU and other jurisdictions in which it operates, UBS is required to prepare credible recovery and resolution plans detailing the measures that would be taken to recover in the event of a significant adverse event or to wind down the Group or the operations in a host country through resolution or insolvency proceedings. UBS has made changes to the legal structure of the Group to improve the viability of its recovery and resolution plans and may be required in the future to make further changes to UBS's legal structure, operations, or liquidity and funding plans to enable its recovery and resolution plans to meet regulatory expectations. If a recovery or resolution plan that UBS is required to produce in a jurisdiction 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 its business in that jurisdiction, oblige UBS

to hold higher amounts of capital or liquidity, or to change UBS's legal structure or business in order to remove the relevant impediments to resolution.

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

Substantial changes in market regulation have affected and will continue to affect how UBS conducts its business: MiFID II and the associated Regulation (“**MiFIR**”) took effect on 3 January 2018. MiFID II, among other things, introduces substantial new regulation of exchanges and trading venues, including new pre-trade and post-trade transparency requirements, a ban on the practice of using commissions on transactions to compensate for research services and substantial new conduct requirements for financial services firms when dealing with clients. Implementation by the G20 countries of the commitment to require all standardized over-the-counter (“**OTC**”) derivative contracts to be traded on exchanges or trading facilities and cleared through central counterparties has had and will continue to have a significant effect on UBS's OTC derivatives business, which is conducted primarily in the Investment Bank. These market changes are likely to reduce the revenue potential of certain lines of business for market participants generally, and UBS may be adversely affected. For example, UBS expects that, as a rule, the shift of OTC derivatives trading to a central clearing model will tend to reduce profit margins in these products and the changes introduced by MiFID II may result in a reduction in commission rates and trading margins. Also, these laws may have a material impact on the market infrastructure that UBS uses, available platforms, collateral management and the way UBS interacts with clients, and may cause UBS to incur material implementation costs. Margin requirements for non-cleared OTC derivatives have required significant changes to collateral agreements with counterparties and UBS's clients' operational processes. In some jurisdictions implementation of these changes is ongoing, while rulemaking and implementation are delayed in others. This may result in market dislocation, disruption of cross-border trading, and concentration of counterparty trading. It also affects UBS's ability to implement the required changes and may limit its ability to transact with clients.

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 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 will likely duplicate or conflict with legal requirements applicable to UBS elsewhere, including in Switzerland, and may place UBS at a competitive disadvantage to firms that are not required to register in the US with the SEC or CFTC.

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

Refer to the “*Regulation and supervision*” and “*Regulatory and legal developments*” sections of the Annual Report 2017 and to the “*Recent developments*” section of the First Quarter 2018 Report, of the Second Quarter 2018 Report and of the Third Quarter 2018 Report for more information.

If UBS is unable to maintain its capital strength, this may adversely affect its ability to execute its strategy, its client franchise and its competitive position

Maintaining its capital strength is a key component of UBS's strategy. It enables UBS to support the growth of its businesses as well as to meet potential regulatory changes in capital requirements. It reassures UBS's stakeholders, forms the basis for its capital return policy and contributes to its credit ratings. UBS's capital ratios are determined primarily by RWA, eligible capital and leverage ratio denominator ("**LRD**"), all of which may fluctuate based on a number of factors, some of which are outside UBS's control.

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

RWA are driven by UBS's business activities, by changes in the risk profile of its exposures, by changes in its foreign currency exposures and foreign exchange rates and by regulation. For instance, substantial market volatility, a widening of credit spreads, which is a major driver of UBS's value-at-risk, adverse currency movements, increased counterparty risk, deterioration in the economic environment or increased operational risk could result in a rise in RWA. UBS has significantly reduced its market risk and credit risk RWA in recent years. However, increases in operational risk RWA, particularly those arising from litigation, regulatory and similar matters, and regulatory changes in the calculation of RWA and regulatory add-ons to RWA have offset a substantial portion of this reduction. Changes in the calculation of RWA or, as discussed above, the imposition of additional supplemental RWA charges or multipliers applied to certain exposures and other methodology changes, as well as the implementation of the recently adopted changes to international capital standards for banks, could substantially increase UBS's RWA. In addition, UBS may not be successful in its plans to further reduce RWA, either because it is unable to carry out fully the actions it has planned or because other business or regulatory developments or actions counteract the effects of its actions.

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

Refer to the "*Regulatory and legal developments*" section of the Annual Report 2017 and the "*Capital management*" section of the First Quarter 2018 Report, of the Second Quarter 2018 Report and of the Third Quarter 2018 Report for more information.

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

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

As part of its strategic plans, UBS expects to continue to make significant expenditures on technology and infrastructure to improve its client experience, improve and further enable digital offerings and increase efficiency. There is a risk that UBS's investments in new technology will not fully achieve its objectives or improve its ability to attract and retain customers. In addition, UBS may face competition in providing digitally enabled offerings from both existing competitors and new financial service providers in various

portions of the value chain. UBS's ability to develop and implement competitive digitally enabled offerings and processes will be an important factor in its ability to compete.

Moreover, the continued illiquidity and complexity of many of UBS's legacy risk positions remaining in Corporate Center – Non-core and Legacy Portfolio could make it difficult to sell or otherwise exit these positions and there remains a risk that UBS could incur significant losses in doing so.

As part of its strategy, UBS also has programs under way that seek to improve its operating efficiency, in part by controlling its costs. A number of factors could negatively affect its plans. UBS may not be able to identify feasible cost reduction opportunities that are also consistent with its business goals, and cost reductions may be realized later or may be less than UBS anticipates. Higher temporary and permanent regulatory costs and higher business demand than it had originally anticipated have partly offset UBS's cost reductions and delayed the achievement of cost reduction targets in the past, and UBS could continue to be challenged in the execution of its ongoing plans.

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

As UBS implements its effectiveness and efficiency programs, it may also experience unintended consequences, such as the 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. Refer to the “*Our strategy*” section of the Annual Report 2017 for more information.

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

As a global financial services firm operating in more than 50 countries, UBS is subject to many different legal, tax and regulatory regimes, and it is subject to extensive regulatory oversight and exposed to significant liability risk. UBS is subject to a large number of claims, disputes, legal proceedings and government investigations, and it expects that its ongoing business activities will continue to give rise to such matters in the future. The extent of UBS's financial exposure to these and other matters is material and could substantially exceed the level of provisions that UBS has established. UBS is not able to predict the financial and non-financial consequences these matters may have when resolved. Resolution of regulatory proceedings may require UBS to obtain waivers of regulatory disqualifications to maintain certain operations, may entitle regulatory authorities to limit, suspend or terminate licenses and regulatory authorisations, and may permit financial market utilities to limit, suspend or terminate UBS's participation in them. Failure to obtain such waivers, or any limitation, suspension or termination of licenses, authorisations or participations, could have material consequences for UBS.

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

Ever since its material losses arising from the 2007–2009 financial crisis, UBS has been subject to a very high level of regulatory scrutiny and to certain regulatory measures that constrain its strategic flexibility. While UBS believes that 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 and relationships with regulatory authorities of the LIBOR-related settlements of 2012 and settlements with some regulators of matters related to UBS's foreign exchange and precious metals business have resulted in continued scrutiny. UBS is also subject to significant new regulatory requirements, including recovery and resolution planning, US enhanced prudential standards and Comprehensive Capital Analysis and Review (“**CCAR**”).

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

Refer to “*Note 15 Provisions and contingent liabilities*” in the “*Consolidated financial statements*” section of the Third Quarter 2018 Report for more information.

Operational risks affect UBS's business

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

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

A major focus of US and other countries' governmental policies relating to financial institutions in recent years has been fighting money laundering and terrorist financing. UBS is required to maintain effective policies, procedures and controls to detect, prevent and report money laundering and terrorist financing, and to verify the identity of its clients. It is also subject to laws and regulations related to corrupt and illegal payments to government officials by others, such as the US Foreign Corrupt Practices Act and the UK Bribery Act. UBS has implemented policies, procedures and internal controls that are designed to comply with such laws and regulations. Failure to maintain and implement adequate programs to combat money laundering, terrorist financing or corruption, or any failure of UBS's programs in these areas, could have serious consequences both from legal enforcement action and from damage to UBS's reputation.

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

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

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

UBS's reputation is critical to the success of its business

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

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

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

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

UBS could be materially affected if a crisis develops, regionally or globally, as a result of disruptions in emerging markets or developed markets that are susceptible to macroeconomic and political developments, or as a result of the failure of a major market participant. Over time, UBS's strategic plans have become more heavily dependent on its ability to generate growth and revenue in emerging markets, including China, causing UBS to be more exposed to the risks associated with such markets. The binding scenario UBS uses in its combined stress test framework reflects these aspects, and assumes a hard landing in China, leading to severe contagion of Asian and emerging markets economies and at the same time multiple debt restructurings in Europe, related direct losses for European banks and fear of a eurozone breakup severely affecting developed markets such as Switzerland, the UK and the US. Refer to the "*Risk measurement*" in the "*Risk management and control*" section of the Annual Report 2017 for more information on stress testing framework.

UBS has material exposures to a number of markets, and the regional balance of its business mix also exposes UBS to risk. UBS's Investment Bank's Equities business, for example, is more heavily weighted to Europe and Asia, 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. Turbulence in these markets can therefore affect UBS more than 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 UBS's wealth management businesses and in the Investment Bank, as UBS experienced in 2016. A market downturn is likely to reduce the volume and valuations of assets that UBS manages on behalf of clients, reducing its

asset and performance-based fees, and could also cause a decline in the value of assets that UBS owns and accounts for as investments or trading positions. On the other hand, reduced market liquidity or volatility limits trading opportunities and impedes UBS's ability to manage risks, impacting trading income, and may reduce institutional client activity and therefore transaction and performance-based fees.

Credit risk is an integral part of many of UBS's activities, including lending, underwriting and derivatives activities. Worsening economic conditions and adverse market developments could lead to impairments and defaults on credit exposures and on UBS's trading and investment positions. Losses may be exacerbated by declines in the value of collateral UBS holds. UBS is exposed to credit risk in activities such as its prime brokerage, reverse repurchase and Lombard lending, as the value or liquidity of the assets against which UBS provides financing may decline rapidly. Macroeconomic developments, such as the strength of the Swiss franc and its effect on Swiss exports, the adoption of negative interest rates by the Swiss National Bank or other central banks or any return of crisis conditions within the eurozone or the EU, and the potential implications of the decision in Switzerland to reinstate immigration quotas for EU and European Economic Area citizens, could also adversely affect the Swiss economy, UBS's business in Switzerland in general and, in particular, UBS's Swiss mortgage and corporate loan portfolios.

The aforementioned developments have in the past affected, and could materially affect, the financial performance of business divisions and of UBS as a whole, including through impairment of goodwill and the adjustment of deferred tax asset levels. Refer to “*UBS's financial results may be negatively affected by changes to assumptions and valuations, as well as changes to accounting standards*” and “*The effect of taxes on UBS's financial results is significantly influenced by tax law changes and reassessments of its deferred tax assets*” below, and to the “*Current market climate and industry trends*” section of the Annual Report 2017 for more information.

UK withdrawal from the EU

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

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

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

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

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

these clients in order to comply with these rules if and when they become fully effective. In addition, MiFID II imposes new requirements on UBS when providing advisory services to clients in the EU, including new requirements for agreements with clients.

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

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

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

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

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

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

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

Constraints on the amount or structure of employee compensation, higher levels of deferral, performance conditions and other circumstances triggering the forfeiture of unvested awards may adversely affect UBS's ability to retain and attract key employees. The loss of key staff and the inability to attract qualified replacements, depending on which and how many roles are affected, could seriously compromise UBS's ability to execute its strategy and to successfully improve its operating and control environment and may affect its business performance.

Swiss law requires that shareholders approve the compensation of the Board of Directors ("**BoD**") and the GEB each year. If UBS's shareholders fail to approve the compensation for the GEB or the BoD, this could have an adverse effect on its ability to retain experienced directors and its senior management.

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

Controlled risk-taking is a major part of the business of a financial services firm. Some losses from risk-taking activities are inevitable, but to be successful over time, UBS must balance the risks it takes against the returns it generates. UBS must, therefore, 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 is not always able to prevent serious losses arising from extreme or sudden market events that are not anticipated by its risk measures and systems. The deterioration of financial markets since the beginning of the crisis was extremely severe by historical standards. Value-at-risk, a statistical measure for market risk, is derived from historical market data, and thus by definition could not have anticipated the losses suffered in the stressed conditions of the crisis. Moreover, stress loss and concentration controls and the dimensions in which UBS aggregated risk to identify potentially highly correlated exposures proved to be inadequate. As a result, UBS recorded substantial losses on fixed income trading positions, particularly in 2008 and 2009. Notwithstanding the steps it has taken to strengthen its risk management and control framework, UBS could suffer further losses in the future if, for example:

- a) it does not fully identify the risks in its portfolio, in particular risk concentrations and correlated risks;
- b) its assessment of the risks identified or its response to negative trends proves to be untimely, inadequate, insufficient or incorrect;
- c) markets move in ways that UBS does not expect – in terms of their speed, direction, severity or correlation – and UBS's ability to manage risks in the resulting environment is, therefore, affected;
- d) third parties to whom UBS has credit exposure or whose securities it holds for its own account are severely affected by events not anticipated by its models, and accordingly UBS suffers defaults and impairments beyond the level implied by its risk assessment; or
- e) collateral or other security provided by UBS's counterparties proves inadequate to cover their obligations at the time of their default.

UBS holds positions related to real estate in various countries, and could suffer losses on these positions. These positions include a substantial Swiss mortgage portfolio. Although management believes that this portfolio is prudently managed, UBS could nevertheless be exposed to losses if the concerns expressed by the Swiss National Bank and others about unsustainable price escalation in the Swiss real estate market come to fruition. In addition, UBS continues to hold substantial legacy risk positions, primarily in Corporate Center – Non-core and Legacy Portfolio. They remain illiquid in many cases, and UBS continues to be exposed to the risk that they may again deteriorate in value.

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

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

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

The viability of UBS's business depends on the availability of funding sources, and its success depends on its ability to obtain funding at times, in amounts, for tenors and at rates that enable UBS to efficiently

support its asset base in all market conditions. The volume of UBS's funding sources has generally been stable, but could change in the future due to, among other things, general market disruptions or widening credit spreads, which could also influence the cost of funding. A substantial part of UBS's liquidity and funding requirements are met using short-term unsecured funding sources, including retail and wholesale deposits and the regular issuance of money market securities. A change in the availability of short-term funding could occur quickly.

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

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

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

UBS prepares its consolidated financial statements in accordance with IFRS. The application of these accounting standards requires the use of judgment based on estimates and assumptions that may involve significant uncertainty at the time they are made. This is the case, for example, with respect to the measurement of fair value of financial instruments, the recognition of deferred tax assets, or the assessment of the impairment of goodwill. 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. Moreover, if the estimates and assumptions in future periods deviate from the current outlook, UBS's financial results may also be negatively affected.

Changes to IFRS or interpretations thereof may cause UBS future reported results and financial position to differ from current expectations, or historical results to differ from those previously reported due to the adoption of accounting standards on a retrospective basis. Such changes may also affect UBS's regulatory capital and ratios. For example, UBS adopted IFRS 9 effective on 1 January 2018, which required it to change the accounting treatment of certain instruments, requires it to record loans at inception net of expected credit losses instead of recording credit losses on an incurred loss basis and is generally expected to result in an increase in recognized credit loss allowances. In addition, the expected credit loss ("ECL") provisions of IFRS 9 may result in greater volatility in credit loss expense as ECL changes in response to developments in the credit cycle and composition of UBS's loan portfolio. The effect may be more pronounced in a deteriorating economic environment. Refer to the "Critical accounting estimates and judgments" section and "Note 1 Summary of significant accounting policies" in the "Consolidated financial statements" section of the Annual Report 2017, to the "Note 1 Basis of accounting" in the "Consolidated financial statements" section of the First Quarter 2018 Report as well as to "Note 1 Basis of accounting" and "Note 19 Transition to IFRS 9 as of 1 January 2018" in the "Consolidated financial statements" section of the Second Quarter 2018 Report and of the Third Quarter 2018 Report for more information.

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

UBS's effective tax rate is highly sensitive to its performance, its expectation of future profitability and statutory tax rates. Based on prior years' tax losses, UBS has recognised deferred tax assets ("DTAs") reflecting the probable recoverable level based on future taxable profit as informed by its business plans. If

UBS's performance is expected to produce diminished taxable profit in future years, particularly in the US, UBS may be required to write down all or a portion of the currently recognised DTAs through the income statement. This would have the effect of increasing its effective tax rate in the year in which any write-downs are taken. Conversely, if its performance is expected to improve, particularly in the US or the UK, UBS could potentially recognise additional DTAs as a result of that assessment. The effect of doing so would be to significantly reduce UBS's effective tax rate in years in which additional DTAs are recognized and to increase its effective tax rate in future years. UBS's effective tax rate is also sensitive to any future reductions in statutory tax rates, particularly in the US and Switzerland, which would cause the expected future tax benefit from items such as tax loss carry-forwards in the affected locations to diminish in value. This in turn would cause a write-down of the associated DTAs. For example, the reduction in the US federal corporate tax rate to 21 per cent. from 35 per cent. introduced by the US Tax Cuts and Jobs Act ("TCJA") resulted in a CHF 2.9 billion net write-down in the Group's DTAs in the fourth quarter of 2017. Changes in tax law may materially affect UBS's effective tax rate and in some cases may substantially affect the profitability of certain activities. For example, the TCJA introduced a new minimum tax regime referred to as the base erosion and anti-abuse tax ("BEAT") that potentially subjects otherwise deductible payments made from UBS's US businesses to non-US affiliated parties to a minimum tax..

UBS generally revalues its DTAs in the second half of the financial year based on a reassessment of future profitability taking into account updated business plan forecasts. UBS considers the performance of its businesses and the accuracy of historical forecasts tax rates and other factors in evaluating the recoverability of UBS's DTAs, including the remaining tax loss carry-forward period and UBS's assessment of expected future taxable profits in the forecast period used for recognizing DTAs. Estimating future profitability is inherently subjective and is particularly sensitive to future economic, market and other conditions, which are difficult to predict. UBS's results in recent periods have demonstrated that changes in the recognition of DTAs can have a very significant effect on its reported results. As a result of a review of UBS's approach to periodically remeasuring the value of DTAs, which is ongoing and will depend in part on legal entity business plans that are expected to be finalized shortly, UBS expects to remeasure its US operations-related DTAs in Switzerland and in the US during the fourth quarter of 2018. These remeasurements are expected to include changes in recognized tax loss and temporary difference DTAs in respect of US profits, including the elimination of the seven-year profit forecast period limit for the tax loss DTAs related to UBS Americas Inc. However, these changes are anticipated to have a limited net effect on the tax expense and no effect on CET1 capital in the fourth quarter of 2018. As a result of the review, it is anticipated that US tax loss DTAs will begin to be amortized with effect from 1 January 2019. Any future change in the manner in which UBS remeasures DTAs could impact the effective tax rate, particularly in the year in which the change is made.

UBS's full-year effective tax rate could also change if aggregate tax expenses in respect of profits from branches and subsidiaries without loss coverage differ from what is expected, or in case of changes to the forecast period used for DTA recognition purposes as part of the aforementioned reassessment of future profitability. Moreover, tax laws or the tax authorities in countries where UBS has undertaken legal structure changes may prevent the transfer of tax losses incurred in one legal entity to newly organised or reorganised subsidiaries or affiliates or may impose limitations on the utilisation of tax losses that relate to businesses formerly conducted by the transferor. Were this to occur in situations where there were also limited planning opportunities to utilise the tax losses in the originating entity, the DTAs associated with such tax losses could be written down through the income statement.

In addition, statutory and regulatory changes, as well as changes to the way in which courts and tax authorities interpret tax laws, could cause the amount of taxes ultimately paid by UBS to materially differ from the amount accrued.

Refer to "*Regulatory and legal developments*" in the "*Recent developments*" section of the Third Quarter 2018 Report for more information.

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

UBS plans to operate with a fully applied CET1 capital ratio of around 13 per cent. and a fully applied CET1 leverage ratio of around 3.7 per cent.. UBS's ability to maintain these ratios is subject to numerous risks, including the financial results of its businesses, the effect of changes to capital standards, methodologies and interpretation that may adversely affect the calculation of UBS's fully applied CET1 capital ratio, the imposition of risk add-ons or capital buffers, and the application of additional capital, liquidity and similar

requirements to subsidiaries. These risks could prevent or delay UBS's ability to achieve its capital returns policy of a progressive cash dividend coupled with a share repurchase program.

As UBS Group AG is a holding company, its operating results, financial condition and ability to pay dividends and other distributions and / or to pay its obligations in the future depend on funding, dividends and other distributions received directly or indirectly from its subsidiaries, which may be subject to restrictions

UBS Group AG's ability to pay dividends and other distributions and to pay its obligations in the future will depend on the level of funding, dividends and other distributions, if any, received from UBS AG and other subsidiaries. The ability of such subsidiaries to make loans or distributions, directly or indirectly, to UBS Group 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 Group AG's direct and indirect subsidiaries, including UBS AG, UBS Switzerland AG, UBS Limited and UBS Americas Holding LLC, 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 Group AG, or could impact their ability to repay any loans made to, or other investments in, such subsidiary by UBS Group 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 nine-quarter hypothetical 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 will be prohibited from paying dividends or making distributions. Restrictions and regulatory actions of this kind could impede access to funds that UBS Group AG may need to meet its obligations or to pay dividends to shareholders. In addition, UBS Group 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.

UBS's capital instruments may contractually prevent UBS Group AG from proposing the distribution of dividends to shareholders, other than in the form of shares, if UBS does not pay interest on these instruments.

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

The credit ratings of UBS Group AG or its subsidiaries used for funding purposes could be lower than the ratings of the Group's operating subsidiaries, which may adversely affect the market value of the securities and other obligations of UBS Group AG or those subsidiaries on a standalone basis.

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 FBA, FINMA is able to exercise broad statutory powers with respect to Swiss banks and Swiss parent companies of financial groups, such as UBS AG, UBS Group AG and UBS Switzerland AG, if there is justified concern that the entity is overindebted, 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 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 the termination of, or the exercise of rights to terminate, netting rights, rights to enforce or dispose of certain types of collateral or 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 of the 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 in the event of a subsequent winding up, liquidation or dissolution of the entity subject to restructuring proceedings, which would increase the risk that investors would lose all or some of their investment.

FINMA has broad powers and 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.

Moreover, 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 impact 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.

