

**Supplement No. 1 pursuant to the Financial Instruments Trading Act (SFS 1991:980) chapter 2 section 34**

Dated 12 May 2016 to the Base Prospectus of UBS AG, [London] [Jersey] [Branch], dated 8 January 2016,

in relation to Certificates, Notes or Warrants.

The Base Prospectus was approved and registered by the Swedish Financial Supervisory Authority ("**SFSA**"). Registration number at the SFSA is 15-16710. This Supplement is a part of the Base Prospectus and shall be read in conjunction with the Base Prospectus.

This Supplement No. 1 was approved by the SFSA on 12 May 2016. This Supplement was published by UBS AG on 12 May 2016. Registration number at the SFSA is 16-7391.

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

Upgrade of UBS AG's long-term senior debt rating and the revision of the outlook statement to "stable" by Moody's on 11 January 2016, the publication of the fourth quarter 2015 earnings release and the fourth quarter 2015 financial supplement of UBS Group AG and UBS AG on 2 February 2016 and the publication of the annual report of UBS Group AG and UBS AG as per 31 December 2015 on 18 March 2016.

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

**The attention of the investors is in particular drawn to the following: Investors who have already agreed to purchase or subscribe for the Notes, Certificates, or Warrants, as the case may be, before this supplement is published have, pursuant to the Financial Instruments Trading Act (SFS 1991:980) chapter 2 section 34, the right, exercisable within a time limit of two working days after the publication of this supplement, to withdraw their acceptances, provided that the new circumstances or the incorrectness causing the supplement occurred before the closing of the public offering and before the delivery of the securities. This means that the last day to withdrawal is before close of business on 16 May 2016. A withdrawal, if any, of an order must be communicated in writing to the Issuer at its registered office specified in the address list hereof.**

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

**In the section headed "D. RISK FACTORS" the following changes shall be made:**

**In the section headed "1. Issuer specific Risks" the third paragraph (starting with "As a global financial services provider...") is completely replaced as follows:**

"As a global financial services provider, the business activities of UBS AG ("**Issuer**") with its subsidiaries (together, "**UBS AG (consolidated)**" or "**UBS AG Group**"; together with UBS Group AG, which is the holding company of UBS AG, "**UBS Group**" "**Group**", "**UBS**" or "**UBS Group AG (consolidated)**") are affected by certain risks, including those described below, which may impact UBS's ability to execute its strategy or otherwise affect its business activities, financial condition, results of operations and prospects. Because the business of a broad-based international financial services firm such as UBS is inherently exposed to risks that 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 impact its ability to execute its strategy. In addition, these risks could affect UBS's business activities, financial condition, results of operations and prospects. The order of presentation of the risk factors below does not indicate the likelihood of their occurrence or the potential magnitude of their consequences. References in this section "1. Issuer specific Risks" to "we", "us", "our" are to UBS Group, unless otherwise indicated."

**The section headed "1. Issuer specific Risks" is after the end of the subsection headed "General insolvency risk" completely replaced as follows:**

**"Fluctuation in foreign exchange rates and continuing low or negative interest rates may have a detrimental effect on our capital strength, our liquidity and funding position, and our profitability**

We prepare our consolidated financial statements in Swiss francs. However, a substantial portion of our assets, liabilities, invested assets, revenues and expenses, equity of foreign operations and risk-weighted assets ("**RWA**") are denominated in other currencies, particularly the US dollar, the euro and the British pound. Accordingly, changes in foreign exchange rates have an effect on our reported income and expenses, and on other reported figures such as other comprehensive income, invested assets, balance sheet assets, RWA and common equity tier 1 ("**CET1**") capital. These effects may adversely affect our income, balance sheet, capital, leverage and liquidity ratios.

The portion of our operating income denominated in non-Swiss franc currencies is greater than the portion of operating expenses denominated in non-Swiss franc currencies. Moreover, a significant portion of the equity of our foreign operations is denominated in US dollars, euros, British pounds and other foreign currencies. Therefore, the appreciation of the Swiss franc against other currencies generally has an adverse effect on our earnings and equity, including on deferred tax assets, in the absence of any mitigating actions.

Similarly, a significant portion of our capital and RWA is denominated in US dollars, euros, British pounds and other foreign currencies. In order to hedge the 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 the capital and the capital ratio. As the proportion of RWA denominated in foreign currencies outweighs the capital in these currencies, a significant appreciation of the Swiss franc against these currencies could benefit our capital ratios, while a significant depreciation of the Swiss franc against these currencies could adversely affect our Basel III capital ratios.

On 15 January 2015, the Swiss National Bank ("**SNB**") discontinued the minimum targeted exchange rate for the Swiss franc versus the euro, which had been in place since September 2011. At the same time, the SNB lowered the interest rate on deposit account balances at the SNB that exceed a given exemption threshold. These decisions resulted in an immediate, considerable strengthening of the Swiss franc against the euro, US dollar, British pound, Japanese yen and several other currencies, as well as a reduction in Swiss franc interest rates. The longer-term exchange rate of the Swiss franc against these other currencies is not

certain, nor is the future direction of Swiss franc interest rates. Several other central banks have also adopted a negative-interest-rate policy.

Swiss counterparties are, in general, highly reliant on the domestic economy and the economies to which they export, in particular the EU and the US. In addition, the EUR / CHF exchange rate is an important risk factor for Swiss corporates. The stronger Swiss franc may have a negative effect on the Swiss economy, particularly on exporters, which could adversely affect some of the counterparties within our domestic lending portfolio and lead to an increase in the level of credit loss expenses in future periods from the low levels recently observed.

Moreover, our equity and capital are also affected by changes in interest rates. In particular, the calculation of our net defined benefit assets and liabilities is sensitive to the discount rate applied. Any further reduction in interest rates would lower the discount rates and result in an increase in pension plan deficits due to the long duration of corresponding liabilities. This would lead to a corresponding reduction in our equity and fully applied CET1 capital.

A continuing low or negative interest rate environment would likely have an adverse effect on the repricing of UBS's assets and liabilities, and may significantly impact the net interest income generated from our wealth management businesses and Personal & Corporate Banking. The low or negative interest rate environment may affect customer behavior and hence the overall balance sheet structure. It may also affect the performance of our wealth management businesses, particularly given the associated cost of maintaining the high-quality liquid assets ("**HQLA**") required to cover regulatory outflow assumptions embedded in the liquidity coverage ratio ("**LCR**"), which could be exacerbated by a reduction of the aforementioned SNB deposit exemption threshold for banks. Mitigating actions that we have taken, or may take in the future, to counteract these effects, such as the introduction of selective deposit fees or minimum lending rates, have resulted and could further result in the loss of customer deposits, a key source of our funding, net new money outflows and / or a declining market share in our domestic lending.

### **Regulatory and legal changes may adversely affect our business and our ability to execute our strategic plans**

Fundamental changes in the laws and regulations affecting financial institutions can have a material and adverse effect on our business. In the wake of the 2007–2009 financial crisis and the subsequent instability in global financial markets, regulators and legislators have proposed, have adopted, or are actively considering, a wide range of changes to these laws and regulations. These measures are generally designed to address the perceived causes of the crisis and to limit the systemic risks posed by major financial institutions. They include the following:

- significantly higher regulatory capital requirements;
- changes in the definition and calculation of regulatory capital;
- changes in the calculation of RWA, including potential requirements to calculate or disclose RWA using less risk-sensitive standardized approaches rather than the internal models approach we currently use as required by the Swiss Financial Market Supervisory Authority ("**FINMA**") under the Basel III framework;
- prudential adjustments to valuation of assets at the discretion of regulators;
- changes in the calculation of the leverage ratio and the introduction of a more demanding leverage ratio;
- new or significantly enhanced liquidity and stable funding requirements;
- requirements to maintain liquidity and capital in jurisdictions in which activities are conducted and booked;
- limitations on principal trading and other activities;
- new licensing, registration and compliance regimes;
- limitations on risk concentrations and maximum levels of risk;

- taxes and government levies that would effectively limit balance sheet growth or reduce the profitability of trading and other activities;
- cross-border market access restrictions;
- a variety of measures constraining, taxing or imposing additional requirements relating to compensation;
- adoption of new liquidation regimes intended to prioritize the preservation of systemically significant functions;
- requirements to maintain loss-absorbing capital or debt instruments subject to write-down as part of recovery measures or a resolution of the Group or a Group company, including requirements for subsidiaries to maintain such instruments;
- requirements to adopt structural and other changes designed to reduce systemic risk and to make major financial institutions easier to manage, restructure, disassemble or liquidate, including ring-fencing certain activities and operations within separate legal entities; and
- requirements to adopt risk and other governance structures at a local jurisdiction or entity level.

Many of these measures have been adopted and their implementation has had a material effect on our business. Others will be implemented over the next several years; some are subject to legislative action or to further rulemaking by regulatory authorities before final implementation. As a result, there remains significant uncertainty regarding a number of the measures referred to above, including whether, or the form in which, they will be adopted, the timing and content of implementing regulations and interpretations, and the dates of their effectiveness. In addition, the cumulative effect of the changes in laws and regulations in Switzerland and the other jurisdictions in which we operate remains uncertain. The implementation of such measures and further, more restrictive changes may materially affect our business and our ability to execute our strategic plans, impose additional implementation, compliance and other costs on us, or require us to increase prices for, or cease offering of, certain services and products.

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. Moreover, the absence of a coordinated approach puts institutions headquartered in jurisdictions that impose relatively more stringent standards at a disadvantage. Switzerland has adopted capital and liquidity requirements for its major international banks that 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. Refer to the “Regulatory and legal developments” section of the Annual Report 2015 for more information on regulatory and legislative changes.

#### Regulatory and legislative changes in Switzerland

Swiss regulatory changes with regards to capital, liquidity and other areas have generally proceeded more quickly than those in other major jurisdictions. FINMA, the SNB and the Swiss Federal Council are implementing requirements that are significantly more onerous and restrictive for major Swiss banks, such as UBS, than those adopted or proposed by regulatory authorities in other major global financial centers.

*Capital and TBTF regulation:* A revised banking ordinance and capital adequacy ordinance implementing the Basel III capital standards and the Swiss TBTF law became effective on 1 January 2013. As a systemically relevant Swiss bank, we are subject to base capital requirements, as well as a progressive buffer that scales with our total exposure (a metric that is based on our balance sheet size) and market share in Switzerland. In 2015, the Swiss Federal Council published proposed revisions to the Swiss TBTF framework that would significantly increase our capital requirements based on RWA and impose a significantly higher leverage ratio requirement. In addition, the proposed revisions to the TBTF ordinance would impose a total loss absorbing capital requirement. Moreover, Swiss governmental authorities have, and have exercised, the authority to impose an additional countercyclical

buffer capital requirement and have further required banks using the internal ratings-based ("**IRB**") approach to use a bank-specific multiplier when calculating RWA for Swiss residential mortgages, income-producing residential and commercial real estate ("**IPRE**") and credit exposures to corporates for the Investment Bank. In addition, UBS has mutually agreed with FINMA to an incremental operational capital requirement to be held against litigation, regulatory and similar matters and other contingent liabilities, which added CHF 13.3 billion to our RWA as of 31 December 2015. There is no assurance that we will not be subject to increases in capital requirements in the future, from the imposition of further add-ons in the calculation of RWA or other components of minimum capital requirements.

Switzerland has implemented new Basel Committee on Banking Supervision ("**BCBS**") requirements for the mandatory Pillar 3 disclosures of RWA based on a harmonized approach, and we expect it will implement, when finalized, the BCBS revisions relating to (i) modifications of the internal ratings-based approach for credit risk, (ii) the fundamental review of the trading book, including a standardized approach, for market risk, (iii) the standardized approach for credit risk, (iv) the introduction of a floor based on the standardized approach, and (v) the calculation of operational risks. The revisions to the BCBS standards are likely to increase our credit risk and market risk RWA and, based on initial analysis, also our operational risk RWA. Implementation of these revisions would result in significant implementation costs to us. In addition, a floor based on a standardized approach would likely be less risk sensitive and may result in significantly higher RWA.

*Liquidity and funding:* As a Swiss SRB, we are required to maintain an LCR of high-quality liquid assets to estimated stressed short-term net cash outflows, and we will also be required to maintain a net stable funding ratio ("**NSFR**"). Both of these requirements are intended to ensure that we are not overly reliant on short-term funding and that we have sufficient long-term funding for illiquid assets.

These requirements, together with liquidity and funding requirements imposed by other jurisdictions in which we operate, oblige us to maintain substantially higher levels of overall liquidity than was previously the case, or limit our efforts to optimize interest expense. Increased capital, funding and liquidity requirements make certain lines of business less attractive and may reduce our overall ability to generate profits. The LCR and NSFR calculations make assumptions about the relative likelihood and amount of outflows of funding and available sources of additional funding in a market or firm-specific stress situation. There can be no assurance that in an actual stress situation our funding outflows would not exceed the assumed amounts.

*Resolution planning and resolvability:* The Swiss banking act and capital adequacy ordinances provide FINMA with significant powers to intervene in order to prevent a failure of, or 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 us, including restrictions on the payment of dividends and interest. FINMA could also require us, directly or indirectly, for example, to alter our 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.

The Swiss banking act also provides FINMA with the ability to extinguish or convert to common equity the capital instruments and liabilities of UBS Group AG, UBS AG and UBS Switzerland AG in connection with a resolution. FINMA has broad powers and significant discretion in the exercise of its powers in connection with a resolution proceeding. Certain classes of creditors, such as Swiss deposits, are protected. As a result, holders of obligations of an entity subject to a Swiss restructuring proceeding may have their obligations extinguished or converted to equity even though obligations ranking on a parity with or junior to such obligations are not restructured.

Swiss TBTF requirements require Swiss SRBs, including UBS, to put in place viable emergency plans to preserve the operation of systemically important functions in the event of a failure of the institution, to the extent that such activities are not sufficiently separated in advance. The current Swiss TBTF law provides for the possibility of a limited reduction of capital

requirements for Swiss SRBs that adopt measures to reduce resolvability risk beyond what is legally required. Such actions include changes to the legal structure of a bank group in a manner that would insulate parts of the group to exposure from risks arising from other parts of the group, thereby making it easier to dispose of certain parts of the group in a recovery scenario, to liquidate or dispose of certain parts of the group in a resolution scenario or to execute a debt bail-in. The aforementioned proposal for a revised TBTF ordinance contemplates a limited reduction of the proposed gone concern requirement based on improvements to resolvability. However, there is no certainty with respect to timing or size of a potential rebate.

Movement of businesses to subsidiaries, which we refer to in this section as subsidiarization, will require significant time and resources to implement. As also discussed below, subsidiarization in Switzerland and elsewhere may create operational, capital, liquidity, funding and tax inefficiencies and may increase our own and our counterparties' credit risk.

There can be no assurance that the execution of the changes we have undertaken, planned or may implement in the future, will result in a material reduction in capital or gone concern requirements or that these changes will satisfy existing or future requirements for resolvability or mandatory structural change in banking organizations.

*Market regulation:* In June 2015, the Swiss Parliament adopted new regulation of the financial market infrastructure in Switzerland which came into effect on 1 January 2016, subject to phase-in provisions, and mandates, among other things, the clearing of over-the-counter ("**OTC**") derivatives with a central counterparty. These laws may have a material impact on the market infrastructure that we use, available platforms, collateral management and the way we interact with clients. In addition, these initiatives may cause us to incur material implementation costs.

#### Regulatory and legislative changes outside Switzerland

Regulatory and legislative changes in other locations in which we operate may subject us to a wide range of new restrictions both in individual jurisdictions and, in some cases, globally.

Banking structure and activity limitations: Regulatory and legislative changes may subject us to requirements to move activities from UBS AG branches into subsidiaries. Such subsidiarization can create operational, capital, liquidity, funding and tax inefficiencies, increase our aggregate credit exposure to counterparties as they transact with multiple entities within our Group, expose our businesses to local capital, liquidity and funding requirements, and potentially give rise to client and counterparty concerns about the credit quality of individual subsidiaries. Such changes could also negatively affect our funding model and severely limit our booking flexibility.

For example, we have significant operations in the UK and currently use UBS AG's London branch as a global booking center for many types of products. We have been required by the Prudential Regulatory Authority ("**PRA**") and by FINMA to very substantially increase the capitalization of our UK bank subsidiary, UBS Limited, and may be required to change our booking practices to reduce, or even eliminate, our utilization of UBS AG's London branch as a global booking center for the ongoing business of the Investment Bank.

We are subject to the US "Volcker Rule" under the Dodd-Frank Act and may become subject to other regulations substantively limiting the types of activities in which we may engage. We have incurred substantial costs to implement a compliance and monitoring framework to comply with the Volcker Rule and have been required to modify our business activities both inside and outside of the US to conform to its activity limitations. The Volcker Rule may also have a substantial impact on market liquidity and the economics of market-making activities.

OTC derivatives regulation: In 2009, the G20 countries committed to require all standardized OTC derivative contracts to be traded on exchanges or trading facilities and cleared through central counterparties. This commitment is being implemented through Dodd-Frank in the US and corresponding legislation in the EU, Switzerland – where the new regulation came into effect on 1 January 2016 – and other jurisdictions, and has and will continue to have a significant effect on our OTC derivatives business, which is conducted primarily in the Investment Bank. For example, we expect that, as a rule, the shift of OTC derivatives trading to a central clearing model will tend to reduce profit margins in these products. These



market changes are likely to reduce the revenue potential of certain lines of business for market participants generally, and we may be adversely affected.

UBS AG registered as a swap dealer with the Commodity Futures Trading Commission ("**CFTC**") in the US at the end of 2012, enabling the continuation of its swaps business with US persons. We expect to register UBS AG as a security-based swap dealer with the SEC, when its registration is required. Some of these regulations, including those relating to swap data reporting, recordkeeping, compliance and supervision, apply to UBS AG globally. The changes in OTC derivative regulation in the US, the EU, Switzerland and elsewhere continue to present a substantial implementation burden, and in some cases US rules will likely duplicate or conflict with legal requirements applicable to us elsewhere, including in Switzerland, and may place us at a competitive disadvantage to firms that are not required to register as swap dealers in the US with the SEC or CFTC.

Regulation of cross-border provision of financial services: In many instances, we provide services on a cross-border basis. We are therefore sensitive to barriers restricting market access for third-country firms. In particular, efforts in the EU to harmonize the regime for third-country firms to access the European market may have the effect of creating new barriers that adversely affect our ability to conduct business in these jurisdictions from Switzerland. In addition, a number of jurisdictions are increasingly regulating cross-border activities on the basis of some notion of comity, e.g., substituted compliance and equivalence determination. A negative determination in certain jurisdictions could limit our access to the market in those jurisdictions and may negatively influence our ability to act as a global firm. In addition, as jurisdictions tend to apply such determinations on a jurisdictional level rather than on an entity level, we will generally need to rely on jurisdictions' willingness to collaborate.

#### Resolution and recovery; bail-in

We are currently required to produce recovery and resolution plans in the US, the UK, Switzerland and Germany and are likely to face similar requirements for our operations in other jurisdictions, including our operations in the EU as a whole as part of the proposed EU Bank Recovery and Resolution Directive. If a recovery or resolution plan is determined by the relevant authority to be inadequate or not credible, relevant regulation may authorize the authority to place limitations on the scope or size of our business in that jurisdiction, oblige us to hold higher amounts of capital or liquidity, or to change our legal structure or business in order to remove the relevant impediments to resolution. Resolution plans may increase the pressure on us to make structural changes, such as the creation of separate legal entities, if the resolution plan in any jurisdiction identifies impediments that are not acceptable to the relevant regulators. Such structural changes may negatively affect our ability to benefit from synergies between business units, and if they include the creation of separate legal entities, may have the other negative consequences mentioned above with respect to subsidiarization more generally.

Regulatory requirements for banks to maintain minimum total loss-absorbing capacity ("**TLAC**"), such as those contemplated under the proposed revised Swiss TBTF ordinance, or requirements to maintain TLAC at subsidiaries, e.g., those proposed by the Federal Reserve Board for US IHC, 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 likely increase our cost of funding and could potentially increase the total amount of funding required absent other changes in our business.

#### Possible consequences of regulatory and legislative developments

Planned and potential regulatory and legislative developments in Switzerland and in other jurisdictions in which we have operations may have a material adverse effect on our ability to execute our strategic plans, on the profitability or viability of certain business lines globally or in particular locations, and in some cases, on our ability to compete with other financial institutions. The developments have been, and will likely continue to be costly to implement. They could also have a negative effect on our legal structure or business model, potentially generating capital inefficiencies and affecting our profitability. Finally, the uncertainty related to, or the implementation of, legislative and regulatory changes may have a negative impact on our relationships with clients and our success in attracting client business.

**If we are unable to maintain our capital strength, this may adversely affect our ability to execute our strategy, client franchise and competitive position**

Our capital position, as measured by our risk-weighted capital and leverage ratios under Swiss SRB Basel III requirements, is determined by our RWA, our leverage ratio denominator ("LRD") and our eligible capital. RWA, leverage ratio denominator and eligible capital may fluctuate based on a number of factors.

RWA are credit, non-counterparty related, market and operational risk positions, measured and risk-weighted according to regulatory criteria. They are driven by our business activities and by changes in the risk profile of our exposures, as well as the effect of currency and methodology changes and regulatory requirements. For instance, substantial market volatility, a widening of credit spreads, which is a major driver of our 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. Our eligible capital would be reduced if we experienced losses recognized within net profit or other comprehensive income, as determined for the purpose of the regulatory capital calculation, which may also render it more difficult or more costly for us to raise new capital. In addition, eligible capital can be reduced for a number of other reasons, including certain reductions in the ratings of securitization 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 our net defined benefit obligation recognized in other comprehensive income. Refer to "*Fluctuation in foreign exchange rates and continuing low or negative interest rates may have a detrimental effect on our capital strength, our liquidity and funding position, and our profitability*" above for more information on the effect on capital of changes to pension plan defined benefit obligations. Any such increase in RWA or reduction in eligible capital could materially reduce our capital ratios.

Risks captured in the operational risk component of RWA have become increasingly significant as a component of our overall RWA. We have significantly reduced our market risk and credit risk RWA as we have executed our strategy, however, operational risk events, particularly those arising from litigation, regulatory and similar matters have resulted in significant increases in operational risk RWA. We have agreed on a supplemental analysis with FINMA that is used to calculate an incremental operational risk capital charge to be held for litigation, regulatory and similar matters and other contingent liabilities which as of 31 December 2015 was CHF 13.3 billion. There can be no assurance that UBS will be successful in settling these matters at existing or future provision levels, and reducing or eliminating the incremental operational risk component of RWA.

The required levels and calculation of our regulatory capital and the calculation of our RWA are also subject, in Switzerland or in other jurisdictions in which we operate, to changes in regulatory requirements or their interpretation, as well as the exercise of regulatory discretion. Changes in the calculation of RWA, or, as already discussed above, the imposition of additional supplemental RWA charges or multipliers applied to certain exposures, or the imposition of a RWA floor based on the standardized approach or other methodology changes could substantially increase our RWA. In addition, we may not be successful in our plans to further reduce RWA, either because we are unable to carry out fully the actions we have planned or because other business or regulatory developments or actions counteract to some degree the benefit of our actions.

In addition to the risk-based capital requirements, we are subject to a minimum leverage ratio requirement for Swiss SRBs and expect to become subject to significantly higher leverage ratio-based capital and TLAC requirements under the proposed revisions to the Swiss TBTF framework. The leverage ratio operates separately from the risk-based capital requirements. It is a simple balance sheet measure and therefore limits balance sheet-intensive activities, such as lending, more than activities that are less balance sheet-intensive, and it may constrain our business activities even if we satisfy other risk-based capital requirements. Increases in the minimum leverage ratio or the imposition of other LRD-based requirements, such as in the current Swiss proposal, may adversely affect the profitability of some of our businesses, make these businesses less competitive and adversely affect our

profitability. Refer to the "Regulatory and legal developments" section of the Annual Report 2015 for more information on regulatory and legislative changes.

### **We may not be successful in completing our announced strategic plans**

In October 2012, we announced a significant acceleration in the implementation of our strategy. The strategy included transforming our Investment Bank to focus it on its traditional strengths, very significantly reducing Basel III RWA and further strengthening our capital position, and significantly reducing costs and improving efficiency. We have substantially completed the transformation of our business. As part of our strategy, we have also announced annual performance expectations and targets for the Group, the business divisions and Corporate Center. In the third quarter of 2015 we amended some of these for 2016 and future years, in light of actual and forecasted changes in macroeconomic conditions, the announcement of the new Swiss TBTF proposal and the continuing costs of meeting new regulatory requirements. A risk remains that we may need to further amend our targets and expectations, that we may not succeed in executing the rest of our plans, that our plans may be delayed, that market events or other factors may adversely affect the implementation of our plans or that their effects may differ from those intended.