TERMS AND CONDITIONS OF THE NOTES

The terms and conditions of the Tier 1 Capital Notes issued by UBS Group Funding (Switzerland) AG and guaranteed by UBS Group AG are as follows:

1. DEFINITIONS

"**Additional Amounts**" has the meaning assigned to such term in clause (b) of Condition 9 (*Taxation*).

"**Additional Tier 1 Capital**" means, at any time, any item that qualifies as additional tier 1 capital (*zusätzliches Kernkapital*) under National Regulations at such time.

"**Affected Reset Interest Period**" has the meaning assigned to such term in subclause (c)(i) of Condition 5 (*Interest*).

"**Agency Agreement**" means the Agency Agreement dated as of the Issue Date, among the Issuer, the Guarantor, the Principal Paying Agent, the Calculation Agent and the other agents from time to time party thereto, as amended, supplemented or otherwise modified from time to time.

"**Adjustment Spread**" means, with respect to any Alternative Benchmark Rate determined in accordance with the provisions of clause (c) of Condition 5 (*Interest*), a spread (which may be positive or negative), or a formula or methodology for calculating such a spread, applied to such Alternative Benchmark Rate in order to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as applicable) to Holders as a result of the replacement of the Existing Reference Rate with such Alternative Benchmark Rate.

"**Alignment Event**" has the meaning assigned to such term in clause (a) of Condition 12 (*Substitution and Amendment*).

"**Alternative Benchmark Rate**" has the meaning assigned to such term in subclause (c)(i) of Condition 5 (*Interest*).

"**Alternative Loss Absorption Date**" has the meaning assigned to such term in clause (f) of Condition 7 (*Contingent Write-down*).

"**Alternative Relevant Page**" has the meaning assigned to such term in clause (c)(v)(A) of Condition 5 (*Interest*).

"**Alternative Relevant Time**" has the meaning assigned to such term in clause (c)(v)(A) of Condition 5 (*Interest*).

"**Auditor**" means the accounting firm (i) appointed by the Board of Directors of the Group Holding Company or the shareholders of the Group Holding Company, as the case may be, to provide, among other things, audit and/or review opinions on the Group Holding Company's financial statements, and (ii) approved by the FINMA in accordance with the Financial Market Supervisory Act (*Finanzmarktaufsichtsgesetz*) of 22 June 2007, as amended from time to time.

"**Authorised Signatories**" means any two authorised officers of the Issuer signing jointly.

"**Automatic Issuer Substitution**" has the meaning assigned to such term in subclause (b)(i) of Condition 14 (*Issuer Substitution*).

"**Automatic Issuer Substitution Effective Date**" means, with respect to any Guarantee Event, (i) if such Guarantee Event occurred pursuant to clause (A) of the definition thereof, the tenth Business Day after the occurrence of such Guarantee Event, and (ii) if such Guarantee Event occurred pursuant to clause (B) of the definition thereof, the thirtieth day of the 30-day period described in such clause (B) (or, if such thirtieth day is not a Business Day, the first Business Day immediately following such thirtieth day).

"**Balance Sheet Date**" means (i) with respect to any Ordinary Publication Date, the cut-off date for the measurement of the CET1 Ratio in the Quarterly Financial Accounts published on such Ordinary Publication Date, and (ii) with respect to any Extraordinary Publication Date, the cut-off

date for the Reviewed Interim Measurement published upon the instruction of the FINMA on such Extraordinary Publication Date.

"Bankruptcy Event" means any of the following events with respect to the Issuer or the Guarantor: (i) the adjudication of bankruptcy (*Konkurseröffnung*) pursuant to articles 171, 189, 190, 191 or 192 of the DEBA, including, without limitation, in connection with article 725a of the Swiss Code, (ii) the granting of a provisional or definitive stay of execution (*provisorische oder definitive Nachlassstundung*) pursuant to article 293 et seq. of the DEBA, (iii) the ordering of restructuring proceedings (*Sanierungsverfahren*) pursuant to articles 28 to 32 of the FBA or pursuant to any successor or analogous Swiss law or regulation applicable to bank holding companies in Switzerland such as UBS Group AG, and/or (iv) the ordering of liquidation proceedings (*Liquidation*) pursuant to articles 33 to 37g of the FBA or pursuant to any successor or analogous Swiss law or regulation applicable to bank holding companies in Switzerland such as UBS Group AG; *provided, however*, that none of the following will constitute a Bankruptcy Event: (x) mere debt collection proceedings (*Betriebsverfahren*) pursuant to article 38 et seq. of the DEBA, (y) proceedings in connection with a freezing order (*Arrestverfahren*) pursuant to article 271 et seq. of the DEBA, and/or (z) the institution of protective measures (*Schutzmassnahmen*) pursuant to article 26 of the FBA or pursuant to any successor or analogous Swiss law or regulation applicable to bank holding companies in Switzerland such as UBS Group AG, including, in the case of each of subclauses (x), (y) and (z), any steps (other than any steps described in clauses (i) through (iv) of this definition) taken under or in connection therewith.

"BIS Regulations" means, at any time, the capital adequacy standards and guidelines promulgated by the Basel Committee on Banking Supervision, as implemented by the FINMA in Switzerland at such time.

"BIS Risk Weighted Assets" means, as of any Balance Sheet Date, the aggregate amount, in Swiss francs, of risk-weighted assets of the Group as of such Balance Sheet Date, as determined by the Group Holding Company pursuant to the BIS Regulations applicable to the Group Holding Company as of such Balance Sheet Date, and as (i) disclosed in the Quarterly Financial Accounts published on the relevant Ordinary Publication Date or (ii) may be disclosed as a component of the Reviewed Interim Measurement published upon the instruction of the FINMA on the relevant Extraordinary Publication Date, as applicable. For the avoidance doubt, the term **"risk-weighted assets"** as used in this definition has the meaning assigned to such term in the BIS Regulations in effect as of the relevant Balance Sheet Date.

"Business Day" means a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business (including, without limitation, dealing in foreign exchange and foreign currency deposits) in London, Singapore and Zurich.

"Calculation Agent" means UBS AG, in its capacity as calculation agent for the Notes, and includes any successor Calculation Agent appointed in accordance with the terms of the Agency Agreement.

"Calculation Amount" means SGD 250,000.

"Calculation Period" means the relevant period for which interest is to be calculated from (and including) the first day in such period to (but excluding) the last day in such period.

"Capital Adequacy Ordinance" means the Ordinance concerning Capital Adequacy and Risk Diversification for Banks and Securities Dealers, which entered into force on 1 January 2013, and as amended from time to time, or any successor Swiss law or regulation.

"CET1 Capital" means, as of any Balance Sheet Date, the aggregate amount, in Swiss francs, of items that constitute common equity tier 1 capital of the Group as of such Balance Sheet Date, less any deductions from common equity tier 1 capital required to be made, in each case as determined by the Group Holding Company pursuant to the BIS Regulations applicable to the Group Holding Company as of such Balance Sheet Date, and as (i) disclosed in the Quarterly Financial Accounts published on the relevant Ordinary Publication Date or (ii) may be disclosed as a component of the Reviewed Interim Measurement published upon the instruction of the FINMA on the relevant

Extraordinary Publication Date, as applicable. For the avoidance of doubt, the term "**common equity tier 1 capital**" as used in this definition has the meaning assigned to such term in the BIS Regulations in effect as of the relevant Balance Sheet Date.

"**CET1 Ratio**" means, as of any Balance Sheet Date, the CET1 Capital as of such Balance Sheet Date, divided by the BIS Risk Weighted Assets as of such Balance Sheet Date, expressed as a percentage, such ratio (or the components thereof) as determined by the Group Holding Company, and (i) as disclosed in the Quarterly Financial Accounts published on the relevant Ordinary Publication Date or (ii) constituting (or as disclosed in) the Reviewed Interim Measurement published upon the instruction of the FINMA on the relevant Extraordinary Publication Date, as applicable.

"**Compliant Securities**" means securities issued by UBS Group AG or any of its subsidiaries that have economic terms not materially less favourable to a Holder than these Terms and Conditions (as reasonably determined by the Issuer), provided that

- (a) such securities (A) include terms that provide for the same interest rate and principal from time to time applying to the Notes, (B) rank *pari passu* with the Notes and (C) preserve any existing rights under these Terms and Conditions to any accrued and unpaid interest that has not been satisfied;
- (b) where such securities are issued by a subsidiary of UBS Group AG, UBS Group AG has issued a guarantee for the benefit of the Holders on substantially the same terms as the Guarantee;
- (c) where the Notes that have been substituted or amended were listed immediately prior to their substitution or amendment, the relevant securities are listed on (A) the SIX Swiss Exchange or (B) such other internationally recognised stock exchange selected by the Issuer; and
- (d) where the Notes that have been substituted or amended were rated by a rating agency immediately prior to such substitution or amendment, each such rating agency has ascribed, or announced its intention to ascribe and publish, an equal or higher rating to the relevant securities.

"**Contingent Write-down**" means the events described in subclauses (i) through (iii) of clause (d) of Condition 7 (*Contingent Write-down*).

"**Day Count Fraction**" means, in respect of any period, the number of days from (and including) the first day of such period to (but excluding) the last day of such period divided by 365.

"**DEBA**" means the Swiss Federal Debt Enforcement and Bankruptcy Act of 11 April 1889, as amended from time to time.

"**Distributable Items**" means, in respect of an Interest Payment Date, the aggregate of (i) net profits carried forward and (ii) freely distributable reserves, in each case, less any amounts that must be contributed to legal reserves under applicable law, all in UBS Group AG's reporting currency and as appearing in the Relevant Accounts.

"**Event of Default**" has the meaning assigned to such term in clause (a) of Condition 11 (*Events of Default*).

"**Existing Benchmark Rate**" has the meaning assigned to such term in clause (c) of Condition 5 (*Interest*).

"**Extraordinary Publication Date**" means the Business Day on which a Reviewed Interim Measurement is published upon the instruction of the FINMA, after the FINMA has determined that the conditions for issuing a Trigger Event Write-down Notice in accordance with Condition 7 (*Contingent Write-down*) have been met.

"**Extraordinary Trigger Event Notice Date**" has the meaning assigned to such term in subclause (b)(i) of Condition 7 (*Contingent Write-down*).

"**FBA**" means the Swiss Federal Act on Banks and Savings Institutions of 8 November 1934, as amended from time to time.

"**FINMA**" means the Swiss Financial Market Supervisory Authority FINMA and any successor thereto.

"**First Call Date**" means [•].

"**Fixed Interest Rate**" means [•] per cent. per annum.

"**Former Residence**" has the meaning assigned to such term in subclause (a)(i)(E) of Condition 14 (*Issuer Substitution*).

"**Going-Concern LR Requirement**" means a requirement under National Regulations for systemically relevant banks (*systemrelevante Banken*) to hold a minimum amount of going-concern capital (*Eigenmittel zur ordentlichen Weiterführung der Bank*), which amount is set by reference to the leverage ratio (*Höchstverschuldungsquote*) of such bank.

"**Going-Concern RWA Requirement**" means a requirement under National Regulations for systemically relevant banks (*systemrelevante Banken*) to hold a minimum amount of going-concern capital (*Eigenmittel zur ordentlichen Weiterführung der Bank*), which amount is set by reference to the risk weighted assets (*risikogewichtete Positionen*) of such bank.

"**Group**" means, at any time, the Group Holding Company and all its subsidiaries and other entities that are included in the Group Holding Company's consolidated capital adequacy reports prepared pursuant to National Regulations.

"**Group Holding Company**" means, at any time, the top Swiss holding company at such time of the financial group to which UBS Group AG belongs for purposes of preparing consolidated capital adequacy reports pursuant to National Regulations. As at the Issue Date, the Group Holding Company is UBS Group AG.

"**Guarantee**" has the meaning assigned to such term in clause (a) of Condition 4 (*Guarantee*).

"**Guarantee Event**" has the meaning assigned to such term in subclause (b)(ii) of Condition 14 (*Issuer Substitution*).

"**Guarantor**" means UBS Group AG in its capacity as guarantor of the Notes.

"**Guarantor Junior Obligations**" has the meaning assigned to such term in clause (b) of Condition 4 (*Guarantee*).

"**Guarantor Parity Obligations**" has the meaning assigned to such term in clause (b) of Condition 4 (*Guarantee*).

"**Guarantor Senior Obligations**" has the meaning assigned to such term in clause (b) of Condition 4 (*Guarantee*).

"**Higher-Trigger Amount**" means, as of any Publication Date, the sum of (i) the maximum portion of the aggregate principal amount, in Swiss francs, of all Higher-Trigger Contingent Capital, if any, outstanding on the relevant Balance Sheet Date that could be converted into equity and/or fully or partially written down, or otherwise operate to increase the CET1 Capital, if a Higher-Trigger Write-down/Conversion Notice were delivered in accordance with the terms thereof, and (ii) the maximum portion of the aggregate principal amount, in Swiss francs, of all Higher-Trigger Contingent Capital, if any, issued after the relevant Balance Sheet Date, but prior to such Publication Date, that could be converted into equity and/or fully or partially written down, or otherwise operate to increase the CET1 Capital, if a Higher-Trigger Write-down/Conversion Notice were delivered in accordance with the terms thereof, in the case of each of clauses (i) and (ii), as determined by UBS Group AG. For purposes of clause (ii) of this definition and, in the case of an Extraordinary Publication Date, clause (i) of this definition, the aggregate principal amount of any Higher-Trigger Contingent Capital that is not denominated in Swiss francs will be converted into Swiss francs at the applicable prevailing exchange rate on the last Business Day preceding the relevant Publication Date, as determined by UBS Group AG. In the case of an Ordinary Publication

Date, for purposes of clause (i) of this definition, the aggregate principal amount of any Higher-Trigger Contingent Capital that is not denominated in Swiss francs will be converted into Swiss francs at the applicable exchange rate used for such purposes in the relevant Quarterly Financial Accounts.

"Higher-Trigger Contingent Capital" means any instrument issued by, or any other obligation of, any member of the Group that (i) is issued or owed to holders that are not members of the Group and (ii) is required pursuant to its terms to be converted into equity and/or fully or partially written down, or otherwise operating to increase the CET1 Capital, when the CET1 Ratio (or equivalent capital measure of the Group described in the terms and conditions thereof) falls below a threshold that is higher than the Write-down Threshold (with respect to the relevant Higher-Trigger Contingent Capital, its **"Higher-Trigger Threshold"**).

"Higher-Trigger Threshold" has the meaning assigned to such term in the definition of the term **"Higher-Trigger Contingent Capital"**.

"Higher-Trigger Write-down/Conversion Date" has the meaning assigned to such term in the definition of the term **"Higher-Trigger Write-down/Conversion Notice"**.

"Higher-Trigger Write-down/Conversion Notice" means a notice delivered pursuant to the terms of any Higher-Trigger Contingent Capital that notifies the holders thereof that the CET1 Ratio (or similar measure or other event described in the terms and conditions of such Higher-Trigger Contingent Capital) has fallen below its Higher-Trigger Threshold and, consequently, that such Higher-Trigger Contingent Capital will be converted into equity and/or fully or partially written down, or otherwise operate to increase the CET1 Capital, as applicable, as of a particular date (such date, the **"Higher-Trigger Write-down/Conversion Date"**). For the avoidance of doubt, if the terms and conditions of such Higher-Trigger Contingent Capital permit the FINMA to waive the conversion into equity and/or write-down of such Higher-Trigger Contingent Capital notwithstanding the fact that the CET1 Ratio (or similar measure or other event described in the terms and conditions of such Higher-Trigger Contingent Capital) has fallen below Higher-Trigger Threshold, the non-issuance of such a waiver by the FINMA between the relevant Publication Date and the Trigger Event Notice Date shall be deemed equivalent to the delivery of a Higher-Trigger Write-down/Conversion Notice for purposes of subclause (b)(ii) of Condition 7 (*Contingent Write-down*).

"Holder" means, with respect to any Note, the person or persons holding such Note in a securities account (*Effektenkonto*) that is in its or their name, or, in the case of intermediaries (*Verwahrungsstellen*), the intermediary or intermediaries holding the Notes for its or their own account in a securities account (*Effektenkonto*) that is in its or their name.

"Independent Adviser" means an independent financial institution of international repute or other independent financial adviser experienced in the international capital markets, in each case, appointed by the Issuer at its own expense.

"Independent Adviser Determination Cut-off Date" has the meaning assigned to such term in subclause (c)(i) of Condition 5 (*Interest*).

"Interest Payment Date" has the meaning assigned to such term in subclause (a)(ii) of Condition 5 (*Interest*).

"Interest Period" means each period beginning on (and including) an Interest Payment Date (or, in the case of the first Interest Period, the Issue Date) and ending on (but excluding) the next Interest Payment Date.

"Interest Rate" means the Fixed Interest Rate and/or Reset Interest Rate, as the case may be.

"Intermediary" has the meaning assigned to such term in clause (b) of Condition 2 (*Amount and Denomination; Form and Transfer*).

"Intermediated Securities" has the meaning assigned to such term in clause (b) of Condition 2 (*Amount and Denomination; Form and Transfer*).

"Issue Date" means [•] November 2018.

"**Issuer**" means UBS Group Funding (Switzerland) AG in its capacity as issuer of the Notes.

"**Junior Obligations**" means (i) all classes of share capital and participation securities (if any) of the Issuer and (ii) all other obligations of the Issuer that rank, or are expressed to rank, junior to claims in respect of the Notes and/or any Parity Obligation.

"**Margin**" means [•] per cent. per annum.

"**National Regulations**" means, at any time, (i) the Swiss national banking and capital adequacy laws, and (ii) the capital adequacy regulations promulgated by the Swiss Federal Council (*Bundesrat*) or the FINMA and the interpretation thereof by the FINMA or any other competent Swiss authority, in the case of each of clauses (i) and (ii), directly applicable to UBS Group AG (and/or, if different, the Group Holding Company) and/or the Group at such time.

"**New Residence**" has the meaning assigned to such term in subclause (a)(i)(E) of Condition 14 (*Issuer Substitution*).

"**Notes**" means the SGD [•] [•] per cent. Tier 1 Capital Notes issued by the Issuer on the Issue Date.

"**Ordinary Publication Date**" means each Business Day on which Quarterly Financial Accounts are published.

"**Ordinary Shares**" means the registered ordinary shares of UBS Group AG.

"**Ordinary Trigger Event Notice Date**" has the meaning assigned to such term in subclause (b)(i) of Condition 7 (*Contingent Write-down*).

"**Parity Obligations**" means (i) all obligations of the Issuer in respect of Tier 1 Instruments (excluding any such obligations that rank, or are expressed to rank, junior to claims in respect of the Notes), and (ii) any other securities or obligations (including, without limitation, any guarantee, credit support agreement or similar undertaking) of the Issuer that rank, or are expressed to rank, *pari passu* with claims in respect of the Notes and/or any Parity Obligation.

"**Paying Agent**" has the meaning assigned to such term in clause (b) of Condition 8 (*Payments*).

"**Payment Business Day**" means a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business (including, without limitation, dealing in foreign exchange and foreign currency deposits) in London and Singapore.

"**Permitted Transactions**" means:

- (a) repurchases, redemptions or other acquisitions of any Ordinary Shares in connection with (x) any employment contract, benefit plan or similar arrangement with, or for the benefit of, any employees, officers, directors or consultants of any member of the Group, (y) a dividend reinvestment or shareholder share purchase plan or (z) the issuance of any Ordinary Shares (or securities convertible into, or exercisable for, Ordinary Shares) as consideration for an acquisition consummated by any member of the Group;
- (b) market-making in Ordinary Shares as part of the securities business of any member of the Group;
- (c) purchases of fractional interests in any Ordinary Shares pursuant to the conversion or exchange provisions of (x) such Ordinary Shares or (y) any security convertible into, or exercisable for, Ordinary Shares;
- (d) redemptions or repurchases of Ordinary Shares pursuant to any shareholders' rights plan; and
- (e) distributions in cash or in kind on, or repurchases, redemptions or other acquisitions of, any Ordinary Shares as a part of any solvent reorganisation, reconstruction, amalgamation or merger of any member of the Group, so long as such member (or the successor entity

resulting from such reorganisation, reconstruction, amalgamation or merger) continues to be a member of the Group.

"Principal Paying Agent" means UBS AG, in its capacity as principal paying agent for the Notes, and includes any successor Principal Paying Agent appointed in accordance with the terms of the Agency Agreement.

"Public Sector" means the government of, or a governmental agency or the central bank in, the country of incorporation of the Group Holding Company.

"Publication Date" means an Ordinary Publication Date or an Extraordinary Publication Date, as the case may be.

"Quarterly Financial Accounts" means (i) the financial statements of the Group (including, without limitation, the notes thereto) in respect of a financial quarter published by the Group Holding Company, which have been reviewed by the Auditor in accordance with the International Standards on Auditing; *provided, however*, that, if the financial statements of the Group in respect of the last quarter of any year are not so reviewed, the term "Quarterly Financial Accounts" in respect of such quarter will mean instead the annual financial statements of the Group (including, without limitation, the notes thereto) in respect of such year, which have been audited by the Auditor in accordance with the International Standards on Auditing and are published in the annual report of the Group Holding Company for such year, or (ii) in the event that the Group does not publish quarterly financial statements as described in clause (i) of this definition, the financial disclosures published by the Group pursuant to and in compliance with FINMA Circular 2016/01 "Capital Adequacy Disclosures Banks", as amended from time to time, or pursuant to and in compliance with any successor circular or regulation applicable to the Group Holding Company, *provided* that such financial disclosures are published for each financial quarter and the interim earnings included in such disclosures have been reviewed by the Auditor in accordance with International Standards on Auditing.

"Redemption Date" has the meaning assigned to such term in subclause (e)(i) of Condition 6 (*Redemption and Purchase*).

"Redemption Notice" has the meaning assigned to such term in subclause (e)(i) of Condition 6 (*Redemption and Purchase*).

"Reference Rate" means, in relation to a Reset Interest Period and the Reference Rate Determination Date in relation to such Reset Interest Period:

- (a) the rate appearing under the column headed "ASK" for a maturity of five years that appears under the caption "*Tullett Prebon – Rates – Interest Rate Swaps – Asia Pac – SGD*" on the Relevant Page as of the Relevant Time on such Reference Rate Determination Date; or
- (b) if such rate does not appear on the Relevant Page at the Relevant Time on such Reference Rate Determination Date, the Reset Reference Bank Rate on such Reference Rate Determination Date.

"Reference Rate Determination Date" means, in relation to a Reset Interest Period, the day falling two Business Days prior to the Reset Date on which such Reset Interest Period commences.

"Regulatory Event" has the meaning assigned to such term in subclause (d)(ii) of Condition 6 (*Redemption and Purchase*).

"Relevant Accounts" means, in respect of any Interest Payment Date, the most recently published audited unconsolidated annual financial statements of UBS Group AG prepared in accordance with the Swiss Code.