In particular, we have substantially reduced the RWA and LRD usage of our Non-core and Legacy Portfolio positions, but there is no assurance that we will continue to be able to exit the remaining positions as quickly as our plans suggest or that we will not incur significant losses in doing so. The continued illiquidity and complexity of many of our legacy risk positions in particular could make it difficult to sell or otherwise exit these positions and reduce the RWA and LRD usage associated with these exposures.

As part of our strategy, we also have a program underway to achieve significant incremental cost reductions. Delivering on our cost reduction initiatives is one of our key priorities, but a number of factors could negatively impact our plans. Higher permanent regulatory costs and business demand than we had originally anticipated have partly offset our gross cost reductions, and although we currently expect to achieve the net cost reduction that we had targeted for 2015 by around the middle of 2016, we could be further challenged in the execution of this and our further cost reduction plans. Moreover, the success of our strategy and our ability to reach some of our announced targets depends on the success of the effectiveness and efficiency measures we are able to carry out. As is often the case with major effectiveness and efficiency programs, our plans involve significant risks. Included among these are the risks that restructuring costs may be higher and may be recognized sooner than we have projected, that we may not be able to identify feasible cost reduction opportunities that are also consistent with our business goals, and that cost reductions may be realized later or may be less than we anticipate. Changes in our work force as a result of outsourcing, nearshoring or offshoring or staff reductions may introduce new operational risks that, if not effectively addressed could affect our ability to recognize the desired cost and other benefits from such changes or could result in operational losses. Changes in workforce location or reductions in workforce can lead to expenses recognized in the income statement well in advance of the cost savings intended to be achieved through such workforce strategy. For example, under International Financial Reporting Standards ("IFRS") we are required to recognize provisions for real estate lease contracts when the unavoidable costs of meeting the obligations under the contracts exceed the benefits expected to be received under them. Additionally, closure or disposal of operations may result in foreign currency translation losses (or gains) previously recorded in other comprehensive income being reclassified to the income statement.

As we implement our effectiveness and efficiency programs we may also experience unintended consequences such as the loss or degradation of capabilities that we need in order to maintain our competitive position and achieve our targeted returns.

### **Material legal and regulatory risks arise in the conduct of our business**

The nature of our business subjects us to significant regulatory oversight and liability risk. As a global financial services firm operating in more than 50 countries, we are subject to many different legal, tax and regulatory regimes. We are involved in a variety of claims, disputes, legal proceedings and government investigations and inquiries, including matters related to our cross border business and licensing, trading practices, securities offerings including residential mortgage-backed securities, sales practices and suitability, accounting matters, anti-money laundering, sanctions and anti-corruption laws and investment management

practices. These proceedings expose us to substantial monetary damages and legal defense costs, injunctive relief and criminal and civil penalties, in addition to potential regulatory restrictions on our businesses. The outcome of most of these matters, and their potential effect on our future business or financial results, is extremely difficult to predict.

In December 2012, we announced settlements totaling approximately CHF 1.4 billion in fines by and disgorgements to US, UK and Swiss authorities to resolve investigations by those authorities relating to LIBOR and other benchmark interest rates. We entered into a non-prosecution agreement ("**NPA**") with the US Department of Justice ("**DOJ**") and UBS Securities Japan Co. Ltd. also pleaded guilty to one count of wire fraud relating to the manipulation of certain benchmark interest rates. In May 2015, the DOJ exercised its discretion to terminate the NPA based on its determination that we had committed a US crime in relation to foreign exchange matters. As a consequence, UBS AG has pleaded guilty to one count of wire fraud for conduct in the LIBOR matter, and has agreed to pay a USD 203 million fine and accept a three-year term of probation.

Our settlements with governmental authorities in connection with foreign exchange and LIBOR and benchmark interest rates starkly illustrate the much-increased level of financial and reputational risk now associated with regulatory matters in major jurisdictions. Very large fines and disgorgement amounts were assessed against us, and we were required to enter guilty pleas, despite our full cooperation with the authorities in the investigations relating to LIBOR and other benchmark interest rates, and despite our receipt of conditional leniency or conditional immunity from antitrust authorities in a number of jurisdictions, including the US and Switzerland. We understand that, in determining the consequences for us, the authorities considered the fact that it had in the recent past been determined that we had engaged in serious misconduct in several other matters.

We continue to be subject to a large number of claims, disputes, legal proceedings and government investigations, including the matters described in "Note 22 Provisions and contingent liabilities" to the UBS AG audited consolidated financial statements included in the Annual Report 2015 and we expect that our ongoing business activities will continue to give rise to such matters in the future. The extent of our financial exposure to these and other matters is material and could substantially exceed the level of provisions that we have established. We are not able to predict the financial and other terms on which some of these matters may be resolved. Litigation, regulatory and similar matters may also result in non-monetary penalties and consequences. Among other things, a guilty plea to, or conviction of, a crime (including as a result of termination of the NPA) could have material consequences for us. Resolution of regulatory proceedings may require us 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 our 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 us.

Ever since our material losses arising from the 2007 to 2009 financial crisis, we have been subject to a very high level of regulatory scrutiny and to certain regulatory measures that constrain our strategic flexibility. While we believe that we have remediated the deficiencies that led to those losses as well as the unauthorized trading incident announced in September 2011, the LIBOR-related settlements of 2012 and settlements with some regulators of matters related to our foreign exchange and precious metals business, the resulting effects of these matters on our reputation and relationships with regulatory authorities have proven to be more difficult to overcome. We are determined to address the issues that have arisen in these and other matters in a thorough and constructive manner. We are in active dialog with our regulators concerning the actions that we are taking to improve our operational risk management and control framework, but there can be no assurance that our efforts will have the desired effects. As a result of this history, our level of risk with respect to regulatory enforcement may be greater than that of some of our peers.

### **Operational risks affect our business**

Our businesses depend on our ability to process a large number of complex transactions across multiple and diverse markets in different currencies, to comply with requirements of many different legal and regulatory regimes to which we are subject and to prevent, or promptly detect and stop, unauthorized, fictitious or fraudulent transactions. We also rely on

access to, and on the functioning of, systems maintained by third parties, including clearing systems, exchanges, information processors and central counterparties. Failure of our systems or third party systems could have an adverse effect on us. Our operational risk management and control systems and processes are designed to help ensure that the risks associated with our activities, including those arising from process error, failed execution, misconduct, unauthorized trading, fraud, system failures, financial crime, cyber-attacks, breaches of information security and failure of security and physical protection, are appropriately controlled.

We devote significant resources to maintain systems and processes that are designed to protect our systems, networks and software and to protect the confidentiality of information belonging to our customers and us. However, we 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. It is possible that we may not be able to anticipate, detect or recognize threats to our systems or data or that our preventative measures will not be effective to prevent an attack or a security breach. A successful breach or circumvention of security of our systems or data could have significant negative consequences for us, including disruption of our operations, misappropriation of confidential information concerning us or our customers, damage to our systems, financial losses for us or customers, violations of data privacy and similar laws, litigation exposure and damage to our reputation.

A major focus of US governmental policy relating to financial institutions in recent years has been fighting money laundering and terrorist financing. Regulations applicable to us impose obligations to maintain effective policies, procedures and controls to detect, prevent and report money laundering and terrorist financing, and to verify the identity of our clients. We are 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. We have 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 our programs in these areas, could have serious consequences both from legal enforcement action and from damage to our reputation.

Although we seek to continuously adapt our capability to detect and respond to the risks described above, if our internal controls fail or prove ineffective in identifying and remedying these risks, we could suffer operational failures that might result in material losses, such as the loss from the unauthorized trading incident announced in September 2011.

Our wealth and asset management businesses operate in an environment of increasing regulatory scrutiny and changing standards. Legislation and regulation have changed and are likely to continue to change fiduciary and other standards of care for asset managers and advisors and have increased focus on mitigating or eliminating conflicts of interest between a manager or advisor and the client. These changes have presented, and likely will continue to present, regulatory and operational risks if not implemented effectively across the global systems and processes of investment managers and other industry participants. If we fail to effectively implement controls to ensure full compliance with new, more stringent standards in the wealth and asset management industry, we could be subject to additional fines and sanctions as a result. These could have an impact on our ability to operate or grow our wealth and asset management businesses in line with our strategy.

Certain types of operational control weaknesses and failures could also adversely affect our ability to prepare and publish accurate and timely financial reports. Following the unauthorized trading incident announced in September 2011, management determined that we had a material weakness in our internal control over financial reporting as of the end of 2010 and 2011, although this did not affect the reliability of our financial statements for either year.

In addition, despite the contingency plans we have in place, our ability to conduct business may be adversely affected by a disruption in the infrastructure that supports our businesses and the communities in which we are 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 us or third parties with whom we conduct business.

### **Our reputation is critical to the success of our business**

Our reputation is critical to the success of our strategic plans. Damage to our reputation can have fundamental negative effects on our business and prospects. Reputational damage is difficult to reverse, and improvements tend to be slow and difficult to measure. This was demonstrated in recent years, as our very large losses during the financial crisis, the US cross-border matter (relating to the governmental inquiries and investigations relating to our cross-border private banking services to US private clients during the years 2000–2007 and the settlements entered into with US authorities with respect to this matter) and other events seriously damaged our reputation. Reputational damage was an important factor in our loss of clients and client assets across our asset-gathering businesses, and contributed to our loss of and difficulty in attracting staff in 2008 and 2009. These developments had short-term and also more lasting adverse effects on our financial performance, and we recognized that restoring our reputation would be essential to maintaining our relationships with clients, investors, regulators and the general public, as well as with our employees. More recently, the unauthorized trading incident announced in September 2011 and our involvement in the LIBOR matter and investigations relating to our foreign exchange and precious metals business have also adversely affected our reputation. Any further reputational damage could have a material adverse effect on our operational results and financial condition and on our ability to achieve our strategic goals and financial targets.

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

Our businesses are materially affected by market and economic conditions. Adverse changes in interest rates, credit spreads, securities' prices, market volatility and liquidity, foreign exchange levels, commodity prices, and other market fluctuations, as well as changes in investor sentiment, can affect our earnings and ultimately our 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, war or terrorism. Because financial markets are global and highly interconnected, even local and regional events, such as the ongoing European sovereign debt concerns or concerns around the potential exit from the EU by the UK or a significant slowing of economic growth in China can have widespread impact well beyond the countries in which they occur.

A crisis could develop, regionally or globally, as a result of disruptions in emerging markets as well as developed markets that are susceptible to macroeconomic and political developments, or as a result of the failure of a major market participant. Macroeconomic and political developments can have unpredictable and destabilizing effects, as reflected in our Global Recession scenario, which we implemented in 2015 as the binding scenario in our combined stress-testing framework, and which 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.

We have material exposures to a number of markets, both as a wealth manager and as an investment bank. Moreover, our strategic plans depend more heavily on our ability to generate growth and revenue in emerging markets, including China, causing us to be more exposed to the risks associated with them. Toward the end of 2015, uncertainties regarding macroeconomic developments in China, and emerging markets more broadly, as well as weakening of commodity prices, particularly oil, have given rise to increased market volatility, which could well persist throughout 2016.

A reduction in business and client activity and market volumes, as significant market volatility can determine and, as we have recently experienced, affects transaction fees, commissions and margins, particularly in our wealth management businesses and our Investment Bank. A market downturn is likely to reduce the volume and valuations of assets we manage on behalf of clients, reducing our asset and performance-based fees. On the other side, reduced market liquidity or volatility limits trading and arbitrage opportunities and impedes our ability to manage risks, impacting both trading income and performance-based fees. Additionally, deteriorating market conditions could cause a decline in the value of assets that we own and account for as investments or trading positions.

The regional balance of our business mix also exposes us to risk. Our Investment Bank equities business, for example, is more heavily weighted to Europe and Asia, and therein our 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 us more than other financial service providers.

The ongoing low interest rate environment will further erode interest margins in several of our businesses and adversely affect our net defined benefit obligations in relation to our pension plans. Moreover, negative interest rates announced by central banks in Switzerland or elsewhere may also affect client behavior. Also, changes to our deposit and lending pricing and structure that we have made and may make to respond to negative interest rates and client behavior may cause deposit outflows (as happened with Wealth Management's balance sheet and capital optimization program in 2015), reduce business volumes or otherwise adversely affect our businesses, particularly given the associated cost of maintaining the high-quality liquid assets required to cover regulatory outflow assumptions embedded in the LCR.

Credit risk is an integral part of many of our 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 our trading and investment positions. Losses may be exacerbated by declines in the value of collateral we hold. We are exposed to risk in, among others, our prime brokerage, reverse repurchase and Lombard lending activities, as the value or liquidity of the assets against which we provide financing may decline rapidly.

Because we have very substantial exposures to other major financial institutions, the failure of one or more such institutions could also have a material effect on us.

We are a member of numerous securities and derivative exchanges and clearing houses. In connection with some of those memberships, we may be required to pay a share of the financial obligations of another member who defaults or we may be otherwise exposed to additional financial obligations.

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 euro, we could suffer losses from enforced default by counterparties, be unable to access our own assets, or be impeded in, or prevented from, managing our risks.

The developments mentioned above have in the past affected and could materially affect the performance of the business units and of UBS as a whole, and ultimately our financial and capital position. There are related risks that, as a result of the factors listed above, the carrying value of goodwill of a business unit might suffer impairment and deferred tax asset levels may need to be adjusted.

**We may not be successful in implementing changes in our wealth management businesses to meet changing market, regulatory and other conditions**

We are exposed to possible outflows of client assets in our asset-gathering businesses and to changes affecting the profitability of our wealth management businesses and we may not be successful in implementing the business changes needed to address them.

We experienced substantial net outflows of client assets in our wealth management and asset management businesses in 2008 and 2009. The net outflows resulted from a number of different factors, including our substantial losses, damage to our reputation, the loss of client advisors, difficulty in recruiting qualified client advisors and tax, legal and regulatory developments concerning our cross-border private banking business. Many of these factors have been successfully addressed. However, long-term changes affecting the cross-border private banking business model will continue to affect client flows in the wealth management businesses for an extended period of time.

One of the important drivers behind the longer-term reduction in the amount of cross-border private banking assets, particularly in Europe but increasingly also in other regions, including emerging markets, is the heightened focus of fiscal authorities on cross-border investments. For the last several years, UBS has experienced net withdrawals in its Swiss

booking center from clients domiciled elsewhere in Europe, in many cases related to the negotiation of tax treaties between Switzerland and other countries. Changes in local tax laws or regulations and their enforcement, the implementation of cross-border tax information exchange regimes, including international agreements for automatic tax information exchange, national tax amnesty or enforcement programs or similar actions, in Europe or elsewhere in the world, may affect the ability or the willingness of our clients to do business with us, and result in additional, and possibly material, cross-border outflows, or affect the viability of our strategies and business model.

The net new money inflows in recent years in our Wealth Management business division 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 our revenues than in the past, put downward pressure on our return on invested assets and adversely affect the profitability of our Wealth Management business division.

We will continue our efforts to adjust to client trends, regulatory and market dynamics as necessary, in an effort to overcome the effects of changes in the business environment on our profitability, balance sheet and capital positions, but there is no assurance that we will be able to counteract those effects. Moreover, initiatives we may carry out for this purpose may cause net new money outflows and reductions in client deposits, as happened with Wealth Management's balance sheet and capital optimization program in 2015, for more information on which refer to "Wealth Management" in the "Financial and operating performance" section of the Annual Report 2015. In addition, we have made changes to our business offerings and pricing practices in line with the Swiss Supreme Court case concerning retrocessions (fees paid to a bank for distributing third-party and intra-group investment funds and structured products) and other industry developments. These changes may adversely affect our margins on these products and the current offering may be less attractive to clients than the products it replaces. There is no assurance that we will be successful in our efforts to offset the adverse impact of these or similar trends and developments.

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

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

The amount and structure of our employee compensation are affected not only by our business results but also by competitive factors and regulatory considerations. 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 our ability to retain and attract key employees, and may in turn negatively affect our business performance.

We have made changes to the terms of compensation awards to reflect the demands of various stakeholders, including regulatory authorities and shareholders. These terms include the introduction of a deferred contingent capital plan with many of the features of the loss-absorbing capital that we have issued in the market but with a higher capital ratio write-down trigger for members of the Group Executive Board, increased average deferral periods for stock awards, and expanded forfeiture, and to a more limited extent claw-back, provisions for certain awards linked to business performance.



In the EU we are subject to legislation that caps the amount of variable compensation in proportion to the amount of fixed compensation for employees in key risk-taker roles, and whose application could potentially extend to a wider group of employees, on the basis of the revised guidelines on sound remuneration policies published by the European Banking Authority in December 2015.

Moreover, from the 2015 annual general meeting, Swiss law requires UBS to submit to the binding vote of the shareholders the aggregate compensation of each of the board of directors and the executive board on an annual basis.

These requirements, while intended to better align the interests of our staff with those of other stakeholders, increase the risk that key employees will be attracted by competitors and decide to leave us, and that we may be less successful than our competitors in attracting qualified 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 our ability to execute our strategy and to successfully improve our operating and control environment.

**We hold legacy and other risk positions that may be adversely affected by conditions in the financial markets; legacy risk positions may be difficult to liquidate**

Like other financial market participants, we were severely affected by the financial crisis that began in 2007. The deterioration of financial markets since the beginning of the crisis was extremely severe by historical standards, and we recorded substantial losses on fixed income trading positions, particularly in 2008 and 2009. Although we have significantly reduced our risk exposures starting in 2008, and more recently as we progress our strategy and focus on complying with Swiss TBTF standards, we continue to hold substantial legacy risk positions, primarily in Corporate Center - Non-core and Legacy Portfolio. In many cases, these risk positions remain illiquid, and we continue to be exposed to the risk that the remaining positions may again deteriorate in value.

Moreover, we hold 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 has been very prudently managed, we 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. Other macroeconomic developments, such as the implications on export markets of the appreciation of the Swiss franc, 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 / EEA countries, could also adversely affect the Swiss economy, our business in Switzerland in general and, in particular, our Swiss mortgage and corporate loan portfolios.

**We depend on our risk management and control processes to avoid or limit potential losses in our 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, we must balance the risks we take against the returns we generate. We must, therefore, diligently identify, assess, manage and control our 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, we are not always able to prevent serious losses arising from extreme or sudden market events that are not anticipated by our risk measures and systems. 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 financial crisis. Moreover, stress loss and concentration controls and the dimensions in which we aggregated risk to identify potentially highly correlated exposures proved to be inadequate. Notwithstanding the steps we have taken to strengthen our risk management and control framework, we could suffer further losses in the future if, for example:

- we do not fully identify the risks in our portfolio, in particular risk concentrations and correlated risks;
- our assessment of the risks identified or our response to negative trends proves to be untimely, inadequate, insufficient or incorrect;
- markets move in ways that we do not expect – in terms of their speed, direction, severity or correlation – and our ability to manage risks in the resulting environment is, therefore, affected;
- third parties to whom we have credit exposure or whose securities we hold for our own account are severely affected by events not anticipated by our models, and accordingly we suffer defaults and impairments beyond the level implied by our risk assessment; or
- collateral or other security provided by our counterparties proves inadequate to cover their obligations at the time of their default.

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

If we decide to support a fund or another investment that we sponsor in our asset or wealth management businesses, we might, depending on the facts and circumstances, incur expenses that could increase to material levels.

Investment positions, such as equity investments made as part of strategic initiatives and seed investments made at the inception of funds that we manage, 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 impact on our earnings.

**Valuations of certain positions rely on models; models have inherent limitations and may use inputs that have no observable source**

If available, the fair value of a financial instrument or non-financial asset or liability is determined using quoted prices in active markets for identical assets or liabilities. Where the market is not active, fair value is established using a valuation technique, including pricing models. Where available, valuation techniques use market observable assumptions and inputs. If such information is not available, inputs may be derived by reference to similar instruments in active markets, from recent prices for comparable transactions or from other observable market data. If market observable data is not available, we select non-market observable inputs to be used in our valuation techniques.

We also use internally developed valuation models. Such models have inherent limitations; different assumptions and inputs would generate different results, and these differences could have a significant impact on our financial results. We regularly review and update our valuation models to incorporate all factors that market participants would consider in setting a price, including factoring in current market conditions. Judgment is an important component of this process, and failure to make the changes necessary to reflect evolving market conditions could have a material adverse effect on our financial results. Moreover, evolving market practice may result in changes to valuation techniques that could have a material impact on our financial results.

Changes in model inputs or calibration, changes in the valuation methodology incorporated in models, or failure to make the changes necessary to reflect evolving market conditions could have a material adverse effect on our financial results.

### **Liquidity and funding management are critical to our ongoing performance**

The viability of our business depends on the availability of funding sources, and our success depends on our ability to obtain funding at times, in amounts, for tenors and at rates that enable us to efficiently support our asset base in all market conditions. A substantial part of our liquidity and funding requirements is met using short-term unsecured funding sources, including retail and wholesale deposits and the regular issuance of money market securities. The volume of our 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 change in the availability of short-term funding could occur quickly.

Reductions in our credit ratings can increase our 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 we experienced in connection with Moody's downgrade of our long-term rating in June 2012, rating downgrades can require us to post additional collateral or make additional cash payments under master trading agreements relating to our derivatives businesses. Our credit ratings, together with our capital strength and reputation, also contribute to maintaining client and counterparty confidence and it is possible that ratings changes could influence the performance of some of our businesses.

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 and the potential future requirements to maintain senior unsecured debt that could be written down in the event of our insolvency or other resolution, may increase our funding costs or limit the availability of funding of the types required.

### **Our financial results may be negatively affected by changes to accounting standards**

We report our results and financial position in accordance with IFRS as issued by the International Accounting Standards Board ("**IASB**"). Changes to IFRS or interpretations thereof, may cause our 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 our regulatory capital and ratios. We monitor potential accounting changes and when these are finalized by the IASB, we determine the potential impact and disclose significant future changes in our financial statements. Currently, there are a number of issued but not yet effective IFRS changes, as well as potential IFRS changes, some of which could be expected to impact our reported results, financial position and regulatory capital in the future. For example, IFRS 9, when fully adopted, will require us to record loans at inception net of expected losses instead of recording credit losses on an incurred loss basis.

### **Our financial results may be negatively affected by changes to assumptions supporting the value of our goodwill**

The goodwill that we have recognized on the respective balance sheets of our operating segments is tested for impairment at least annually. Our impairment test in respect of the assets recognized as of 31 December 2015 indicated that our respective goodwill balances are not impaired. The impairment test is based on assumptions regarding estimated earnings, discount rates and long-term growth rates impacting the recoverable amount of each segment and on estimates of the carrying amounts of the segments to which the goodwill relates. If the estimated earnings and other assumptions in future periods deviate from the current outlook, the value of the goodwill in any one or more of our businesses may become impaired in the future, giving rise to losses in the income statement.

### **The effect of taxes on our financial results is significantly influenced by reassessments of our deferred tax assets**

The deferred tax assets ("**DTAs**") that we have recognized on our balance sheet as of 31 December 2015 based on prior years' tax losses reflect the probable recoverable level based on future taxable profit as informed by our business plans. If the business plan earnings and assumptions in future periods substantially deviate from current forecasts, the amount of recognized DTAs may need to be adjusted in the future. These adjustments may include write-downs of DTAs through the income statement.

Our effective tax rate is highly sensitive both to our performance as well as our expectation of future profitability as reflected in our business plans. Our results in recent periods have demonstrated that changes in the recognition of DTAs can have a very significant effect on our reported results. If our performance is expected to improve, particularly in the US, or the UK, we could potentially recognize additional DTAs as a result of that assessment. The effect of doing so would be to significantly reduce our effective tax rate in years in which additional DTAs are recognized and to increase our effective tax rate in future years. Conversely, if our performance in those countries is expected to produce diminished taxable profit in future years, we may be required to write down all or a portion of the currently recognized DTAs through the income statement. This would have the effect of increasing our effective tax rate in the year in which any write-downs are taken.

For 2016, notwithstanding the effects of any potential reassessment of the level of deferred tax assets, we expect the effective tax rate to be in the range of 22% to 25%. Consistent with past practice, we expect to revalue our deferred tax assets in the second half of 2016 based on a reassessment of future profitability taking into account updated business plan forecasts. The full-year effective tax rate could change significantly on the basis of this reassessment. It could also change if aggregate tax expenses in respect of profits from branches and subsidiaries without loss coverage differ from what is expected. Part of the aforementioned reassessment of future profitability includes consideration of a possible further extension of the forecast period used for US deferred tax asset recognition purposes to eight years from the seven years used as of 31 December 2015. The determination of whether to extend the forecast period by an additional year will be made on the basis of all relevant facts and circumstances existing at that time. Inasmuch as the ex-ante parameters we have established for further extending the forecast period are more challenging to satisfy than in prior years, it is therefore less probable that we will add an eighth year to the forecast period in 2016 for purposes of revaluing our US deferred tax assets.

UBS's effective tax rate is also sensitive to any future reductions in statutory tax rates, particularly in the US and Switzerland. Reductions in the statutory tax rate 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.

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.

Moreover, we have undertaken, or are considering, changes to our legal structure in the US, the UK, Switzerland and other countries in response to regulatory changes. Tax laws or the tax authorities in these countries may prevent the transfer of tax losses incurred in one legal entity to newly organized or reorganized subsidiaries or affiliates or may impose limitations on the utilization 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 utilize the tax losses in the originating entity, the DTAs associated with such tax losses could be written down through the income statement.

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

We are committed to a total capital return to shareholders of at least 50% of net profit attributable to our shareholders, provided that we maintain a fully applied CET1 capital ratio of at least 13%, and consistent with our objective of maintaining a post-stress fully applied CET1 capital ratio of at least 10%.

Our ability to maintain a fully applied CET1 capital ratio of at least 13% is subject to numerous risks, including the financial results of our businesses, changes to capital standards such as the changes currently proposed in Switzerland, methodologies and interpretation that may adversely affect the calculation of our fully applied CET1 capital ratio, and the imposition of risk add-ons or capital buffers. Refer to "*Fluctuation in foreign exchange rates and continuing low or negative interest rates may have a detrimental effect on our capital strength, our liquidity and funding position, and our profitability*" and to "*If we are unable to maintain our capital strength, this may adversely affect our ability to execute our strategy, client franchise and competitive position*" above for more information on certain factors that

could cause our capital ratios to fluctuate significantly, including the effect on capital of changes to pension plan defined benefit obligations.

Moreover, changes in the methodology, assumptions, stress scenario, market conditions, business volumes and other factors may result in material changes in our post-stress fully applied CET1 capital ratio. These factors may lead to material fluctuations in our post-stress fully applied CET1 capital ratio during any period. In assessing whether our post-stress fully applied CET1 capital ratio objective has been met at any time, we may consider both the current ratio and our expectation as to future developments in the ratio.

To calculate our post-stress CET1 capital ratio, we forecast capital one year ahead based on internal projections of earnings, expenses, distributions to shareholders and other factors affecting CET1 capital, including our net defined benefit plan assets and liabilities. We also forecast one-year developments in RWA. We adjust these forecasts based on assumptions as to how they may change as a result of a severe stress event. We then further deduct from capital the stress loss estimated using our combined stress test ("**CST**") framework to arrive at the post-stress fully applied CET1 capital ratio. Changes to our results, business plans and forecasts, in the assumptions used to reflect the effect of a stress event on our business forecasts or in the results of our CST, could have a material effect on our stress scenario results and on the calculation of our post-stress fully applied CET1 capital ratio.

Our CST framework relies on various risk exposure measurement methodologies which are predominantly proprietary, on our selection and definition of potential stress scenarios and on our assumptions regarding estimates of changes in a wide range of macroeconomic variables and certain idiosyncratic events for each of those scenarios. We periodically review these methodologies, and assumptions are subject to periodic review and change on a regular basis. Our risk exposure measurement methodologies may change in response to developing market practice and enhancements to our own risk control environment, and input parameters for models may change due to changes in positions, market parameters and other factors.

Our stress scenarios, the events comprising a scenario and the assumed shocks and market and economic consequences applied in each scenario are subject to periodic review and change. A change in the CST scenario used to calculate the post-stress fully applied CET1 capital ratio, or in the assumptions used in a particular scenario, may cause the post-stress fully applied CET1 capital ratio to fluctuate materially.

Our business plans and forecasts are subject to inherent uncertainty, our choice of stress test scenarios and the market and macroeconomic assumptions used in each scenario are based on judgments and assumptions about possible future events. Our risk exposure measurement methodologies are subject to inherent limitations, rely on numerous assumptions as well as on data which may have inherent limitations. In particular, certain data is not available on a monthly basis and we may therefore rely on prior month / quarter data as an estimate.

All of these factors may result in our post-stress fully applied CET1 capital ratio, as calculated using our methodology for any period, being materially higher or lower than the actual effect of a stress scenario.

**UBS AG's operating results, financial condition and ability to pay obligations in the future may be affected by funding, dividends and other distributions received from UBS Switzerland AG or any other direct subsidiary, which may be subject to restrictions**

UBS AG's ability to pay its obligations in the future may be affected by the level of funding, dividends and other distributions, if any, received from UBS Switzerland AG and any other subsidiaries currently existing or established by UBS AG in the future. The ability of such subsidiaries to make loans or distributions (directly or indirectly) to UBS AG may be restricted as a result of several factors, including restrictions in financing agreements, the requirements of applicable laws and regulatory, fiscal or other restrictions. UBS AG's subsidiaries, including UBS Switzerland AG, UBS Limited and the US IHC (when designated) are subject to laws and regulations that restrict dividend payments, authorize regulatory bodies to block or reduce the flow of funds from those subsidiaries to UBS AG, or limit or prohibit transactions with

affiliates. Restrictions and regulatory actions of this kind could impede access to funds that UBS AG may need to make payments.

In addition, UBS AG's right to participate in a distribution of assets upon a subsidiary's liquidation or reorganization is subject to all prior claims of the subsidiary's creditors.

Furthermore, UBS AG may guarantee some of the payment obligations of certain of its subsidiaries from time to time. Additionally, in connection with the transfer of the Retail & Corporate (now Personal & Corporate Banking) and Wealth Management business booked in Switzerland from UBS AG to UBS Switzerland AG in June 2015, under the Swiss Merger Act UBS AG is jointly liable for obligations existing on the asset transfer date, 14 June 2015, that were transferred to UBS Switzerland AG. These guarantees may require UBS AG to provide substantial funds or assets to subsidiaries or their creditors or counterparties at a time when UBS AG is in need of liquidity to fund its own obligations.

**If we experience financial difficulties, FINMA has the power to open resolution or liquidation proceedings or impose protective measures in relation to UBS Group AG, UBS AG or UBS Switzerland AG, and such proceedings or measures may have a material adverse effect on our shareholders and creditors**

Under the Swiss Banking Act, FINMA is able to exercise broad statutory powers with respect to Swiss banks and Swiss parent companies of financial groups, such as UBS AG, UBS Group AG and UBS Switzerland AG, if there is justified concern that the entity is over-indebted, has serious liquidity problems or, after the expiration of any relevant deadline, no longer fulfils capital adequacy requirements. Such powers include ordering protective measures, instituting restructuring proceedings (and exercising any Swiss resolution powers in connection therewith), and instituting liquidation proceedings, all of which may have a material adverse effect on our shareholders and creditors or may prevent UBS Group AG or UBS 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. We would have limited ability to challenge any such protective measures. Additionally, creditors would have no right under Swiss law or in Swiss courts to reject, seek the suspension of, or challenge the imposition of any such protective measures, including those that require or result in the deferment of payments owed to creditors. If restructuring proceedings are opened with respect to UBS Group AG, UBS AG or UBS Switzerland AG, the resolution powers, which 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 a resolution proceeding. Certain categories of debt obligations, such as certain types of deposits, are protected. 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 untouched 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 recapitalize UBS AG or such other subsidiary."

**In the section headed "2. Security specific Risks", the subsection entitled "6. The conditions of the Securities do not contain any restrictions on the Issuer's or UBS's ability to restructure its business" is renamed and completely replaced as follows:**

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

Over the past two years, UBS has undertaken a series of measures to improve the resolvability of the Group in response to too big to fail requirements in Switzerland and other countries in which the Group operates.

In December 2014, UBS Group AG completed an exchange offer for the shares of UBS AG and, during 2015, filed and completed a procedure under the Swiss Stock Exchange and Securities Trading Act to squeeze out minority shareholders of UBS AG and as at the date of this Prospectus owns all of the outstanding shares of UBS AG and is the holding company for the UBS Group.

In June 2015, UBS AG transferred its Retail & Corporate (now Personal & Corporate Banking) and Wealth Management business booked in Switzerland to UBS Switzerland AG, a banking subsidiary of UBS AG in Switzerland.

In the UK, UBS completed the implementation of a more self-sufficient business and operating model for UBS Limited, under which UBS Limited bears and retains a larger proportion of the risk and reward in its business activities.

In the third quarter, UBS established UBS Business Solutions AG as a direct subsidiary of UBS Group AG, to act as the Group service company. UBS will transfer the ownership of the majority of its existing service subsidiaries to this entity. UBS expects that the transfer of shared service and support functions into the service company structure will be implemented in a staged approach through 2018. The purpose of the service company structure is to improve the resolvability of the Group by enabling UBS to maintain operational continuity of critical services should a recovery or resolution event occur.

Also during 2015, UBS AG established a new subsidiary, UBS Americas Holding LLC, which UBS intends to designate as its intermediate holding company for its US subsidiaries prior to the 1 July 2016 deadline under new rules for foreign banks in the US pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act ("**Dodd-Frank**"). During the third quarter of 2015, UBS AG contributed its equity participation in the principal US operating subsidiaries to UBS Americas

Holding LLC to meet the requirement under Dodd-Frank that the intermediate holding company own all of UBS's US operations, except branches of UBS AG.

UBS has also established a new subsidiary of UBS AG, UBS Asset Management AG, into which UBS expects to transfer the majority of the operating subsidiaries of Asset Management during 2016. UBS continues to consider further changes to the legal entities used by Asset Management, including the transfer of operations conducted by UBS AG in Switzerland into a subsidiary of UBS Asset Management AG.

UBS continues to consider further changes to the Group's legal structure in response to capital and other regulatory requirements, and in order to obtain any rebate in capital requirements for which the Group may be eligible. Such changes may include the transfer of operating subsidiaries of UBS AG to become direct subsidiaries of UBS Group AG, consolidation of operating subsidiaries in the European Union, and adjustments to the booking entity or location of products and services. These structural changes are being discussed on an ongoing basis with FINMA and other regulatory authorities, and remain subject to a number of uncertainties that may affect their feasibility, scope or timing.

The Conditions of the Securities contain no restrictions on change of control events or structural changes, such as consolidations or mergers or demergers of the Issuer or the sale, assignment, spin-off, contribution, distribution, transfer or other disposal of all or any portion of the Issuer's or its subsidiaries' properties or assets in connection with the announced changes to its legal structure or otherwise and no event of default, requirement to repurchase the Securities or other event will be triggered under the Conditions of the Securities as a result of such changes. There can be no assurance that such changes, should they occur, would not adversely affect the credit rating of the Issuer and/or increase the likelihood of the occurrence of an event of default. There can be no assurance that such changes, should they occur, would not adversely affect the credit rating of the Issuer and/or its ability to fulfil its obligations with respect to the Securities."

**In the section headed "2. Security specific Risks", the subsection headed "22. Payments under the Securities may be subject to U.S. withholdings" is completely replaced as follows:**

**"22. Payments under the Securities may be subject to U.S. withholdings**

Investors in the Securities should be aware that payments under the Securities may under certain circumstances be subject to a U.S. withholding:

**Payments under the Securities may be subject to U.S. withholding under the US Tax Code**

Section 871(m) of the U.S. Tax Code requires withholding (up to 30%, depending on whether a treaty applies) on certain financial instruments (such as, e.g. the Securities) to the extent that the payments or deemed payments on the financial instruments are contingent upon or determined by reference to U.S.-source dividends. Under U.S. Treasury Department regulations, certain payments or deemed payments to non-U.S. Securityholders with respect to certain equity-linked instruments that reference U.S. stocks or indices that include U.S. equities may be treated as dividend equivalents that are subject to U.S. withholding tax at a rate of 30% (or lower treaty rate). Under these regulations, withholding may be required even in the absence of any actual dividend-related payment or adjustment made pursuant to the Conditions of the Securities. **In case, e.g. (but not limited to) of an Underlying or, as the case may be, a Basket Component, providing for dividends from sources within the United States, it is possible that these rules could apply to the Securities.**

Section 871(m) of the U.S. Tax Code and the applicable regulations may apply to Securities that are issued (or significantly modified) on or after 1 January 2017. If an amount in respect of such U.S. withholding tax were to be deducted or withheld from payments on the Securities, none of the Issuer, any paying agent or any other



person would, pursuant to the Conditions of the Securities, be required to pay additional amounts as a result of the deduction or withholding of such tax.

**Securityholders should, consequently, be aware that payments under the Securities may under certain circumstances be subject to U.S. withholding tax and should consult with their tax advisors regarding the application of Section 871(m) of the US Tax Code and the regulations thereunder in respect of their acquisition and ownership of the Securities.**

**Payments under the Securities may be subject to U.S. withholding under FATCA**

The Foreign Account Tax Compliance Act ("FATCA") generally imposes a 30% U.S. withholding tax on payments of certain U.S. source interest, dividends and certain other fixed or determinable annual or periodical income, on the gross proceeds from the sale, maturity, or other disposition of certain assets after 31 December 2018 and on certain "foreign passthru payments" made after 31 December 2018 (or, if later, the date that final regulations defining the term "foreign passthru payments" are published) made to certain foreign financial institutions (including most foreign hedge funds, private equity funds and other investment vehicles) unless the payee foreign financial institution agrees to disclose the identity of any U.S. individuals and certain U.S. entities that directly or indirectly maintain an account with, or hold debt or equity interests in, such institution (or the relevant affiliate) and to annually report certain information about such account or interest directly, or indirectly, to the IRS (or to a non-U.S. governmental authority under a relevant Intergovernmental Agreement entered into between such non-U.S. governmental authority and the United States, which would then provide this information to the IRS). FATCA also requires withholding agents making certain payments to certain non-financial foreign entities that fail to disclose the name, address, and taxpayer identification number of any substantial direct or indirect U.S. owners of such entity to withhold a 30% tax on such payments.

Accordingly, the Issuer and other foreign financial institutions may be required under FATCA to report certain account information about holders of the Securities directly to the IRS (or to a non-U.S. governmental authority as described above). Moreover, the Issuer may be required to withhold on a portion of payments made on the Securities to (i) holders who do not provide any information requested to enable the Issuer to comply with FATCA, or (ii) foreign financial institutions who fail to comply with FATCA.

Securityholders holding their Securities through a foreign financial institution or other foreign entity should be aware that any payments under the Securities may be subject to 30% withholding tax under FATCA. If an amount in respect of such withholding tax under FATCA were to be deducted or withheld from payments on the Securities, none of the Issuer, any paying agent or any other person would, pursuant to the Conditions of the Securities, be required to pay additional amounts as a result of the deduction or withholding of such tax. **Securityholders should, consequently, be aware that payments under the Securities may under certain circumstances be subject to U.S. withholding under FATCA and should consult with their tax advisors regarding the application of withholding tax under FATCA in respect of their acquisition and ownership of the Securities."**

**In the section headed "J. INFORMATION ABOUT UBS AG" the following changes are made:**

**The section "1. General Information on UBS AG" is, except for the subsection entitled "Corporate Information", completely replaced by the following text:**

**"UBS AG ("Issuer") with its subsidiaries (together, "UBS AG (consolidated)" or "UBS AG Group"; together with UBS Group AG, which is the holding company of UBS AG, "UBS Group" "Group", "UBS" or "UBS Group AG (consolidated)") provides financial advice**

and solutions to private, institutional and corporate clients worldwide, as well as private clients in Switzerland. The operational structure of the Group is comprised of the Corporate Center and five business divisions: Wealth Management, Wealth Management Americas, Personal & Corporate Banking, Asset Management and the Investment Bank. UBS's strategy builds on the strengths of all of its businesses and focuses its efforts on areas in which UBS excels, while seeking to capitalize on the compelling growth prospects in the businesses and regions in which it operates, in order to generate attractive and sustainable returns for shareholders. All of UBS's businesses are capital-efficient and benefit from a strong competitive position in their targeted markets.

On 31 December 2015, UBS Group AG (consolidated) common equity tier 1 ("**CET1**") capital ratio<sup>1</sup> was 14.5% on a fully applied basis and 19.0% on a phase-in basis, invested assets stood at CHF 2,689 billion, equity attributable to UBS Group AG shareholders was CHF 55,313 million and market capitalization was CHF 75,147 million. On the same date, UBS employed 60,099 people<sup>2</sup>.

On 31 December 2015, UBS AG (consolidated) CET1 capital ratio<sup>1</sup> was 15.4% on a fully applied basis and 19.5% on a phase-in basis, invested assets stood at CHF 2,689 billion and equity attributable to UBS AG shareholders was CHF 55,248 million. On the same date, UBS AG Group employed 58,131 people<sup>2</sup>.

The rating agencies Standard & Poor's Credit Market Services Europe Limited ("**Standard & Poor's**"), Moody's Investors Service Ltd. ("**Moody's**"), Fitch Ratings Limited ("**Fitch Ratings**") and Scope Ratings AG ("**Scope Ratings**") have published solicited credit ratings reflecting their assessment of the creditworthiness of UBS AG, i.e. its ability to fulfill in a timely manner payment obligations, such as principal or interest payments on long-term loans, also known as debt servicing. The ratings from Fitch Ratings, Standard & Poor's and Scope Ratings may be attributed a plus or minus sign, and those from Moody's a number. These supplementary attributes indicate the relative position within the respective rating class. UBS AG has a long-term counterparty credit rating of A (outlook: positive) from Standard & Poor's, long-term senior debt rating of A1 (outlook: stable) from Moody's, long-term issuer default rating of A (outlook: positive) from Fitch Ratings and issuer credit-strength rating of A (outlook: stable) from Scope Ratings.

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<sup>1</sup> Based on the Basel III framework as applicable to Swiss systemically relevant banks. The common equity tier 1 capital ratio is the ratio of common equity tier 1 capital to risk-weighted assets. The information provided on a fully applied basis entirely reflects the effects of prudential filters for the calculation of capital and does not include ineligible capital instruments. The information provided on a phase-in basis gradually reflects those effects and the phase-out of ineligible capital instruments during the transition period. For information as to how common equity tier 1 capital is calculated, refer to the table "Reconciliation IFRS equity to Swiss SRB capital" in the section "Capital management" of the Annual Report 2015 (as defined later on).

<sup>2</sup> Full-time equivalents.

The following table gives an overview of the rating classes as used by the above rating agencies and their respective meaning. UBS AG's rating is indicated by the red box.

Standard & Poor's		Moody's		Fitch Ratings		Scope Ratings	
Long-Term Issuer credit rating		Long-Term rating		Long-Term Issuer Default Rating		Long-Term Issuer credit rating	
AAA	Extremely strong capacity to meet financial commitments	Aaa	Highest quality	AAA	Highest credit quality	AAA	Exceptionally strong credit quality with the lowest risk of a default-like event
AA+	Very strong capacity to meet financial commitments	Aa1	High quality	AA+	Very high credit quality	AA+	Very strong credit quality with an extremely low risk of a default-like event
AA		Aa2		AA			
AA-		Aa3		AA-			
A+	Strong capacity to meet its financial commitments	A1	Upper-medium grade	A+	High credit quality	A+	Strong credit quality with a very low risk of a default-like event
A		A2		A			
A-		A3		A-			
BBB+	Adequate capacity to meet its financial commitments	Baa1	Medium grade	BBB+	Good credit quality	BBB+	Good credit quality with a low risk of a default-like event.
BBB		Baa2		BBB			
BBB-		Baa3		BBB-			
BB+	Less vulnerable in the near term than other lower-rated obligors	Ba1	Speculative, subject to substantial credit risk	BB+	Speculative	BB+	Moderate-to-modest credit quality with a moderate risk of a default-like event
BB		Ba2		BB			
BB-		Ba3		BB-			
B+	More vulnerable than the obligors rated 'BB'	B1	Speculative, subject to high credit risk	B+	Highly speculative	B+	Weak credit quality with a material risk of a default-like event
B		B2		B			
B-		B3		B-			
B-	Significant speculative characteristics	Caa1	Speculative, of poor standing and subject to very high credit risk	CCC	Substantial credit risk	CCC	Very weak credit quality with a significant risk of a default-like-event
CCC+		Caa2		CC			
CCC		Caa3		C			
CCC-	Currently highly vulnerable	Ca	Highly speculative, likely in, or very near, default with some prospect of recovery of principal and interest	RD	Restricted default		
CC							
R	Under regulatory supervision	C	Typically in default, with little prospect for recovery of principal or interest	D	Default	D	Credit default-like event
SD	Selective Default						
D	Default						

All the above-mentioned rating agencies are registered as credit rating agencies under Regulation (EC) No 1060/2009 as amended by Regulation (EU) No 513/2011.

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

**The section "2. Business Overview" is completely replaced by the following text:**

## **"2. Business Overview**

### **Business Divisions and Corporate Center**

UBS operates as a group with five business divisions (Wealth Management, Wealth Management Americas, 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 in the Annual Report 2015, on pages 33-37 (inclusive); a description of the businesses, strategies, clients, organizational structures, products and services of the business divisions and the Corporate Center can be found in the Annual Report 2015, on pages 41-58 (inclusive).

### **Wealth Management**

Wealth Management provides comprehensive advice and financial services to wealthy private clients around the world, with the exception of those served by Wealth Management Americas. UBS is a global firm with global capabilities, and its clients benefit from a full spectrum of resources, including wealth planning, investment management solutions and corporate finance advice, banking and lending solutions, as well as a wide range of specific offerings. Wealth Management's guided architecture model gives clients access to a wide range of products from the world's leading third-party institutions that complement its own products.

### **Wealth Management Americas**

Wealth Management Americas is one of the leading wealth managers in the Americas in terms of financial advisor productivity and invested assets. Its business includes UBS's domestic US and Canadian wealth management businesses, as well as international business booked in the US. It provides a fully integrated set of wealth management solutions designed to address the needs of ultra high net worth and high net worth clients.

### **Personal & Corporate Banking**

Personal & Corporate Banking provides comprehensive financial products and services to UBS's private, corporate and institutional clients in Switzerland, maintaining a leading position in these segments and embedding its offering in a multi-channel approach. The business is a central element of UBS's universal bank delivery model in Switzerland, supporting other business divisions by referring clients and growing the wealth of the firm's private clients so they can be transferred to Wealth Management. Personal & Corporate Banking leverages the cross-selling potential of UBS's asset-gathering and investment bank businesses, and manages a substantial part of UBS's Swiss infrastructure and banking products platform.

### **Asset Management**

Asset Management is a large-scale asset manager, with a presence in 22 countries. It offers investment capabilities and investment styles across all major traditional and alternative asset classes to institutions, wholesale intermediaries and wealth management clients around the world. It is a leading fund house in Europe, the largest mutual fund manager in Switzerland, the third-largest international asset manager in Asia, the second largest fund of hedge funds manager and one of the largest real estate investment managers in the world.

### **Investment Bank**

The Investment Bank provides corporate, institutional and wealth management clients with expert advice, innovative solutions, execution and comprehensive access to international capital markets. It offers advisory services and provides in-depth cross-asset research, along with access to equities, foreign exchange, precious metals and selected rates and credit markets, through its business units, Corporate Client Solutions and Investor Client Services. The Investment Bank is an active participant in capital markets flow activities, including sales, trading and market-making across a range of securities.

## Corporate Center

Corporate Center is comprised of Services, Group Asset and Liability Management ("**Group ALM**") and Non-core and Legacy Portfolio. Services includes the Group's control functions such as finance, risk control (including compliance) and legal. In addition, it provides all logistics and support services, including operations, information technology, human resources, regulatory relations and strategic initiatives, communications and branding, corporate services, physical security, information security as well as outsourcing, nearshoring and offshoring. Group ALM is responsible for centrally managing the Group's liquidity and funding position, as well as providing other balance sheet and capital management services to the Group. Non-core and Legacy Portfolio is comprised of the non-core businesses and legacy positions that were part of the Investment Bank prior to its restructuring.