"Relevant Date" means, with respect to any payment, (i) the date on which such payment first becomes due under the Notes (the "**Scheduled Due Date**"), or (ii) if the full amount of the money payable on the Scheduled Due Date has not been received by the Principal Paying Agent on or before the Scheduled Due Date, the date on which the full amount of the money due on the Scheduled Due Date has been received by the Principal Paying Agent.

"Relevant Page" means Bloomberg Screen TPIS or such other page as may replace it on Bloomberg or, as the case may be, on such other information service that may replace Bloomberg, in each case, as may be nominated by the person providing or sponsoring the information appearing there for the purpose of displaying rates comparable to the Reference Rate.

"Relevant Time" means 11:00 a.m. (London time).

"Relevant Swiss Issuer" means, at any time, any bank, or any member of a banking group (including, without limitation, the Group), that is subject to a Going-Concern LR Requirement and a Going-Concern RWA Requirement at such time.

"Reset Date" means the First Call Date and each day which falls on the fifth anniversary of the immediately preceding Reset Date.

"Reset Interest Amount" has the meaning assigned to such term in clause (b) of Condition 5 (*Interest*).

"Reset Interest Period" means each period from (and including) any Reset Date and ending on (but excluding) the next Reset Date.

"Reset Interest Rate" means, in relation to any Reset Interest Period, the sum of the Margin and the Reference Rate in relation to such Reset Interest Period.

"Reset Reference Bank Rate" means, in relation to a Reset Interest Period and the Reference Rate Determination Date in relation to such Reset Interest Period, the percentage rate determined by the Calculation Agent as follows:

- (a) the Calculation Agent will request the principal Singapore offices of each of the Reset Reference Banks to provide it with such Reset Reference Bank's swap offer rates for a duration of five years at close of business in Singapore on the Business Day immediately following the Reference Rate Determination Date; and
- (b) if at least three quotations are provided, the Reset Reference Bank Rate will be the arithmetic mean of the quotations provided, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest);
- (c) if only two quotations are provided, the Reset Reference Bank Rate will be the arithmetic mean of the quotations provided; and
- (d) if only one quotation is provided, the Reset Reference Bank Rate will be the quotation provided; and
- (e) if no quotations are provided, the Reset Reference Bank Rate for the relevant Reset Interest Period will be (i) in the case of each Reset Interest Period other than the Reset Interest Period commencing on the First Call Date, the Reference Rate in respect of the immediately preceding Reset Interest Period, or (ii) in the case of the Reset Interest Period commencing on the First Call Date, [\bullet] per cent. per annum.

"Reset Reference Banks" means five major banks in the Singapore interbank market, as selected by the Issuer after consultation with the Calculation Agent.

"Reviewed Interim Measurement" means an interim measurement of the CET1 Ratio, with respect to which the Auditor has performed procedures in accordance with the International Standard on Related Services (and relevant Swiss standards and practices) applicable to agreed-upon procedures engagements.

"Scheduled Due Date" has the meaning assigned to such term in the definition of the term "Relevant Date".

"Senior Obligations" means all obligations of the Issuer that are unsubordinated or that are subordinated and do not constitute either Junior Obligations or Parity Obligations.

"**SGD**" means Singapore dollars.

"**Substitute Issuer**" has the meaning assigned to such term in subclause (a)(i) of Condition 14 (*Issuer Substitution*).

"**Substitution Documents**" has the meaning assigned to such term in subclause (a)(i)(D) of Condition 14 (*Issuer Substitution*).

"**Substitution or Amendment Effective Date**" has the meaning assigned to such term in subclause (a)(iii) of Condition 12 (*Substitution and Amendment*).

"**Substitution or Amendment Notice**" has the meaning assigned to such term in subclause (a)(iii) of Condition 12 (*Substitution and Amendment*).

"**Swiss Code**" means the Swiss Code of Obligations, as amended from time to time.

"**Tax Event**" has the meaning assigned to such term in subclause (c)(ii) of Condition 6 (*Redemption and Purchase*).

"**Tax Jurisdiction**" means Switzerland.

"**Taxes**" has the meaning assigned to such term in clause (a) of Condition 9 (*Taxation*).

"**Tier 1 Capital**" means Additional Tier 1 Capital or any item that qualifies as common equity tier 1 capital pursuant to National Regulations.

"**Tier 1 Instruments**" means any and all (i) securities or other obligations (other than Tier 1 Shares) issued by UBS Group AG or (ii) shares, securities, participation securities or other obligations (other than Tier 1 Shares) issued by a subsidiary of UBS Group AG and having the benefit of a guarantee, credit support agreement or similar undertaking of UBS Group AG, each of which shares, securities, participation securities or other obligations described in clauses (i) and (ii) of this definition qualify, or are issued in respect of a security that qualifies, as Tier 1 Capital of the Group and/or UBS Group AG (without regard to quantitative limits on such capital) on a consolidated (*Finanzgruppe*) or on an unconsolidated (*Einzelinstitut*) basis.

"**Tier 1 Shares**" means all classes of share capital and participation certificates (if any) of UBS Group AG or any subsidiary of UBS Group AG that qualify as common equity tier 1 capital of the Group and/or UBS Group AG under National Regulations on a consolidated (*Finanzgruppe*) or on an unconsolidated (*Einzelinstitut*) basis.

"**Trigger Breach Determination Date**" has the meaning assigned to such term in subclause (b)(i) of Condition 7 (*Contingent Write-down*).

"**Trigger CET1 Ratio**" means, as of any Publication Date, (i) the sum of (x) the CET1 Capital as of the relevant Balance Sheet Date and (y) the Higher-Trigger Amount as of such Publication Date, divided by (ii) the BIS Risk Weighted Assets as of the relevant Balance Sheet Date, expressed as a percentage.

"**Trigger Event**" has the meaning assigned to such term in subclause (a)(ii) of Condition 7 (*Contingent Write-down*).

"**Trigger Event Notice Date**" means an Ordinary Trigger Event Notice Date or an Extraordinary Trigger Event Notice Date, as the case may be.

"**Trigger Event Write-down Date**" has the meaning assigned to such term in the definition of the term "**Trigger Event Write-down Notice**".

"**Trigger Event Write-down Notice**" means, with respect to any Publication Date, a notice (i) stating that (x) the Trigger CET1 Ratio as of such Publication Date is less than the Write-down Threshold, and (y) a Contingent Write-down will take place and (ii) specifying the date on which the Contingent Write-down will take place, which date shall, subject to postponement pursuant to subclause (b)(ii) of Condition 7 (*Contingent Write-down*), be no later than ten Business Days after the date of such notice (the "**Trigger Event Write-down Date**").

"**Viability Event**" has the meaning assigned to such term in subclause (c)(ii) of Condition 7 (*Contingent Write-down*).

"**Viability Event Write-down Date**" has the meaning assigned to such term in subclause (c)(i) of Condition 7 (*Contingent Write-down*).

"**Viability Event Write-down Notice**" has the meaning assigned to such term in subclause (c)(ii) of Condition 7 (*Contingent Write-down*).

"**Write-down Date**" means, with respect to any Contingent Write-down, the Trigger Event Write-down Date or Viability Event Write-down Date, as applicable.

"**Write-down Notice**" means, with respect to any Contingent Write-down, the relevant Trigger Event Write-down Notice or Viability Event Write-down Notice, as applicable.

"**Write-down Notice Date**" means, with respect to any Contingent Write-down, the date of the relevant Write-down Notice.

"**Write-down Threshold**" means 7 per cent.

2. AMOUNT AND DENOMINATION; FORM AND TRANSFER

(a) Amount and denomination

The initial aggregate principal amount of the Notes will be SGD [•]. The Notes will be issued to Holders in minimum denominations of SGD 250,000 and integral multiples of SGD 250,000 in excess thereof. The principal amount of the Notes may be written down in the circumstances and in the manner described in Condition 7 (*Contingent Write-down*). The Notes may only be held and transferred in minimum denominations of SGD 250,000 and integral multiples of SGD 250,000 in excess thereof.

(b) Uncertificated securities

The Notes are issued in uncertificated form as uncertificated securities (*Wertrechte*) in accordance with article 973c of the Swiss Code. The uncertificated securities (*Wertrechte*) will be created by the Issuer by means of a registration in its register of uncertificated securities (*Wertrechtbuch*). Such uncertificated securities will then be entered into the main register (*Hauptregister*) of SIX SIS Ltd or any other intermediary in Switzerland recognised for such purposes by SIX Swiss Exchange Ltd (SIX SIS Ltd or any such other intermediary, the "**Intermediary**"). Once the uncertificated securities are registered in the main register (*Hauptregister*) of the Intermediary and entered into the accounts of one or more participants of the Intermediary, the Notes will constitute intermediated securities (*Bucheffekten*) within the meaning of the Swiss Federal Intermediated Securities Act (*Bucheffektengesetz*) ("**Intermediated Securities**").

So long as the Notes are Intermediated Securities, the Notes may only be transferred by the entry of the transferred Notes in a securities account of the transferee.

The records of the Intermediary will determine the number of Notes held through each participant in the Intermediary.

Neither the Issuer nor any Holder nor any other person shall at any time have the right to effect or demand the conversion of the uncertificated securities (*Wertrechte*) into, or the delivery of, a global note (*Globalurkunde*) or definitive Notes (*Wertpapiere*).

3. STATUS AND SUBORDINATION

(a) Status

The Notes constitute direct, unsecured and subordinated obligations of the Issuer and rank *pari passu* and without any preference among themselves. The rights and claims of the Holders against the Issuer under the Notes are subordinated as described in clause (b) of this Condition 3.

(b) Subordination

In the event of (i) a Bankruptcy Event with respect to the Issuer or (ii) an order being made, or an effective resolution being passed, for the liquidation or winding-up of the Issuer (except, in any such case, a solvent liquidation or winding-up of the Issuer solely for the purposes of a reorganisation, reconstruction or amalgamation of the Issuer or the substitution in place of the Issuer of a successor in business to the Issuer, the terms of which reorganisation, reconstruction, amalgamation or substitution (x) have previously been approved by a valid resolution of the Holders and (y) do not provide that the Notes shall become redeemable in accordance with these Terms and Conditions), the rights and claims of the Holders against the Issuer in respect of or arising under (including, without limitation, any damages awarded for breach of any obligation under) the Notes will, subject to any obligations that are mandatorily preferred by law, rank (A) junior to the rights and claims of all holders of Senior Obligations, (B) *pari passu* with the rights and claims of holders of Parity Obligations and (C) senior to the rights and claims of holders of Junior Obligations; *provided, however*, that, if a Bankruptcy Event with respect to the Guarantor has occurred pursuant to clause (i) or (iv) of the definition thereof, any amount payable to Holders in respect of or arising under the Notes (including, for the avoidance of doubt, under the Guarantee) shall not exceed the amount per Note that would be paid on a liquidation distribution out of the assets of the Guarantor had the Notes and any Parity Obligations ranked *pari passu* with Guarantor Parity Obligations.

(c) Claims subject to a Contingent Write-down

Any claim of any Holder in respect of or arising under the Notes (including, without limitation, any claim in relation to any unsatisfied payment obligation of the Issuer subject to enforcement by any Holder pursuant to Condition 11 (*Events of Default*) or in relation to the occurrence of any other Event of Default) will be subject to, and superseded by, clause (d) of Condition 7 (*Contingent Write-down*), irrespective of whether the relevant Write-down Notice has been given prior to or after the occurrence of an Event of Default or any other event.

4. **GUARANTEE**

(a) Guarantee of the Notes

The Guarantor has, pursuant to and in accordance with the terms and conditions of a guarantee dated as of the Issue Date, and governed by Swiss law (the "**Guarantee**"), undertaken for the benefit of the Holders irrevocably and unconditionally to guarantee the payment of principal and interest and any other amounts due under the Notes. The obligations of the Guarantor under the Guarantee constitute direct and unsecured obligations of the Guarantor, subordinated as described in clause (b) of this Condition 4. Upon the occurrence of a Contingent Write-down, the Guarantee will cease to exist as of the relevant Write-down Date and all rights of any Holder for payment of any amounts under the Guarantee will become null and void, irrespective of whether such amounts have become due and payable prior to, or whether any Holder has requested payment of such amounts from the Guarantor under the Guarantee prior to, the relevant Write-down Notice Date or the Write-down Date. Upon the occurrence of an Automatic Issuer Substitution or if the Issuer voluntarily substitutes the Guarantor for itself as principal debtor under the Notes in accordance with clause (a) of Condition 14 (*Issuer Substitution*), the Guarantee will cease to exist.

(b) Subordination

The Guarantee provides that in the event of (i) a Bankruptcy Event with respect to the Guarantor or (ii) an order being made, or an effective resolution being passed, for the liquidation or winding-up of the Guarantor (except, in any such case, a solvent liquidation or winding-up of the Guarantor solely for the purposes of a reorganisation, reconstruction or amalgamation of the Guarantor or the substitution in place of the Guarantor of a successor in business to the Guarantor, the terms of which reorganisation, reconstruction, amalgamation or substitution (x) have previously been approved by a valid resolution of the Holders and (y) do not provide that the Notes shall become redeemable in accordance

with these Terms and Conditions), the rights and claims of the Holders against the Guarantor in respect of or arising under (including, without limitation, any damages awarded for breach of any obligation under) the Guarantee will, subject to any obligations that are mandatorily preferred by law, rank (A) junior to the rights and claims of all holders of Guarantor Senior Obligations, (B) *pari passu* with the rights and claims of holders of Guarantor Parity Obligations and (C) senior to the rights and claims of holders of Guarantor Junior Obligations.

For purposes of this Condition 4,

- (i) "**Guarantor Junior Obligations**" means (A) all classes of share capital and participation securities (if any) of the Guarantor and (B) all other obligations of the Guarantor that rank, or are expressed to rank, junior to claims in respect of the Guarantee and/or any Guarantor Parity Obligation.
- (ii) "**Guarantor Parity Obligations**" means (A) all obligations of the Guarantor in respect of Tier 1 Instruments (excluding any such obligations that rank, or are expressed to rank, junior to claims in respect of the Guarantee), and (B) any other securities or obligations (including, without limitation, any guarantee, credit support agreement or similar undertaking) of the Guarantor that rank, or are expressed to rank, *pari passu* with claims in respect of the Guarantee and/or any Guarantor Parity Obligation.
- (iii) "**Guarantor Senior Obligations**" means all obligations of the Guarantor that are unsubordinated or that are subordinated and do not constitute either Guarantor Junior Obligations or Guarantor Parity Obligations.

5. INTEREST

(a) Interest Payment Dates

- (i) Subject to Condition 7 (*Contingent Write-down*) and clause (i) of this Condition 5, the Notes will bear interest on their principal amount (A) from (and including) the Issue Date to (but excluding) the First Call Date, at the Fixed Interest Rate, and (B) thereafter, at the applicable Reset Interest Rate.
- (ii) Subject to Condition 7 (*Contingent Write-down*) and clause (j) of this Condition 5, interest on the Notes will be payable semi-annually in arrear on [•] May and [•] November of each year (each, an "**Interest Payment Date**"), commencing on [•] May 2019.

(b) Determination of Reference Rate in relation to a Reset Interest Period

With respect to each Reset Interest Period and subject to clause (c) of this Condition 5, the Calculation Agent will, as soon as practicable after the Relevant Time on the Reference Rate Determination Date in relation to such Reset Interest Period, determine the Reference Rate and the Reset Interest Rate for such Reset Interest Period and calculate the amount of interest payable per Calculation Amount on the Interest Payment Date in relation to each Interest Period falling in such Reset Interest Period (each, a "**Reset Interest Amount**").

(c) Benchmark replacement

If the Issuer (in consultation with the Calculation Agent) determines prior to any Reference Rate Determination Date that the rate referred to in clause (a) of the definition of Reference Rate (the "**Existing Benchmark Rate**") has been discontinued, then the following provisions shall apply (subject to the subsequent operation of this clause (c)):

- (i) the Issuer shall use reasonable endeavours to appoint an Independent Adviser to determine in the Independent Adviser's discretion, in accordance with subclause (iv) below, an alternative rate (the "**Alternative Benchmark Rate**") no later than three Business Days prior to the Reference Rate Determination Date relating to the next succeeding Reset Interest Period (such Business Day, the

"Independent Adviser Determination Cut-off Date", and such next succeeding Reset Interest Period, the **"Affected Reset Interest Period"**) for purposes of determining the Reference Rate in respect of the Affected Reset Interest Period and all Reset Interest Periods thereafter;

- (ii) if prior to the Independent Adviser Determination Cut-off Date the Issuer is unable to appoint an Independent Adviser or the Independent Adviser appointed by the Issuer fails to determine an Alternative Benchmark Rate in accordance with subclause (iv) below, then the Issuer (in consultation with the Calculation Agent) may determine in its discretion, in accordance with subclause (iv) below, the Alternative Benchmark Rate for purposes of determining the Reference Rate in respect of the Affected Reset Interest Period and all Reset Interest Periods thereafter;
- (iii) if subclause (ii) above applies and the Issuer is unable or unwilling to determine the Alternative Benchmark Rate prior to the Reference Rate Determination Date relating to the Affected Reset Interest Period in accordance with subclause (iv) below, the Reference Rate in respect of the Affected Reset Interest Period shall be equal to the Reference Rate in respect of the immediately preceding Reset Interest Period (or, if there is no preceding Reset Interest Period, the Reset Interest Rate applicable to the Affected Reset Interest Period will be equal to the Fixed Interest Rate); *provided, however*, that, if this subclause (iii) applies to the Affected Reset Interest Period, the Reset Interest Rate for all succeeding Reset Interest Periods shall be the Reset Interest Rate applicable to the Affected Reset Interest Period as determined in accordance with this subclause (iii) unless (A) the Issuer, in its sole discretion, elects to determine an Alternative Benchmark Rate in respect of any such succeeding Reset Interest Period and all Reset Interest Periods thereafter in accordance with the processes set out in this clause (c), and (B) an Alternative Benchmark Rate is so determined;
- (iv) in the case of any determination of an Alternative Benchmark Rate pursuant to subclause (i) or (ii) above, the Alternative Benchmark Rate shall be such rate as the Independent Adviser or the Issuer (in consultation with the Calculation Agent and acting in good faith and a commercially reasonable manner), as applicable, determines in its reasonable discretion has replaced the Existing Benchmark Rate in customary market usage, or, if the Independent Adviser or the Issuer, as applicable, determines in its reasonable discretion that there is no such rate, such other rate as the Independent Adviser or the Issuer (in consultation with the Calculation Agent and acting in good faith and a commercially reasonable manner) determines in its reasonable discretion is most comparable to the Existing Benchmark Rate; and
- (v) if the Independent Adviser or the Issuer determines an Alternative Benchmark Rate in accordance with the above provisions of this clause (c),
 - (A) the Independent Adviser (in the case of subclause (2) below, in consultation with the Issuer) or the Issuer (as the case may be) shall also, following consultation with the Calculation Agent, determine in its reasonable discretion (1) the method for obtaining the Alternative Benchmark Rate, including the screen page on or source from which the Alternative Benchmark Rate appears or is obtained (the **"Alternative Relevant Page"**), and the time at which the Alternative Benchmark Rate appears on, or is obtained from, the Alternative Relevant Page (the **"Alternative Relevant Time"**), (2) whether to apply an Adjustment Spread to the Alternative Benchmark Rate and, if so, the Adjustment Spread, which Adjustment Spread must be recognised or acknowledged as being in customary market usage in international debt capital markets transactions that reference the Existing Benchmark Rate, where such rate has been replaced by the Alternative Benchmark Rate, and (3) any alternative method for determining the Reference Rate if such Alternative Benchmark Rate is unavailable on the relevant Reset

Determination Date, which alternative method shall be consistent with any Alternative Benchmark Rate that has broad market support;

- (B) for the Affected Reset Interest Period and all Reset Interest Periods thereafter, (1) clause (a) of the definition of Reference Rate shall be amended as contemplated in clause (b) of Condition 12 (*Substitution and Amendment*) to give effect to the determination described in subclause (A)(1) above and any Adjustment Spread determined pursuant to subclause (A)(2) above, and (2) clause (b) of the definition of Reference Rate shall be amended as contemplated in clause (b) of Condition 12 (*Substitution and Amendment*) to give effect to the determination described in subclause (A)(3) above;
 - (C) references to the Relevant Page and to the Relevant Time in these Terms and Conditions shall be deemed to be references to the Alternative Relevant Page and the Alternative Relevant Time;
 - (D) if any changes to the definitions of Day Count Fraction, Business Day, Payment Business Day and/or Reference Rate Determination Date are necessary in order to implement the amendments described in subclause (B) above and, if so, such definitions shall be amended as contemplated in clause (b) of Condition 12 (*Substitution and Amendment*) to reflect such changes; and
 - (E) the Issuer shall promptly give notice to the Holders in accordance with Condition 13 (*Notices*) specifying the Alternative Benchmark Rate (including any Adjustment Spread determined pursuant to subclause (A)(2) above), the Alternative Relevant Page, the Alternative Relevant Time, any alternative method for determining the Reference Rate described in subclause (A)(3) above, and any amendments implemented pursuant to clause (b) of Condition 12 (*Substitution and Amendment*) as described in subclause (D) above.
- (d) Publication of Reset Interest Rate and interest amount payable upon redemption

With respect to each Reset Interest Period, as soon as practicable after such determination but in any event not later than the relevant Reset Date, the Calculation Agent will cause (i) the relevant Reset Interest Rate and the relevant Reset Interest Amount determined by it, together with the Interest Payment Date in relation to each Interest Period falling in such Reset Interest Period, to be notified to the Issuer and the Paying Agents and (ii) the relevant Reset Interest Rate determined by it to be notified to any stock exchange or other relevant authority on which the Notes are at the relevant time listed and to be published in accordance with Condition 13 (*Notices*).

The Calculation Agent shall calculate any interest amount payable on the Redemption Date (if the Notes are to be redeemed pursuant to Condition 6 (*Redemption and Purchase*)) and cause such interest amount to be notified to Issuer and the Paying Agents and to any stock exchange or other relevant authority on which the Notes are at the relevant time listed and to be published in accordance with Condition 13 (*Notices*) no later than two Business Days prior to the Redemption Date.