## Competition

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

## Recent Developments

### 1. UBS AG (consolidated) key figures

UBS AG derived the selected consolidated financial information included in the table below for the years ended 31 December 2015, 2014 and 2013 from the Annual Report 2015, which contains the audited consolidated financial statements of UBS AG, as well as additional unaudited consolidated financial information, for the year ended 31 December 2015 and comparative figures for the years ended 31 December 2014 and 2013. The consolidated financial statements for the years ended on 31 December 2015, 31 December 2014 and 31 December 2013 were prepared in accordance with International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board ("**IASB**") and stated in Swiss francs ("**CHF**"). Information for the years ended 31 December 2015, 2014 and 2013 which is indicated as being unaudited in the table below was included in the Annual Report 2015 but has not been audited on the basis that the respective disclosures are not required under IFRS, and therefore are not part of the audited financial statements. The Annual Report 2015 is incorporated by reference herein. Prospective investors should read the whole of this Prospectus and the documents incorporated by reference herein and should not rely solely on the summarized information set out below:

CHF million, except where indicated	As of or for the year ended		
	31.12.15	31.12.14	31.12.13
	<i>audited, except where indicated</i>		
<b>Results</b>			
Operating income	30,605	28,026	27,732
Operating expenses	25,198	25,557	24,461
Operating profit / (loss) before tax	5,407	2,469	3,272
Net profit / (loss) attributable to UBS AG shareholders	6,235	3,502	3,172
<b>Key performance indicators</b>			
<b>Profitability</b>			
Return on tangible equity (%) <sup>1</sup>	13.5*	8.2*	8.0*
Return on assets, gross (%) <sup>2</sup>	3.1*	2.8*	2.5*
Cost / income ratio (%) <sup>3</sup>	82.0*	90.9*	88.0*
<b>Growth</b>			
Net profit growth (%) <sup>4</sup>	78.0*	10.4*	-
Net new money growth for combined wealth management businesses (%) <sup>5</sup>	2.2*	2.5*	3.4*
<b>Resources</b>			

Common equity tier 1 capital ratio (% , fully applied) <sup>6, 7</sup>	15.4*	14.2*	12.8*
Leverage ratio (phase-in, %) <sup>8, 9</sup>	5.7*	5.4*	4.7*

#### Additional information

##### Profitability

Return on equity (RoE) (%)	11.7*	7.0*	6.7*
Return on risk-weighted assets, gross (%) <sup>10</sup>	14.1*	12.4*	11.4*

##### Resources

Total assets	943,256	1,062,327	1,013,355
Equity attributable to UBS AG shareholders	55,248	52,108	48,002
Common equity tier 1 capital (fully applied) <sup>7</sup>	32,042	30,805	28,908
Common equity tier 1 capital (phase-in) <sup>7</sup>	41,516	44,090	42,179
Risk-weighted assets (fully applied) <sup>7</sup>	208,186*	217,158*	225,153*
Risk-weighted assets (phase-in) <sup>7</sup>	212,609*	221,150*	228,557*
Common equity tier 1 capital ratio (% , phase-in) <sup>6, 7</sup>	19.5*	19.9*	18.5*
Total capital ratio (%) (fully applied) <sup>7</sup>	21.0*	19.0*	15.4*
Total capital ratio (%) (phase-in) <sup>7</sup>	24.9*	25.6*	22.2*
Leverage ratio (fully applied, %) <sup>8, 9</sup>	4.9*	4.1*	3.4*
Leverage ratio denominator (fully applied) <sup>9</sup>	898,251*	999,124*	1,015,306*
Leverage ratio denominator (phase-in) <sup>9</sup>	904,518*	1,006,001*	1,022,924*

##### Other

Invested assets (CHF billion) <sup>11</sup>	2,689	2,734	2,390
Personnel (full-time equivalents)	58,131*	60,155*	60,205*

\* unaudited

<sup>1</sup> Net profit attributable to UBS AG shareholders before amortization and impairment of goodwill and intangible assets (annualized as applicable) / average equity attributable to UBS AG shareholders less average goodwill and intangible assets of UBS AG. <sup>2</sup> Operating income before credit loss (expense) or recovery (annualized as applicable) / average total assets. <sup>3</sup> Operating expenses / operating income before credit loss (expense) or recovery. <sup>4</sup> Change in net profit attributable to UBS AG shareholders from continuing operations between current and comparison periods / net profit attributable to UBS AG shareholders from continuing operations of comparison period. Not meaningful and not included if either the reporting period or the comparison period is a loss period. <sup>5</sup> Combined Wealth Management and Wealth Management Americas' net new money for the period (annualized as applicable) / invested assets at the beginning of the period. Based on adjusted net new money, which excludes the negative effect on net new money in 2015 of CHF 9.9 billion from UBS's balance sheet and capital optimization program. <sup>6</sup> Common equity tier 1 capital / risk-weighted assets. <sup>7</sup> Based on the Basel III framework as applicable to Swiss systemically relevant banks. <sup>8</sup> Common equity tier 1 capital and loss-absorbing capital / leverage ratio denominator. <sup>9</sup> Calculated in accordance with Swiss SRB rules. From 31 December 2015 onward, the Swiss SRB leverage ratio denominator calculation is fully aligned with the BIS Basel III rules. Prior-period figures are calculated in accordance with former Swiss SRB rules and are therefore not fully comparable. <sup>10</sup> Based on phase-in risk-weighted assets. <sup>11</sup> Includes invested assets for Personal & Corporate Banking.

## 2. Proposed new requirements for Swiss systemically relevant banks

In December 2015, the Swiss Federal Department of Finance published for consultation a revised TBTF ordinance based on the cornerstones announced by the Swiss Federal Council in October 2015. For Swiss systemically relevant banks ("**SRB**") that operate internationally, the proposal would revise existing Swiss SRB capital requirements and would establish additional gone concern requirements, which, together with the going concern requirement, represents the total loss-absorbing capacity ("**TLAC**"). TLAC encompasses regulatory capital such as common equity tier 1, additional tier 1 and tier 2 capital as well as liabilities that can be written down or converted into equity in case of resolution or recovery measures. The proposal would make the Swiss capital regime among the most demanding in the world.

The proposed going concern capital requirements consist of basic requirements for all Swiss SRB to maintain a leverage ratio of 4.5% and a ratio of capital to RWA of 12.9%. A progressive buffer would be added on top of the basic requirements, reflecting the degree of systemic importance. The progressive buffer for UBS is expected to be 0.5% of LRD and 1.4% of RWA, resulting in total going concern capital requirements of 5.0% of LRD and 14.3% of RWA (excluding countercyclical buffer requirements). The going concern leverage ratio proposal would require a minimum CET1 capital ratio of 3.5% of LRD and of up to 1.5% in high-trigger AT1 capital instruments. The minimum CET1 capital requirement will

remain unchanged at 10% of RWA, and the balance of the RWA-based capital requirement, i.e. 4.3%, may be met with high-trigger AT1 instruments.

The gone concern requirements would be 5.0% of LRD and 14.3% of RWA for internationally active Swiss SRB and may be met with senior debt that is TLAC-eligible. Banks would be eligible for a reduction of the gone concern requirements if they demonstrate improved resolvability.

The proposal envisages transitional arrangements for outstanding low- and high-trigger tier 2 instruments to qualify as going concern capital until the earlier of 31 December 2019 or their maturity or first call date. Thereafter, they may be used to meet the gone concern requirement until one year before maturity. Low-trigger AT1 capital instruments will continue to qualify as going concern capital until the first call date and thereafter may also be used to meet the gone concern requirement. The proposed Swiss TBTF ordinance would permit a reduction of up to 2% of the LRD and 5.7% of RWA gone concern requirements for measures taken to improve resolvability. The amount and timing of any such reduction will be determined by FINMA as such measures are implemented.

The new rules are expected to come into force as of 1 July 2016. UBS intends to use the four-year phase-in period to fully implement the new requirements. UBS intends to meet the new CET1 leverage ratio requirement of 3.5% by retaining sufficient earnings while maintaining its commitment to total capital returns to shareholders of at least 50% of net profit attributable to shareholders, provided that UBS maintains a fully applied CET1 capital ratio of at least 13%, and consistent with its objective of maintaining a post-stress fully applied CET1 capital ratio of at least 10%. Furthermore, UBS plans to continue its issuance of AT1 instruments and TLAC-eligible senior debt to meet the new requirements without increasing overall liabilities.

In addition to defining the new going concern capital and gone concern requirements, the Swiss Federal Council has proposed that the implementation of a Swiss emergency plan be completed by the end of 2019. The Swiss emergency plan defines the measures required to ensure a continuation of systemically relevant functions in Switzerland.

### *3. Basel Committee on Banking Supervision proposes changes to the standardized approach for credit risk*

The Basel Committee on Banking Supervision ("**BCBS**") released a second consultative document on revisions to the standardized approach for credit risk in December 2015. The proposal would reintroduce the use of external credit ratings for exposures to banks and corporates and would adopt a loan-to-value approach to risk weighting of real estate loans. The consultation ran until 11 March 2016 and the BCBS intends to finalize the revisions by the end of 2016.

### *4. Basel Committee on Banking Supervision issues revised market risk framework*

In January 2016, the BCBS published a revised market risk framework, which defines minimum capital requirements for market risk exposures. The market risk framework includes stricter rules on the designation of instruments as either trading or banking book, a more prescriptive internal-model approach aimed at increasing consistency across banks, as well as a revised and more risk-sensitive standardized approach, which may also be used as a fall back to the internal-model approach. The BCBS will conduct further quantitative impact studies in order to monitor the effect of the capital requirements and to ensure consistency in the application of the framework. UBS expects Switzerland to finalize these changes in the domestic regulations no later than 1 January 2019, the deadline set by the BCBS.

### *5. Basel Committee on Banking Supervision review of risk-based capital framework*

The BCBS also published two consultation papers during 2015 as part of its review of the capital framework to balance simplicity and risk sensitivity, and to promote comparability. The first paper is a consultation on the risk management, capital treatment and supervision

of interest rate risk in the banking book, expanding upon and intending to ultimately replace the Basel Committee's 2004 principles for the management and supervision of interest rate risk. The second paper is a consultation on the Credit Valuation Adjustment ("**CVA**") Risk Framework, intending to ensure that all important drivers of credit valuation adjustment risk and its hedges are covered in the Basel regulatory capital standard, in order to align the capital standard with the fair value measurement of CVA employed under various accounting regimes, and to ensure consistency with the proposed revisions to the market risk framework under the Basel Committee's fundamental review of the trading book.

In addition, as part of its quarterly review, the Bank for International Settlements ("**BIS**") published a paper on the leverage ratio calibration. Subject to various caveats, the paper finds that there is considerable room to raise the leverage ratio requirement above its original 3% "test" level, to within a range of about 4–5%. The BCBS intends to complete the final calibration of the leverage ratio, and any further adjustments to its definition, by 2017, with a view to migrating to a Pillar 1 (minimum capital requirement) treatment on 1 January 2018.

6. *US Federal Reserve Board proposes TLAC rules, as well as long-term debt and clean holding company requirements*

In October 2015, the Federal Reserve Board proposed a rule for TLAC and long-term debt ("**LTD**") requirements for covered bank holding companies and the Intermediate Holding Companies ("**IHCs**") of foreign banks. The proposal would require IHCs, such as that of UBS, to hold internal LTD based on the greatest of 7% of RWA, 3% of total leverage exposure if subject to the supplementary leverage ratio ("**SLR**"), and 4% of average total consolidated assets. The internal TLAC requirement would depend on whether the IHC is a non-resolution entity or a resolution entity, as defined in the rule. Non-resolution IHCs, which require certification from the home country regulator, would be required to hold the greatest of 16% of RWA, 6% of total leverage exposure if subject to the SLR, and 8% of average total consolidated assets. Resolution IHCs would be required to hold the greatest of 18% of RWA, 6.75% of total leverage exposure if subject to the SLR, and 9% of average total consolidated assets. UBS intends to seek the certification necessary to classify its IHC as a non-resolution IHC.

The proposal also applies an internal TLAC buffer of 2.5% plus any applicable countercyclical capital buffer. A breach would subject the IHC to restrictions on distributions and discretionary bonus payments. The proposal's clean holding company requirements would prohibit or limit IHCs from entering into certain financial arrangements that could create obstacles to orderly resolution. The UBS IHC would be subject to the requirements under the proposal.

For information on additional regulatory and legal developments, see the section "Regulatory and legal developments" in the Annual Report 2015."

**The Section "3. Organisational Structure of the Issuer" is completely replaced by the following text:**

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

UBS AG is a Swiss bank and the parent company of the UBS AG Group. It is 100% owned by UBS Group AG, which is the holding company of the UBS Group. The UBS Group operates as a group with five business divisions (Wealth Management, Wealth Management Americas, Personal & Corporate Banking, Asset Management and the Investment Bank) and a Corporate Center.

Over the past two years, UBS has undertaken a series of measures to improve the resolvability of the Group in response to too big to fail ("**TBTF**") requirements in Switzerland and other countries in which the Group operates.



In December 2014, UBS Group AG completed an exchange offer for the shares of UBS AG and established UBS Group AG as the holding company for UBS Group. During 2015, UBS Group AG filed and completed a court procedure under article 33 of the Swiss Stock Exchange Act resulting in the cancellation of the shares of the remaining minority shareholders of UBS AG. As a result, UBS Group AG now owns 100% of the outstanding shares of UBS AG.

In June 2015, UBS AG transferred its Retail & Corporate (now Personal & Corporate Banking) and Wealth Management business booked in Switzerland to UBS Switzerland AG, a banking subsidiary of UBS AG in Switzerland.

In the second quarter of 2015, UBS also completed the implementation of a more self-sufficient business and operating model for UBS Limited, its investment banking subsidiary in the UK, under which UBS Limited bears and retains a larger proportion of the risk and reward in its business activities.

In the third quarter of 2015, UBS established UBS Business Solutions AG as a direct subsidiary of UBS Group AG to act as the Group service company. UBS will transfer the ownership of the majority of its existing service subsidiaries to this entity. UBS expects that the transfer of shared service and support functions into the service company structure will be implemented in a staged approach through 2018. The purpose of the service company structure is to improve the resolvability of the Group by enabling UBS to maintain operational continuity of critical services should a recovery or resolution event occur.

Also during 2015, UBS AG established a new subsidiary, UBS Americas Holding LLC, which UBS intends to designate as its intermediate holding company for its US subsidiaries prior to the 1 July 2016 deadline under new rules for foreign banks in the US pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act ("**Dodd-Frank**"). During the third quarter of 2015, UBS AG contributed its equity participation in the principal US operating subsidiaries to UBS Americas Holding LLC to meet the requirement under Dodd-Frank that the intermediate holding company own all of UBS's US operations, except branches of UBS AG.

UBS has also established a new subsidiary of UBS AG, UBS Asset Management AG, into which it expects to transfer the majority of the operating subsidiaries of Asset Management during 2016. UBS continues to consider further changes to the legal entities used by Asset Management, including the transfer of operations conducted by UBS AG in Switzerland into a subsidiary of UBS Asset Management AG.

UBS continues to consider further changes to the Group's legal structure in response to capital and other regulatory requirements, and in order to obtain any rebate in capital requirements for which the Group may be eligible. Such changes may include the transfer of operating subsidiaries of UBS AG to become direct subsidiaries of UBS Group AG, consolidation of operating subsidiaries in the European Union, and adjustments to the booking entity or location of products and services. These structural changes are being discussed on an ongoing basis with the Swiss Financial Market Supervisory Authority FINMA ("**FINMA**") and other regulatory authorities, and remain subject to a number of uncertainties that may affect their feasibility, scope or timing.

UBS Group AG's interests in subsidiaries and other entities as of 31 December 2015, including interests in significant subsidiaries, are discussed in the UBS Group AG and UBS AG Annual Report 2015, in English, published on 18 March 2016 (the "**Annual Report 2015**"), on pages 540-549 (inclusive).

UBS AG's interests in subsidiaries and other entities as of 31 December 2015, including interests in significant subsidiaries, are discussed in the Annual Report 2015, on pages 707-716 (inclusive)."

**The Section "4. Trend Information" is completely replaced by the following text:**

**"4. Trend Information**

As indicated in UBS's fourth quarter 2015 earnings release, issued on 2 February 2016, many of the underlying macroeconomic challenges and geopolitical risks that have been highlighted in previous reporting remain and are unlikely to be resolved in the foreseeable future. Negative market performance and substantial market volatility since the start of 2016, low interest rates, and the relative strength of the Swiss franc, particularly against the euro, continue to present headwinds. In addition, the proposed changes to the Swiss too big to fail framework will cause substantial ongoing interest costs. Further changes to the international regulatory framework for banks will likely impose additional costs. UBS will continue to execute the measures it announced to mitigate these effects as it works toward its financial targets. UBS remains committed to its strategy and its disciplined execution in order to deliver sustainable returns to UBS shareholders.

No later outlook statement has been issued by UBS."

**In the section "5. Administrative, Management and Supervisory Bodies of UBS AG" the text in the subsection headed "Board of Directors" is completely replaced by the following text:**

**"Board of Directors**

The BoD is the most senior body of UBS AG. The BoD consists of at least six and a maximum of twelve members. All the members of the BoD are elected individually by the Annual General Meeting of Shareholders ("AGM") for a term of office of one year, which expires after completion of the next AGM. Shareholders also elect the Chairman and the members of the Compensation Committee.

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

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

**"Members of the Board of Directors**

<b>Member and business address</b>	<b>Title</b>	<b>Term of office</b>	<b>Current principal positions outside UBS AG</b>
Axel A. Weber  UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Chairman	2016	Chairman of the Board of Directors of UBS Group AG. Member of the board of the Swiss Bankers Association, of the Board of Trustees of Avenir Suisse, of the Advisory Board of Zukunft Finanzplatz, of the Board of the Swiss Finance Council, of the Board of the Institute of International Finance, of the Board of the International Monetary Conference; member of the European Financial Services Roundtable and the European Banking Group; member of the International Advisory Panel, Monetary Authority of Singapore; member of the board of the Financial Services Professional Board, Kuala Lumpur; member of the Group of Thirty, Washington, D.C.; Chairman of the DIW Berlin Board of Trustees; advisory board member of the Department of Economics at the University of Zurich.
Michel Demaré  Syngenta International AG, Schwarzwaldallee 215, CH-4058 Basel	Independent Vice Chairman	2016	Independent Vice Chairman of the Board of Directors of UBS Group AG. Chairman of the board of Syngenta; board member of Louis-Dreyfus Commodities Holdings BV; Supervisory Board member of IMD, Lausanne; Chairman of the Syngenta Foundation for Sustainable Agriculture. Member of the advisory board of the Department of Banking and Finance, University of Zurich. Member of the Advisory Board of Zukunft Finanzplatz.
David Sidwell  UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Senior Independent Director	2016	Senior Independent Director of the Board of Directors of UBS Group AG. Director and Chairperson of the Risk Policy and Capital Committee of Fannie Mae, Washington D.C.; 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; Director of the National Council on Aging, Washington D.C.
Reto Francioni	Member	2016	Member of the Board of Directors of UBS Group AG. Professor, University of Basel; member of the board of Francioni AG, Swiss International Air Lines and MedTech Innovation Partners AG.
UBS AG, Bahnhofstrasse CH-8001 Zurich			
Ann F. Godbehere	Member	2016	Member of the Board of Directors of UBS Group AG. Board member and Chairperson of the Audit Committee of Prudential plc, Rio Tinto plc and Rio Tinto Limited. Member of the board of British American Tobacco plc.
UBS AG, Bahnhofstrasse 45, CH-8001 Zurich			
William G. Parrett	Member	2016	Member of the Board of Directors of UBS Group AG. Member of the board and Chairperson of the Audit Committee of the Eastman Kodak Company; board member of the Blackstone Group LP (chairman of audit committee and chairman of the conflicts committee); board member of Thermo Fisher Scientific Inc. (chairman of audit committee); member of the Committee on Capital Markets Regulation; member of the Carnegie Hall Board of Trustees; Past Chairman of the Board of the United States Council for International Business; Past Chairman of United Way Worldwide.
UBS AG, Bahnhofstrasse 45, CH-8001 Zurich			
Isabelle Romy	Member	2016	Member of the Board of Directors of UBS Group AG. Partner at Froriep, 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.
Froriep, Bellerivestrasse 201, CH-8034 Zurich			
Beatrice Weder di Mauro	Member	2016	Member of the Board of Directors of UBS Group AG. Professor at the Johannes Gutenberg University, Mainz; member of the supervisory board of Robert Bosch GmbH, Stuttgart. Member of the ETH Zurich Foundation Board of Trustees. Member of the economic advisory board of Fraport AG; member of the advisory board of Deloitte Germany. Deputy Chairman of the University Council of the University of Mainz. Member of the Senate of the Max Planck Society.
Johannes Gutenberg- University Mainz, Jakob Welder-Weg 4, D-55099 Mainz			
Joseph Yam	Member	2016	Member of the Board of Directors of UBS Group AG. Executive Vice President of the China Society for Finance and Banking. Member of the board of Johnson Electric Holdings Limited, of UnionPay International Co., Ltd. and of The Community Chest of Hong Kong. International Advisory Council member of China Investment Corporation; Distinguished Research Fellow at the Institute of Global Economics and Finance at the Chinese University of Hong Kong.
UBS AG, Bahnhofstrasse 45, CH-8001 Zurich			

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**In the section “5. Administrative, Management and Supervisory Bodies of UBS AG”, the subsection headed “Organizational principles and structure” is completely replaced by the following text:**

**“Organizational principles and structure**

Following each AGM, the BoD meets to appoint one or more Vice Chairmen, a Senior Independent Director, 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 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 related to foreign exchange.”

**In the section “5. Administrative, Management and Supervisory Bodies of UBS AG”, in the subsection headed “Audit Committee”, the first paragraph is replaced by the following text:**

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

**In the section “5. Administrative, Management and Supervisory Bodies of UBS AG”, the subsection headed “Group Executive Board” is completely replaced by the following text:**

**“Group Executive Board**

Under the leadership of the Group CEO, the GEB has executive management responsibility for the business. All GEB members (with the exception of the Group CEO) are proposed by the Group CEO. The appointments are made by the BoD.”

**In the section “5. Administrative, Management and Supervisory Bodies of UBS AG”, in the subsection headed “Members of the Group Executive Board” the table is completely replaced as follows:**

“

<b>Member and business address</b>	<b>Function</b>
Sergio P. Ermotti UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Group Chief Executive Officer
Christian Bluhm UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Group Chief Risk Officer
Markus U. Diethelm UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Group General Counsel
Kirt Gardner UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Group Chief Financial Officer
Sabine Keller-Busse UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Group Head Human Resources
Ulrich Körner UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	President Asset Management and President UBS Europe, Middle East and Africa
Axel P. Lehmann UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Group Chief Operating Officer
Tom Naratil UBS AG, 1200 Harbor Boulevard, Weehawken, NJ 07086 USA	President Wealth Management Americas and President UBS Americas
Andrea Orcel UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	President Investment Bank
Kathryn Shih UBS AG, 2 International Finance Centre, 8 Finance Street, Central, Hong Kong	President UBS Asia Pacific
Jürg Zeltner UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	President Wealth Management

“

**The Section "7. Financial Information concerning the Issuer's Assets and Liabilities, Financial Position and Profits and Losses", is completely replaced by the following text:**

**"7. Financial Information concerning the Issuer's Assets and Liabilities, Financial Position and Profits and Losses**

**Historical Annual Financial Information**

Detailed information about UBS AG (consolidated) and UBS AG assets and liabilities, financial position and profits and losses for financial year 2015 is available in the sections "Consolidated financial statements" and "Legal entity financial and regulatory information" of the Annual Report 2015, respectively; and for financial year 2014 it is available in the "Financial information" section of the UBS Group AG and UBS AG annual report 2014, in English, published on 13 March 2015 ("**Annual Report 2014**"). The consolidated and standalone financial accounts are closed on 31 December of each year.

With respect to the financial year 2015, reference is made to the following parts of the Annual Report 2015:

- (i) the UBS AG consolidated financial statements, in particular to the Income statement on page 568, the Balance sheet on page 571, the Statement of changes in equity on pages 572-575 (inclusive), the Statement of cash flows on pages 577-578 (inclusive) and the Notes to the consolidated financial statements on pages 579-738 (inclusive); and
- (ii) the UBS AG standalone financial statements, in particular to the Income statement on page 772, the Balance sheet on page 773-774, the Statement of appropriation of retained earnings and proposed dividend distribution on page 775, and the Notes to the UBS AG standalone financial statements on pages 776-792 (inclusive).

With respect to the financial year 2014, reference is made to the following parts of the Annual Report 2014:

- (i) the UBS AG consolidated financial statements, in particular to the Income statement on page 554, the Balance sheet on page 557, the Statement of changes in equity on pages 558-561 (inclusive), the Statement of cash flows on pages 563-564 (inclusive) and the Notes to the consolidated financial statements on pages 565-724 (inclusive); and
- (ii) the UBS AG standalone financial statements, in particular to the Income statement on page 748, the Balance sheet on page 749, the Statement of appropriation of retained earnings and proposed distribution of capital contribution reserve on page 750, the Notes to the UBS AG standalone financial statements on pages 751-760 (inclusive) and the Financial review on pages 745-747 (inclusive).

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

**Auditing of Historical Annual Financial Information**

The consolidated financial statements of UBS AG and the standalone financial statements of UBS AG for financial years 2015 and 2014 were audited by Ernst & Young. The reports of the auditors on the consolidated financial statements can be found on pages 566-567(inclusive) of the Annual Report 2015 and on pages 552-553 (inclusive) of the Annual Report 2014. The reports of the auditors on the standalone financial statements of UBS AG

can be found on pages 793-794 (inclusive) of the Annual Report 2015 and on pages 761-762 (inclusive) of the Annual Report 2014.”