- (e) Calculation of amount of interest per Calculation Amount

Subject to Condition 7 (*Contingent Write-down*) and clause (j) of this Condition 5:

- (i) the amount of interest payable per Calculation Amount on each Interest Payment Date from the Issue Date to (but excluding) the First Call Date in respect of the Notes will be calculated by:
 - (A) applying the Fixed Interest Rate to the Calculation Amount;
 - (B) multiplying the product thereof by the Day Count Fraction; and

- (C) rounding the resulting figure to the nearest cent (half a cent being rounded upwards); and
- (ii) if interest is required to be paid in respect of a Note on any other date (including, for the avoidance of doubt, the Reset Interest Amount), the amount of interest payable per Calculation Amount will be calculated by:
 - (A) applying the applicable Interest Rate to the Calculation Amount;
 - (B) multiplying the product thereof by the Day Count Fraction; and
 - (C) rounding the resulting figure to the nearest cent (half a cent being rounded upwards).
- (f) Calculation of amount of interest per Note

Subject to Condition 7 (*Contingent Write-down*) and clause (j) of this Condition 5, the amount of interest payable in respect of a Note will be the product of:

- (i) the amount of interest per Calculation Amount; and
 - (ii) the number by which the Calculation Amount is required to be multiplied to equal the denomination of such Note.
- (g) Notifications, etc. to be final

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes this Condition 5, whether by the Reset Reference Banks (or any of them) or the Calculation Agent, will (in the absence of wilful default, bad faith and manifest error) be binding on the Issuer, the Guarantor, the Calculation Agent, the Paying Agents and the Holders and (in the absence of wilful default and bad faith) no liability to the Issuer, the Guarantor or the Holders will attach to the Reset Reference Banks (or any of them) or the Calculation Agent in connection with the exercise or non-exercise by the Calculation Agent of its powers, duties and discretions under this Condition 5.

- (h) Calculation Agent

So long as any Note is outstanding, the Issuer and the Guarantor will at all times maintain a Calculation Agent. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails to (i) duly calculate the Reference Rate and the Reset Interest Amount for any Interest Period or the interest amount payable on the Redemption Date (if the Notes are to be redeemed pursuant to Condition 6 (*Redemption and Purchase*)) or (ii) comply with any other requirement in relation to the Notes, the Issuer and the Guarantor shall appoint a leading bank or financial institution that is experienced in the calculations or determinations to be made by the Calculation Agent to act as such in the Calculation Agent's place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid. Any termination or appointment of the Calculation Agent pursuant to this clause (h) shall take effect not more than 45 and not less than 30 days' after the Issuer has notified the Holders of such termination or appointment pursuant to Condition 13 (*Notices*); *provided, however*, that, in the case of insolvency of the Calculation Agent, such termination or appointment will take immediate effect.

- (i) Accrual of interest in the case of redemption or a Write-down Event

(i) Subject to Condition 7 (*Contingent Write-down*), if the Notes are to be redeemed pursuant to clause (b), (c) or (d) of Condition 6 (*Redemption and Purchase*), interest on the Notes will accrue up to (but excluding) the relevant Redemption Date, and will cease to accrue on such Redemption Date; *provided, however*, that if the payment with respect to any Note is improperly withheld or refused on such Redemption Date, interest will continue to accrue on the principal amount of such

Note (both before and after judgment) at the relevant Interest Rate to the Relevant Date.

- (ii) Upon the occurrence of a Write-down Event, interest on the Notes will cease to accrue and any accrued and unpaid interest as at the time of such Write-down Event (whether or not due and payable) will be written down to zero in accordance with Condition 7 (*Contingent Write-down*).
- (j) Cancellation of interest; prohibited interest
 - (i) The Issuer may, at its discretion, elect to cancel all or part of any payment of interest on the Notes (including, for the avoidance of doubt, any related Additional Amounts) that is otherwise scheduled to be paid on an Interest Payment Date. This subclause (j)(i) is without prejudice to the provisions of subclause (j)(ii) of this Condition 5. Non-payment of any amount of interest by the Issuer to the Principal Paying Agent will constitute evidence of cancellation of the relevant payment, whether or not notice of cancellation has been given by the Issuer.

If practicable, the Issuer shall provide notice of any cancellation of interest (in whole or in part) pursuant to this subclause (j)(i) to the Holders on or prior to the relevant Interest Payment Date. If practicable, the Issuer shall endeavour to provide such notice at least five Business Days prior to the relevant Interest Payment Date. Failure to provide such notice will not have any impact on the effectiveness of, or otherwise invalidate, any such cancellation of interest, or give Holders any rights as a result of such failure.

- (ii) The Issuer will be prohibited from making, in whole or in part, any payment of interest on the Notes (including, for the avoidance of doubt, any related Additional Amounts) on the relevant Interest Payment Date if and to the extent that:
 - (A) the amount of Distributable Items as at such Interest Payment Date is less than the sum of (1) the amount of such interest payment, plus (2) all other payments (other than redemption payments) made by the Issuer or the Guarantor on or in respect of the Notes or any Parity Obligations, Guarantor Parity Obligations, Junior Obligations or Guarantor Junior Obligations since the balance sheet date of the Relevant Accounts and prior to such Interest Payment Date, plus (3) all payments (other than redemption payments) payable by the Issuer or the Guarantor on such Interest Payment Date on or in respect of any Parity Obligations, Guarantor Parity Obligations, Junior Obligations or Guarantor Junior Obligations, in the case of each of clauses (1), (2) and (3), excluding any portion of such payments already accounted for in determining the amount of such Distributable Items; and/or
 - (B) UBS Group AG is not, or will not immediately after the relevant payment of interest be, in compliance with all applicable minimum capital adequacy requirements of the National Regulations on a consolidated (*Finanzgruppe*) basis (for the avoidance of doubt, it being understood that such minimum requirements will reflect any reduction in such requirements granted by the FINMA to the Group pursuant to the Capital Adequacy Ordinance); and/or
 - (C) the FINMA has required the Issuer not to make such interest payment.

The Issuer shall deliver a certificate signed by the Authorised Signatories to the Principal Paying Agent and shall give notice in accordance with Condition 13 (*Notices*) to the Holders, in each case as soon as practicable following any determination that interest is required to be cancelled pursuant to this subclause (j)(ii) or, where no such prior determination is made, promptly following any Interest Payment Date on which interest was scheduled to be paid

if such interest is being cancelled in accordance with this subclause (j)(ii), to such effect setting out brief details as to the amount of interest being cancelled and the reason therefor. Failure to provide such certificate and notice will not have any impact on the effectiveness of, or otherwise invalidate, any such cancellation or give any Holder any rights as a result of such failure.

- (iii) If, on any Interest Payment Date, any payment of interest scheduled to be made on such date is not made in full pursuant to subclause (j)(i) or subclause (j)(ii) of this Condition 5, the Issuer shall procure that UBS Group AG shall not, directly or indirectly,
 - (A) recommend to holders of Ordinary Shares that any dividend or other distribution in cash or in kind (other than in the form of Ordinary Shares) be paid or made on any Ordinary Shares; and
 - (B) redeem, purchase or otherwise acquire any Ordinary Shares other than as a Permitted Transaction,

in each case unless and until (x) the interest payment due and payable on the Notes on any subsequent Interest Payment Date has been paid in full (or an amount equal to the same has been paid in full to a designated third party trust account for the benefit of the Holders prior to payment by the trustee thereof to the Holders on such subsequent Interest Payment Date) or, if earlier, (y) all outstanding Notes have been cancelled in accordance with these Terms and Conditions.

- (iv) Payments of interest on the Notes are not cumulative. Notwithstanding any other provision in these Terms and Conditions, the cancellation or non-payment of any interest amount by virtue of this Condition 5(j) will not constitute a default for any purpose (including, without limitation, Condition 11 (*Events of Default*) on the part of the Issuer. Any interest payment not paid by virtue of this Condition 5(j) will not accumulate or be payable at any time thereafter, and Holders will have no right thereto.
- (v) If UBS Group AG determines, after consultation with the FINMA, that the Notes do not, or will cease to, fully qualify as Additional Tier 1 Capital, (A) the Issuer shall not, to the extent permitted under National Regulations, exercise its discretion pursuant to subclause (j)(i) of this Condition 5 to cancel any interest payments due on the Notes on any Interest Payment Date following the occurrence of such determination, and (B) the Issuer shall give notice to the Holders in accordance with Condition 13 (*Notices*) as soon as practicable after such determination stating that the Issuer may no longer exercise its discretion pursuant to subclause (j)(i) of this Condition 5 to cancel any interest payments as from the date of such notice.

6. REDEMPTION AND PURCHASE

- (a) No fixed redemption date

The Notes are perpetual securities in respect of which there is no fixed redemption date. Unless previously redeemed or purchased and cancelled in accordance with this Condition 6 and subject to Condition 7 (*Contingent Write-down*), the Notes are perpetual and may only be redeemed or purchased in accordance with this Condition 6.

- (b) Redemption at the option of the Issuer

Subject to clause (e) of this Condition 6, the Issuer may elect, in its sole discretion, to redeem the Notes, in whole but not in part, on the First Call Date or on any other Interest Payment Date thereafter at their aggregate principal amount, together with any accrued and unpaid interest thereon to (but excluding) the First Call Date or such other Interest Payment Date, as applicable.

- (c) Redemption due to a Tax Event

- (i) Subject to clause (e) of this Condition 6, upon the occurrence of a Tax Event at any time after the Issue Date, the Issuer may elect, in its sole discretion, to redeem the Notes, in whole but not in part, on the relevant Redemption Date at their aggregate principal amount, together with any accrued and unpaid interest thereon to (but excluding) such Redemption Date.
 - (ii) A "**Tax Event**" will have occurred if the Issuer in making any payments on the Notes or (if a demand were to be made under the Guarantee) the Guarantor in making any payments under the Guarantee (A) has paid, or will or would on the next payment date be required to pay, Additional Amounts, or (B) has paid, or will or would be required to pay, any additional Tax in respect of the Notes or the Guarantee, as applicable, in the case of each of clauses (A) and (B), under the laws or regulations of a Tax Jurisdiction or any political subdivision thereof or any authority of or in a Tax Jurisdiction or any political subdivision thereof having the power to impose, levy, collect, withhold or assess Taxes, including, without limitation, any treaty to which a Tax Jurisdiction is a party, or any generally published application or interpretation of such laws (including, without limitation, a decision of any court or tribunal, any generally published application or interpretation of such laws by any relevant tax authority or any generally published pronouncement by any relevant tax authority), and the Issuer or the Guarantor, as the case may be, cannot avoid the foregoing by taking measures reasonably available to it.
- (d) Redemption due to a Regulatory Event
- (i) Subject to clause (e) of this Condition 6, upon the occurrence of a Regulatory Event at any time after the Issue Date, the Issuer may elect, in its sole discretion, to redeem the Notes, in whole but not in part, on the relevant Redemption Date at their aggregate principal amount, together with any accrued and unpaid interest thereon to (but excluding) such Redemption Date.
 - (ii) A "**Regulatory Event**" will have occurred if any of the Notes ceases to be eligible in full to be (A) treated as Additional Tier 1 Capital, and/or (B) counted towards either the Going-Concern LR Requirement or the Going-Concern RWA Requirement (or both).
- (e) Conditions for redemption
- (i) If the Issuer elects to redeem the Notes pursuant to clause (b), (c) or (d) of this Condition 6, the Issuer shall give the Holders not less than 30 and not more than 60 days' prior notice in accordance with Condition 13 (*Notices*) (a "**Redemption Notice**"), which notice shall, subject to clause (f) of this Condition 6, be irrevocable and specify the date on which the Issuer will redeem the Notes pursuant to such clause of this Condition 6 (such specified date, the "**Redemption Date**").
 - (ii) The Issuer may only redeem the Notes pursuant to clause (b) or (c) of this Condition 6 on the relevant Redemption Date if the FINMA has approved such redemption on or prior to such Redemption Date, if such approval is then required under applicable Swiss laws and regulations.
 - (iii) The Issuer may only redeem the Notes pursuant to any clause of this Condition 6 on the relevant Redemption Date if no Trigger Event or Viability Event has occurred prior to such Redemption Date.
 - (iv) Prior to the publication of any notice of redemption pursuant to subclause (e)(i) of this Condition 6, the Issuer shall deliver to the Principal Paying Agent (A) a certificate signed by two Authorised Signatories stating that the relevant requirement or circumstance giving rise to the right to redeem under this Condition 6 is satisfied and the reasons therefor and such certificate will be conclusive and binding on the Holders, and (B) an opinion of independent legal

advisers of recognised standing to the effect that circumstances entitling the Issuer to exercise its right of redemption under this Condition 6 have arisen.

(f) Purchases

The Issuer or any other member of the Group or any of their respective affiliates may at any time purchase Notes at any price in the open market or otherwise, *provided* that (i) such purchase complies with any limits or conditions to which any member of the Group is subject under applicable banking laws and regulations at the time of such purchase, (ii) other than in the case of purchases made in connection with stabilisation measures in compliance with applicable law or in connection with any market making in the Notes, the FINMA has approved such purchase (if such approval is then required under applicable Swiss laws and regulations) on or prior to the date of such purchase, and (iii) no Trigger Event or Viability Event has occurred prior to the date of such purchase. Any Notes so purchased may, at the option of the Issuer, be held, reissued, resold or cancelled.

(g) Cancellation

All Notes redeemed in accordance with this Condition 6 will be cancelled and may not be reissued or resold.

(h) Redemption of Other Instruments

For the avoidance of doubt, it is understood that, if, upon the occurrence of a Tax Event or a Regulatory Event, the Issuer does not elect to redeem the Notes pursuant to this Condition 6, nothing in this Condition 6 or any other provision of these Terms and Conditions will prohibit the Issuer from redeeming (whether early, at maturity or otherwise) any other instruments issued by any member of the Group pursuant to the terms thereof.

7. **CONTINGENT WRITE-DOWN**

(a) Trigger Event

(i) Upon the occurrence of a Trigger Event, a Contingent Write-down will occur on the Trigger Event Write-down Date in accordance with clause (d) of this Condition 7.

(ii) A "**Trigger Event**" will have occurred if the Issuer or the Guarantor gives the Holders a Trigger Event Write-down Notice in accordance with clause (b) of this Condition 7.

(b) Trigger Event Write-down Notice

(i) If, with respect to any Publication Date, the Trigger CET1 Ratio as of such Publication Date is less than the Write-down Threshold, the Issuer or the Guarantor shall, subject to subclauses (b)(ii) and (b)(iii) of this Condition 7, give a Trigger Event Write-down Notice to the Holders (x) if such Publication Date is an Ordinary Publication Date, within five Business Days of such Ordinary Publication Date (such fifth Business Day, the "**Trigger Breach Determination Date**", and the date of such notice, the "**Ordinary Trigger Event Notice Date**"), and (y) if such Publication Date is an Extraordinary Publication Date, on such Extraordinary Publication Date (the "**Extraordinary Trigger Event Notice Date**"), in each case in accordance with Condition 13 (*Notices*).

(ii) If a Trigger Event Write-down Notice is required to be given pursuant to subclause (b)(i) of this Condition 7, and on the relevant Publication Date any Higher-Trigger Contingent Capital is outstanding with respect to which either (x) no Higher-Trigger Write-down/Conversion Notice has been given prior to the Trigger Event Notice Date or (y) a Higher-Trigger Write-down/Conversion Notice has been given prior to the Trigger Event Notice Date, but the Trigger Event Write-down Date is scheduled to occur prior to the relevant Higher-Trigger Write-down/Conversion Date,

- (A) in the case of clause (x) above, the giving of such Trigger Event Write-down Notice will be postponed until the date on which a Higher-Trigger Write-down/Conversion Notice has been given with respect to all such outstanding Higher-Trigger Contingent Capital and such date will be deemed to be the Trigger Event Notice Date; and
 - (B) in the case of clauses (x) and (y) above, if the Trigger Event Write-down Date is scheduled to occur prior to the Higher-Trigger Write-down/Conversion Date (or, in the case of more than one Higher-Trigger Write-down/Conversion Date, the latest Higher-Trigger Write-down/Conversion Date), the Trigger Event Write-down Date will be postponed to the Higher-Trigger Write-down/Conversion Date (or the latest Higher-Trigger Write-down/Conversion Date, as applicable) and such postponement shall be specified in such Trigger Event Write-down Notice.
- (iii) If (A) a Trigger Event Write-down Notice is required to be given pursuant to subclause (b)(i) of this Condition 7 in relation to an Ordinary Publication Date, and (B) prior to the earlier of the Ordinary Trigger Event Notice Date and the Trigger Breach Determination Date, the FINMA, upon the request of UBS Group AG, has agreed in writing that a Contingent Write-down is not required as a result of actions taken by the Group or circumstances or events, in each case, that have had, or imminently will have, the effect of restoring the CET1 Ratio as of the Balance Sheet Date relating to the relevant Ordinary Publication Date, after giving pro forma effect to such actions, circumstances or events, to a level above the Write-down Threshold that the FINMA and UBS Group AG deem, in their sole discretion, to be adequate at such time, (x) neither the Issuer nor the Guarantor shall give such Trigger Event Write-down Notice pursuant to subclause (b)(i) of this Condition 7 in relation to the relevant Ordinary Publication Date, and (y) either the Issuer or the Guarantor shall give notice to the Holders on or prior to the Trigger Breach Determination Date in accordance with Condition 13 (*Notices*), which notice shall state that no Contingent Write-down will occur in relation to the relevant Ordinary Publication Date.
- (c) **Viability Event**
- (i) Subject to clause (f) of this Condition 7, upon the occurrence of a Viability Event, (A) the Issuer or the Guarantor shall give notice to the Holders in accordance with Condition 13 (*Notices*) within three days of the date on which such Viability Event occurred, which notice shall (x) state that a Viability Event has occurred and a Contingent Write-down will take place and (y) specify the date on which the Contingent Write-down will take place, which date shall be no later than 10 Business Days after the date of such notice (such specified date, the "**Viability Event Write-down Date**", and such notice, a "**Viability Event Write-down Notice**"), and (B) a Contingent Write-down will occur on the Viability Event Write-down Date in accordance with clause (d) of this Condition 7.
 - (ii) A "**Viability Event**" will have occurred if prior to an Alternative Loss Absorption Date (if any):
 - (A) the FINMA has notified UBS Group AG in writing that it has determined a write-down of the Notes, together with the conversion or write-down, as applicable, of holders' claims in respect of all other capital instruments issued by, or other capital obligations (whether qualifying fully or partially for capital treatment) of, any member of the Group that, pursuant to their terms or by operation of law, are capable of being converted into equity or written down at that time, is, because customary measures to improve the Group Holding Company's capital adequacy are at the time inadequate or infeasible, an essential requirement to prevent the Group Holding Company from becoming insolvent, bankrupt, unable

to pay a material part of its debts as they fall due or unable to carry on its business; or

- (B) customary measures to improve the Group Holding Company's capital adequacy being at the time inadequate or infeasible, the Group Holding Company has received an irrevocable commitment of direct or indirect extraordinary support from the Public Sector (beyond customary transactions and arrangements in the ordinary course) that has, or imminently will have, the effect of improving the Group Holding Company's capital adequacy and without which, in the determination of (and as notified in writing by) the FINMA, the Group Holding Company would have become insolvent, bankrupt, unable to pay a material part of its debts as they fall due or unable to carry on its business.

For the avoidance of doubt, it is understood that, a Viability Event may occur irrespective of whether or not a Trigger Event has occurred or whether any of the conditions to the issuance of a Trigger Event Write-down Notice have been met.

(d) Contingent Write-down

If the Issuer or the Guarantor has given a Write-down Notice in accordance with this Condition 7, then on the relevant Write-down Date,

- (i) the full principal amount of, and any accrued and unpaid interest (whether or not due and payable) on, each Note will automatically be written down to zero, the Notes will be cancelled and all references to the principal amount of the Notes in these Terms and Conditions will be construed accordingly;
- (ii) the Holders will be automatically deemed to have irrevocably waived their right to receive, and will no longer have any rights against the Issuer with respect to, repayment of the aggregate principal amount of, and payment of any accrued and unpaid interest on, the Notes written down pursuant to subclause (i) of this clause (d) (*bedingter Forderungsverzicht*); and
- (iii) all rights of any Holder for payment of any amounts under or in respect of the Notes (including, without limitation, any amounts arising as a result of, or due and payable upon the occurrence of, an Event of Default) will become null and void, irrespective of whether such amounts have become due and payable prior to the relevant Write-down Notice Date or the Write-down Date.

(e) Determination of CET1 Ratio and Trigger CET1 Ratio

With respect to any Publication Date, (i) the CET1 Ratio as of the relevant Balance Sheet Date, (ii) the Trigger CET1 Ratio as of such Publication Date and (iii) the components of both of the foregoing, in each case, as published on such Publication Date, will be final for purposes of this Condition 7, and any revisions, restatements or adjustments to any of the calculations described in subclauses (i) through (iii) of this clause (e) subsequently published will have no effect for purposes of this Condition 7.

(f) Alternative loss absorption

In the event of the implementation of any new, or amendment to or change in the interpretation of any existing, laws or components of National Regulations, in each case occurring after the Issue Date, that alone or together with any other law(s) or regulation(s) has, in the joint determination of UBS Group AG and the FINMA, the effect that clause (c) of this Condition 7 could cease to apply to the Notes without giving rise to a Regulatory Event, then the Issuer or the Guarantor shall give notice to the Holders in accordance with Condition 13 (*Notices*) no later than five Business Days after such joint determination stating that such provisions will cease to apply from the date of such notice (the "**Alternative Loss Absorption Date**"), and from the date of such notice, such provisions will cease to apply to the Notes.

8. PAYMENTS

- (a) All payments required to be made under the Notes will be made available in good time in freely disposable funds in SGD, which will be placed at the free disposal of the Principal Paying Agent on behalf of the Holders. If the Scheduled Due Date for any payment (whether in respect of principal, interest or otherwise) in respect of the Notes is not a Payment Business Day, then the Holders will not be entitled to payment thereof until the first Payment Business Day immediately following the Scheduled Due Date, and the Holders will not be entitled to any additional sum in relation to such payment. All payments required to be made under the Notes (including, for the avoidance of doubt, any Additional Amounts) shall be made to the Holders in SGD without collection costs, without any restrictions and whatever the circumstances may be, irrespective of nationality, domicile or residence of the relevant Holder and without certification, affidavit or the fulfilment of any other formality.
- (b) The Issuer and the Guarantor reserve the right to terminate the appointment of the Principal Paying Agent, as well as to appoint or, after any such appointment, to terminate the appointment of, one or more other paying agents to carry out any payment, calculation or other functions in respect of the Notes (each, a "**Paying Agent**", which term includes the Principal Paying Agent). Any such appointment or termination of appointment shall only take effect not more than 45 and not less than 30 days' after the Issuer has notified the Holders of such appointment or termination pursuant to Condition 13 (*Notices*); *provided, however*, that, in the case of insolvency of any Paying Agent, any termination of such Paying Agent and appointment of any other Paying Agent will take immediate effect. In addition, for so long as the Notes are listed on the SIX Swiss Exchange, the Issuer and the Guarantor shall maintain a Paying Agent in Switzerland, which agent shall have an office in Switzerland and be a bank or securities dealer subject to supervision by FINMA, to perform the functions of a Swiss paying agent.