**The Section “8. Litigation, Regulatory and Similar Matters” is renamed “8. Provisions and Litigation, Regulatory and Similar Matters” and is completely replaced by the following text:**

## **“8. Provisions and Litigation, Regulatory and Similar Matters**

### **Provisions**

<i>CHF million</i>	Operational risks <sup>1</sup>	Litigation, regulatory and similar matters <sup>2</sup>	Restructuring	Loan commitments and guarantees	Real estate	Employee benefits <sup>5</sup>	Other	<b>Total 31.12. 15</b>	Total 31.12. 14
Balance at the beginning of the year	50	3,053	647	23	153	215	224	<b>4,366</b>	2,971
Increase in provisions recognized in the income statement	43	1,263	361	6	27	7	71	<b>1,778</b>	3,308
Release of provisions recognized in the income statement	(7)	(166)	(102)	(3)	(1)	(18)	(40)	<b>(337)</b>	(528)
Provisions used in conformity with designated purpose	(37)	(1,174)	(287)	0	(28)	(1)	(133)	<b>(1,660)</b>	(1,659)
Capitalized reinstatement costs	0	0	0	0	5	0	0	<b>5</b>	0
Reclassifications	0	0	0	9	0	0	0	<b>9</b>	8
Foreign currency translation / unwind of discount	(1)	7	5	0	2	(5)	(3)	<b>3</b>	266
<b>Balance at the end of the year</b>	<b>47</b>	<b>2,983</b>	<b>624<sup>3</sup></b>	<b>35</b>	<b>157<sup>4</sup></b>	<b>198</b>	<b>120</b>	<b>4,163</b>	<b>4,366</b>

<sup>1</sup> Comprises provisions for losses resulting from security risks and transaction processing risks. <sup>2</sup> Comprises provisions for losses resulting from legal, liability and compliance risks. <sup>3</sup> Includes personnel related restructuring provisions of CHF 110 million as of 31 December 2015 (31 December 2014: CHF 116 million) and provisions for onerous lease contracts of CHF 514 million as of 31 December 2015 (31 December 2014: CHF 530 million). <sup>4</sup> Includes reinstatement costs for leasehold improvements of CHF 94 million as of 31 December 2015 (31 December 2014: CHF 98 million) and provisions for onerous lease contracts of CHF 62 million as of 31 December 2015 (31 December 2014: CHF 55 million). <sup>5</sup> Includes provisions for sabbatical and anniversary awards as well as provisions for severance which are not part of restructuring provisions.

Restructuring provisions primarily relate to onerous lease contracts and severance payments. The utilization of onerous lease provisions is driven by the maturities of the underlying lease contracts. Severance-related provisions are utilized within a short time period, usually within six months, but potential changes in amount may be triggered when natural staff attrition reduces the number of people affected by a restructuring and therefore the estimated costs.

Information on provisions and contingent liabilities in respect of Litigation, regulatory and similar matters, as a class, is included in the section "Litigation, Regulatory and Similar Matters" below. There are no material contingent liabilities associated with the other classes of provisions.

### **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 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 is often difficult to predict, particularly in the earlier stages of a case. There are also situations where UBS may enter into a settlement agreement. This may occur in order to avoid the expense, management distraction or reputational implications of continuing to contest liability, even for those

matters for which UBS believes it should be exonerated. The uncertainties inherent in all such matters affect the amount and timing of any potential outflows for both matters with respect to which provisions have been established and other contingent liabilities. UBS makes provisions for such matters brought against it when, in the opinion of management after seeking legal advice, it is more likely than not that UBS has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required, and the amount can be reliably estimated. Where these factors are otherwise satisfied, a provision may be established for claims that have not yet been asserted against 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 select 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 section "Provisions" above. 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, which 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 UBS therefore cannot provide a numerical estimate of the future losses that could arise from litigation, regulatory and similar matters, it 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 paragraph 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 has pleaded guilty to one count of wire fraud for conduct in the LIBOR matter, and has agreed to pay a USD 203 million fine and accept a three-year term of probation. A guilty plea to, or conviction of, a crime (including as a result of termination of the NPA) could have material consequences for UBS. Resolution of regulatory proceedings may require UBS to obtain waivers of regulatory disqualifications to maintain certain operations, may entitle regulatory authorities to limit, suspend or terminate licenses and regulatory authorizations and may permit financial market utilities to limit, suspend or terminate UBS's participation in such utilities. Failure to obtain

such waivers, or any limitation, suspension or termination of licenses, authorizations or participations, could have material consequences for UBS.

The risk of loss associated with litigation, regulatory and similar matters is a component of operational risk for purposes of determining UBS's capital requirements. Information concerning UBS's capital requirements and the calculation of operational risk for this purpose is included in the "Capital management" section of the Annual Report 2015.

**Provisions for litigation, regulatory and similar matters by business division and Corporate Center unit<sup>1, 2</sup>**

<i>CHF million</i>	WM	WMA	P&C	AM	IB	CC – Services	CC – Group ALM	CC – NcLP	<b>Total 31.12.15</b>	Total 31.12.14
Balance at the beginning of the year	188	209	92	53	1,258	312	0	941	<b>3,053</b>	1,622
Increase in provisions recognized in the income statement	114	372	0	0	17	15	0	744	<b>1,263</b>	2,941
Release of provisions recognized in the income statement	(10)	(19)	(3)	(3)	(15)	(1)	0	(115)	<b>(166)</b>	(395)
Provisions used in conformity with designated purpose	(36)	(110)	(5)	(33)	(675)	(13)	0	(302)	<b>(1,174)</b>	(1,286)
Reclassifications	0	0	0	0	0	0	0	0	<b>0</b>	(2)
Foreign currency translation / unwind of discount	(12)	7	(2)	(1)	0	(3)	0	18	<b>7</b>	172
<b>Balance at the end of the year</b>	<b>245</b>	<b>459</b>	<b>83</b>	<b>16</b>	<b>585</b>	<b>310</b>	<b>0</b>	<b>1,284</b>	<b>2,983</b>	<b>3,053</b>

<sup>1</sup> WM = Wealth Management; WMA = Wealth Management Americas; P&C = Personal & Corporate Banking; AM = Asset Management; IB = Investment Bank; CC–Services = Corporate Center – Services; CC – Group ALM = Corporate Center – Group Asset and Liability Management; CC-NcLP = Corporate Center - Non-core and Legacy Portfolio. <sup>2</sup> Provisions, if any, for the matters described in this section are recorded in Wealth Management (item 3), Wealth Management Americas (item 4), Corporate Center – Services (item 7) and Corporate Center – Non-core and Legacy Portfolio (items 2 and 8). Provisions, if any, for the matters described in this section in items 1 and 6 are allocated between 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 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.

As a result of investigations in France, in 2013, UBS (France) S.A. and UBS AG were put under formal examination ("**mise en examen**") for complicity in having illicitly solicited clients on French territory, and were declared witness with legal assistance ("**témoign assisté**") regarding the laundering of proceeds of tax fraud and of banking and financial solicitation by unauthorized persons. In 2014, UBS AG was placed under formal examination with respect to the potential charges of laundering of proceeds of tax fraud, and the investigating judges ordered UBS to provide bail ("caution") of EUR 1.1 billion. UBS AG appealed the determination of the bail amount, but both the appeal court ("**Cour d'Appel**") and the French Supreme Court ("**Cour de Cassation**") upheld the bail amount and rejected the appeal in full in late 2014. UBS AG has filed and has had accepted a petition to the European Court of Human Rights to challenge various aspects of the French court's decision. In September 2015, the former CEO of UBS Wealth Management was placed under formal examination in connection with these proceedings. In addition, the investigating judges have sought to issue arrest warrants against three Swiss-based former employees of UBS AG who did not appear when summoned by the investigating judge. In February 2016, the investigating judge notified UBS that he does not intend to conduct further investigation. This notification commences a period in which the prosecutor may file a request for a judge to issue formal charges.



In March 2015, UBS (France) S.A. was placed under formal examination for complicity regarding the laundering of proceeds of tax fraud and of banking and financial solicitation by unauthorized persons for the years 2004 until 2008 and declared witness with legal assistance for the years 2009 to 2012. A bail of EUR 40 million was imposed, and was reduced by the Court of Appeals in May 2015 to EUR 10 million.

Separately, in 2013, the French banking supervisory authority's disciplinary commission reprimanded UBS (France) S.A. for having had insufficiencies in its control and compliance framework around its cross-border activities and know your customer obligations. It imposed a penalty of EUR 10 million, which was paid.

UBS AG has been notified by the Brussels public prosecutor's office that it is investigating various aspects of UBS's cross-border business.

In January 2015, UBS received inquiries from the US Attorney's Office for the Eastern District of New York and from the US Securities and Exchange Commission ("**SEC**"), which are 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 is cooperating with the authorities in these investigations.

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

UBS's balance sheet at 31 December 2015 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 totaled approximately USD 19 billion in original principal balance.

UBS was not a significant originator of US residential loans. A subsidiary 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.

RMBS-related lawsuits concerning disclosures: UBS is named as a defendant relating to its role as underwriter and issuer of RMBS in lawsuits related to approximately USD 6.2 billion in original face amount of RMBS underwritten or issued by UBS. Of the USD 6.2 billion in original face amount of RMBS that remains at issue in these cases, approximately USD 3.2 billion was issued in offerings in which a UBS subsidiary transferred underlying loans (the majority of which were purchased from third-party originators) into a securitization trust and made representations and warranties about those loans ("**UBS-sponsored RMBS**"). The remaining USD 3 billion of RMBS to which these cases relate was issued by third parties in securitizations in which UBS acted as underwriter ("**third-party RMBS**").

In connection with certain of these lawsuits, UBS has indemnification rights against surviving third-party issuers or originators for losses or liabilities incurred by UBS, but UBS cannot predict the extent to which it will succeed in enforcing those rights.

UBS is a defendant in two lawsuits brought by the National Credit Union Administration ("**NCUA**"), as conservator for certain failed credit unions, asserting misstatements and omissions in the offering documents for RMBS purchased by the credit unions. Both lawsuits were filed in US District Courts, one in the District of Kansas and the other in the Southern District of New York ("**SDNY**"). The original principal balance at issue in the Kansas case is approximately USD 1.15 billion and the original principal balance at issue in the SDNY case is approximately USD 400 million. In February 2016, UBS made an offer of judgment to NCUA in the SDNY case, which NCUA has accepted, pursuant to which UBS will pay USD 33 million plus an amount of prejudgment interest that will be determined by the court and reasonable attorneys' fees. Once these amounts are determined and judgment is entered, the SDNY case will end. Prejudgment interest and attorneys' fees are expected to significantly increase the total amount to be paid in the SDNY case.

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. UBS has received demands to repurchase US residential mortgage loans as to which UBS made certain representations at the time the loans were transferred to the securitization trust aggregating approximately USD 4.1 billion in original principal balance. Of this amount, UBS considers claims relating to approximately USD 2 billion in original principal balance to be resolved, including claims barred by the statute of limitations. Substantially all of the remaining claims are in litigation, including the matters described in the next paragraph. UBS believes that new demands to repurchase US residential mortgage loans are time-barred under a decision rendered by the New York Court of Appeals.

In 2012, certain RMBS trusts filed an action ("**Trustee Suit**") in the SDNY seeking to enforce UBS RESI's obligation to repurchase loans in the collateral pools for three RMBS securitizations ("**Transactions**") with an original principal balance of approximately USD 2 billion, for which Assured Guaranty Municipal Corp. ("**Assured Guaranty**"), a financial guaranty insurance company, had previously demanded repurchase. In January 2015, the court rejected plaintiffs' efforts to seek damages for all loans purportedly in breach of representations and warranties in any of the three Transactions and limited plaintiffs to pursuing claims based solely on alleged breaches for loans identified in the complaint or other breaches that plaintiffs can establish were independently discovered by UBS. In February 2015, the court denied plaintiffs' motion seeking reconsideration of its ruling. With respect to the loans subject to the Trustee Suit that were originated by institutions still in existence, UBS intends to enforce its indemnity rights against those institutions. Trial is currently scheduled for April 2016.

UBS also has tolling agreements with certain institutional purchasers of RMBS concerning their potential claims related to substantial purchases of UBS-sponsored or third-party RMBS.

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 September 2015, the Eastern District of New York identified a number of transactions that are currently the focus of their inquiry, as to which UBS is providing additional information. UBS continues to respond to the FIRREA subpoena and to subpoenas from the New York State Attorney General ("**NYAG**") relating to its RMBS business. In addition, UBS has also been responding 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 the present. UBS is cooperating with the authorities in these matters. Numerous other banks reportedly are responding to similar inquiries from these authorities.

As reflected in the table "Provision for claims related to sales of residential mortgage-backed securities and mortgages", UBS's balance sheet at 31 December 2015 reflected a provision of USD 1,218 million with respect to matters described in this item 2. 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.

**Provision for claims related to sales of residential mortgage-backed securities and mortgages**

<i>USD million</i>	<b>31.12.15</b>	31.12.14
Balance at the beginning of the year	<b>849</b>	817
Increase in provision recognized in the income statement	<b>662</b>	239
Release of provision recognized in the income statement	<b>(94)</b>	(120)
Provision used in conformity with designated purpose	<b>(199)</b>	(87)
<b>Balance at the end of the year</b>	<b>1,218</b>	849

3. Madoff

In relation to the Bernard L. Madoff Investment Securities LLC ("**BMIS**") investment fraud, UBS AG, UBS (Luxembourg) SA 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 now face severe losses, and the Luxembourg funds are in liquidation. The last reported net asset value of the two Luxembourg funds before revelation of the Madoff scheme was approximately USD 1.7 billion in the aggregate, although that figure likely includes fictitious profit reported by BMIS. 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. UBS (Luxembourg) SA and certain other UBS subsidiaries are responding to inquiries by Luxembourg investigating authorities, without, however, being named as parties in those investigations. In 2009 and 2010, the liquidators of the two Luxembourg funds filed claims on behalf of the funds against UBS entities, non-UBS entities and certain individuals including current and former UBS employees. The amounts claimed are approximately EUR 890 million and EUR 305 million, respectively. The liquidators have filed supplementary claims for amounts that the funds may possibly be held liable to pay the BMIS Trustee. These amounts claimed by the liquidator are approximately EUR 564 million and EUR 370 million, respectively. In addition, a large number of alleged beneficiaries have filed claims against UBS entities (and non-UBS entities) for purported losses relating to the Madoff scheme. The majority of these cases are pending in Luxembourg, where appeals were filed by the claimants against the 2010 decisions of the court in which the claims in a number of test cases were held to be inadmissible. In July 2014, the Luxembourg Court of Appeal dismissed one test appeal in its entirety, which decision was appealed by the investor. In July 2015, the Luxembourg Supreme Court found in favor of UBS and dismissed the investor's appeal. In the US, the BMIS Trustee filed claims in 2010 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. Following a motion by UBS, in 2011, the SDNY dismissed all of the BMIS Trustee's claims other than claims for recovery of fraudulent conveyances and preference payments that were allegedly transferred to UBS on the ground that the BMIS Trustee lacks standing to bring such claims. In 2013, the Second Circuit affirmed the District Court's decision and, in June 2014, the US Supreme Court denied the BMIS Trustee's petition seeking review of the Second Circuit ruling. In December 2014, several claims, including a purported class action, were filed in the

US by BMIS customers against UBS entities, asserting claims similar to the ones made by the BMIS Trustee, seeking unspecified damages. One claim was voluntarily withdrawn by the plaintiff. In July 2015, following a motion by UBS, the SDNY dismissed the two remaining claims on the basis that the New York courts did not have jurisdiction to hear the claims against the UBS entities. In Germany, certain clients of UBS are exposed to Madoff-managed positions through third-party funds and funds administered by UBS entities in Germany. A small number of claims have been filed with respect to such funds. In January 2015, a court of appeal reversed a lower court decision in favor of UBS in one such case and ordered UBS to pay EUR 49 million, plus interest (approximately EUR 15.3 million). UBS filed an application for leave to appeal the decision. That application was rejected by the German Federal Supreme Court in December 2015, meaning that the Court of Appeal's decision is final.

#### 4. Puerto Rico

Declines since August 2013 in the market prices of Puerto Rico municipal bonds and of closed-end funds (the "**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 1.6 billion, of which claims with aggregate claimed damages of approximately USD 374 million have been resolved through settlements or arbitration. The claims are filed by clients in Puerto Rico who own the funds or Puerto Rico municipal bonds and/or who used their UBS account assets as collateral for UBS non-purpose loans; customer complaint and arbitration allegations include fraud, misrepresentation and unsuitability of the funds and of the loans. A shareholder derivative action was filed in 2014 against various UBS entities and current and certain former directors of the funds, alleging hundreds of millions in losses in the funds. In 2015, defendants' motion to dismiss was denied. Defendants are seeking leave to appeal that ruling to 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. Defendants have moved to dismiss that complaint. In March 2015, a class action was filed in Puerto Rico state court against UBS PR seeking equitable relief in the form of a stay of any effort by UBS PR to collect on non-purpose loans it acquired from UBS Bank USA in December 2013 based on plaintiffs' allegation that the loans are not valid.

In 2014, UBS reached a settlement with the Office of the Commissioner of Financial Institutions for the Commonwealth of Puerto Rico ("**OCFI**") in connection with OCFI's examination of UBS's operations from January 2006 through September 2013. Pursuant to the settlement, UBS contributed USD 3.5 million to an investor education fund, offered USD 1.68 million in restitution to certain investors and, among other things, committed to undertake an additional review of certain client accounts to determine if additional restitution would be appropriate. That review resulted in an additional USD 2.1 million in restitution being offered to certain investors.

In September 2015, the SEC and the Financial Industry Regulatory Authority ("**FINRA**") announced settlements with UBS PR of their separate investigations stemming from the 2013 market events. Without admitting or denying the findings in either matter, UBS PR agreed in the SEC settlement to pay USD 15 million (which includes USD 1.18 million in disgorgement, a civil penalty of USD 13.63 million and pre-judgment interest), and USD 18.5 million in the FINRA matter (which includes up to USD 11 million in restitution to 165 UBS PR customers and a civil penalty of USD 7.5 million). The SEC settlement involves a charge against UBS PR of failing to supervise the activities of a former financial advisor who had recommended the impermissible investment of non-purpose loan proceeds into the UBS PR closed-end funds, in violation of firm policy and the customer loan agreements. In the FINRA settlement, UBS PR is alleged to have failed to supervise certain customer accounts which were both more than 75% invested in UBS PR closed-end funds and leveraged against those positions. 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 and other consultants and underwriters, trustees of the System, and the President and Board of the Government Development Bank of Puerto Rico. The plaintiffs alleged that defendants violated their purported fiduciary duties and contractual obligations in connection with the issuance and underwriting of approximately USD 3 billion of bonds by the System in 2008 and sought damages of over USD 800 million. UBS is named in connection with its underwriting and consulting services. In 2013, the case was dismissed by the Puerto Rico Court of First Instance on the grounds that plaintiffs did not have standing to bring the claim, but that dismissal was subsequently overturned on appeal. Defendants have renewed their motion to dismiss the complaint on grounds not addressed when the court issued its prior ruling.

Also, in 2013, an SEC Administrative Law Judge dismissed a case brought by the SEC against two UBS executives, finding no violations. The charges had stemmed from the SEC's investigation of UBS's sale of closed-end funds in 2008 and 2009, which UBS settled in 2012. Beginning in 2012, two federal class action complaints, which were subsequently consolidated, were filed against various UBS entities, certain of the 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 based on allegations similar to those in the SEC action. A motion for class certification was denied without prejudice to the right to refile the motion after limited discovery, and that motion has since been refiled.

In June 2015 Puerto Rico's Governor stated that the Commonwealth is unable to meet its obligations. In addition, certain agencies and public corporations of the Commonwealth have held discussions with their creditors to restructure their outstanding debt, and certain agencies and public corporations of the Commonwealth have defaulted on certain interest payments that were due in August 2015 and January 2016. The United States Supreme Court has agreed to hear Puerto Rico's appeal of a US District Court's invalidation of the Puerto Rico Public Corporations Debt Enforcement and Recovery Act (the "**Act**"), under which Puerto Rico's public corporations would be permitted to effect a mandatory restructuring of their respective debts with a specified creditor vote that would be binding on all applicable creditors, once approved by a court or, alternatively, under a court-supervised bankruptcy type restructuring. The foregoing events, any further defaults by the Commonwealth or its agencies and public corporations on (or any debt restructurings proposed by them with respect to) their outstanding debt, a Supreme Court decision upholding the Act (or sending it back to the District Court for further proceedings) and any further actions taken by Puerto Rico's public corporations under the Act, as well as any market reactions to any of the foregoing, may increase the number of claims against UBS concerning Puerto Rico securities as well as potential damages sought.

UBS's balance sheet at 31 December 2015 reflected provisions with respect to matters described in this item 4 in amounts that UBS believes to be appropriate under the applicable accounting standard. As in the case of other matters for which UBS has established provisions, the future outflow of resources in respect of such matters cannot be determined with certainty based on currently available information, and accordingly may ultimately prove to be substantially greater (or may be less) than the provisions that UBS has recognized.

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

Foreign exchange-related regulatory matters: Following an initial media report in 2013 of widespread irregularities in the foreign exchange markets, UBS immediately commenced an internal review of its foreign exchange business, which includes its precious metals and related structured products businesses. Since then, various authorities have commenced investigations concerning possible manipulation of foreign exchange markets, including FINMA, the Swiss Competition Commission ("**WEKO**"), the DOJ, the SEC, the US Commodity Futures Trading Commission ("**CFTC**"), the Board of Governors of the Federal Reserve System ("**Federal Reserve Board**"), the UK Financial Conduct Authority ("**FCA**") (to which certain responsibilities of the UK Financial Services Authority ("**FSA**") have passed), the UK Serious Fraud Office ("**SFO**"), the Australian Securities and Investments Commission ("**ASIC**"), the Hong Kong Monetary Authority ("**HKMA**"), the Korea Fair Trade Commission

("KFTC") and the Brazil Competition Authority ("**CADE**"). In addition, WEKO is, and a number of other authorities reportedly are, investigating potential manipulation of precious metals prices. UBS has taken and will take appropriate action with respect to certain personnel as a result of its ongoing review.

In 2014, UBS reached settlements with the FCA and the CFTC in connection with their foreign exchange investigations, and FINMA issued an order concluding its formal proceedings with respect to UBS relating to its foreign exchange and precious metals businesses. UBS has paid a total of approximately CHF 774 million to these authorities, including GBP 234 million in fines to the FCA, USD 290 million in fines to the CFTC, and CHF 134 million to FINMA representing confiscation of costs avoided and profits.

In May 2015, the Federal Reserve Board and the Connecticut Department of Banking issued an Order to Cease and Desist and Order of Assessment of a Civil Monetary Penalty Issued upon Consent ("**Federal Reserve Order**") to UBS AG. As part of the Federal Reserve Order, UBS AG paid a USD 342 million civil monetary penalty.

In May 2015, the DOJ's Criminal Division ("**Criminal Division**") terminated the December 2012 Non-Prosecution Agreement ("**NPA**") with UBS AG related to UBS's submissions of benchmark interest rates. As a result, UBS AG entered into a plea agreement with the Criminal Division pursuant to which UBS AG agreed to and did plead guilty to a one-count criminal information filed in the US District Court for the District of Connecticut charging UBS AG with one count of wire fraud in violation of 18 USC Sections 1343 and 2. Under the plea agreement, UBS AG agreed to a sentence that includes a USD 203 million fine and a three-year term of probation. The criminal information charges that between approximately 2001 and 2010, UBS AG engaged in a scheme to defraud counterparties to interest rate derivatives transactions by manipulating benchmark interest rates, including Yen LIBOR. Sentencing is currently scheduled for 9 May 2016. The Criminal Division terminated the NPA based on its determination, in its sole discretion, that certain UBS AG employees committed criminal conduct that violated the NPA, including fraudulent and deceptive currency trading and sales practices in conducting certain foreign exchange market transactions with clients and collusion with other participants in certain foreign exchange markets.

UBS has ongoing obligations to cooperate with these authorities and to undertake certain remediation, including actions to improve processes and controls.

UBS has been granted conditional immunity by the Antitrust Division of the DOJ ("**Antitrust Division**") from prosecution for EUR/USD collusion and entered into a non-prosecution agreement covering other currency pairs. As a result, UBS AG will not be subject to prosecutions, fines or other sanctions for antitrust law violations by the Antitrust Division, subject to UBS AG's continuing cooperation. However, the conditional immunity grant does not bar government agencies from asserting other claims and imposing sanctions against UBS AG, as evidenced by the settlements and ongoing investigations referred to above. UBS has also been granted conditional leniency by authorities in certain jurisdictions, including WEKO, in connection with potential competition law violations relating to precious metals, and as a result, will not be subject to prosecutions, fines or other sanctions for antitrust or competition law violations in those jurisdictions, subject to UBS AG's continuing cooperation.

In October 2015, UBS AG settled charges with the SEC relating to structured notes issued by UBS AG that were linked to the UBS V10 Currency Index with Volatility Cap.