9. TAXATION

- (a) All payments to be made by or on behalf of the Issuer in respect of the Notes (including, for the avoidance of doubt, amounts paid by the Guarantor under the Guarantee and payments by a Paying Agent) shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or other government charges of any nature ("**Taxes**") imposed, levied, collected, withheld or assessed by or on behalf of any Tax Jurisdiction or any political subdivision thereof or any authority of or in a Tax Jurisdiction or any political subdivision thereof having the power to impose, levy, collect, withhold or assess Taxes, unless withholding, deduction or accounting for such Taxes is required by law.
- (b) In the event that any payment to be made by or on behalf of the Issuer in respect of the Notes (including, for the avoidance of doubt, amounts paid by the Guarantor under the Guarantee and payments by a Paying Agent) is subject to any withholding or deduction for, or on account of, any Taxes by requirement of law in a Tax Jurisdiction (as determined by the relevant tax authority of or in such Tax Jurisdiction), the Issuer shall pay such additional amounts as will result in the Holders receiving the amounts that they would have received in respect of the Notes if no such withholding or deduction had been required ("**Additional Amounts**").
- (c) No Additional Amounts will be payable pursuant to clause (b) of this Condition 9 in relation to any Note:
 - (i) if the relevant Holder is liable for such Taxes on such Note as a result of having some connection with the relevant Tax Jurisdiction other than its mere ownership or possession of such Note or the receipt of principal or interest in respect thereof; or
 - (ii) with respect to any Tax collected pursuant to the provisions of, or any laws or an agreement with any Tax Jurisdiction relating to, Sections 1471 through 1474 of the US Internal Revenue Code (commonly referred to as "FATCA"); or

- (iii) where such withholding or deduction is required to be made pursuant to laws enacted by Switzerland providing for the taxation of payments according to principles similar to those laid down in the draft legislation of the Swiss Federal Council of 17 December 2014, or otherwise changing the Swiss federal withholding tax system from an issuer-based system to a paying agent-based system pursuant to which a person other than the issuer is required to withhold tax on any interest payments; or
- (iv) to the extent any combination of subclauses (i) through (iii) of this clause (c) applies.
- (d) Any reference in these Terms and Conditions to amounts payable by the Issuer in respect of the Notes includes (i) any Additional Amount payable pursuant to this Condition 9 and (ii) any sum payable pursuant to an obligation taken in addition to or in substitution for the obligation in this Condition 9.

10. STATUTE OF LIMITATIONS

In accordance with Swiss law, (a) claims for interest payments under the Notes will become time-barred after the five-year period and (b) claims for the repayment or redemption of Notes will become time-barred after the ten-year period, in each case, commencing on the date on which such payments, repayment or redemption become due and payable.

11. EVENTS OF DEFAULT

- (a) If any of the following events occurs, such occurrence will constitute an "**Event of Default**":
 - (i) the Issuer fails to pay the principal amount of any Note if and when the same becomes due and payable under these Terms and Conditions, and such failure continues unremedied by the Issuer or the Guarantor for a period of 30 days; or
 - (ii) the Issuer fails to pay any interest on the Notes if and when the same becomes due and payable under these Terms and Conditions, and such failure continues unremedied by the Issuer or the Guarantor for a period of 30 days; or
 - (iii) the Issuer or the Guarantor fails to observe or perform any other covenant, condition, or agreement contained in these Terms and Conditions or the Guarantee, respectively, and such failure continues unremedied for a period of 60 days after written notice thereof from any Holder to the Issuer; or
 - (iv) a Bankruptcy Event with respect to either the Issuer or the Guarantor.
- (b) Upon the occurrence of an Event of Default relating to any failure of the Issuer to meet any payment obligation under these Terms and Conditions and subject to Condition 7 (*Contingent Write-down*), (i) such payment obligation (and such payment obligation only) will be immediately deemed a due and payable (*fällige*) payment obligation of the Issuer, and (ii) if (A) the relevant Holder has formally requested payment of such payment obligation, (B) such payment obligation has not been fulfilled within the statutory period under Swiss law commencing after the date of such formal request and (C) a writ of payment (*Zahlungsbefehl*) has been issued with respect to such payment obligation pursuant to the DEBA, the relevant Holder may institute proceedings against the Issuer in Switzerland (but not elsewhere) to enforce its rights with respect to such payment obligation under the DEBA.
- (c) If a debt collection or insolvency proceeding with respect to the Issuer is instituted in Switzerland in accordance with clause (b) of this Condition 11, the Issuer shall not (i) after having received the writ of payment (*Zahlungsbefehl*) relating to the relevant payment obligation, argue or plead that such payment obligation is not due and payable by the Issuer, or (ii) prior to the declaration of bankruptcy (or similar proceeding under Swiss insolvency laws), make any payment to the relevant Holder under or in connection with the Notes.

- (d) In the case of any Event of Default arising under subclause (a)(iii) of this Condition 11 and subject to Condition 7 (*Contingent Write-down*), any Holder may seek specific performance or damages with respect to such Event of Default pursuant to the Swiss Code if so entitled thereunder. Any such damage claim of any Holder will rank junior to the rights and claims of all holders of Senior Obligations.
- (e) In the case of any Event of Default arising under subclause (a)(iv) of this Condition 11 and subject to Condition 7 (*Contingent Write-down*), any Holder may, by written notice to the Issuer, declare the principal amount of any of its Notes, together with any accrued and unpaid interest thereon, immediately due and payable, without presentment, demand, protest or other notice of any kind.
- (f) No remedy against the Issuer other than those described in this Condition 11 will be available to the Holders in connection with the Issuer's obligations under these Terms and Conditions, whether for the recovery of amounts owing under these Terms and Conditions or in respect of any breach by the Issuer of any of its other obligations under these Terms and Conditions or otherwise. In particular, no Holder may declare (i) the principal amount of any Notes due and payable prior to any Redemption Date, or (ii) any interest on any Notes due and payable prior to the relevant Interest Payment Date, except, in the case of each of subclauses (i) and (ii) of this clause (f), pursuant to clause (e) of this Condition 11.

12. SUBSTITUTION AND AMENDMENT

- (a) If a Tax Event, a Regulatory Event or an Alignment Event has occurred, the Issuer may, without the consent of the Holders unless so required by mandatory provisions of Swiss law, either substitute all, but not some only, of the Notes for, or amend these Terms and Conditions so that they remain or become, Compliant Securities, *provided* that:
 - (i) neither a Tax Event nor a Regulatory Event arises as a result of such substitution or amendment;
 - (ii) the FINMA has approved such substitution or amendment (if such approval is then required under applicable Swiss laws and regulations);
 - (iii) the Issuer has given the Holders not less than 30 days' notice of such substitution or amendment in accordance with Condition 13 (*Notices*), which notice (the "**Substitution or Amendment Notice**") will, subject to subclause (a)(iv) of this Condition 12, be irrevocable, and state the date on which such substitution or amendment will be effective (the "**Substitution or Amendment Effective Date**");
 - (iv) prior to the publication of any notice pursuant to subclause (a)(iii) of this Condition 12, the Issuer shall deliver to the Principal Paying Agent (A) a certificate signed by two Authorised Signatories stating that the relevant requirement or circumstance giving rise to the right to substitute or amend the terms of the Notes, as applicable, pursuant to this clause (a) of this Condition 12 is satisfied and the reasons therefor and such certificate will be conclusive and binding on the Holders, and (B) an opinion of independent legal advisers of recognised standing to the effect that circumstances entitling the Issuer to exercise its right to substitute or amend the terms of the Notes, as applicable, pursuant to this clause (a) of this Condition 12 have arisen; and
 - (v) no Trigger Event or Viability Event has occurred prior to the relevant Effective Date.

In connection with any substitution or amendment in accordance with this clause (a) of this Condition 12, the Issuer shall (and shall cause the Guarantor to) comply with the rules of any stock exchange on which the Notes are for the time being listed or admitted to trading.

An "**Alignment Event**" will have occurred if, as a result of any change in National Regulations at any time after the Issue Date, any Relevant Swiss Issuer would be permitted

to issue or guarantee (including, without limitation, by providing a guarantee, credit support agreement or similar undertaking), or has issued or guaranteed (including, without limitation, by providing a guarantee, credit support agreement or similar undertaking), a capital instrument that (i) is eligible in full to be (A) treated as Additional Tier 1 Capital and (B) counted towards either the Going-Concern LR Requirement or the Going-Concern RWA Requirement (or both), and (ii) has terms and conditions that (A) include a write-down feature, and (B) contain one or more provisions that are, in the reasonable opinion of UBS Group AG, different in any material respect from those in these Terms and Conditions, which provisions, if they had been included in these Terms and Conditions, would have prevented the Notes from being eligible in full to be treated as Additional Tier 1 Capital and/or to be counted towards either the Going-Concern LR Requirement or the Going-Concern RWA Requirement (or both) immediately prior to such change in National Regulations.

- (b) In addition to its rights under clause (a) of this Condition 12, the Issuer may, without the consent of the Holders unless so required by mandatory provisions of Swiss law, make any amendment to these Terms and Conditions that it considers to be (i) necessary or desirable to give effect to (A) any Alternative Benchmark Rate determined in accordance with clause (c) of Condition 5 (*Interest*) (including any Adjustment Spread determined in accordance with subclause (v)(A)(2) thereof and any alternative method for determining the Reference Rate if such Alternative Benchmark Rate is unavailable on the relevant Reset Determination Date determined in accordance with subclause (v)(A)(3) thereof), or (B) the provisions of clause (a) of Condition 14 (*Issuer Substitution*) (including, without limitation, (x) if the Substitute Issuer is organised and/or resident for tax purposes in a jurisdiction other than Switzerland, any amendments to any references to the jurisdiction of "Switzerland" contained herein, including, without limitation, amendments to the definition of the term "Bankruptcy Event", the definition of the term "Business Day", the governing law of the subordination provisions set forth in Condition 3 (*Status and Subordination*) and the provisions of Condition 11 (*Events of Default*), and (y) any amendments to reflect UBS Group AG's guarantee described in subclause (a)(i)(C) of Condition 14 (*Issuer Substitution*)), or (C) the provisions of clause (b) of Condition 14 (*Issuer Substitution*), or (ii) formal, minor or technical in nature, or (iii) necessary to correct a manifest error or (iv) not materially prejudicial to the interests of the Holders.
- (c) The Issuer shall notify the Holders of any amendments made pursuant to clause (b) of this Condition 12 in accordance with Condition 13 (*Notices*), which notice shall state the date on which such amendment will be effective.
- (d) Any amendment made pursuant to this Condition 12 will be binding on the Holders in accordance with its terms.

13. **NOTICES**

So long as the Notes are listed on the SIX Swiss Exchange, notices to Holders shall be given by the Issuer or, if applicable, by the Guarantor (a) by means of electronic publication on the internet website of the SIX Swiss Exchange (www.six-swiss-exchange.com), where notices are currently published under the address www.six-swiss-exchange.com/news/official_notices/search_en.html, or (b) otherwise in accordance with the regulations of the SIX Swiss Exchange. Any notice will be validly given on the date of such publication or, if published more than once, on the date of the first such publication.

If the Notes are for any reason no longer listed on the SIX Swiss Exchange, notices to Holders will be given by the Issuer or, if applicable, by the Guarantor to the Intermediary for forwarding to the Holders. Any such notice will be validly given on the date of delivery to the Intermediary.

14. **ISSUER SUBSTITUTION**

- (a) Voluntary Issuer Substitution
 - (i) The Issuer (for purposes of clause (a) of this Condition 14, the "**Current Issuer**") may, without the consent of the Holders, substitute any entity (whether or not such entity is organised under the laws of Switzerland) (such substitute entity, the

"**Substitute Issuer**") for itself as principal debtor under the Notes upon giving no more than 30 and no less than 10 days' notice to the Holders in accordance with Condition 13 (*Notices*), *provided that*:

- (A) the Substitute Issuer is UBS Group AG or at least 95 per cent. of the Substitute Issuer's capital and voting rights are held, directly or indirectly, by UBS Group AG;
- (B) the Current Issuer is not in default in respect of any amount payable under the Notes at the time of such substitution;
- (C) if the Current Issuer is UBS Group AG, UBS Group AG has issued a guarantee for the benefit of the Holders on substantially the same terms as the Guarantee;
- (D) the Current Issuer and the Substitute Issuer (1) have entered into such documents (the "**Substitution Documents**") as are necessary to give effect to such substitution and pursuant to which the Substitute Issuer has (x) undertaken in favour of each Holder to be bound by these Terms and Conditions as the principal debtor (on a subordinated basis corresponding to Condition 3 (*Status and Subordination*)) under the Notes in place of the Current Issuer and (y) assumed the obligations of the Current Issuer under the Agency Agreement, and (2) procure that all action, conditions and things required to be taken, fulfilled and done (including, without limitation, the obtaining of any necessary consents) to ensure that the Substitution Documents represent valid, legally binding and enforceable obligations of the Substitute Issuer have been taken, fulfilled and done and are in full force and effect;
- (E) if the Substitute Issuer is resident for tax purposes in a jurisdiction (the "**New Residence**") other than that in which the Current Issuer prior to such substitution was resident for tax purposes (the "**Former Residence**"), the Substitution Documents contain an undertaking by the Substitute Issuer and/or such other provisions as may be necessary to ensure that each Holder has the benefit of an undertaking in terms corresponding to the provisions of Condition 9 (*Taxation*) in relation to the payment of all amounts due and payable under, or in respect of, the Notes, with the substitution of references to the Former Residence with references to the New Residence, and an undertaking by the Substitute Issuer to indemnify each Holder against any Tax that is imposed on it by (or by any authority in or of) the New Residence and, if different, the jurisdiction of the Substitute Issuer's organisation with respect to any Note and that would not have been so imposed had the substitution not been made, as well as against any Tax, and any cost or expense, relating to such substitution;
- (F) if the Substitute Issuer is not UBS Group AG, the FINMA has approved such substitution (if such approval is then required under applicable Swiss laws and regulations), and the Current Issuer and the Substitute Issuer have obtained all other necessary governmental and other approvals and consents for such substitution and for the performance by the Substitute Issuer of its obligations under the Substitution Documents;
- (G) if the Substitute Issuer is not organised under the laws of Switzerland, the Substitute Issuer has appointed a process agent as its agent in Switzerland to receive service of process on its behalf in relation to any legal proceedings arising out of or in connection with the Notes;
- (H) the Substitute Issuer has appointed a Paying Agent in Switzerland that is a participant in the Intermediary; and
- (I) such substitution does not give rise to a Tax Event or a Regulatory Event.

- (ii) Upon any substitution pursuant to subclause (a)(i) of this Condition 14, (A) the Substitute Issuer will succeed to, and be substituted for, and may exercise every right and power of, the Current Issuer under the Notes with the same effect as if the Substitute Issuer had been named as Issuer in these Terms and Conditions, (B) the Current Issuer will be released from its obligations under the Notes and (C) if the Substitute Issuer is UBS Group AG, the Guarantee will cease to exist.
 - (iii) After giving effect to any substitution pursuant to subclause (a)(i) of this Condition 14, (A) if the Substitute Issuer is UBS Group AG, all references to the "Guarantor" or the "Guarantee" in the Notes and these Terms and Conditions will cease to apply, except that the references to the "Guarantee" in the definition of "Compliant Securities" and in subclause (a)(i)(C) of this Condition 14 will remain applicable and such references to the "Guarantee" will be deemed to mean the Guarantee as in effect immediately prior to such substitution, and (B) in all cases, (x) references to the "Issuer" in the Notes and these Terms and Conditions will be references to the Substitute Issuer, and (y) references to the "Tax Jurisdiction" in the Notes and these Terms and Conditions will be read and construed as including the jurisdiction of establishment of the Substitute Issuer and, if different, the jurisdiction in which the Substitute Issuer is resident for tax purposes instead of or in addition to (as the case may be) references to the jurisdiction of establishment of the Issuer and Switzerland.
- (b) Automatic Issuer Substitution
 - (i) Upon the occurrence of a Guarantee Event at any time on or after the Issue Date but prior to the occurrence of a Trigger Event or a Viability Event, UBS Group AG will, without the consent of the Holders, automatically be substituted for the Issuer for all purposes under the Notes and these Terms and Conditions on the Automatic Issuer Substitution Effective Date (such substitution, an "**Automatic Issuer Substitution**"). Any such Automatic Issuer Substitution will automatically take place on the Automatic Issuer Substitution Effective Date without requiring any action to be taken and without regard to the conditions that would be applicable to a voluntary substitution pursuant to clause (a) of this Condition 14.
 - (ii) A "**Guarantee Event**" will have occurred if (A) the Issuer or the Guarantor has obtained an opinion of independent legal advisers of recognised standing to the effect that UBS Group AG's guarantee of the Issuer's payment obligations under the Notes set forth in section 1 of the Guarantee is not in full force and effect, or (B) a Holder has notified the Issuer that the Guarantor has claimed that its guarantee of the Issuer's payment obligations under the Notes set forth in section 1 of the Guarantee is not in full force and effect and such claim has not been remedied during the 30-day period following the date of such notice, unless, in the case of each of clauses (A) and (B), such guarantee is not (or is claimed by the Guarantor not to be) in full force and effect as a result of the voluntary substitution by the Issuer of UBS Group AG for itself as principal debtor under the Notes in accordance with clause (a) of this Condition 14 or a merger of the Issuer and UBS Group AG.
 - (iii) Upon any Automatic Issuer Substitution, (A) UBS Group AG will, without the need for the amendment of existing, or the entry into of additional documentation, succeed to, and be substituted for, and may exercise every right and power of, the Issuer under the Notes with the same effect as if UBS Group AG had been named as Issuer in these Terms and Conditions, (B) the Issuer will be released from its obligations under the Notes and (C) the Guarantee will cease to exist.
 - (iv) After giving effect to any Automatic Issuer Substitution, (A) references to the "Issuer" in the Notes and these Terms and Conditions will be references to UBS Group AG, and (B) all references to the "Guarantor" or the "Guarantee" in the Notes and these Terms and Conditions will cease to apply, except that the references to the "Guarantee" in the definition of "Compliant Securities" and in subclause (a)(i)(C) of this Condition 14 will remain applicable and such

references to the "Guarantee" will be deemed to mean the Guarantee as in effect immediately prior to such Automatic Issuer Substitution.

- (v) Upon the occurrence of a Guarantee Event, the Issuer will provide notice to the Principal Paying Agent and the Holders in accordance with Condition 13 (*Notices*) no later than the Automatic Issuer Substitution Effective Date, which notice will (A) state that a Guarantee Event has occurred and an Automatic Issuer Substitution has taken or will take place, as the case may be, and (B) specify the Automatic Issuer Substitution Effective Date on which such Automatic Issuer Substitution has taken or will take place.

15. **FURTHER ISSUES**

The Issuer may from time to time without the consent of the Holders issue further notes and, *provided* that such notes have the same terms and conditions as the Notes in all respects (or in all respects except for the issue date and/or first date on which interest is paid), such further notes will be consolidated and form a single series with the Notes. If the Issuer issues any such further notes pursuant to this Condition 15, references in these Terms and Conditions to "**Notes**" include such further notes, unless the context otherwise requires.

16. **CURRENCY INDEMNITY**

Any amount received or recovered by any Holder in a currency other than SGD (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the insolvency, winding-up or dissolution of the Issuer or otherwise) under the Notes will only constitute a discharge of the Issuer to the extent of the amount in SGD that such Holder is able to purchase with the amount so received or recovered in such other currency on the date of such receipt or recovery (or, if it is not practicable to purchase SGD with such amount on such date, on the first date on which it is practicable to do so). If the amount of SGD that such Holder is able to purchase is less than the amount owed by the Issuer to such Holder under the Notes, the Issuer shall indemnify such Holder against any loss sustained by it as a result. In addition, the Issuer shall indemnify such Holder for the costs of making such purchase. For purposes of this Condition 16, it is sufficient for the relevant Holder to demonstrate that it would have suffered a loss had an actual purchase been made. The indemnities under this Condition 16 will (a) constitute a separate and independent obligation from the Issuer's other obligations hereunder, (b) give rise to a separate and independent cause of action, (c) apply irrespective of any indulgence granted by any Holder and (d) continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any amount due under the Notes or any other judgment or order.

17. **NO SET-OFF BY HOLDERS**

Subject to applicable law, each Holder, by acceptance of any direct or beneficial interest in a Note, agrees that it will not, and waives its right to, exercise, claim or plead any right of set-off, compensation or retention with respect to any amount owed to it by the Issuer or the Guarantor in respect of, or arising in connection with, the Notes or the Guarantee.

18. **NO CONVERSION**

Notwithstanding the powers of the FINMA under articles 25 *et seq.* of the FBA or pursuant to any successor or analogous Swiss law or regulation applicable to bank holding companies in Switzerland such as UBS Group AG, the Notes shall under no circumstances be converted into equity of the Issuer or the Guarantor, and shall only absorb losses pursuant to these Terms and Conditions.

19. **GOVERNING LAW AND JURISDICTION**

- (a) The Notes shall be governed by and construed in accordance with the laws of Switzerland.
- (b) The courts of the Canton of Zurich (venue being the City of Zurich) shall have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Notes.

USE OF PROCEEDS

The net proceeds of the issue of the Notes, expected to amount to S\$[•] after deduction of the commission incurred in connection the issue of the Notes, will be used by the Issuer to augment the regulatory capital base of the UBS Group.

DESCRIPTION OF THE ISSUER

Introduction

The Issuer, UBS Group Funding (Switzerland) AG, was incorporated for an unlimited duration in Switzerland on 14 November 2016, when it was entered into the Commercial Register of Canton Zurich, under registration number CHE-372.844.530. The Issuer is domiciled in Switzerland and operates under the Swiss Code of Obligations as an Aktiengesellschaft, a stock corporation.

The address of the Issuer's registered office is at Bahnhofstrasse 45, 8001 Zurich, Switzerland. The Issuer's articles of association may be inspected at its registered office. The Issuer has unlimited corporate capacity under Swiss law.

The Issuer's share capital amounts to CHF 100,000.00, consisting of 1,000,000 fully paid-up registered shares with a nominal value of CHF 0.10 each. The entire issued share capital of the Issuer is held by the Guarantor.

Principal Activities

The Issuer is a special purpose vehicle and its business purpose, as stated in article 2 of its articles of association, is the issuance of capital market instruments designed to fulfil, according to applicable laws and regulations, the requirements of additional tier 1 capital and/or of debt instruments for loss absorbency in the course of insolvency measures of UBS Group AG or one or more of its consolidated subsidiaries, and the onlend of the proceeds of such issuances to one or more group companies. The onlends may be made in the form of loans or other types of debt or equity financing whose conditions must not necessarily satisfy market conditions. The Issuer is part of the group of companies controlled by the group parent company, UBS Group AG. It may promote the interests of the group parent company or other group companies.