Investigations relating to foreign exchange and precious metals matters by numerous authorities, including the CFTC, remain ongoing notwithstanding these resolutions.

Foreign exchange-related civil litigation: Putative class actions have been filed since November 2013 in US federal courts and in other jurisdictions against UBS and other banks on behalf of putative classes of persons who engaged in foreign currency transactions with any of the defendant banks. They allege collusion by the defendants and assert claims under the antitrust laws and for unjust enrichment. In 2015, additional putative class actions were filed in federal court in New York against UBS and other banks on behalf of a putative class of persons who entered into or held any foreign exchange futures contracts and options on foreign exchange futures contracts since 1 January 2003. The complaints assert claims under

the Commodity Exchange Act ("**CEA**") and the US antitrust laws. In July 2015, a consolidated complaint was filed on behalf of both putative classes of persons covered by the US federal court class actions described above. UBS has entered into a settlement agreement that would resolve all of these US federal court class actions. The agreement, which has been preliminarily approved by the court and is subject to final court approval, requires, among other things, that UBS pay an aggregate of USD 141 million and provide cooperation to the settlement classes.

In June 2015, a putative class action was filed in federal court in New York against UBS and other banks on behalf of participants, beneficiaries, and named fiduciaries of plans qualified under the Employee Retirement Income Security Act of 1974 ("**ERISA**") for whom a defendant bank provided foreign currency exchange transactional services, exercised discretionary authority or discretionary control over management of such ERISA plan, or authorized or permitted the execution of any foreign currency exchange transactional services involving such plan's assets. The complaint asserts claims under ERISA.

In 2015, UBS was added to putative class actions pending against other banks in federal court in New York and other jurisdictions on behalf of putative classes of persons who bought or sold physical precious metals and various precious metal products and derivatives. The complaints in these lawsuits assert claims under the antitrust laws and the CEA and other claims.

LIBOR and other benchmark-related regulatory matters: Numerous government agencies, including the SEC, the CFTC, the DOJ, the FCA, the SFO, the Monetary Authority of Singapore ("**MAS**"), the HKMA, FINMA, the various state attorneys general in the US, and competition authorities in various jurisdictions have conducted or are continuing to conduct investigations regarding submissions with respect to LIBOR and other benchmark rates. These investigations focus on whether there were improper attempts by UBS, among others, either acting on its own or together with others, to manipulate LIBOR and other benchmark rates at certain times.

In 2012, UBS reached settlements with the FSA, the CFTC and the Criminal Division of the DOJ in connection with their investigations of benchmark interest rates. At the same time, FINMA issued an order concluding its formal proceedings with respect to UBS relating to benchmark interest rates. UBS has paid a total of approximately CHF 1.4 billion in fines and disgorgement – including GBP 160 million in fines to the FSA, USD 700 million in fines to the CFTC, USD 500 million in fines to the DOJ, and CHF 59 million in disgorgement to FINMA. UBS Securities Japan Co. Ltd. ("**UBSSJ**") entered into a plea agreement with the DOJ under which it entered a plea to one count of wire fraud relating to the manipulation of certain benchmark interest rates, including Yen LIBOR. UBS entered into an NPA with the DOJ, which (along with the plea agreement) covered conduct beyond the scope of the conditional leniency/immunity grants described below, required UBS to pay the USD 500 million fine to the DOJ after the sentencing of UBSSJ, and provided that any criminal penalties imposed on UBSSJ at sentencing be deducted from the USD 500 million fine. Under the NPA, UBS agreed, among other things, that for two years from 18 December 2012 UBS would not commit any US crime, and UBS would advise DOJ of any potentially criminal conduct by UBS or any of its employees relating to violations of US laws concerning fraud or securities and commodities markets. The term of the NPA was extended by one year to 18 December 2015. In May 2015, the Criminal Division terminated the NPA based on its determination, in its sole discretion, that certain UBS AG employees committed criminal conduct that violated the NPA. As a result, UBS entered into a plea agreement with the DOJ under which it entered a guilty plea to one count of wire fraud relating to the manipulation of certain benchmark interest rates, including Yen LIBOR, and agreed to pay a fine of USD 203 million and accept a three-year term of probation. Sentencing is currently scheduled for 9 May 2016.

In 2014, UBS reached a settlement with the European Commission ("**EC**") regarding its investigation of bid-ask spreads in connection with Swiss franc interest rate derivatives and paid a EUR 12.7 million fine, which was reduced to this level based in part on UBS's cooperation with the EC. The MAS, HKMA and the Japan Financial Services Agency have also resolved investigations of UBS (and in some cases, other banks). UBS has ongoing

obligations to cooperate with the authorities with whom it has reached resolutions and to undertake certain remediation with respect to benchmark interest rate submissions.

Investigations by the CFTC, ASIC and other governmental authorities remain ongoing notwithstanding these resolutions.

UBS has been granted conditional leniency or conditional immunity from authorities in certain jurisdictions, including the Antitrust Division of the DOJ, WEKO and the EC, in connection with potential antitrust or competition law violations related to submissions for Yen LIBOR and Euroyen TIBOR. WEKO has also granted UBS conditional immunity in connection with potential competition law violations related to submissions for CHF LIBOR and certain transactions related to CHF LIBOR. As a result of these conditional grants, UBS will not be subject to prosecutions, fines or other sanctions for antitrust or competition law violations in the jurisdictions where UBS has conditional immunity or leniency in connection with the matters covered by the conditional grants, subject to UBS's continuing cooperation. However, the conditional leniency and conditional immunity grants UBS has received do not bar government agencies from asserting other claims and imposing sanctions against UBS, as evidenced by the settlements and ongoing investigations referred to above. In addition, as a result of the conditional leniency agreement with the DOJ, UBS is eligible for a limit on liability to actual rather than treble damages, were damages to be awarded in any civil antitrust action under US law based on conduct covered by the agreement and for relief from potential joint and several liability in connection with such civil antitrust action, subject to UBS satisfying the DOJ and the court presiding over the civil litigation of its cooperation. The conditional leniency and conditional immunity grants do not otherwise affect the ability of private parties to assert civil claims against UBS.

LIBOR and other benchmark-related civil litigation: A number of putative class actions and other actions are pending in, or expected to be transferred to, 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 are actions asserting losses related to various products whose interest rate was linked to USD LIBOR, including adjustable rate mortgages, preferred and debt securities, bonds pledged as collateral, loans, depository accounts, investments and other interest-bearing instruments. All of the complaints allege manipulation, through various means, of various benchmark interest rates, including USD LIBOR, Euroyen TIBOR, Yen LIBOR, EURIBOR, CHF LIBOR, GBP LIBOR or USD ISDAFIX rates and seek unspecified compensatory and other damages under varying legal theories. In 2013, the court in the USD action dismissed the federal antitrust and racketeering claims of certain USD LIBOR plaintiffs and a portion of their claims brought under the CEA and state common law. Plaintiffs have appealed the dismissal and the appeal remains pending. In 2014, the court in one of the Euroyen TIBOR lawsuits dismissed certain of the plaintiff's claims, including federal antitrust claims. In 2015, the same court dismissed plaintiff's federal racketeering claims and affirmed its previous dismissal of plaintiff's antitrust claims. UBS and other defendants in other lawsuits including those related to EURIBOR, CHF LIBOR and GBP LIBOR have filed motions to dismiss.

Since September 2014, putative class actions have been filed in federal court in New York and New Jersey against UBS and other financial institutions, among others, on behalf of parties who entered into interest rate derivative transactions linked to ISDAFIX. The complaints, which have since been consolidated into an amended complaint, allege that the defendants conspired to manipulate ISDAFIX rates from 1 January 2006 through January 2014, in violation of US antitrust laws and the CEA, among other theories, and seeks unspecified compensatory damages, including treble damages. UBS and other defendants have filed a motion to dismiss, which remains pending.

Government bonds: Putative class actions have been filed in US federal courts against UBS and other banks on behalf of persons who participated in markets for US Treasury securities since 2007. The complaints generally allege that the banks colluded with respect to and manipulated prices of US Treasury securities sold at auction. They assert claims under the antitrust laws and the CEA and for unjust enrichment. The cases have been consolidated in the SDNY. Following filing of these complaints, UBS and reportedly other banks have received requests for information from various authorities regarding US Treasury securities and other government bond trading practices.



With respect to additional matters and jurisdictions not encompassed by the settlements and order referred to above, UBS's balance sheet at 31 December 2015 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. The note sets forth the measures Swiss banks are to adopt, which include informing all affected clients about the Supreme Court decision and directing them to an internal bank contact for further details. 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 others, the existence of a discretionary mandate and whether or not the client documentation contained a valid waiver with respect to distribution fees.

UBS's balance sheet at 31 December 2015 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. Banco UBS Pactual tax indemnity

Pursuant to the 2009 sale of Banco UBS Pactual S.A. ("Pactual") by UBS to BTG Investments, LP ("**BTG**"), BTG has submitted contractual indemnification claims that UBS estimates amount to approximately BRL 2.4 billion, including interest and penalties, which is net of liabilities retained by BTG. The claims pertain principally to several tax assessments issued by the Brazilian tax authorities against Pactual relating to the period from December 2006 through March 2009, when UBS owned Pactual. The majority of these assessments relate to the deductibility of goodwill amortization in connection with UBS's 2006 acquisition of Pactual and payments made to Pactual employees through various profit-sharing plans. These assessments are being challenged in administrative and judicial proceedings. In May 2015, the administrative court issued a decision that was largely in favor of the tax authority with respect to the goodwill amortization assessment. This decision has been appealed.

#### 8. Matters relating to the CDS market

In 2013, the EC issued a Statement of Objections against 13 credit default swap ("**CDS**") dealers including UBS, as well as data service provider Markit and the International Swaps and Derivatives Association ("**ISDA**"). The Statement of Objections broadly alleges that the dealers infringed European Union antitrust rules by colluding to prevent exchanges from entering the credit derivatives market between 2006 and 2009. In December 2015, the EC issued a statement that it had decided to close its investigation against all 13 dealers, including UBS. The EC's investigation regarding Markit and ISDA is ongoing. Since mid-2009, the Antitrust Division of the DOJ has also been investigating whether multiple dealers, including UBS, conspired with each other and with Markit to restrain competition in the markets for CDS trading, clearing and other services. In 2014, putative class action plaintiffs filed consolidated amended complaints in the SDNY against 12 dealers, including UBS, as

well as Markit and ISDA, alleging violations of the US Sherman Antitrust Act and common law. Plaintiffs allege that the defendants unlawfully conspired to restrain competition in and/or monopolize the market for CDS trading in the US in order to protect the dealers' profits from trading CDS in the over-the-counter market. In September 2015, UBS and the other defendants entered into settlement agreements to resolve the litigation, pursuant to which UBS has paid USD 75 million out of a total settlement amount paid by all defendants of approximately USD 1.865 billion. The agreements have received preliminary court approval but are subject to final court approval.

The specific litigation, regulatory and other matters described above 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 22b "Litigation, regulatory and similar matters" to the UBS AG audited consolidated financial statements included in the Annual Report 2015. 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 those described below, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened, of which UBS AG is aware) which may have, or have had in the recent past, significant effects on UBS AG Group's and/or UBS AG's financial position or profitability and are or have been pending during the last twelve months until the date of this Base Prospectus.

*Equities trading systems and practices.*

In January 2015, the SEC announced the resolution of its investigation concerning the operation of UBS's ATS between 2008 and 2012, which focused on certain order types and disclosure practices that were discontinued two years ago. Under the SEC settlement order, which charges UBS with, among other things, violations of Section 17(a)(2) of the Securities Act of 1933 and Rule 612 of Regulation NMS (known as the sub-penny rule), UBS has paid a total of USD 14.5 million, which includes a fine of USD 12 million and disgorgement of USD 2.4 million. UBS is cooperating in the ongoing regulatory matters, including by the SEC.

UBS is responding to inquiries concerning the operation of UBS's alternative trading system (ATS) (also referred to as a dark pool) and its securities order routing and execution practices from various authorities, including the SEC, the NYAG and FINRA, who reportedly are pursuing similar investigations industry-wide.

*Kommunale Wasserwerke Leipzig GmbH ("KWL").*

In 2006, KWL entered into a single-tranche collateralized debt obligation/credit default swap ("**STCDO/CDS**") transaction with UBS, with latter legs being intermediated in 2006 and 2007 by Landesbank Baden-Württemberg ("**LBBW**") and Depfa Bank plc ("**Depfa**"). KWL retained UBS Asset Management to act as portfolio manager under the STCDO/CDS. UBS and the intermediating banks terminated the STCDO/CDS following non-payment by KWL under the STCDOs. UBS initiated proceedings against KWL, Depfa and LBBW seeking declarations and/or to enforce the terms of the STCDO/CDS contracts, and each of KWL, Depfa and LBBW filed counterclaims. Following trial, the Court ruled that UBS cannot enforce the STCDO/CDS entered into with KWL, LBBW or Depfa, which have been rescinded, granted the fraudulent misrepresentation claims of LBBW and Depfa against UBS, ruled that UBS Asset Management breached its duty in the management of the underlying portfolios and dismissed KWL's monetary counterclaim against UBS. These rulings were implemented and additional claims relating to interest on collateral and the costs of separate proceedings in Germany were deferred. UBS was also ordered to pay part of the other parties' costs in the proceedings, which have not been fully determined.

UBS sought leave to appeal the judgment. While the Court of Appeal denied UBS's application for leave to appeal on written submissions in February 2015, in October 2015, following oral argument, the Court granted UBS's application for permission to appeal on all requested grounds.

In December 2015, KWL sought permission to cross-appeal and also sought to uphold the trial court judgment on additional grounds. KWL's application for permission to appeal has not yet been determined. Thereafter, Depfa and LBBW each sought to uphold the trial

judgment on additional grounds. Neither sought permission to cross-appeal. The date for the appeal hearing has not yet been fixed.

Since 2011, the SEC has been conducting an investigation focused on, among other things, the suitability of the KWL transaction, and information provided by UBS to KWL. UBS has provided documents and testimony to the SEC and is continuing to cooperate with the SEC.

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

RMBS-related lawsuits concerning disclosures: A class action in which UBS was named as a defendant was settled by a third-party issuer and received final approval by the district court in 2013. The settlement reduced the original face amount of third-party RMBS at issue in the cases pending against UBS by approximately USD 24 billion. The third-party issuer will fund the settlement at no cost to UBS. In 2014, certain objectors to the settlement filed a notice of appeal from the district court's approval of the settlement.

Loan repurchase demands: Payments that UBS has made to date to resolve repurchase demands equate to approximately 62% of the original principal balance of the related loans. Most of the payments that UBS has made to date have related to so-called Option ARM loans; severity rates may vary for other types of loans with different characteristics. Losses upon repurchase would typically reflect the estimated value of the loans in question at the time of repurchase, as well as, in some cases, partial repayment by the borrowers or advances by servicers prior to repurchase.

In most instances in which we would be required to repurchase loans due to misrepresentations, we would be able to assert demands against third-party loan originators who provided representations when selling the related loans to UBS. However, many of these third parties are insolvent or no longer exist. We estimate that, of the total original principal balance of loans sold or securitized by UBS from 2004 through 2007, less than 50% was purchased from surviving third-party originators. In connection with approximately 60% of the loans (by original principal balance) for which UBS has made payment or agreed to make payment in response to demands received in 2010, UBS has asserted indemnity or repurchase demands against originators. Since 2011, UBS has advised certain surviving originators of repurchase demands made against UBS for which UBS would be entitled to indemnity, and has asserted that such demands should be resolved directly by the originator and the party making the demand.

Any future repurchase demands should be time-barred.

Lawsuits related to contractual representations and warranties concerning mortgages and RMBS: In 2012, the Federal Housing Finance Agency, on behalf of the Federal Home Loan Mortgage Corporation (Freddie Mac), filed a notice and summons in New York Supreme Court initiating suit against UBS RESI for breach of contract and declaratory relief arising from alleged breaches of representations and warranties in connection with certain mortgage loans and UBS RESI's alleged failure to repurchase such mortgage loans. The lawsuit seeks, among other relief, specific performance of UBS RESI's alleged loan repurchase obligations for at least USD 94 million in original principal balance of loans for which Freddie Mac had previously demanded repurchase; no damages are specified. In 2013, the Court dismissed the complaint for lack of standing, on the basis that only the RMBS trustee could assert the claims in the complaint, and the complaint was unclear as to whether the trustee was the plaintiff and had proper authority to bring suit. The trustee subsequently filed an amended complaint, which UBS moved to dismiss. The motion remains pending.

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

Foreign exchange-related regulatory matters: In 2014, the HKMA announced the conclusion of its investigation into foreign exchange trading operations of banks in Hong Kong. The HKMA found no evidence of collusion among the banks or of manipulation of foreign exchange benchmark rates in Hong Kong. The HKMA also found that certain banks had internal control deficiencies with respect to their foreign exchange trading operations."

**The section "9. Significant Changes in the Financial or Trading Position; Material Adverse Change in Prospects" is completely replaced by the following text:**

**"9. Significant Changes in the Financial or Trading Position; Material Adverse Change in Prospects**

There has been no significant change in the financial or trading position of UBS AG or UBS AG Group since 31 December 2015, which is the end of the last financial period for which audited financial information has been published.

There has been no material adverse change in the prospects of UBS AG or UBS AG Group since 31 December 2015."

**The section "11. Statutory Auditors" is completely replaced by the following text:**

**"11. Statutory Auditors**

Based on article 39 of the Articles of Association of UBS AG dated 15 February 2016 ("**Articles of Association**"), UBS AG shareholders elect the auditors for a term of office of one year. At the AGM of 2 May 2013, 7 May 2014 and 7 May 2015, Ernst & Young Ltd., Aeschengraben 9, CH-4002 Basel ("**Ernst & Young**") were elected as auditors for the consolidated and standalone financial statements of UBS AG for a one-year term.

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

**In the section entitled "M. GENERAL INFORMATION", the section "6. Availability of the Base Prospectus and other documents" is completely replaced as follows:**

**"6. Availability of the Base Prospectus and other documents**

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

- (a) a copy of the Articles of Association of UBS AG;
- (b) a copy of the the annual report of UBS Group AG and UBS AG as of 31 December 2015, 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 "Report of the statutory auditor and the independent registered public accounting firm on the consolidated financial statements"), (6) Legal entity financial and regulatory information (including the "Report of the statutory auditor on the financial statements"), (7) Additional regulatory information, and the Appendix;
- (c) the annual report of UBS Group AG and UBS AG as of 31 December 2014, comprising the introductory section, as well as the sections (1) UBS Group - Changes to our legal structure; (2) Operating environment and strategy, (3) Financial and operating performance, (4) Risk, treasury and capital management, (5) Corporate governance, responsibility and compensation, (6) Financial information (including the "Report of the statutory auditor and the independent registered public accounting firm on the consolidated financial statements" and the "Report of the statutory auditor on the financial statements"), and the Appendix;
- (d) the quarterly result materials of UBS AG and UBS Group AG; and
- (e) a copy of the Base Prospectus, as supplemented from time to time.

Copies of the above documents shall, as long as any of the Securities are outstanding, also be maintained in printed format, for free distribution, at the registered offices of the Issuer.

In addition, any annual reports and quarterly result materials of UBS AG and UBS Group AG are published on the UBS website, at [www.ubs.com/investors](http://www.ubs.com/investors) or a successor address."

**In the section entitled "M. GENERAL INFORMATION", the section "7. Documents incorporated by Reference" is completely replaced as follows:**

**"7. Documents incorporated by Reference**

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

- (a) the annual report of UBS Group AG and UBS AG as of 31 December 2015, 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 "Report of the statutory auditor and the independent registered public accounting firm on the consolidated financial statements"), (6) Legal entity financial and regulatory information (including the "Report of the statutory auditor on the financial statements"), (7) Additional regulatory information, and the Appendix;
- (b) the annual report of UBS Group AG and UBS AG as of 31 December 2014, comprising the introductory section, as well as the sections (1) UBS Group - Changes to our legal structure; (2) Operating environment and strategy, (3) Financial and operating performance, (4) Risk, treasury and capital management, (5) Corporate governance, responsibility and compensation, (6) Financial information (including the "Report of the statutory auditor and the independent registered public accounting firm on the consolidated financial statements" and the "Report of the statutory auditor on the financial statements"), and the Appendix;
- (c) the Conditions of the Securities as contained on pages 157 to 241 of the Base Prospectus dated 23 June 2014 of UBS AG as filed with SFSA; and
- (d) the Conditions of the Securities as contained on pages 212 to 318 of the Base Prospectus dated 17 April 2015 of UBS AG as filed with SFSA.

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

2) In relation to the Base Prospectus for Certificates, Notes or Warrants of UBS AG, [London] [Jersey] [Branch] dated 8 January 2016 in the section "I. Summary of the Base Prospectus" in the sub-section headed "A. Summary of the Base Prospectus (in the English language)"

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

**The Elements B.4b and B.5 are completely replaced as follows:**

<p><b>B.4b</b></p>	<p>A description of any known trends affecting the issuer or the industries in which it operates.</p>	<p><b>Trend Information</b></p> <p>As indicated in UBS's fourth quarter 2015 earnings release, issued on 2 February 2016, many of the underlying macroeconomic challenges and geopolitical risks that have been highlighted in previous reporting remain and are unlikely to be resolved in the foreseeable future. Negative market performance and substantial market volatility since the start of 2016, low interest rates, and the relative strength of the Swiss franc, particularly against the euro, continue to present headwinds. In addition, the proposed changes to the Swiss too big to fail framework will cause substantial ongoing interest costs. Further changes to the international regulatory framework for banks will likely impose additional costs. UBS will continue to execute the measures it announced to mitigate these effects as it works toward its financial targets. UBS remains committed to its strategy and its disciplined execution in order to deliver sustainable returns to UBS shareholders.</p> <p>No later outlook statement has been issued by UBS.</p>
<p><b>B.5</b></p>	<p>Description of the group and the issuer's position within the group.</p>	<p>UBS AG is a Swiss bank and the parent company of the UBS AG Group. It is 100% owned by UBS Group AG, which is the holding company of the UBS Group. The UBS Group operates as a group with five business divisions (Wealth Management, Wealth Management Americas, Personal &amp; Corporate Banking, Asset Management and the Investment Bank) and a Corporate Center.</p> <p>Over the past two years, UBS has undertaken a series of measures to improve the resolvability of the Group in response to too big to fail ("TBTF") requirements in Switzerland and other countries in which the Group operates.</p> <p>In December 2014, UBS Group AG completed an exchange offer for the shares of UBS AG and established UBS Group AG as the holding company for UBS Group. During 2015, UBS Group AG filed and completed a court procedure under article 33 of the Swiss Stock Exchange Act resulting in the cancellation of the shares of the remaining minority shareholders of UBS AG. As a result, UBS Group AG now owns 100% of the outstanding shares of UBS AG.</p> <p>In June 2015, UBS AG transferred its Retail &amp; Corporate (now Personal &amp; Corporate Banking) and Wealth Management business booked in Switzerland to UBS Switzerland AG, a banking subsidiary of UBS AG in Switzerland.</p> <p>In the second quarter of 2015, UBS also completed the implementation of a more self-sufficient business and operating model for UBS Limited, its investment banking subsidiary in the UK, under which UBS Limited bears and retains a larger proportion of the risk and reward in its business activities.</p> <p>In the third quarter of 2015, UBS established UBS Business Solutions AG as a direct subsidiary of UBS Group AG to act as the Group service company. UBS will transfer the ownership of the majority of its existing service subsidiaries to this entity. UBS expects that the transfer of shared service</p>

		<p>and support functions into the service company structure will be implemented in a staged approach through 2018. The purpose of the service company structure is to improve the resolvability of the Group by enabling UBS to maintain operational continuity of critical services should a recovery or resolution event occur.</p> <p>Also during 2015, UBS AG established a new subsidiary, UBS Americas Holding LLC, which UBS intends to designate as its intermediate holding company for its US subsidiaries prior to the 1 July 2016 deadline under new rules for foreign banks in the US pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act ("<b>Dodd-Frank</b>"). During the third quarter of 2015, UBS AG contributed its equity participation in the principal US operating subsidiaries to UBS Americas Holding LLC to meet the requirement under Dodd-Frank that the intermediate holding company own all of UBS's US operations, except branches of UBS AG.</p> <p>UBS has also established a new subsidiary of UBS AG, UBS Asset Management AG, into which it expects to transfer the majority of the operating subsidiaries of Asset Management during 2016. UBS continues to consider further changes to the legal entities used by Asset Management, including the transfer of operations conducted by UBS AG in Switzerland into a subsidiary of UBS Asset Management AG.</p> <p>UBS continues to consider further changes to the Group's legal structure in response to capital and other regulatory requirements, and in order to obtain any rebate in capital requirements for which the Group may be eligible. Such changes may include the transfer of operating subsidiaries of UBS AG to become direct subsidiaries of UBS Group AG, consolidation of operating subsidiaries in the European Union, and adjustments to the booking entity or location of products and services. These structural changes are being discussed on an ongoing basis with the Swiss Financial Market Supervisory Authority FINMA ("<b>FINMA</b>") and other regulatory authorities, and remain subject to a number of uncertainties that may affect their feasibility, scope or timing.</p>
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**The Element B.10 is completely replaced as follows:**