As a finance company subsidiary of UBS Group AG, the Issuer relies upon the exemption from the US Investment Company Act of 1940 provided by Rule 3a-5 under that act.

Directors

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

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

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

The Issuer is managed and controlled in Switzerland.

Assets

The only significant assets of the Issuer are expected to be cash balances representing its contributed equity capital and/or the loans (including accrued cash balances from interest payments thereunder) to, or other investments (whether in the form of debt, equity or otherwise) in, UBS Group AG and its subsidiaries that the Issuer is expected to make from time to time with the net proceeds of the Notes or other debt securities that it may issue from time to time. Initially, the Issuer will on-lend the net proceeds it receives from the issuance of the Notes to the member or members of the Group pursuant to one or more separate internal loans, which loans are expected to include contractual write-down and subordination provisions. The Issuer will receive an interest-mark-up on each such loan, which it will use to cover issuance costs, administrative costs and the guarantee fee payable to UBS Group AG in connection with the Notes and Guarantee, respectively, and be required to use to repay amounts outstanding under the credit facility described below over time. However, the relevant borrower and the Issuer may amend the loan agreement with respect to any such internal loan at any time, and each such loan agreement may be replaced, in whole or in part, with other investments in, or extensions of credit to, any member of the Group on any terms that the Issuer and such Group member may consider beneficial to it at the relevant time.

The Issuer will lend 100 per cent. of the net proceeds it receives from the issuance of the Notes to the member or members of the Group on the Issue Date pursuant to one or more separate internal loans, and at all times thereafter the Issuer is expected to lend at least 85 per cent. of such net proceeds and the net proceeds of all other debt securities issued by it from time to time to UBS Group AG or any of its other subsidiaries, so long as the Issuer continues to rely upon the exemption provided by Rule 3a-5 under the US Investment Company Act.

The Issuer will have certain rights under the keep-well arrangement described under "Liabilities" below. In addition, UBS AG has granted a credit facility to the Issuer to enable the Issuer to cover issuance and other expenses under or in connection with the Notes. UBS AG and the Issuer may modify or terminate this credit facility at any time. The Issuer has no other material assets or resources.

If a third party replaces the Issuer in its capacity as issuer of the Notes pursuant to a voluntary issuer substitution in accordance with Condition 14(a) (*Voluntary Issuer Substitution*), it is expected that such third party will simultaneously replace the Issuer in its capacity as borrower under the credit facility described above and as lender of the internal loans made with the net proceeds of the Notes. For more details about the effects of an issuer substitution with respect to the Notes on the internal loans, see "*Risk Factors—Risks Relating to the Issuer—The Issuer will have no significant assets other than cash balances representing its contributed equity capital and/or loans to, or other investments in, other members of UBS*" on page 27 of this Listing Prospectus.

As the direct parent of the Issuer, UBS Group AG may, but is not obligated to, provide the Issuer with further resources, from time to time, to enable the Issuer to meet its obligations as they become due. UBS Group AG makes no commitment to investors in the Notes that it will do so at any time, and investors should not assume that it will do so.

Publication and Notices

The Swiss Commercial Gazette (*Schweizerisches Handelsamtsblatt*) is the official medium for publication of notices and announcements by the Issuer. The Board of Directors of the Issuer may elect further media for publication of notices and announcements.

Liabilities

The only expected liabilities of the Issuer are the Notes (issued) and other debt securities that have been issued or will be issued by the Issuer from time to time, and the Issuer's ordinary operating expenses. UBS Group AG will undertake to provide the Issuer with sufficient funds to enable the Issuer to pay its ordinary operating expenses as well as any payment of principal, interest, or other expenses in connection with debt securities issued by it (including the Notes), pursuant to a keep-well arrangement between UBS Group AG

and the Issuer. Such undertaking will cease to apply upon the occurrence of certain events, including upon the opening of Restructuring Proceedings (as defined below) or liquidation proceedings with respect to UBS Group AG. This arrangement will exist solely for the benefit of the Issuer and may not be enforced by any other party. UBS Group AG and the Issuer may modify or terminate this arrangement at any time.

Distributions and Dividends

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

Financial Statements

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

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

Auditors

The auditors of the Issuer are Ernst & Young AG ("**Ernst & Young**"), which are authorised and regulated by the Federal Audit Oversight Authority, and have their registered office at Aeschengraben 9, 4051, Basel, Switzerland.

Recent and Future Developments

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Furthermore, it is currently expected that some or all of the activities described under "*Principal Activities*" above will be transferred to other members of the Group. In particular, UBS Group AG currently expects to cause the Issuer to effect a voluntary issuer substitution so that UBS Group AG would become the issuer under all outstanding debt securities issued by the Issuer, including the Notes, after certain changes to Swiss tax law have come into effect. See "*Risk Factors - The Issuer may, without consent of the Holders, substitute the Guarantor or another controlled subsidiary of UBS Group AG as the Issuer under the Notes*" on page 24 of this Listing Prospectus.

Regulatory Status

The Issuer has been designated as a "relevant group company" (*wesentliche Gruppengesellschaft*) pursuant to art. 2^{bis} paragraph 1 lit. b of the FBA. As a result, FINMA is able to exercise broad statutory powers with respect to the Issuer, including ordering Protective Measures, opening Restructuring Proceedings (and exercising any Swiss Resolution Power in connection therewith), and instituting liquidation proceedings.

If Restructuring Proceedings are opened with respect to the Issuer, FINMA may exercise its Swiss Resolution Powers to, among other things, fully or partially write-down and cancel the principal amount of, and/or accrued interest on, debt instruments and/or convert debt instruments into equity of the Issuer (to the extent that they have not been written down in accordance with their terms). Furthermore, FINMA may order Protective Measures with respect to the Issuer if there is justified concern that the Issuer is over-indebted, has serious liquidity problems or, after the expiry of a deadline, applicable capital regulatory requirements are no longer fulfilled. Such Protective Measures may be ordered (i) outside and independent of any Restructuring Proceedings with respect to the Issuer or (ii) upon the opening of or during any Restructuring Proceedings with respect to the Issuer.

In its position paper on resolution of global systemically important banks of 7 August 2013, FINMA declared that its preferred resolution strategy for global systemically important financial groups consists of central resolution proceedings led by the bank's "home" supervisory and resolution authorities and focuses on the top-level group company (a so-called "single point of entry" resolution strategy). However, despite its stated preferred resolution strategy, FINMA has the discretion to open Restructuring Proceedings with respect to the Issuer prior to (or concurrently with) such proceedings being opened with respect to other group members and it cannot be excluded that it would do so. For more details, see "*Risk Factors—UBS Group AG and the Issuer are subject to the resolution regime under Swiss banking laws and regulations*" on page 25 of this Listing Prospectus.

"Protective Measures" means any protective measures that the FINMA may order pursuant to any statutory power set forth in article 26 of the FBA, including, without limitation, (i) giving instructions to the governing bodies of the relevant entity, (ii) appointing an investigator, (iii) stripping governing bodies of their power to legally represent the relevant entity or remove them from office, (iv) removing the regulatory or company-law audit firm from office, (v) limiting the respective entity's business activities, (vi) forbidding the respective entity to make or accept payments or undertake security trades, (vii) closing down the respective entity, or (viii) except for with respect to mortgage-secured receivables of central mortgage bond institutions, ordering a moratorium or deferral of payments.

"Restructuring Proceedings" means restructuring proceedings within the meaning of article 28 et seq. of the FBA.

"Swiss Banking Insolvency Ordinance" means the Ordinance of 30 August 2012 of FINMA on the Insolvency of Banks and Securities Dealers, as amended.

"Swiss Resolution Power" means any statutory power of the FINMA that it may exercise during Restructuring Proceedings as set forth in article 28 et seq. of the FBA and article 40 et seq. of the Swiss Banking Insolvency Ordinance, including, without limitation, the power to (i) transfer the assets of the entity subject to such Restructuring Proceedings, or portions thereof, together with such entity's debt, other liabilities and contracts, or portions thereof, to another entity, (ii) stay (for a maximum of two business days) the termination of, or the exercise of (w) rights to terminate, (x) netting rights, (y) rights to enforce or dispose of certain types of collateral or (z) rights to transfer claims, liabilities or certain collateral under, contracts to which the entity subject to such Restructuring Proceedings is a party, (iii) convert the debt of the entity subject to such Restructuring Proceedings into equity, and/or (iv) partially or fully write-down the obligations of the entity subject to such Restructuring Proceedings.

DESCRIPTION OF THE GUARANTOR

1. Overview

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

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

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

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

No profit forecasts or estimates are included in this document.

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

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

2. Corporate Information

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

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

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

According to article 2 of the Articles of Association of UBS Group AG (the "**Articles of Association**"), the purpose of UBS Group AG is to acquire, hold, manage and sell direct and indirect participations in

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

² Full-time equivalents.

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

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

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

3. Business Overview

3.1 Organisational Structure of UBS Group

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

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

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

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

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

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

UBS continues to consider further changes to the Group's legal structure in response to regulatory requirements and other external developments. Such changes may include further consolidation of operating subsidiaries in the EU, and adjustments to the booking entity or location of products and services. Refer to "*Risk Factors - UBS has announced its intention to make certain structural changes in light of regulatory trends and requirements and the Terms and Conditions do not contain any restrictions on the Issuer's or UBS's ability to restructure its business*" above.

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

3.2 Business Divisions and Corporate Center

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

Global Wealth Management

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

Personal & Corporate Banking

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

Asset Management

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

Investment Bank

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

Corporate Center

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

3.3 Competition

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

3.4 Recent Developments

3.4.1 UBS's results as of and for the quarter and nine months ended 30 September 2018, as presented in the UBS Group AG third quarter 2018 report published on 25 October 2018 (the "**Third Quarter 2018 Report**")

Results 3Q18 compared with results 3Q17

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

In addition to reporting results in accordance with International Financial Reporting Standards ("**IFRS**"), UBS reports adjusted results that exclude items that management believes are not representative of the underlying performance of UBS's businesses. Such adjusted results are non-GAAP financial measures as defined by US Securities and Exchange Commission ("**SEC**") regulations. Following the completion of UBS's CHF 2.1 billion cost reduction program at the end of 2017 ("**legacy cost programs**"), UBS expects residual restructuring expenses incurred in connection with legacy cost programs, as well as expenses relating to new restructuring initiatives, of approximately CHF 0.5 billion for the full year 2018 and approximately CHF 0.2 billion in 2019. For the purpose of determining adjusted results for the third quarter of 2018, UBS excluded gains of CHF 30 million on sale of real estate and gains of CHF 25 million on sale of subsidiaries and businesses, as well as net restructuring expenses of CHF 120 million related to legacy cost programs and new restructuring initiatives. For the third quarter of 2017, UBS excluded net restructuring expenses of CHF 285 million. On this adjusted basis, profit before tax for the third quarter of 2018 increased by CHF 227 million or 15% to CHF 1,733 million, driven by CHF 148 million or 3% lower operating expenses and a CHF 79 million or 1% increase in operating income. In US dollar terms, adjusted profit before tax increased 14%.

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

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

Personal & Corporate Banking: Profit before tax increased by CHF 2 million to CHF 413 million. Adjusted⁵ profit before tax decreased by CHF 14 million or 3% to CHF 422 million. Effective from 1 January 2018, UBS has reclassified certain expenses for clearing, credit card add-on services, and the client loyalty program, which are incremental and incidental to revenues on a prospective basis, to better align these expenses with their associated revenues within operating income. This resulted in an CHF 18 million reduction in total operating income in the third quarter of 2018, of which CHF 16 million related to transaction-based income, and a broadly corresponding decrease in total operating expenses, including a

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

⁴ See footnote above.

⁵ See footnote above.

CHF 17 million reduction in general and administrative expenses. The annualized net new business volume growth rate for the personal banking business was 4.5% compared with 3.7%. Net new client assets and, to a lesser extent, net new loans were positive.

Asset Management: Profit before tax decreased by CHF 7 million or 6% to CHF 120 million. Adjusted⁶ profit before tax decreased by CHF 24 million or 16% to CHF 129 million, reflecting lower operating income, partly offset by reduced operating expenses. Excluding money market flows, net new money was CHF 0.4 billion compared with CHF 8.5 billion, an annualised net new money growth rate of 0.2% compared with 5.3%. UBS expects to see a continuation of the trend for clients to move invested assets into lower-margin passive products, which is expected to have a dampening effect on margins in future periods.

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

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

Results 9M18 compared with results 9M17

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

⁶ See footnote above.

⁷ See footnote above.

⁸ See footnote above.

⁹ See footnote above.

¹⁰ See footnote above.

Management. On an adjusted¹¹ basis, profit before tax increased by CHF 303 million or 6%, reflecting higher operating income, partly offset by an increase in operating expenses.

Adjusted¹² operating income increased by CHF 631 million or 3%, mainly due to a CHF 356 million increase in net interest income and other net income from fair value changes on financial instruments, primarily reflecting increases in the Investment Bank and in Global Wealth Management, partly offset by a decrease in Corporate Center. In addition, net fee and commission increased by CHF 336 million, mainly due to a CHF 572 million increase in investment fund fees and fees for portfolio management and related services, primarily in Global Wealth Management, as well as CHF 106 million higher M&A and corporate finance fees. These increases were partly offset by CHF 175 million lower underwriting fees, primarily reflecting lower equity underwriting fees in the Investment Bank, and a CHF 184 million increase in other fee and commission expense, mainly in Asset Management and predominantly due to the inclusion of fund administration expenses, which were reported as operating expenses prior to the sale of Asset Management's fund administration business in October 2017.

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

Risk management and control – key developments

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

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

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

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

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

¹¹ See footnote above.

¹² See footnote above.

¹³ See footnote above.

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

Operational risk: The pervasive consequential risk themes that continue to challenge UBS and the financial industry are operational resilience, conduct and culture, and financial crime. Operational resilience is the ability to respond to disruptions and maintain effective day-to-day business activities. Cyber security is critical to operational resilience, and UBS continues to invest in preemptive and detective measures to defend against evolving and highly sophisticated attacks. UBS's cyber security objectives are set in line with prevailing international standards, and its investment priorities focus on behaviours, readiness to address a cyberattack, data protection, employee training, and application and infrastructure security.

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

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

Balance sheet, liquidity and funding management – key developments

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

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

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

Capital management – key developments

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

percentage points to 3.9%, as the decrease in gone concern loss-absorbing capacity was partly offset by the decrease in the LRD.

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

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

3.4.2 *Accounting, Regulatory and legal developments*

UBS will contest RMBS civil complaint filed by United States Department of Justice

The DOJ filed a civil complaint on 8 November 2018 related to UBS's issuance, underwriting and sale of RMBS more than a decade ago. The complaint seeks unspecified monetary civil penalties under FIRREA regarding transactions that date back to 2006 and 2007.

Adoption of IFRS 9

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

Changes to UBS functional and presentation currencies

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

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

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

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

US dollar against other currencies would increase its CET1 capital ratio by 7 basis points and UBS's Swiss SRB going concern leverage ratio by 15 basis points.

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

Expected changes in methodology for deferred tax assets

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

Adoption of Swiss corporate tax reform

In September 2018, the Swiss Parliament adopted corporate tax reform measures, previously known as Tax Proposal 17, that abolish preferential corporate tax treatment for holding companies and introduce a series of tax measures that are aligned to Organisation for Economic Co-operation and Development (OECD) standards, aiming to maintain Switzerland's competitiveness as a business location. The measures include an optional relief on capital tax that compensates for the proposed elimination of the current preferential holding company capital tax rate. In addition, the cantonal share of direct federal tax revenue will be increased, giving the cantons leeway to reduce their cantonal corporate income tax rate. If a referendum is not called, most measures will take effect in 2020, with some measures already taking effect in early 2019. The changes would increase UBS's tax liability in Switzerland by a modest amount; the changes in cantonal tax rates, if enacted, would be expected to largely offset such increase.

UK withdrawal from the EU

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

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

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

Developments related to the transition away from IBOR

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

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

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

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

Increase in stake in UBS Securities China

As disclosed in the Second Quarter 2018 Report (as defined herein), UBS submitted a preliminary application in May 2018 to increase its shareholding in its China affiliate, UBS Securities Co. Limited ("**UBSS**"), from 24.99% to 51%. The transaction is subject to completion of a share purchase from existing shareholders and regulatory approval. If it acquires majority ownership, UBS expects to consolidate UBSS under International Financial Reporting Standards ("**IFRS**") and remeasure its current 24.99% holding at fair value, resulting in an estimated loss of CHF 0.3 billion in Corporate Center – Services if the disclosed offer prices are accepted. The loss will be treated as an adjusting item. UBS's CET1 capital should not be materially affected as the loss is expected to be largely offset by the release of a capital deduction for goodwill included with the initial stake.

Worldline to acquire SIX Payment Services

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

IFRS 16, Leases

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

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

In order to align Group and divisional performance, UBS will adjust its methodology for the allocation of Corporate Center expenses, funding costs and balance sheet to the business divisions. In aggregate, this will result in an increase of approximately CHF 0.7 billion in Corporate Center retained profit, offset by

higher allocations to the business divisions, and lead to approximately a 2 percentage point increase in business division adjusted cost / income ratios.

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

Changes in Corporate Center segment reporting

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

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

3.5 Trend Information

As indicated in the Third Quarter 2018 Report, global economic growth prospects and monetary policy normalization continue to provide a supportive backdrop to UBS's business, although ongoing geopolitical tensions, rising protectionism and trade disputes have further dampened investor sentiment and confidence. UBS expects these latter trends to continue to impact Global Wealth Management clients' transaction activity in the fourth quarter; however, moderately increased levels of volatility and volumes are generally positive for UBS's institutional business in the Investment Bank. Funding costs related to long-term debt and capital instruments issued to comply with regulatory funding and liquidity requirements will be higher than in the previous year, but should be broadly stable compared with the third quarter.

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

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

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

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

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

4.1 Board of Directors

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

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

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

4.1.1 Members of the Board of Directors

Member and business address	Title	Term of office	Current principal positions outside UBS Group AG
Axel A. Weber UBS Group AG, Bahnhofstrasse 45, CH- 8001 Zurich	Chairman	2019	Chairman of the Board of Directors of UBS AG; board member of the Swiss Bankers Association; Trustees Board member of Avenir Suisse; Advisory Board member of the "Beirat Zukunft Finanzplatz"; board member of the Swiss Finance Council; Chairman of the board of the Institute of International Finance; board member of the International Monetary Conference; member of the European Financial Services Round Table; member of the European Banking Group; member of the International Advisory Panel, Monetary Authority of Singapore; member of the Group of Thirty, Washington, D.C.; chairman of the Board of Trustees of DIW Berlin; Advisory Board member of the Department of Economics at the University of Zurich; member of the Trilateral Commission.
Michel Demaré UBS Group AG, Bahnhofstrasse 45, CH- 8001 Zurich	Independent Vice Chairman	2019	Independent Vice-Chairman of the Board of Directors of UBS AG; board member of Vodafone Group Plc; board member of Louis-Dreyfus Commodities Holdings BV; Vice Chairman of the Supervisory Board of IMD, Lausanne; Advisory Board member of the Department of

Member and business address	Title	Term of office	Current principal positions outside UBS Group AG
			Banking and Finance at the University of Zurich.
David Sidwell UBS Group AG, Bahnhofstrasse 45, CH- 8001 Zurich	Senior Independent Director	2019	Member of the Board of Directors of UBS AG; Senior Advisor at Oliver Wyman, New York; board member of Chubb Limited; board member of GAVI Alliance; Chairman of the Board of Village Care, New York.
Jeremy Anderson UBS Group AG, Bahnhofstrasse 45, CH- 8001 Zurich	Member	2019	Member of the Board of Directors of UBS AG; trustee of the UK's Productivity Leadership Group.
Reto Francioni UBS Group AG, Bahnhofstrasse 45, CH- 8001 Zurich	Member	2019	Member of the Board of Directors of UBS AG; professor at the University of Basel; board member of Coca-Cola HBC AG; Chairman of the board of Swiss International Air Lines AG; board member of Francioni AG; board member of MedTech Innovation Partners AG.
Ann F. Godbehere UBS Group AG, Bahnhofstrasse 45, CH- 8001 Zurich	Member	2019	Member of the Board of Directors of UBS AG; board member of Rio Tinto plc (chairman of the audit committee); board member of Rio Tinto Limited (chairman of the audit committee); board member of Royal Dutch Shell plc.
Fred Hu UBS Group AG, Bahnhofstrasse 45, CH- 8001 Zurich	Member	2019	Member of the Board of Directors of UBS AG; non-executive chairman of the board of Yum China Holdings; board member of Hong Kong Exchanges and Clearing Ltd.; chairman of Primavera Capital Limited; non-executive director of Dalian Wanda Commercial Properties Co Ltd.; board member of China Asset Management; board member of Minsheng Financial Leasing Co.; trustee of the China Medical Board; Governor of the Chinese International School; co-chairman of the Nature Conservancy's Asia Pacific Council; director and member of the Executive Committee of China Venture Capital and Private Equity Association Ltd.; Global Advisory Board member of the Council on Foreign Relations.
Julie G. Richardson	Member	2019	Member of the Board of Directors of UBS AG; board member of The Hartford Financial Services Group,

Member and business address	Title	Term of office	Current principal positions outside UBS Group AG
UBS Group AG, Bahnhofstrasse 45, CH-8001 Zurich			Inc. (chairman of the audit committee); board member of Yext (chairman of the audit committee); board member of Vereit, Inc. (chairman of the compensation committee).
Isabelle Romy UBS Group AG, Bahnhofstrasse 45, CH-8001 Zurich	Member	2019	Member of the Board of Directors of UBS AG; partner and board member at Froriep Legal AG, Zurich; associate professor at the University of Fribourg and at the Federal Institute of Technology, Lausanne; vice chairman of the Sanction Commission of SIX Swiss Exchange; member of the Fundraising Committee of the Swiss National Committee for UNICEF; Supervisory Board member of the CAS program Financial Regulation of the University of Bern and University of Geneva.
Robert W. Scully UBS Group AG, Bahnhofstrasse 45, CH-8001 Zurich	Member	2019	Member of the Board of Directors of UBS AG; board member of Chubb Limited; board member of Zoetis Inc.; board member of KKR & Co LP; board member of the Dean's Advisors of Harvard Business School.
Beatrice Weder di Mauro UBS Group AG, Bahnhofstrasse 45, CH-8001 Zurich	Member	2019	Member of the Board of Directors of UBS AG; distinguished fellow at INSEAD in Singapore; Supervisory Board member of Robert Bosch GmbH; board member of Bombardier Inc.; member of the ETH Zurich Foundation Board of Trustees.
Dieter Wemmer UBS Group AG, Bahnhofstrasse 45, CH-8001 Zurich	Member	2019	Member of the Board of Directors of UBS AG; board member of Ørsted A/S; member of the CFO Forum; member of the Systemic Risk Working Group of the European Central Bank and the Bank for International Settlements; member of the Berlin Center of Corporate Governance.

4.1.2 Organisational principles and structure

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

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

4.1.3 Audit Committee

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

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

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

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

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

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

4.2 Group Executive Board

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

4.2.1 Members of the Group Executive Board

The current members of the GEB are listed below. In addition, it was announced that Edmund Koh will take over as President UBS Asia Pacific and join the GEB effective 1 January 2019, while Kathryn Shih will retire and leave the GEB.

Member and business address	Function	Current principal positions outside UBS Group AG
Sergio P. Ermotti UBS Group AG, Bahnhofstrasse 45, CH- 8001 Zurich	Group Chief Executive Officer	Member of the Executive Board and President of the Executive Board of UBS AG; board member of UBS Switzerland AG; Chairman of the Board of Directors of UBS Business Solutions AG; Chairman of the UBS Optimus Foundation board; Chairman of the Fondazione Ermotti, Lugano; Chairman and President of the board of the Swiss-

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

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

Member and business address	Function	Current principal positions outside UBS Group AG		
		(Financial Committee).	Services	Advisory

4.3 Potential Conflicts of Interest

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

5. Auditors

The auditors of the UBS Group AG are Ernst & Young AG ("**Ernst & Young**"), which are authorised and regulated by the Federal Audit Oversight Authority, and have their registered office at Aeschengraben 9, 4051, Basel, Switzerland.

6. Major Shareholders of UBS Group AG

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

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

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

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

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

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

7.1 Historical Annual Financial Information

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

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

7.2 Auditing of Historical Annual Financial Information

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

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

7.3 Interim Financial Information

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

7.4 Litigation, Regulatory and Similar Matters

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

Such matters are subject to many uncertainties, and the outcome and the timing of resolution are often difficult to predict, particularly in the earlier stages of a case. There are also situations where the Group may enter into a settlement agreement. This may occur in order to avoid the expense, management distraction or reputational implications of continuing to contest liability, even for those matters for which the Group believes it should be exonerated. The uncertainties inherent in all such matters affect the amount and timing of any potential outflows for both matters with respect to which provisions have been established and other contingent liabilities. The Group makes provisions for such matters brought against it when, in

the opinion of management after seeking legal advice, it is more likely than not that the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required, and the amount can be reliably estimated. Where these factors are otherwise satisfied, a provision may be established for claims that have not yet been asserted against the Group, but are nevertheless expected to be, based on the Group's experience with similar asserted claims. If any of those conditions is not met, such matters result in contingent liabilities. If the amount of an obligation cannot be reliably estimated, a liability exists that is not recognized even if an outflow of resources is probable. Accordingly, no provision is established even if the potential outflow of resources with respect to such matters could be significant.

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

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

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

The aggregate amount provisioned for litigation, regulatory and similar matters as a class is disclosed in the "Provisions" table in "Note 15a Provisions" of the UBS Group AG's unaudited interim consolidated financial statements included in the Third Quarter 2018 Report. It is not practicable to provide an aggregate estimate of liability for UBS's litigation, regulatory and similar matters as a class of contingent liabilities. Doing so would require UBS to provide speculative legal assessments as to claims and proceedings that involve unique fact patterns or novel legal theories, that have not yet been initiated or are at early stages of adjudication, or as to which alleged damages have not been quantified by the claimants. Although it therefore cannot provide a numerical estimate of the future losses that could arise from litigation, regulatory and similar matters, UBS believes that the aggregate amount of possible future losses from this class that are more than remote substantially exceeds the level of current provisions. Litigation, regulatory and similar matters may also result in non-monetary penalties and consequences. For example, the Non-Prosecution Agreement ("NPA") described in item 5 of this section, which UBS entered into with the US Department of Justice ("DOJ"), Criminal Division, Fraud Section in connection with UBS's submissions of benchmark interest rates, including, among others, the British Bankers' Association London Interbank Offered Rate ("**LIBOR**"), was terminated by the DOJ based on its determination that UBS had committed a US crime in relation to foreign exchange matters. As a consequence, UBS AG pleaded guilty to one count of wire fraud for conduct in the LIBOR matter, paid a fine and is subject to probation through January 2020. A guilty plea to, or conviction of, a crime could have material consequences for UBS. Resolution of regulatory proceedings may require UBS to obtain waivers of regulatory disqualifications to maintain certain operations, may entitle regulatory authorities to limit, suspend or terminate licenses and regulatory authorizations and may permit financial market utilities to limit, suspend or terminate UBS's participation in such utilities. Failure to obtain such waivers, or any limitation, suspension or termination of licenses, authorizations or participations, could have material consequences for UBS.

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

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

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

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

1. *Inquiries regarding cross-border wealth management businesses*

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

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

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

In February 2016, the investigating judges notified UBS AG and UBS (France) S.A. that they have closed their investigation. In July 2016, UBS AG and UBS (France) S.A. received the National Financial Prosecutor's recommendation ("réquisitoire"). In March 2017, the investigating judges issued the trial order ("ordonnance de renvoi") that charges UBS AG and UBS (France) S.A., as well as various former employees, with illicit solicitation of clients on French territory and with participation in the laundering of the proceeds of tax fraud, and that transfers the case to court. The trial started on 8 October 2018 and is scheduled to last until 15 November 2018.

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

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

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

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

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

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

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

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

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

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

3. *Madoff*

In relation to the Bernard L. Madoff Investment Securities LLC ("**BMIS**") investment fraud, UBS AG, UBS (Luxembourg) S.A. (now UBS Europe SE, Luxembourg branch) and certain other UBS subsidiaries have been subject to inquiries by a number of regulators, including FINMA and the Luxembourg

Commission de Surveillance du Secteur Financier ("**CSSF**"). Those inquiries concerned two third-party funds established under Luxembourg law, substantially all assets of which were with BMIS, as well as certain funds established in offshore jurisdictions with either direct or indirect exposure to BMIS. These funds faced severe losses, and the Luxembourg funds are in liquidation. The documentation establishing both funds identifies UBS entities in various roles, including custodian, administrator, manager, distributor and promoter, and indicates that UBS employees serve as board members.

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

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

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

4. *Puerto Rico*

Declines since 2013 in the market prices of Puerto Rico municipal bonds and of closed-end funds ("**funds**") that are sole-managed and co-managed by UBS Trust Company of Puerto Rico and distributed by UBS Financial Services Incorporated of Puerto Rico ("**UBS PR**") have led to multiple regulatory inquiries, as well as customer complaints and arbitrations with aggregate claimed damages of USD 2.8 billion, of which claims with aggregate claimed damages of USD 1.7 billion have been resolved through settlements, arbitration or withdrawal of the claim. The claims have been filed by clients in Puerto Rico who own the funds or Puerto Rico municipal bonds and / or who used their UBS account assets as collateral for UBS non-purpose loans; customer complaint and arbitration allegations include fraud, misrepresentation and unsuitability of the funds and of the loans. A shareholder derivative action was filed in 2014 against various UBS entities and current and certain former directors of the funds, alleging hundreds of millions of US dollars in losses in the funds. In 2015, defendants' motion to dismiss was denied, and a request for permission to appeal that ruling was denied by the Puerto Rico Supreme Court. In 2014, a federal class action complaint also was filed against various UBS entities, certain members of UBS PR senior management and the co-manager of certain of the funds, seeking damages for investor losses in the funds during the period from May 2008 through May 2014. In September 2018 the court denied plaintiffs' motion for class certification.

In 2015, a class action was filed in Puerto Rico state court against UBS PR seeking equitable relief in the form of a stay of any effort by UBS PR to collect on non-purpose loans it acquired from UBS Bank USA based on plaintiffs' allegation that the loans are not valid. The trial court granted UBS PR's motion for summary judgment and dismissed the action.

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

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

plaintiffs must file an amended complaint. In 2017, the court denied defendants' motion to dismiss the amended complaint.

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

UBS's balance sheet at 30 September 2018 reflected provisions with respect to matters described in this item 4 in amounts that UBS believes to be appropriate under the applicable accounting standard. As in the case of other matters for which UBS has established provisions, the future outflow of resources in respect of such matters cannot be determined with certainty based on currently available information and accordingly may ultimately prove to be substantially greater (or may be less) than the provisions that UBS has recognized.

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

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

Foreign exchange-related civil litigation: Putative class actions have been filed since 2013 in US federal courts and in other jurisdictions against UBS and other banks on behalf of putative classes of persons who engaged in foreign currency transactions with any of the defendant banks. UBS has entered into a settlement agreement that would resolve US federal court class actions relating to foreign currency transactions with the defendant banks and persons who transacted in foreign exchange futures contracts and options on such futures. The settlement agreement, which has been approved by the court, requires, among other things, that UBS pay an aggregate of USD 141 million and provide cooperation to the settlement classes.

A putative class action has been filed in federal court in New York against UBS and other banks on behalf of participants, beneficiaries and named fiduciaries of plans qualified under the Employee Retirement Income Security Act of 1974 ("**ERISA**") for whom a defendant bank provided foreign exchange transactional services or authorized or permitted the execution of any foreign currency exchange transactional services involving such plan's assets. The complaint asserts claims under ERISA. In July 2018, the Second Circuit affirmed the dismissal of the case with prejudice.

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

banks’) motions to dismiss the complaint. The plaintiffs filed an amended complaint in August 2017. In March 2018, the court denied the defendants’ motions to dismiss the amended complaint.

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

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

Putative class actions were also filed against UBS and other banks in federal court in New York and other jurisdictions on behalf of putative classes of persons who had bought or sold physical precious metals and various precious metal products and derivatives. The complaints in these lawsuits asserted claims under the antitrust laws and the Commodity Exchange Act (“CEA”), and other claims. In July 2018, the court in New York granted UBS’s motions to dismiss amended complaints in the putative class actions relating to gold and silver. In 2017, the court granted UBS’s motion to dismiss the platinum and palladium action. Plaintiffs in the platinum and palladium action subsequently filed an amended complaint that did not allege claims against UBS.

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

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

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

the Second Circuit denied the petition to appeal of the class of USD lenders.

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

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

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

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

6. *Swiss retrocessions*

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

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

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

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

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

The Hong Kong Securities and Futures Commission ("SFC") has been conducting investigations into UBS's role as a sponsor of certain initial public offerings listed on the Hong Kong Stock Exchange. The

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

The specific litigation, regulatory and other matters described above under items 1 to 7 include all such matters that management considers to be material and others that management believes to be of significance due to potential financial, reputational and other effects as described in "Note 15 Provisions and contingent liabilities" to UBS Group AG's interim consolidated financial statements (unaudited) included in the Third Quarter 2018 Report. The proceedings indicated below are matters that have recently been considered material, but are not currently considered material, by UBS. Besides the proceedings described above and below, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened, of which UBS Group AG is aware) that may have, or have had in the recent past, significant effects on UBS Group's and/or UBS Group AG's financial position or profitability and are or have been pending during the last twelve months until the date of this document.

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

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

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

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

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

8. **Material Contracts**

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

9. **Share capital**

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

10. Contributions in kind

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

10.1 Capital increase of 26 November 2014:

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

- UBS AG, acting as contributor in kind and exchange agent in its own name but for account of certain shareholders of UBS AG, who have tendered their shares in the course of the public exchange offer of UBS Group AG, 3,183,370,731 shares of UBS AG with par value of CHF 0.10 each and a total value of CHF 32,718,731,974.95. In return, UBS Group AG issued 3,183,370,731 of its registered shares with a par value of CHF 0.10 each to UBS AG.
- UBS Securities LLC, 1285 Avenue of the Americas, New York, NY 10019, US, acting as contributor in kind and exchange agent in its own name but for account of certain shareholders of UBS AG, who have tendered their shares in the course of the public exchange offer of UBS Group AG, 201,494,824 shares of UBS AG with a par value of CHF 0.10 each and a total value of CHF 2,070,966,814.07. In return, UBS Group AG issued 201,494,824 of its registered shares with a par value of CHF 0.10 each to UBS Securities LLC, 1285 Avenue of the Americas, New York, NY 10019, US.
- UBS AG, acting as contributor in kind in its own name and in relation to shares of UBS AG tendered during the initial offer period in the course of the public exchange offer of UBS Group AG, 90,490,886 shares of UBS AG with a par value of CHF 0.10 each and a total value of CHF 1,533,820,517.70. In return, UBS Group AG issued 90,490,886 of its registered shares with a par value of CHF 0.10 each to UBS AG.

10.2 Capital increase of 16 December 2014:

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

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

10.3 Capital increase of 10 February 2015:

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

10.4 Capital increase of 9 March 2015:

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

10.5 Capital increase of 12 June 2015:

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

10.6 Capital increase of 28 August 2015:

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

11. Conditional share capital of UBS Group AG

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

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

"Article 4a – Conditional capital

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

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

made at prevailing market conditions, and the new shares shall be issued pursuant to the relevant conditions of that financial instrument. Conversion rights may be exercised during a maximum 10-year period, and warrants may be exercised during a maximum 7-year period, in each case from the date of the respective issuance. The issuance of the new shares upon voluntary or mandatory exercise of conversion rights and/or warrants shall be made at conditions taking into account the market price of the shares and/or comparable instruments with a market price at the time of the issuance of the relevant financial instrument."

12. Dividends

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

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

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

13. Documents on Display

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

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

or a successor address. The Articles of Association of UBS Group AG are also available on UBS's Corporate Governance website, at www.ubs.com/governance.

FORM OF GUARANTEE OF UBS GROUP AG

in respect of SGD [•] [•] per cent. Tier 1 Capital Notes issued by UBS Group Funding (Switzerland) AG

This Guarantee (this "**Guarantee**") dated as of [•] November 2018, is entered into by UBS Group AG (the "**Guarantor**") for the benefit of the Holders (as defined in the Terms and Conditions (as defined below)) in relation to the SGD [•] [•] per cent. Tier 1 Capital Notes (the "**Notes**") issued by UBS Group Funding (Switzerland) AG (the "**Issuer**"). Capitalised terms used but not defined herein have the meanings assigned to such terms in the Terms and Conditions set forth in the Listing Prospectus dated [•] November 2018 (the "**Terms and Conditions**"). As used herein, (i) the term "Issuer" includes any Substitute Issuer (other than the Guarantor) pursuant to clause (a) of Condition 14, and (ii) the term "Notes" includes any further notes issued by the Issuer that are consolidated and form a single Series with the Notes pursuant to Condition 15.

1. **Guarantee**

The Guarantor hereby irrevocably and unconditionally

- (a) guarantees to the Holders, in accordance with article 111 of the Swiss Code of Obligations, as primary obligor and not merely as a surety (*Bürgschaft*), the due and punctual payment of principal, interest and all other amounts payable by the Issuer under the Notes as and when the same become due pursuant to the Terms and Conditions; and
- (b) agrees that it will pay (or cause to be paid) on first demand to the Holders, irrespective of the validity of the Notes, waiving all rights of objection and defence arising from the Notes and without requiring any Holder first to take steps against the Issuer or any other person, the relevant amount, promptly upon receipt of the written request for payment from one or more Holders and its or their confirmation in writing that the Issuer has not met its payment obligations owed to such Holder(s) under the Notes on the relevant Scheduled Due Date in the amount called under this Guarantee, and such amount remained unpaid at the end of the three-day period following such Scheduled Due Date.

Notwithstanding any reference herein to the Terms and Conditions or to the Notes or any obligations thereunder, the Guarantor acknowledges and agrees that its obligations under this Guarantee are of a non-accessory (*nicht akzessorischer*) nature within the meaning of article 111 of the Swiss Code of Obligations, independent of the obligations of the Guarantor in respect of the Notes.

2. **Status and Subordination**

- (a) The obligations of the Guarantor under this Guarantee constitute direct, unsecured and subordinated obligations of the Guarantor and rank *pari passu* and without any preference among themselves. The rights and claims of the Holders against the Guarantor under this Guarantee are subordinated as described in clause (b) of this Section 2.
- (b) In the event of (i) a Guarantor Bankruptcy Event or (ii) an order being made, or an effective resolution being passed, for the liquidation or winding-up of the Guarantor (except, in any such case, a solvent liquidation or winding-up of the Guarantor solely for the purposes of a reorganisation, reconstruction or amalgamation of the Guarantor or the substitution in place of the Guarantor of a successor in business to the Guarantor, the terms of which reorganisation, reconstruction, amalgamation or substitution (x) have previously been approved by a valid resolution of the Holders and (y) do not provide that the Notes shall become redeemable in accordance with the Terms and Conditions), the rights and claims of the Holders against the Guarantor in respect of or arising under (including, without limitation, any damages awarded for breach of any obligation under) this Guarantee will, subject to any obligations that are mandatorily preferred by law, rank (A) junior to the rights and claims of all holders of Guarantor Senior Obligations, (B) *pari passu* with the rights and claims of holders of Guarantor Parity Obligations and (C) senior to the rights and claims of holders of Guarantor Junior Obligations.

- (c) For purposes of this Section 2, the following terms have the following meanings:
- (i) "**Guarantor Bankruptcy Event**" means any of the following events with respect to the Guarantor: (A) the adjudication of bankruptcy (*Konkurrenzeröffnung*) pursuant to articles 171, 189, 190, 191 or 192 of the DEBA, including, without limitation, in connection with article 725a of the Swiss Code, (B) the granting of a provisional or definitive stay of execution (*provisorische oder definitive Nachlassstundung*) pursuant to article 293 et seq. of the DEBA, (C) the ordering of restructuring proceedings (*Sanierungsverfahren*) pursuant to articles 28 to 32 of the FBA or pursuant to any successor or analogous Swiss law or regulation applicable to bank holding companies in Switzerland such as the Guarantor, and/or (D) the ordering of liquidation proceedings (*Liquidation*) pursuant to articles 33 to 37g of the FBA or pursuant to any successor or analogous Swiss law or regulation applicable to bank holding companies in Switzerland such as the Guarantor; *provided, however*, that none of the following will constitute a Bankruptcy Event: (x) mere debt collection proceedings (*Betriebsverfahren*) pursuant to article 38 et seq. of the DEBA, (y) proceedings in connection with a freezing order (*Arrestverfahren*) pursuant to article 271 et seq. of the DEBA, and/or (z) the institution of protective measures (*Schutzmassnahmen*) pursuant to article 26 of the FBA or pursuant to any successor or analogous Swiss law or regulation applicable to bank holding companies in Switzerland such as the Guarantor, including, in the case of each of clauses (x), (y) and (z), any steps (other than any steps described in clauses (A) through (D) of this definition) taken under or in connection therewith.
 - (ii) "**Guarantor Junior Obligations**" means (A) all classes of share capital and participation securities (if any) of the Guarantor and (B) all other obligations of the Guarantor that rank, or are expressed to rank, junior to claims in respect of this Guarantee and/or any Guarantor Parity Obligation.
 - (iii) "**Guarantor Parity Obligations**" means (A) all obligations of the Guarantor in respect of Tier 1 Instruments (excluding any such obligations that rank, or are expressed to rank, junior to claims in respect of this Guarantee), and (B) any other securities or obligations (including, without limitation, any guarantee, credit support agreement or similar undertaking) of the Guarantor that rank, or are expressed to rank, *pari passu* with claims in respect of this Guarantee and/or any Guarantor Parity Obligation.
 - (iv) "**Guarantor Senior Obligations**" means all obligations of the Guarantor that are unsubordinated or that are subordinated and do not constitute either Guarantor Junior Obligations or Guarantor Parity Obligations.

3. Covenants

If, on any Interest Payment Date, any payment of interest scheduled to be made on such date is not made in full pursuant to subclause (j)(i) or subclause (j)(ii) of Condition 5, the Guarantor shall not, directly or indirectly,

- (a) recommend to holders of Ordinary Shares that any dividend or other distribution in cash or in kind (other than in the form of Ordinary Shares) be paid or made on any Ordinary Shares; and
- (b) redeem, purchase or otherwise acquire any Ordinary Shares other than as a Permitted Transaction,

in each case unless and until (x) the interest payment due and payable on the Notes on any subsequent Interest Payment Date has been paid in full (or an amount equal to the same has been paid in full to a designated third party trust account for the benefit of the Holders prior to payment by the trustee thereof to the Holders on such subsequent Interest Payment Date) or, if earlier, (y) all outstanding Notes have been cancelled in accordance with the Terms and Conditions.

4. **Taxation**

All payments to be made by or on behalf of the Guarantor under this Guarantee (including, for the avoidance of doubt, payments by a Paying Agent) shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or other governmental charges of any nature ("**Taxes**") imposed, levied, collected, withheld or assessed by or on behalf of Switzerland or any political subdivision thereof or any authority of or in Switzerland or any political subdivision thereof having power to impose, levy, collect, withhold or assess Taxes, unless withholding, deduction or accounting for such Taxes is required by law.

In the event that any payment to be made by or on behalf of the Guarantor under the Guarantee (including, for the avoidance of doubt, payments by a Paying Agent) is subject to any withholding or deduction for, or on account of, any Taxes by requirement of law in Switzerland, the Guarantor shall pay such additional amounts as will result in the Holders receiving the amounts that they would have received under the Guarantee if no such withholding or deduction had been required ("**Additional Amounts**"), except that no Additional Amounts will be payable pursuant to this Section 4 with respect to this Guarantee:

- (a) if the relevant Holder is liable for such Taxes as a result of having some connection with Switzerland other than its mere ownership or possession of the relevant Note or the receipt of principal or interest in respect thereof; or
- (b) with respect to any Tax collected pursuant to the provisions of, or any laws or an agreement with Switzerland relating to, Sections 1471 through 1474 of the US Internal Revenue Code (commonly referred to as "FATCA"); or
- (c) where such withholding or deduction is required to be made pursuant to laws enacted by Switzerland providing for the taxation of payments according to principles similar to those laid down in the draft legislation of the Swiss Federal Council of 17 December 2014, or otherwise changing the Swiss federal withholding tax system from an issuer-based system to a paying agent-based system pursuant to which a person other than the issuer is required to withhold tax on any interest payments; or
- (d) to the extent any combination of clauses (a) through (c) of this Section 4 applies.