<b>B.10</b>	Qualifications in the audit report.	Not applicable. There are no qualifications in the auditors' reports on the consolidated financial statements of UBS AG and the standalone financial statements of UBS AG for the years ended on 31 December 2015 and 31 December 2014.
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**The Element B.12 is completely replaced as follows:**

<b>B.12</b>	Selected historical key financial information.	UBS AG derived the selected consolidated financial information included in the table below for the years ended 31 December 2015, 2014 and 2013 from the Annual Report 2015, which contains the audited consolidated financial statements of UBS AG, as well as additional unaudited consolidated financial information, for the year ended 31 December 2015 and comparative figures for the years ended 31 December 2014 and 2013. The consolidated financial statements for the years ended on 31 December 2015, 31 December 2014 and 31 December 2013 were prepared in accordance with International Financial Reporting Standards (" <b>IFRS</b> ") issued by the International Accounting Standards Board (" <b>IASB</b> ") and stated in Swiss francs (" <b>CHF</b> "). Information for the years ended 31 December 2015, 2014 and 2013 which is indicated as being unaudited in the table below was included in the Annual Report 2015 but has not been audited on the basis
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that the respective disclosures are not required under IFRS, and therefore are not part of the audited financial statements. The Annual Report 2015 is incorporated by reference herein. Prospective investors should read the whole of this Prospectus and the documents incorporated by reference herein and should not rely solely on the summarized information set out below:

CHF million, except where indicated	As of or for the year ended		
	31.12.15	31.12.14	31.12.13
	<i>audited, except where indicated</i>		
<b>Results</b>			
Operating income	30,605	28,026	27,732
Operating expenses	25,198	25,557	24,461
Operating profit / (loss) before tax	5,407	2,469	3,272
Net profit / (loss) attributable to UBS AG shareholders	6,235	3,502	3,172
<b>Key performance indicators</b>			
<b>Profitability</b>			
Return on tangible equity (%) <sup>1</sup>	13.5*	8.2*	8.0*
Return on assets, gross (%) <sup>2</sup>	3.1*	2.8*	2.5*
Cost / income ratio (%) <sup>3</sup>	82.0*	90.9*	88.0*
<b>Growth</b>			
Net profit growth (%) <sup>4</sup>	78.0*	10.4*	-
Net new money growth for combined wealth management businesses (%) <sup>5</sup>	2.2*	2.5*	3.4*
<b>Resources</b>			
Common equity tier 1 capital ratio (% , fully applied) <sup>6, 7</sup>	15.4*	14.2*	12.8*
Leverage ratio (phase-in, %) <sup>8, 9</sup>	5.7*	5.4*	4.7*
<b>Additional information</b>			
<b>Profitability</b>			
Return on equity (RoE) (%)	11.7*	7.0*	6.7*
Return on risk-weighted assets, gross (%) <sup>10</sup>	14.1*	12.4*	11.4*
<b>Resources</b>			
Total assets	943,256	1,062,327	1,013,355
Equity attributable to UBS AG shareholders	55,248	52,108	48,002
Common equity tier 1 capital (fully applied) <sup>7</sup>	32,042	30,805	28,908
Common equity tier 1 capital (phase-in) <sup>7</sup>	41,516	44,090	42,179
Risk-weighted assets (fully applied) <sup>7</sup>	208,186*	217,158*	225,153*
Risk-weighted assets (phase-in) <sup>7</sup>	212,609*	221,150*	228,557*
Common equity tier 1 capital ratio (% , phase-in) <sup>6, 7</sup>	19.5*	19.9*	18.5*
Total capital ratio (%) (fully applied) <sup>7</sup>	21.0*	19.0*	15.4*
Total capital ratio (%) (phase-in) <sup>7</sup>	24.9*	25.6*	22.2*
Leverage ratio (fully applied, %) <sup>8, 9</sup>	4.9*	4.1*	3.4*
Leverage ratio denominator (fully applied) <sup>9</sup>	898,251*	999,124*	1,015,306*
Leverage ratio denominator (phase-in) <sup>9</sup>	904,518*	1,006,001*	1,022,924*
<b>Other</b>			
Invested assets (CHF billion) <sup>11</sup>	2,689	2,734	2,390
Personnel (full-time equivalents)	58,131*	60,155*	60,205*

\* unaudited

<sup>1</sup> Net profit attributable to UBS AG shareholders before amortization and impairment of goodwill and intangible assets (annualized as applicable) / average equity attributable to UBS AG shareholders less average goodwill and intangible assets of UBS AG. <sup>2</sup> Operating income before credit loss (expense) or recovery (annualized as applicable) / average total assets. <sup>3</sup> Operating expenses / operating income before credit loss (expense) or recovery. <sup>4</sup> Change in net profit attributable to UBS AG shareholders from continuing operations between current and comparison periods / net profit attributable to UBS AG shareholders from continuing operations of comparison period. Not meaningful and not included if either the reporting period or the comparison period is a loss period. <sup>5</sup> Combined Wealth Management and Wealth Management Americas' net new money for the period (annualized as applicable) / invested assets at the beginning of the period. Based on



<p>adjusted net new money, which excludes the negative effect on net new money in 2015 of CHF 9.9 billion from UBS's balance sheet and capital optimization program. <sup>6</sup> Common equity tier 1 capital / risk-weighted assets. <sup>7</sup> Based on the Basel III framework as applicable to Swiss systemically relevant banks. <sup>8</sup> Common equity tier 1 capital and loss-absorbing capital / leverage ratio denominator. <sup>9</sup> Calculated in accordance with Swiss SRB rules. From 31 December 2015 onward, the Swiss SRB leverage ratio denominator calculation is fully aligned with the BIS Basel III rules. Prior-period figures are calculated in accordance with former Swiss SRB rules and are therefore not fully comparable. <sup>10</sup> Based on phase-in risk-weighted assets. <sup>11</sup> Includes invested assets for Personal &amp; Corporate Banking.</p>	
<p>Material adverse change statement.</p>	<p>There has been no material adverse change in the prospects of UBS AG or UBS AG Group since 31 December 2015.</p>
<p>Significant changes statement.</p>	<p>There has been no significant change in the financial or trading position of UBS AG or UBS AG Group since 31 December 2015, which is the end of the last financial period for which interim audited information has been published.</p>

**The Element B.15 is completely replaced as follows:**

<b>B.15</b>	<p>Issuer's principal activities</p>	<p>UBS AG with its subsidiaries provides financial advice and solutions to private, institutional and corporate clients worldwide, as well as private clients in Switzerland. The operational structure of the Group is comprised of the Corporate Center and five business divisions: Wealth Management, Wealth Management Americas, Personal &amp; Corporate Banking, Asset Management and the Investment Bank. UBS's strategy builds on the strengths of all of its businesses and focuses its efforts on areas in which UBS excels, while seeking to capitalize on the compelling growth prospects in the businesses and regions in which it operates, in order to generate attractive and sustainable returns for shareholders. All of UBS's businesses are capital-efficient and benefit from a strong competitive position in their targeted markets.</p> <p>According to article 2 of the Articles of Association of UBS AG, dated 15 February 2016 ("<b>Articles of Association</b>"), the purpose of UBS AG is the operation of a bank. Its scope of operations extends to all types of banking, financial, advisory, trading and service activities in Switzerland and abroad. UBS AG may establish branches and representative offices as well as banks, finance companies and other enterprise of any kind in Switzerland and abroad, hold equity interests in these companies, and conduct their management. UBS AG is authorized to acquire, mortgage and sell real estate and building rights in Switzerland and abroad. UBS AG may provide loans, guarantees and other kinds of financing and security for Group companies and borrow and invest money on the money and capital markets.</p>
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**The Element B.17 is completely replaced as follows:**

<p><i>[The following Element B.17 is only to be inserted in case of Securities where the Issuer has an obligation arising on issue to pay to the investor 100% of the nominal value:</i></p>		
<b>B.17</b>	<p>Credit ratings assigned to the issuer or its debt securities.</p>	<p>The rating agencies Standard &amp; Poor's Credit Market Services Europe Limited ("<b>Standard &amp; Poor's</b>"), Moody's Investors Service Ltd. ("<b>Moody's</b>"), Fitch Ratings Limited ("<b>Fitch Ratings</b>") and Scope Ratings AG ("<b>Scope Ratings</b>") have published solicited credit ratings reflecting their assessment of the creditworthiness of UBS AG, <i>i.e.</i> its ability to fulfil in a timely manner payment obligations, such as principal or interest payments on long-term loans, also known as debt servicing. The ratings from Fitch Ratings, Standard &amp; Poor's and Scope Ratings may be attributed a plus or minus sign, and those from Moody's a number. These supplementary attributes indicate the relative position within the respective rating class. UBS AG has a long-term counterparty credit rating of A (outlook: positive) from Standard &amp; Poor's, long-term senior debt rating of A1 (outlook: stable) from Moody's, long-</p>

		<p>term issuer default rating of A (outlook: positive) from Fitch Ratings and issuer credit-strength rating of A (outlook: stable) from Scope Ratings.</p> <p>All the above-mentioned rating agencies are registered as credit rating agencies under Regulation (EC) No 1060/2009 as amended by Regulation (EU) No 513/2011.</p>
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b) In the section headed "Section D – Risks":

**The Element D.2 is completely replaced as follows:**

<b>D.2</b>	<p>Key information on the key risks that is specific and individual to the issuer.</p>	<p>The Securities entail an issuer risk, also referred to as debtor risk or credit risk for prospective investors. An issuer risk is the risk that UBS AG becomes temporarily or permanently unable to meet its obligations under the Securities.</p> <p><b>General insolvency risk</b></p> <p>Each investor bears the general risk that the financial situation of the Issuer could deteriorate. The debt or derivative securities of the Issuer will constitute immediate, unsecured and unsubordinated obligations of the Issuer, which, in particular in the case of insolvency of the Issuer, rank pari passu with each other and all other current and future unsecured and unsubordinated obligations of the Issuer, with the exception of those that have priority due to mandatory statutory provisions. The Issuer's obligations relating to the Securities are not protected by any statutory or voluntary deposit guarantee system or compensation scheme. <b>In the event of insolvency of the Issuer, investors may thus experience a total loss of their investment in the Securities.</b></p> <p>UBS AG as Issuer and UBS are subject to various risks relating to their business activities. Summarised below are the risks that may impact the Group's ability to execute its strategy, and affect its business activities, financial condition, results of operations and prospects, which the Group considers material and is presently aware of:</p> <ul style="list-style-type: none"> <li>• Fluctuation in foreign exchange rates and continuing low or negative interest rates may have a detrimental effect on UBS's capital strength, its liquidity and funding position, and its profitability.</li> <li>• Regulatory and legal changes may adversely affect UBS's business and its ability to execute its strategic plans.</li> <li>• If UBS is unable to maintain its capital strength, this may adversely affect its ability to execute its strategy, client franchise and competitive position.</li> <li>• UBS may not be successful in completing its announced strategic plans.</li> <li>• Material legal and regulatory risks arise in the conduct of UBS's business.</li> <li>• Operational risks affect UBS's business.</li> <li>• UBS's reputation is critical to the success of its business.</li> <li>• Performance in the financial services industry is affected by market conditions and the macroeconomic climate.</li> <li>• UBS may not be successful in implementing changes in its wealth</li> </ul>
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		<p>management businesses to meet changing market, regulatory and other conditions.</p> <ul style="list-style-type: none"> <li>• UBS may be unable to identify or capture revenue or competitive opportunities, or retain and attract qualified employees.</li> <li>• UBS holds legacy and other risk positions that may be adversely affected by conditions in the financial markets; legacy risk positions may be difficult to liquidate.</li> <li>• UBS depends on its risk management and control processes to avoid or limit potential losses in UBS's businesses.</li> <li>• Valuations of certain positions rely on models; models have inherent limitations and may use inputs that have no observable source.</li> <li>• Liquidity and funding management are critical to UBS's ongoing performance.</li> <li>• UBS's financial results may be negatively affected by changes to accounting standards.</li> <li>• UBS's financial results may be negatively affected by changes to assumptions supporting the value of its goodwill.</li> <li>• The effect of taxes on UBS's financial results is significantly influenced by reassessments of its deferred tax assets.</li> <li>• UBS's stated capital returns objective is based, in part, on capital ratios that are subject to regulatory change and may fluctuate significantly.</li> <li>• UBS AG's operating results, financial condition and ability to pay obligations in the future may be affected by funding, dividends and other distributions received from UBS Switzerland AG or any other direct subsidiary, which may be subject to restrictions.</li> <li>• If UBS experiences financial difficulties, FINMA has the power to open resolution or liquidation proceedings or impose protective measures in relation to UBS Group AG, UBS AG or UBS Switzerland AG, and such proceedings or measures may have a material adverse effect on UBS's shareholders and creditors.</li> </ul> <p>However, because the business of a broad-based international financial services firm such as UBS is inherently exposed to risks that become apparent only with the benefit of hindsight, risks of which UBS is not presently aware or which it currently does not consider to be material could also impact its ability to execute its strategy and affect its business activities, financial condition, results of operations and prospects.</p>
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**In the Element D.3, in the subsection "General risks related to the Securities" in the risk factor entitled "*The Conditions of the Securities do not contain any restrictions on the Issuer's or UBS's ability to restructure its business*" the last sentence is replaced as follows:**

"There can be no assurance that such changes, should they occur, would not adversely affect the credit rating of the Issuer and/or its ability to fulfil its obligations with respect to the Securities."

- 3) In relation to the Base Prospectus for Certificates, Notes or Warrants of UBS AG, [London] [Jersey] [Branch] dated 8 January 2016 in the section "I. Summary of the Base Prospectus" in the sub-section headed "B. Summary of the Base Prospectus (in the Swedish language)" in the section headed "Avsnitt B – Emittenten":

a) in the section headed "Avsnitt B – Emittenten":

**The Elements B.4b and B.5 are completely replaced as follows:**

<b>B.4b</b>	En beskrivning av varje känd trend som påverkar emittenten eller de branscher där emittenten är verksam.	<p><b>Information om trender</b></p> <p>Som beskrivs i UBS:s resultatkommuniké för det fjärde kvartalet 2015, utfärdad den 2 februari 2016, kvarstår många av de underliggande markoekonomiska utmaningar och geopolitiska frågor som UBS har lyft fram under tidigare kvartal och det är osannolikt att dessa kommer att lösas under överskådlig tid. Negativa marknadsförhållanden och betydande marknadsvolatilitet sedan starten av år 2016, låga räntenivåer och den relativa styrkan för schweiziska franc, särskilt i förhållande till euron fortsätter att skapa motvind. Dessutom kommer nyligen föreslagna ändringar i det regulatoriska regelverket i Schweiz för de som anses för stora för att tillåtas falla, att förorsaka betydande löpande räntekostnader. Ytterligare ändringar i det internationella regulatoriska regelverken för banker kommer sannolikt att medföra ytterligare kostnader. UBS kommer att fortsätta att verkställa de åtgärder som banken tidigare har offentliggjort för att mildra dessa effekter när den arbetar för att nå sina finansiella mål. UBS står fortsatt fast vid sin strategi och dess disciplinerade genomförande för att möjliggöra företagets långsiktiga framgång och att leverera uthålliga avkastningar till sina aktieägare.</p> <p>Inget senare uttalande om framtidsutsikterna har utfärdats av UBS.</p>
<b>B.5</b>	Beskrivning av koncernen och emittentens plats inom koncernen.	<p>UBS AG är en schweizisk bank och moderbolaget till UBS AG-Koncernen. UBS AG ägs till 100% av UBS Group AG, som är holdingbolaget för UBS Koncernen. UBS Koncernen bedrivs som en koncern med fem affärsdivisioner (Wealth Management, Wealth Management Americas, Personal &amp; Corporate Banking, Asset Management och Investment Bank) samt ett Corporate Center.</p> <p>Under de två senaste åren har UBS vidtagit en rad åtgärder för att förbättra återhämtningsförmågan hos Koncernen för att möta kraven i Schweiz avseende de som anses för stora för att tillåtas falla ("TBTF") och andra länder där Koncernen är verksam.</p> <p>I december 2014 avslutade UBS Group AG ett erbjudande om byte för aktierna i UBS AG och etablerade UBS Group AG som holdingbolag för UBS Group. Under 2015 inlämnade och genomförde UBS Group AG ett domstolsförfarande enligt artikel 33 i lagen för den schweiziska börsen (<i>the Swiss Stock Exchange Act</i>) som resulterade i ett ogiltigförklarande av aktierna som ägdes av de kvarvarande minoritetsaktieägarna i UBS AG. Som ett resultat äger UBS Group AG nu 100% av de utestående aktierna i UBS AG.</p> <p>I juni 2015 överförde UBS AG dess verksamheter inom Retail &amp; Corporate (numera Personal &amp; Corporate Banking) och Wealth Management, som bokförs i Schweiz, till UBS Switzerland AG, ett bankdotterföretag till UBS AG i Schweiz.</p> <p>Under det andra kvartalet av 2015, verkställde UBS genomförandet av en mer självförsörjande affärs- och verksamhetsmodell för UBS Limited, dess bankdotterföretag i Storbritannien, enligt vilken UBS Limited bär och behåller en större andel av risken och avkastningen från dess affärsaktiviteter.</p> <p>Under det tredje kvartalet av 2015 etablerade UBS, UBS Business Solutions AG</p>

		<p>som ett direkt dotterföretag till UBS Group AG, för att agera som Koncernens serviceföretag. UBS kommer att överföra ägandet av majoriteten av dess existerande servicedotterföretag till denna enhet. UBS förväntar sig att överföringen av delade service- och stödfunktioner till serviceföretagsstrukturen kommer att genomföras stegvis till och med 2018. Syftet med serviceföretagsstrukturen är att förbättra återhämtningsförmågan hos Koncernen genom att möjliggöra för UBS att bibehålla operationell kontinuitet av kritiska tjänster om en återhämtnings- eller resolutionshändelse skulle inträffa.</p> <p>Också under år 2015, etablerade UBS AG ett nytt dotterföretag, UBS Americas Holding LLC, som UBS avser att utse som dess mellanliggande holdingbolag för dess dotterföretag i USA före tidsfristen den 1 juli 2016 under de nya reglerna för utländska banker i USA enligt amerikansk rätt (<i>Dodd-Frank Act</i>). Under det tredje kvartalet 2015 tillsköt UBS AG dess ägandeintressen i dess huvudsakliga rörelsedrivande dotterföretag i USA till UBS Americas Holding LLC för att möta kravet under amerikansk rätt (<i>Dodd-Frank Act</i>) att det mellanliggande holdingbolaget äger alla av UBS verksamheter i USA, förutom filialer till UBS AG.</p> <p>UBS har etablerat ett nytt dotterföretag till UBS AG, UBS Asset Management AG, till vilket den förväntar sig att överföra majoriteten av de rörelsedrivande dotterföretagen inom Asset Management under år 2016. UBS fortsätter att överväga ytterligare förändringar beträffande juridiska personer som används inom Asset Management, inklusive överföringen av verksamheter som bedrivs av UBS AG i Schweiz till ett dotterföretag till UBS Asset Management AG.</p> <p>UBS fortsätter att överväga ytterligare förändringar beträffande Koncernens juridiska struktur för att möta kapitalmässiga och andra regulatoriska krav samt för att uppnå varje minskning av kapitalkrav som Koncernen kan kvalificera sig till. Sådana förändringar kan inkludera överföringen av rörelsedrivande dotterföretag till UBS AG till att bli direkta dotterföretag till UBS Group AG, konsolidering av rörelsedrivande dotterföretag i den Europeiska Unionen och justeringar beträffande bokförande enhet eller placeringen av produkter och tjänster. Dessa strukturella förändringar diskuteras löpande med den schweiziska tillsynsmyndigheten ("<b>FINMA</b>") och andra regulatoriska myndigheter och fortsätter att vara föremål för ett antal osäkerhetsfaktorer som kan påverka dessas genomförbarhet, omfattning eller tidpunkt.</p>
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**The Element B.10 is completely replaced as follows:**

<b>B.10</b>	Anmärkningar i revisionsberättelsen.	Ej tillämpligt. Det finns inte några anmärkningar i revisionsberättelsen i de konsoliderade finansiella räkenskaperna för UBS AG och de separata finansiella räkenskaperna för UBS AG åren som slutade den 31 december 2015 och 31 december 2014.
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**The Element B.12 is completely replaced as follows:**

<b>B.12</b>	Utvald historisk finansiell nyckelinformation.	UBS AG har hämtat den utvalda finansiella informationen i tabellen nedan för åren som slutade 31 december 2015, 2014 och 2013 från dess årsredovisning för 2015, som innehåller de reviderade konsoliderade finansiella räkenskaperna för UBS AG liksom ytterligare oreviderad konsoliderad finansiell information för året som slutade den 31 december 2015 och jämförelsesiffror för åren som slutade den 31 december 2014 och 2013. De konsoliderade finansiella räkenskaperna för åren som slutade 31 december 2015, 31
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december 2014 och 31 december 2013 har tagits fram i enlighet med International Financial Reporting Standards (IFRS) som har utfärdats av International Accounting Standards Board (IASB) och anges i schweiziska franc (CHF). Information för åren som slutade 31 december 2015, 2014 och 2013 vilken indikeras som oreviderad i tabellen nedan, inkluderades i Årsredovisningen 2015 men har inte reviderats på den grunden att de respektive beskrivningarna inte krävs enligt IFRS och därför inte utgör del av de reviderade finansiella räkenskaperna. Årsredovisningen 2015 införlivas genom hänvisning häri. Potentiella investerare bör läsa hela detta Prospekt och dokumenten som införlivas genom hänvisning häri och ska inte enbart förlita sig på den sammanfattande informationen som anges nedan:

		Per eller för året som slutade		
CHF miljoner, förutom där indikerat		31.12.15	31.12.14	31.12.13
		Reviderat, förutom där indikerat		
<b>Resultat</b>				
Rörelseintäkter		30 605	28 026	27 732
Rörelsekostnader		25 198	25 557	24 461
Rörelsevinst / (förlust) före skatt		5 407	2 469	3 272
Nettovinst / (förlust) hänförlig till UBS AG aktieägare		6 235	3 502	3 172
<b>Viktiga utvecklingsindikatorer</b>				
<b>Lönsamhet</b>				
Avkastning på synligt eget kapital (%) <sup>1</sup>		13,5*	8,2*	8,0*
Avkastning på tillgångar, brutto (%) <sup>2</sup>		3,1*	2,8*	2,5*
Kostnads / intäktsrelation (%) <sup>3</sup>		82,0*	90,9*	88,0*
<b>Tillväxt</b>				
Nettovinsttillväxt (%) <sup>4</sup>		78,0*	10,4*	-
Nettotillväxt nya medel för kombinerade verksamheter inom förmögenhetsförvaltning (%) <sup>5</sup>		2,2*	2,5*	3,4*
<b>Resurser</b>				
Primärkapitalrelation ( <i>Common equity tier 1 capital ratio</i> ) (fullt tillämpad, %) <sup>6,7</sup>		15,4*	14,2*	12,8*
Hävstångsrelation (infasad, %) <sup>8,9</sup>		5,7*	5,4*	4,7*
<b>Ytterligare information</b>				
<b>Lönsamhet</b>				
Avkastning på eget kapital (RoE) (%)		11,7*	7,0*	6,7*
Avkastning på riskvägda tillgångar, brutto (%) <sup>10</sup>		14,1*	12,4*	11,4*
<b>Resurser</b>				
Totala tillgångar		943 256	1 062 327	1 013 355
Eget kapital hänförligt till UBS AG aktieägare		55 248	52 108	48 002
Primärkapital ( <i>Common equity tier 1 capital</i> ) (fullt tillämpad) <sup>7</sup>		32 042	30 805	28 908
Primärkapital ( <i>Common equity tier 1 capital</i> ) (infasad) <sup>7</sup>		41 516	44 090	42 179
Riskvägda tillgångar (fullt tillämpad) <sup>7</sup>		208 186*	217 158*	225 153*
Riskvägda tillgångar (infasad) <sup>7</sup>		212 609*	221 150*	228 557*
Primärkapitalrelation ( <i>Common equity tier 1 capital ratio</i> ) (infasad, %) <sup>6,7</sup>		19,5*	19,9*	18,5*
Totalkapitalrelation (fullt tillämpad, %) <sup>7</sup>		21,0*	19,0*	15,4*
Totalkapitalrelation (infasad, %) <sup>7</sup>		24,9*	25,6*	22,2*
Hävstångsrelation (fullt tillämpad, %) <sup>8,9</sup>		4,9*	4,1*	3,4*

Hävstångsrelation nämnare (fullt tillämpad) <sup>9</sup>			898 251*	999 124*	1 015 306*
Hävstångsrelation nämnare (infasad) <sup>9</sup>			904 518*	1 006 001*	1 022 924
<b>Övrigt</b>					
Investerade tillgångar (CHF miljarder) <sup>11</sup>			2 689	2 734	2 390
Anställda (motsvarande heltidstjänster)			58 131*	60 155*	60 205*
* oreviderat					
<p>1 Nettovinst hänförlig till UBS AG:s aktieägare före nedskrivningar och reserveringar av goodwill och immateriella tillgångar (på årsbasis där tillämpligt) / genomsnittligt eget kapital hänförligt till UBS AG:s aktieägare minskat med genomsnittlig goodwill och immateriella tillgångar.</p> <p>2 Rörelseintäkter före kreditförluster (utgift) eller återvinning (på årsbasis där tillämpligt) / genomsnittliga totala tillgångar.</p> <p>3 Rörelseutgifter/rörelseintäkter före kreditförlust (utgift) eller återvinning. 4 Förändring i nettovinst hänförlig till UBS AG:s aktieägare från fortsatt bedrivna verksamheter mellan innevarande och jämförelseperioder/nettovinst hänförlig till UBS AG:s aktieägare från fortsatt bedrivna verksamheter under jämförelseperiod. Ej meningsfullt och ej inkluderat om antingen rapporteringsperioden eller jämförelseperioden är en förlustperiod. 5 Kombinerat för Wealth Managements och Wealth Management Americas netto nya medel för perioden (på årsbasis där tillämpligt) / investerade tillgångar vid början av perioden. Baserat på justerat netto av nya pengar som exkluderar den negativa effekten på netto av nya pengar om CHF 9,9 miljarder från UBS:s program avseende balansräkning och kapitaloptimering.</p> <p>6 Primärkapital (<i>Common equity tier 1 capital</i>) /riskvägda tillgångar. 7 Baserat på Basel III-regelverket så som detta tillämpas på schweiziska systemviktiga banker (SRB). 8 Primärkapital (<i>Common equity tier 1 capital</i>) och förlustabsorberande kapital/total justerad exponering (hävstångsrelationsnämnare). 9 Beräknad i enlighet med schweiziska SRB-regler. Från 31 december 2015 är beräkningen av den schweiziska SRB hävstångsrelationen fullt lierad med BIS Basel III-reglerna. Siffrorna för tidigare perioder har beräknats i enlighet med tidigare schweiziska regler och är därför inte fullt jämförbara. 10 Baserat på Basel III riskvägda tillgångar (infasning). 11 Inkluderar investerade tillgångar inom Personal &amp; Corporate Banking.</p>					
	Uttalande om väsentliga negativa förändringar.	om	Det har inte inträffat någon väsentlig negativ förändring i framtidsutsikterna för UBS AG eller UBS AG Koncernen sedan den 31 december 2015.		
	Uttalande om väsentliga förändringar.	om	Det har inte inträffat någon väsentlig förändring i den finansiella eller handelspositionen för UBS AG eller UBS AG Koncernen sedan den 31 december 2015, vilket är slutet på den sista finansiella perioden för vilken reviderade interimsuppgifter har publicerats.		