5. **Payments**

- (a) All payments by the Guarantor under this Guarantee will be made by the Guarantor to the Principal Paying Agent on behalf of the Holders. The receipt by the Principal Paying Agent of payments of funds in SGD will release the Guarantor from its obligations under the Guarantee to the extent of such payments.
- (b) Notwithstanding any other provision of this Guarantee, the Guarantor will not be obliged to make any payment under this Guarantee to the extent that the Issuer has elected to cancel, or is prohibited from making, in whole or in part, any payment of interest on the Notes (including, for the avoidance of doubt, any related Additional Amounts) pursuant to subclause (j)(i) or subclause (j)(ii) of Condition 5.
- (c) Notwithstanding any other provisions of this Guarantee, upon the occurrence of a Contingent Write-down, this Guarantee will cease to exist as of the relevant Write-down Date and all rights of any Holder for payment of any amounts under the Guarantee will become null and void, irrespective of whether such amounts have become due and payable prior to, or whether any Holder has requested payment of such amounts from the Guarantor under the Guarantee prior to, the relevant Write-down Notice Date or the Write-down Date.

6. **Automatic Issuer Substitution**

- (a) The Guarantor hereby irrevocably and unconditionally agrees that, upon the occurrence of a Guarantee Event, it will in accordance with clause (b) of Condition 14 be bound by the Terms and Conditions as the principal debtor under the Notes in place of the Issuer on the Automatic Issuer Substitution Effective Date without the need for any further action to be

taken and with the same effect as if the Guarantor had been named as the Issuer in the Terms and Conditions. Immediately upon the occurrence of an Automatic Issuer Substitution, this Guarantee will cease to exist and all rights of any Holder for payment of amounts under or in respect of this Guarantee will become null and void, irrespective of whether such amounts may have arisen or become due and payable prior to the date on which the Guarantee Event occurred or the Automatic Issuer Substitution Effective Date.

- (b) The obligations under this Section 6 will (i) constitute a separate and independent obligation from the Guarantor's other obligations hereunder, (ii) be valid irrespective of and survive any full or partial invalidity or unenforceability of the Guarantor's obligations under Section 1, (iii) give rise to a separate and independent cause of action, and (iv) apply irrespective of any indulgence granted by any Holder.

7. **Extent of Holder's Remedy**

- (a) Subject to clause (c) of Section 5, if the Guarantor fails to meet any payment obligations under this Guarantee, (i) such payment obligation (and such payment obligation only) will be immediately deemed a due and payable (*fallige*) payment obligation of the Guarantor, and (ii) if (A) the relevant Holder has formally requested payment of such payment obligation, (B) such payment obligation has not been fulfilled within the statutory period under Swiss law commencing after the date of such formal request and (C) a writ of payment (*Zahlungsbefehl*) has been issued with respect to such payment obligation pursuant to the DEBA, the relevant Holder may institute proceedings against the Guarantor in Switzerland (but not elsewhere) to enforce its rights with respect to such payment obligation under the DEBA.
- (b) If a debt collection or insolvency proceeding with respect to the Guarantor is instituted in Switzerland in accordance with clause (a) of this Section 7, the Guarantor shall not (i) after having received the writ of payment (*Zahlungsbefehl*) relating to the relevant payment obligation, argue or plead that such payment obligation is not due and payable by the Guarantor, or (ii) prior to the declaration of bankruptcy (or similar proceeding under Swiss insolvency laws), make any payment to the relevant Holder under this Guarantee.
- (c) Subject to clause (c) of Section 5, if the Guarantor breaches any of its non-payment obligations under this Guarantee, any Holder may seek specific performance or damages with respect to such breach pursuant to the Swiss Code if so entitled thereunder. Any such damage claim of any Holder will rank junior to the rights and claims of all holders of Guarantor Senior Obligations.
- (d) No remedy against the Guarantor other than those described in this Section 7 will be available to the Holders in connection with the Guarantor's obligations under this Guarantee, whether for the recovery of amounts owing under this Guarantee or in respect of any breach by the Guarantor of any of its other obligations under this Guarantee or otherwise.

8. **Amendment**

The Guarantor may, without the consent of the Holders unless so required by mandatory provisions of Swiss law, make any amendment to this Guarantee that it considers to be (a) formal, minor or technical in nature, or (b) necessary to correct a manifest error or (c) not materially prejudicial to the interests of the Holders. The Guarantor shall notify the Holders and the Principal Paying Agent in writing of any amendments made pursuant to this Section 8 in accordance with Condition 13, which notice shall state the date on which such amendment will be effective. Any amendment made pursuant to this Section 8 will be binding on the Holders in accordance with its terms.

9. **Governing Law and Jurisdiction**

- (a) This Guarantee is governed by, and shall be construed in accordance with, the laws of Switzerland.
- (b) The courts of the Canton of Zurich (venue being the City of Zurich) shall have exclusive jurisdiction to settle any disputes that may arise out of or in connection with this Guarantee.

The Guarantor has caused this Guarantee to be duly executed by its authorised officers as of the day and year first above written.

UBS GROUP AG,

as the Guarantor

By: _____

Name:

Title:

By: _____

Name:

Title:

TAXATION

The following is a general description of certain tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes whether in those countries or elsewhere. Prospective purchasers of Notes should consult their own tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of Switzerland of acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes. This summary is based upon the law as in effect on the date of this Listing Prospectus and is subject to any change in law that may take effect after such date.

Also investors should note that the appointment by an investor in Notes, or any person through which an investor holds Notes, of a custodian, collection agent or similar person in relation to such Notes in any jurisdiction may have tax implications. Investors should consult their own tax advisers in relation to the tax consequences for them of any such appointment.

Switzerland

The following discussion is a summary of certain material Swiss tax considerations based on the legislation as of the date of this Listing Prospectus. It does not aim to be a comprehensive description of all the Swiss tax considerations that may be relevant for a decision to invest in Notes. The tax treatment for each investor depends on the particular situation. All investors are advised to consult with their professional tax advisors as to the respective Swiss tax consequences of the purchase, ownership, disposition, lapse, exercise or redemption of Notes in light of their particular circumstances.

Withholding Tax

Payments of interest on, and the repayment of principal of, the Notes by the Issuer (failing which by the Guarantor) will, at present, not be subject to Swiss federal withholding tax.

On 4 November 2015 the Swiss Federal Council announced that it had mandated the Swiss Federal Finance Department to appoint a group of experts to prepare a proposal for a reform of the Swiss withholding tax system. The proposal is expected to, among other things, replace the current debtor-based regime applicable to interest payments with a paying agent-based regime for Swiss withholding tax. This paying agent-based regime is expected to be similar to the one contained in the draft legislation published by the Swiss Federal Council on 17 December 2014, which was subsequently withdrawn on 24 June 2015. If such a new paying-agent based regime were to be enacted, and were to result in the deduction or withholding of Swiss withholding tax on any interest payments in respect of a Note by any person other than the Issuer, the holder of such Note would not be entitled to receive any Additional Amounts as a result of such deduction or withholding under the terms of the Notes, as the case may be.

Stamp Taxes

The issue and redemption of Notes by the Issuer are not subject to Swiss federal stamp duty.

Purchases or sales of Notes with a maturity in excess of 12 months where a Swiss or a Liechtenstein domestic bank or a Swiss or a Liechtenstein domestic securities dealer (as defined in the Swiss federal stamp duty law) is a party, or acts as an intermediary, to the transaction may be subject to Swiss federal stamp duty on dealings in securities at a rate of up to 0.15 per cent. of the purchase price of the Notes. Where both the seller and the purchaser of the Notes are non-residents of Switzerland or the Principality of Liechtenstein, no Swiss federal stamp duty on dealing in securities is payable.

Income Taxation on Principal or Interest

Notes held by non-Swiss holders

Payments by the Issuer of interest on and repayment of principal of Notes to, and the gain realised on the sale or redemption of Notes by, a holder of Notes who (x) is not a resident of Switzerland, (y) during the relevant taxation year has not engaged in a trade or business through a permanent establishment or a fixed place of business in Switzerland to which the Notes are attributable and (z) is not subject to income taxation in Switzerland for any other reason, will not be subject to any Swiss federal, cantonal or communal income tax.

(i) *Notes held by Swiss holders as private assets*

Individuals who reside in Switzerland and who hold Notes as private assets are required to include all payments of interest made by the Issuer in respect of such Notes in their personal income tax return (including any potential issue discount or repayment premium) and will be taxable on any net taxable income (including the payments of interest in respect of such Notes) for the relevant tax period. Insofar as such payments are consideration for the Contingent Write-down (the respective amount will be determined by the Federal Tax Administration and suggested to the Cantonal tax authorities), they may be considered a tax-free capital gain. Any capital gain or loss realised on the sale or other disposition of such Notes or any loss realised following a Contingent Write-down will be considered a tax-free capital gain respectively a non-tax-deductible loss.

(ii) *Notes held as Swiss business assets*

Individuals who hold Notes as part of a business in Switzerland and Swiss-resident corporate taxpayers and corporate taxpayers residing abroad holding Notes as part of a permanent establishment or fixed place of business in Switzerland are required to recognise the payments of interest and any capital gain or loss realised on the sale or other disposition of such Notes or following a Contingent Write-down in their income statement for the respective tax period and will be taxed on any net taxable earnings for such tax period. The same taxation treatment also applies to Swiss-resident individuals who, for income tax purposes, are classified as "professional securities dealers" for reasons of, inter alia, frequent dealings and leveraged transactions in securities.

Automatic Exchange of Information in Tax Matters

Switzerland has concluded a multilateral agreement with the EU on the international exchange of information ("AEOI") in tax matters, which applies to all 28 EU member states and some other jurisdictions. In addition, Switzerland has signed the multilateral competent authority agreement on the automatic exchange of financial account information (the "MCAA"), and based on the MCAA, a number of bilateral AEOI agreements with other countries. Based on such agreements and the implementing laws of Switzerland, depending on the date of effectiveness of the applicable agreement, Switzerland began in 2017, or will begin at a later date, to collect data in respect of financial assets including Notes held in, and income derived thereon and credited to, accounts or deposits with a paying agent in Switzerland for the benefit of individuals resident in an EU member state or in a treaty state, and began in 2018, or will at a later date begin, as the case may be, to exchange it with authorities in the relevant jurisdiction. In addition, Switzerland has signed and will sign further AEOI agreements with further countries. An up-to-date list of the AEOI agreements to which Switzerland is a party can be found on the website of the State Secretariat for International Financial Matters.

FATCA

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("foreign passthru payments") to persons that fail to meet certain certification, reporting, or related requirements. The issuer is a foreign financial institution for these purposes. A number of jurisdictions (including Switzerland) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("IGAs"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to 1 January 2019 and Notes issued on or prior to the date that is six months after the date on which final regulations defining "foreign passthru payments" are filed with the U.S. Federal Register generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date (including by reason of a substitution of the Issuer). However, if additional notes (as described under "*Terms and Conditions—Further Issues*") that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes. In the event

any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

Singapore

The statements below are general in nature and are based on certain aspects of current tax laws in Singapore and administrative guidelines and circulars issued by the Inland Revenue Authority of Singapore ("**IRAS**") and MAS in force as at the date of this Listing Prospectus and are subject to any changes in such laws, administrative guidelines or circulars, or the interpretation of those laws, guidelines or circulars, occurring after such date, which changes could be made on a retroactive basis. These laws, guidelines and circulars are also subject to various interpretations and the relevant tax authorities or the courts could later disagree with the explanations or conclusions set out below. Neither these statements nor any other statements in this Listing Prospectus are intended or are to be regarded as advice on the tax position of any holder of the Notes or of any person acquiring, selling or otherwise dealing with the Notes or on any tax implications arising from the acquisition, sale or other dealings in respect of the Notes. The statements made herein do not purport to be a comprehensive or exhaustive description of all the tax considerations that may be relevant to a decision to subscribe for, purchase, own or dispose of the Notes and do not purport to deal with the tax consequences applicable to all categories of investors, some of which may be subject to special rules or tax rates. The statements should not be regarded as advice on the tax position of any person and should be treated with appropriate caution. Holders or prospective holders of the Notes are advised to consult their own professional tax advisers as to the Singapore or other tax consequences of the acquisition, ownership or disposal of the Notes, including, in particular, the effect of any foreign, state or local tax laws to which they are subject. It is emphasised that none of the Issuer, the Guarantor, the Managers nor any other persons involved in the issue of the Notes accepts responsibility for any tax effects or liabilities resulting from the acquisition, ownership or disposal of the Notes.

Income Tax

As a general rule, Singapore imposes income tax on income accruing in or derived from Singapore and income received or deemed to have been received in Singapore from outside Singapore, subject to certain exceptions. The current tax rate in Singapore is 17% for companies and up to 22% for individuals. All foreign-sourced income received in Singapore on or after 1 January 2004 by Singapore tax-resident individuals will be exempt from income tax (provided such foreign-sourced income is not received through a partnership in Singapore) if the Comptroller of Income Tax is satisfied that the tax exemption would be beneficial to the individual.

It is not clear whether the Notes will be regarded as "debt securities" under the Income Tax Act, Chapter 134 of Singapore ("**ITA**"), and the tax treatment to holders of the Notes may differ depending on the characterisation and treatment of the Notes by the IRAS. In addition, the Notes are not intended to be "qualifying debt securities" for the purposes of the ITA and holders of the Notes will not be eligible for the tax exemption or concessionary tax rates under the qualifying debt securities scheme. Prospective holders and holders of the Notes should consult their own accounting and tax advisers regarding the Singapore tax consequences of their acquisition, holding or disposal of the Notes.

Capital Gains

Any gains considered to be in the nature of capital made from the sale of the Notes will not be taxable in Singapore. However, any gains derived by any person from the sale of the Notes which are gains from any trade, business, profession or vocation carried on by that person, if accruing in or derived from Singapore, may be taxable as such gains are considered revenue in nature.

Holders of the Notes who apply or are required to apply the Financial Reporting Standard ("**FRS**") 39 or FRS 109, may for Singapore income tax purposes be required to recognise gains or losses (not being gains or losses in the nature of capital) on the Notes, irrespective of disposal, in accordance with FRS 39 or FRS 109. Please see the section below on "Adoption of FRS 39 and FRS 109 for Singapore Income Tax Purposes".

Adoption of FRS 39 and FRS 109 for Singapore Income Tax Purposes

Section 34A of the ITA provides for the tax treatment for financial instruments in accordance with FRS 39 (subject to certain exceptions and "opt-out" provisions) to taxpayers who are required to comply with FRS

39 for financial reporting purposes. The IRAS has also issued a circular entitled "Income Tax Implications Arising from the Adoption of FRS 39 — Financial Instruments: Recognition and Measurement".

FRS 109 is mandatorily effective for annual periods beginning on or after 1 January 2018, replacing FRS 39. Section 34AA of the ITA requires taxpayers who comply or who are required to comply with FRS 109 for financial reporting purposes to calculate their profit, loss or expense for Singapore income tax purposes in respect of financial instruments in accordance with FRS 109, subject to certain exceptions. The IRAS has also issued a circular entitled "Income Tax: Income Tax Treatment Arising from Adoption of FRS 109 - Financial Instruments".

Holders of the Notes who may be subject to the tax treatment under Sections 34A or 34AA of the ITA should consult their own accounting and tax advisers regarding the Singapore income tax consequences of their acquisition, holding or disposal of the Notes

Estate Duty

Singapore estate duty has been abolished with respect to all deaths occurring on or after 15 February 2008.

SUBSCRIPTION AND SALE

UBS AG Hong Kong Branch, DBS Bank Ltd., Standard Chartered Bank and United Overseas Bank Limited (together the "**Joint Lead Managers**") and [•], [•] and [•] (together, the "**Co-Managers**" and together with the Joint Lead Managers, the "**Managers**"), have, in a subscription agreement dated [•] November 2018 (the "**Subscription Agreement**") and made between the Issuer, the Guarantor and the Managers upon the terms and subject to the conditions contained therein, agreed to subscribe for the Notes at their issue price of [•] per cent. of their principal amount plus accrued interest, if any, in respect thereof and less the commission. The Managers are entitled in certain circumstances to be released and discharged from their obligations under the Subscription Agreement prior to the closing of the issue of the Notes.

United Kingdom

Each Manager has represented, warranted and undertaken that:

- (i) it has only communicated or caused to be communicated, and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not or would not, if the Issuer or the Guarantor were not authorised persons, apply to the Issuer or the Guarantor; and
- (ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Prohibition of Sales to EEA Retail Investors

Each Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the EEA. For the purposes of this provision the expression "retail investor" means a person who is one (or more) of the following:

- (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
- (ii) a customer within the meaning of the IMD, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

United States of America

The Notes and the Guarantee have not been, and will not be, registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

The Notes are subject to US tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by US tax regulations. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code and regulations thereunder.

Each Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Notes or the Guarantee: (a) as part of their distribution at any time; or (b) otherwise, until 40 days after the later of the commencement of the offering and the issue date of the Notes and the Guarantee, within the United States or to, or for the account or benefit of, U.S. persons, and that it will have sent to each dealer to which it sells Notes or the Guarantee during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes or the Guarantee within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after commencement of the offering, an offer or sale of Notes or the Guarantee within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Japan

The Notes and the Guarantee have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948), as amended (the "**FIEA**"). Accordingly, each Manager has

represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer to sell any Notes or the Guarantee in Japan or to, or for the benefit of, a resident of Japan (which term as used herein means any person resident in Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with the FIEA and other relevant laws and regulations of Japan. As used in this paragraph, "**resident of Japan**" means any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

Singapore

Each Manager has acknowledged that this Listing Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore (the "**MAS**"). Accordingly, each Manager has represented, warranted and agreed that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Listing Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- (1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (2) where no consideration is or will be given for the transfer;
- (3) where the transfer is by operation of law; or
- (4) as specified in Section 276(7) of the SFA.

Hong Kong

Each Manager has represented, warranted and agreed that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**") and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) or which do not constitute an offer to the public within the meaning of that Ordinance;
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes or the Guarantee, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made thereunder.

People's Republic of China

Each Manager has represented and agreed that neither the Notes nor the Guarantee will be offered or sold directly or indirectly within the People's Republic of China (for such purposes and under this section, not including Hong Kong and Macau Special Administrative Regions or Taiwan (the "**PRC**")). This Listing Prospectus, the Notes, the Guarantee and any material or information contained or incorporated by reference herein in relation to the Notes and the Guarantee have not been, and will not be, submitted to or approved/verified by or registered with the China Securities Regulatory Commission ("**CSRC**") or any other relevant governmental and regulatory authorities in the PRC pursuant to relevant laws and regulations and thus may not be supplied to the public in the PRC or used in connection with any offer for the subscription or sale of the Notes and the Guarantee in the PRC. Neither this Listing Prospectus nor any material or information contained or incorporated by reference herein constitutes an offer to sell or the solicitation of an offer to buy any securities by any person in the PRC. The Notes and the Guarantee may only be invested by PRC investors that are authorised to engage in the purchase of securities of the type being offered or sold.

PRC investors are responsible for informing themselves about and observing all legal and regulatory restrictions, obtaining all relevant governmental approvals, verifications, licences or registrations (if any) themselves from all relevant PRC governmental and regulatory authorities, including, but not limited to, the State Administration of Foreign Exchange, the CSRC, the China Banking and Insurance Regulatory Commission and/or other relevant regulatory bodies, and complying with all relevant PRC regulations, including, but not limited to, any relevant foreign exchange regulations and/or overseas investment regulations.

General

Each Manager has represented, warranted and agreed that it has complied and will comply with all applicable laws and regulations in each country or jurisdiction in which it purchases, offers, sells or delivers Notes or possesses, distributes or publishes this Listing Prospectus or any other offering material relating to the Notes. Persons into whose hands this Listing Prospectus comes are required by the Issuer, the Guarantor and the Managers to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Notes or possess, distribute or publish this Listing Prospectus or any other offering material relating to the Notes, in all cases at their own expense.

GENERAL INFORMATION

1. **Approval, Listing and Admission to Trading**

The Notes have been provisionally admitted to trading on the SIX Swiss Exchange from [•] November 2018. The last day of trading in the Notes on the SIX Swiss Exchange is expected to be the second trading day prior to the date on which the Notes are fully redeemed or the Write-down Date, as applicable, in accordance with the Terms and Conditions. Application has been made for the Notes to be listed on the SIX Swiss Exchange.

In accordance with article 43 of the Listing Rules of the SIX Swiss Exchange, the Issuer has appointed UBS AG as its representative to lodge the listing application for the Notes with SIX Exchange Regulation AG.

The Issuer was incorporated on 14 November 2016. Therefore, it does not fulfil the requirements in respect of the duration and the annual financial statements according to article 11 and 12 of the Listing Rules of the SIX Swiss Exchange. However, the SIX Swiss Exchange granted the Issuer an exemption from the aforementioned requirements.

2. **Authorisations**

The creation and issue of the Notes was authorised by a member of the board of directors of the Issuer on [•] November 2018.

The giving of the Guarantee in respect of the Notes was authorised by the Group Treasurer of the Guarantor on [•] November 2018.

3. **Material Change**

Except as otherwise disclosed in this Listing Prospectus (including in the documents incorporated by reference herein), no material changes have occurred in the Issuer's assets and liabilities, financial position or profits and losses since 30 June 2018.

Except as otherwise disclosed in this Listing Prospectus (including in the documents incorporated by reference herein), no material changes have occurred in the Guarantor's assets and liabilities, financial position or profits and losses since 30 September 2018.

4. **Legal and Arbitration Proceedings**

Except as otherwise disclosed in this Listing Prospectus (including in the documents incorporated herein by reference), there are no court, arbitral or administrative proceedings (including any such proceedings which are pending or threatened, of which the Issuer or the Guarantor is aware) which are of material importance to the Issuer's or the Guarantor's assets and liabilities or profits and losses.

5. **Legal Entity Identifier ("LEI") codes**

The LEI code of the Issuer is 506700Q800G1L95S7805.

The LEI code of the Guarantor is 549300SZJ9VS8SGXAN81.

6. **Clearing**

The Notes have been accepted for clearance through SIX SIS. The ISIN is [•], the common code is [•] and the Swiss Security Number is [•].

7. **Managers transacting with the Issuer and the Guarantor**

Certain of the Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and/or the Guarantor and their respective affiliates in the ordinary course of business.

In addition, in the ordinary course of their business activities, the Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related

derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. The Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. Such investments and securities activities may involve securities and/or instruments of the Issuer, the Guarantor or their respective affiliates. For the purpose of this paragraph the term "affiliates" include also parent companies.

8. **Foreign Language**

The language of the Listing Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them.

9. **Listing Prospectus**

Copies of this Listing Prospectus (including the documents incorporated by reference) are available during normal business hours at Swiss Prospectus, at UBS AG, Zurich, Switzerland (voicemail: +41 44 239 47 03, fax +41 44 239 69 14, email: swiss-prospectus@ubs.com).

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[•]

[•]

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