**Element B.15 is completely as follows:**

<b>B.15</b>	Emittentens huvudsakliga verksamhet.	<p>UBS AG och dess dotterföretag tillhandahåller finansiell rådgivning och lösningar till privata, institutionella och företagskunder världen över, liksom även privatpersonskunder i Schweiz. Den operationella strukturen inom Koncernen består av Corporate Center (företagscenter) och fem verksamhetsdivisioner: Wealth Management, Wealth Management Americas, Personal &amp; Corporate Banking, Asset Management och dess Investmentbank. UBS:s strategi bygger på styrkorna inom alla dess verksamheter och fokuserar dess insatser till områden där UBS är framgångsrikt, samtidigt som den försöker kapitalisera från de tilltalade tillväxtutsikterna inom de verksamheter och regioner där den är verksam, i syfte att skapa attraktiv och hållbar avkastning till aktieägarna. Alla UBS:s verksamheter är kapitaleffektiva och drar fördel av en stark konkurrensmässig position på dess målmarknader.</p> <p>Enligt Artikel 2 i Bolagsordningen för UBS AG, daterad den 15 februari 2016 ("<b>Bolagsordningen</b>") är verksamhetsföremålet för UBS AG att bedriva bankverksamhet. Dess verksamhetsföremål sträcker sig över alla typer av banktjänster, finansiella tjänster, rådgivningstjänster och handelsaktiviteter i Schweiz och utomlands. UBS AG kan etablera filialer och representationskontor liksom även banker, kreditmarknadsföretag och andra företag av varje slag i Schweiz och utomlands, inneha ägarintressen i dessa bolag och sköta dessas ledning. UBS AG är auktoriserat att köpa, in-teckna och sälja fast egendom och byggrätter i Schweiz och utomlands. UBS AG kan tillhandahålla lån, garantier och andra former av finansiering och säkerheter för Koncernföretag och låna och investera på penning- och kapitalmarknader.</p>
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**The Element B.17 is completely replaced as follows:**

*[Den följande Punkten B.17 ska endast infogas beträffande Värdepapper där Emittenten har en förpliktelse som uppkommer vid emissionstillfället att betala investeraren 100% av det nominella värdet:*

<p><b>B.17</b></p>	<p>Kreditvärdighetsbetyg som tilldelats emittenten eller dess skuldvärdepapper.</p>	<p>Kreditvärderingsinstitutet Standard &amp; Poor's Credit Market Services Europe Limited ("<b>Standard &amp; Poor's</b>"), Moody's Investors Service, Ltd., ("<b>Moody's</b>") Fitch Ratings Limited ("<b>Fitch Ratings</b>") och Scope Ratings AG ("<b>Scope Ratings</b>") har publicerat kreditvärdighetsbetyg som återspeglar deras bedömning av UBS AG:s kreditvärdighet, dvs. UBS:s förmåga att i tid fullgöra sina betalningsförpliktelser, så som amortering och räntebetalningar på långfristiga lån. Betygen från Fitch Ratings, Standard &amp; Poor's och Scope Ratings kan tillskrivas ett plus- eller minustecken och de från Moody's en siffra. Dessa tillkommande beteckningar indikerar den relativa positionen inom respektive betygsklass. UBS AG har långfristigt motpartskreditvärdighetsbetyget A (positiv utsikt) från Standard &amp; Poor's, för långfristig icke-säkerställd, icke efterställd skuldsättning kreditvärdighetsbetyget A1 (stabil utsikt) från Moody's, för långfristig emittentfallissemang kreditvärdighetsbetyget A (positiv utsikt) från Fitch Ratings och för emittentkreditstyrka kreditvärdighetsbetyget A (stabil utsikt) från Scope Ratings.</p> <p>Alla kreditvärderingsinstitut som nämns ovan är registrerade som kreditvärderingsinstitut under Förordning (2009/1060/EG), så som denna ändrades genom Förordning (2011/513/EG).</p>
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b) in the section headed "Avsnitt D – Risker":

**Element D.2 is completely replaced as follows:**

<p><b>D.2</b></p>	<p>Nyckelinformation om väsentliga risker som är specifika och individuella för Emittenten.</p>	<p>Värdepapperen medför emittentrisk, även kallad gäldenärsrisk eller kreditrisk för potentiella investerare. En emittentrisk är risken att UBS AG tillfälligt eller varaktigt blir oförmögen att fullgöra dess förpliktelser under Värdepapperen.</p> <p><b>Generell risk för insolvens</b></p> <p>Varje investerare bär den generella risken att den finansiella situationen för Emittenten kan försämrats. Skuld- och derivatinstrumenten för Emittenten utgör direkta, icke säkerställda och icke efterställda förpliktelser för Emittenten och förpliktelserna kommer vid Emittentens insolvens att rangordnas lika med samtliga andra nuvarande och framtida icke säkerställda och icke efterställda förpliktelser för Emittenten, med undantag för de förpliktelser som har förmånsrätt enligt tvingande lagregler. Emittentens förpliktelser under Värdepapperen garanteras inte av något system av insättningsgarantier eller kompensationsplaner. <b>Om Emittenten blir insolvent kan följaktligen investerare lida en total förlust av sina investeringar i Värdepapperen.</b></p> <p>UBS AG som Emittent och UBS är utsatta för olika riskfaktorer i sin affärsverksamhet. Sammanfattade nedan är riskerna som kan påverka Koncernens förmåga att verkställa sin strategi och påverka dess affärsverksamhet, finansiella ställning, verksamhetsresultat och utsikter, som Koncernen anser är väsentliga och för närvarande är medveten om:</p> <ul style="list-style-type: none"> <li>• Fluktuationer i valutakurser och fortsatt låga eller negativa räntenivåer, kan ha en kraftigt negativ inverkan på UBS:s kapitalstyrka, dess likviditet och finansieringsposition samt dess lönsamhet.</li> <li>• Regulatoriska och juridiska ändringar kan negativt påverka UBS:s verksamheter och dess förmåga att verkställa dess strategiska planer.</li> <li>• Om UBS är oförmöget att behålla dess kapitalstyrka, kan detta negativt påverka dess förmåga att verkställa dess strategi, klientverksamhet och konkurrensposition.</li> <li>• UBS kanske inte är framgångsrikt i att verkställa dess offentliggjorda strategiska planer.</li> <li>• Betydande juridiska och regulatoriska risker uppkommer vid driften av UBS verksamheter.</li> <li>• Operationella risker påverkas UBS verksamheter.</li> <li>• UBS:s renommé är avgörande för framgången för dess verksamhet.</li> <li>• Utvecklingen inom den finansiella tjänsteindustrin påverkas av marknadsförhållanden och det makroekonomiska klimatet.</li> <li>• UBS är kanske inte framgångsrikt i att verkställa ändringar inom dess förmögenhetsförvaltningsverksamheter för att möta förändrade marknads- regulatoriska och andra förhållanden.</li> <li>• UBS kanske är oförmögen att identifiera eller tillvarata intäkts- eller konkurstmöjligheter eller att behålla och attrahera kvalificerade anställda.</li> </ul>
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		<ul style="list-style-type: none"> <li>• UBS innehar kvardröjande och andra riskpositioner som kan negativt påverkas av förhållandena på de finansiella marknaderna, kvardröjande positioner kan vara svåra att likvidera.</li> <li>• UBS är beroende av dess riskhantering och kontrollprocesser för att undvika eller begränsa potentiella förluster inom UBS:s verksamheter.</li> <li>• Värderingar av vissa positioner kan förlita sig på modeller; modeller har inneboende begränsningar och kan använda indata som inte har någon observerbar källa.</li> <li>• Likviditet och finansieringsförvaltning är avgörande för UBS:s löpande utveckling.</li> <li>• UBS finansiella resultat kan påverkas negativt av ändringar i redovisningsstandarder.</li> <li>• UBS finansiella resultat kan påverkas negativt av ändringar i antaganden som stöder dess goodwillvärden.</li> <li>• Inverkan av skatter på UBS:s finansiella resultat påverkas i betydande mån av omvärderingar av dess uppskjutna skattefordringar.</li> <li>• UBS uppgivna kapitalavkastningsmål är baserat, delvis, på kapitalrelationer som är utsatta för regulatorisk förändring och kan fluktuera i betydande mån.</li> <li>• UBS AG:s rörelseresultat, finansiella ställning och förmåga att betala sin förpliktelser i framtiden kan påverkas av finansiering, utdelningar och andra överföringar som erhålls från UBS Switzerland AG eller varje annat direkt dotterföretag, vilket kan vara underkastat för begränsningar.</li> <li>• Om UBS erfar finansiella svårigheter har FINMA befogenheten att starta resolutions- eller likvidationsförfaranden eller införa skyddsåtgärder avseende UBS Group AG, UBS AG eller UBS Switzerland AG och sådana förfaranden eller åtgärder kan ha en betydande negativ inverkan för UBS:s aktieägare och borgenärer.</li> </ul> <p>Men eftersom verksamheten i en brett baserat internationellt finansiellt tjänsteföretag, som UBS, till sin inneboende natur är exponerad mot risker som blir uppenbara endast i efterhand, kan risker som UBS inte för närvarande är medvetet om eller som det för närvarande inte betraktar som väsentliga, också påverka dess förmåga att verkställa sin strategi och kan påverka dess affärsverksamhet, finansiella ställning, verksamhetsresultat och utsikter.</p>
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**In Element D.3, in the section entitled "Generella risker avseende Värdepapperen" in the risk factor entitled "Villkoren för Värdepapperen innehåller inte någon begränsning av Emittentens eller UBS förmåga att omstrukturera dess verksamhet" the *last sentence* is replaced as follows:**

"Det kan inte lämnas någon försäkran att sådana ändringar, om dessa skulle inträffa, inte kommer att ha en negativ inverkan på kreditvärdighetsbetygen för Emittenten och/eller dess förmåga att fullgöra sina förpliktelser avseende Värdepapperen."

- 4) In relation to the Base Prospectus for Certificates, Notes or Warrants of UBS AG, [London] [Jersey] [Branch] dated 8 January 2016 in the section "I. Summary of the Base Prospectus" in the sub-section headed "C. Summary of the Base Prospectus (in the Danish language)" in the section headed "Afsnit B – Udsteder":

a) in the section headed "Section B – Udsteder":

**The Element B.4.b and B.5 are completely replaced as follows:**

<b>B.4b</b>	Kendte tendenser, der påvirker Udsteder, og brancher inden for hvilke, Udstederen driver virksomhed.	<p><b>Oplysninger om tendenser</b></p> <p>Som beskrevet i UBS' 4. kvartalsrapport, som blev offentliggjort den 2. februar 2016, er mange af de underliggende makroøkonomiske udfordringer og geografiske problemstillinger, som UBS tidligere har fremhævet, stadig aktuelle og bliver sandsynligvis ikke løst i den nærmeste fremtid. Negative markedsresultater og et særdeles ustabil marked siden begyndelsen af 2016, lave renter og euroens vigende udvikling over for schweitzerfrancen giver fortsat modvind. Derudover vil de ændringer, der er foreslået til det såkaldte "for stor til at krakke"-regelsæt i Schweiz, medføre væsentlige løbende renteomkostninger. Yderligere ændringer i det internationale regelsæt for banker vil ligeledes sandsynligvis medføre yderligere omkostninger. UBS vil fortsætte med at iværksætte de tiltag, som UBS udmeldte for at dæmpe disse virkninger samtidig med, at UBS bevæger sig frem mod sit afkastmål. UBS vil forsæt holde sig til sin strategi og sin disciplinerede gennemførelse deraf for at levere bæredygtige afkast for sine aktionærer.</p> <p>UBS har ikke udsendt nogen senere meddelelse vedrørende fremtidsudsigter.</p>
<b>B.5</b>	Beskrivelse af koncernen og Udstederens position inden for koncernen.	<p>UBS AG er en schweizisk bank og moderselskab for UBS AG-Koncernen. UBS AG er 100 % ejet af UBS-Koncernen AG, som er holdingselskabet for UBS-Koncernen. UBS-Koncernen fungerer som en koncern med fem forretningsafdelinger (<i>Wealth Management, Wealth Management Americas, Personal &amp; Corporate Banking, Asset Management og Investment Bank</i>) og et Koncerncenter (<i>Corporate Center</i>).</p> <p>UBS har i de seneste to år truffet en række foranstaltninger til forbedring af Koncernens afviklingsmuligheder som følge af de såkaldte "for store til at krakke"-krav (<i>too big to fail</i>) ("<b>TBTf</b>") i Schweiz og andre lande, hvor Koncernen driver virksomhed.</p> <p>I december 2014 gennemførte UBS-Koncernen AG et ombytningstilbud for aktierne i UBS AG og stiftede UBS-Koncernen AG som holdingselskabet for UBS-Koncernen. UBS-Koncernen AG indledte og gennemførte i løbet af 2015 en retsvist i henhold til artikel 33 i den schweiziske børslov, som resulterede i annulleringen af de resterende minoritetsaktionærs aktier i UBS AG. UBS-Koncernen AG ejer som følge heraf nu 100 % af de udestående aktier i UBS AG.</p> <p>I juni 2015 overdrog UBS AG den del af forretningsdivisionerne Retail &amp; Corporate (nu Personal &amp; Corporate Banking) og Wealth Management, som bogføres i Schweiz, til UBS Switzerland AG, som er et</p>

		<p>bankdatterselskab af UBS AG i Schweiz.</p> <p>I 2. kvartal 2015 gennemførte UBS ligeledes implementeringen af en mere selvforsynende forretnings- og driftsmodel for UBS Limited, UBS' investment banking-datterselskab i Storbritannien, i henhold til hvilken, UBS Limited bærer og beholder en større del af de risici henholdsvis det afkast, der er forbundet med bankens forretningsaktiviteter.</p> <p>I 3. kvartal 2015 stiftede UBS selskabet UBS Business Solutions AG som et direkte datterselskab af UBS-Koncernen AG med henblik på, at dette selskab skal fungere som Koncernens serviceselskab. UBS vil overdrage ejerskabet til hovedparten af sine eksisterende servicedatterselskaber til denne enhed. UBS forventer, at overdragelsen af delte service- og supportfunktioner til dette serviceselskab vil blive implementeret trinvist i løbet af 2018. Formålet med serviceselskabets struktur er at forbedre Koncernens afviklingsmuligheder ved at sætte UBS i stand til at opretholde driftskontinuitet i kritiske tjenester, skulle der opstå en genopretnings- eller afviklingsbegivenhed.</p> <p>Ligeledes i 2015 stiftede UBS AG et nyt datterselskab, UBS Americas Holding LLC, som UBS planlægger at udpege som sit mellemliggende holdingselskab for sine amerikanske datterselskaber med henblik på senest den 1. juli 2016 at efterleve de nye regler for udenlandske banker i henhold til den amerikanske 'Dodd-Frank-lov' ("<b>Dodd-Frank-loven</b>"). I 3. kvartal 2015 indskød UBS AG sin kapitalandel i sit amerikanske primære driftsdatterselskab i UBS Americas Holding LLC med henblik på at opfylde kravene i henhold til Dodd-Frank-loven om, at det mellemliggende holdingselskab skal eje alle UBS' amerikanske aktiviteter, bortset fra filialer af UBS AG.</p> <p>UBS AG har ligeledes stiftet et nyt datterselskab af UBS AG, UBS Asset Management AG, hvortil UBS forventer at overdrage størstedelen af Asset Managements driftsdatterselskaber i løbet af 2016. UBS overvejer fortsat yderligere ændringer til de juridiske enheder, der anvendes af Asset Management, herunder at overdrage UBS AG's aktiviteter i Schweiz til et datterselskab af UBS Asset Management AG.</p> <p>UBS overvejer fortsat yderligere ændringer til Koncernens juridiske struktur som følge af kapital- og øvrige lovgivningsmæssige krav, og med henblik på at opnå en evt. reduktion af kapitalkrav, som Koncernen måtte være kvalificeret til. Sådanne ændringer kan fx omfatte en overdragelse af UBS AG's driftsdatterselskaber, således at de bliver direkte datterselskaber i UBS Group AG, en konsolidering af driftsselskaber i den Europæiske Union samt en ændring af bogføringsenheden eller placeringen af produkter og serviceydelser. Disse strukturændringer drøftes løbende med det schweiziske finanstillsyn ("<b>FINMA</b>") og andre tilsynsmyndigheder og er forbundet med en række usikkerheder, som kan indvirke på ændringernes gennemførlighed, omfang og tidsmæssige gennemførelse.</p>
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**The Element B.10 is completely replaced as follows:**

<b>B.10</b>	Forbehold i revisionspåtegningen.	Ikke relevant. Revisionspåtegningen i forbindelse med koncernregnskabet for UBS AG og årsregnskabet for UBS AG for årene, som sluttede den 31. december 2015 og den 31. december 2014, er uden forbehold.
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**The Element B.12 is completely replaced as follows:**

<b>B.12</b>	Udvalgte historiske finansielle nøgleoplysninger.	<p>UBS AG har hentet følgende udvalgte konsoliderede regnskabsoplysninger for årene, der sluttede henholdsvis den 31. december 2015, 2014 og 2013 fra sin årsrapport for 2015, som indeholder UBS AG's reviderede koncernregnskab samt yderligere ureviderede konsoliderede regnskabsoplysninger for året, der sluttede den 31. december 2015, og sammenligningstal for årene, der sluttede henholdsvis den 31. december 2014 og 2013. Koncernregnskaberne for årene, der sluttede henholdsvis den 31. december 2015, 31. december 2014 og 31. december 2013 er udarbejdet i overensstemmelse med de internationale regnskabsstandarder (<i>International Financial Reporting Standards</i> ("IFRS")), som er udstedt af the International Accounting Standards Board ("IASB") og er angivet i schweizerfranc ("CHF"). Regnskabsoplysninger for årene, der sluttede henholdsvis den 31. december 2015, 2014 og 2013 og i forbindelse med hvilke, det i tabellen nedenfor står anført, at de er ureviderede, var indeholdt i årsrapporten for 2015, men er ureviderede af den årsag, at offentliggørelse deraf ikke er påkrævet i henhold til IFRS, og er således ikke indeholdt i det reviderede årsregnskab. Årsrapporten for 2015 er indarbejdet ved henvisning heri. Potentielle investorer bør læse dette Prospekt i sin helhed og de dokumenter, der er indarbejdet ved henvisning, og bør ikke udelukkende forlade sig på de oplysninger, der er sammenfattet nedenfor:</p>
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CHF mio., medmindre andet fremgår	Pr. eller for året, der sluttede		
	31.12.15	31.12.14	31.12.13
	<i>revideret, medmindre andet fremgår</i>		
<b>Resultat</b>			
Driftsindtægter	30.605	28.026	27.732
Driftsudgifter	25.198	25.557	24.461
Driftsoverskud (driftstab) før skat	5.407	2.469	3.272
Nettooverskud (nettotab) henførbart til UBS AG-aktionærer	6.235	3.502	3.172
<b>Nøgleindikatorer</b>			
<b>Rentabilitet</b>			
Afkast på synlig kapital (%) <sup>1</sup>	13,5*	8,2*	8,0*
Afkastningsgrad, brutto (%) <sup>2</sup>	3,1*	2,8*	2,5*
Omkostninger i forhold til indtægter (%) <sup>3</sup>	82,0*	90,9*	88,0*
<b>Vækst</b>			
Nettovækst i overskud (%) <sup>4</sup>	78,0*	10,4*	-
Nettovækst i nye midler for kombinerede formueforvaltningsvirksomheder (%) <sup>5</sup>	2,2*	2,5*	3,4*
<b>Ressourcer</b>			
Egentlig kernekapitaldækning (fuldt anvendt, %) <sup>6,7</sup>	15,4*	14,2*	12,8*

Gearingsforhold (indfaset, %) <sup>8,9</sup>		5,7*	5,4*	4,7*
<b>Yderligere oplysninger</b>				
<b>Rentabilitet</b>				
Egenkapitalforrentning (RoE) (%)		11,7*	7,0*	6,7*
Afkast på risikovægtede aktiver, brutto (%) <sup>10</sup>		14,1*	12,4*	11,4*
<b>Ressourcer</b>				
Aktiver i alt		943.256	1.062.327	1.013.355
Egenkapital henførbart til UBS AG-aktionærer		55.248	52.108	48.002
Egentlig kernekapital (fuldt anvendt) <sup>7</sup>		32.042	30.805	28.908
Egentlig kernekapital (indfaset) <sup>7</sup>		41.516	44.090	42.179
Risikovægtede aktiver (fuldt anvendt) <sup>7</sup>		208.186*	217.158*	225.153*
Risikovægtede aktiver (indfaset) <sup>7</sup>		212.609*	221.150*	228.557*
Egentlig kernekapitaldækning (indfaset, %) <sup>6,7</sup>		19,5*	19,9*	18,5*
Kapitaldækning i alt (fuldt anvendt, %) <sup>7</sup>		21,0*	19,0*	15,4*
Kapitaldækning i alt (indfaset, %) <sup>7</sup>		24,9*	25,6*	22,2*
Gearingsforhold (fuldt anvendt, %) <sup>8,9</sup>		4,9*	4,1*	3,4*
Gearingsforholdets nævner (fuldt anvendt) <sup>9</sup>		898.251*	999.124*	1.015.306*
Gearingsforholdets nævner (indfaset) <sup>9</sup>		904.518*	1.006.001*	1.022.924*
<b>Andet</b>				
Investerede aktiver (CHF mia.) <sup>11</sup>		2.689	2.734	2.390
Medarbejdere (årsværk)		58.131*	60.155*	60.205*
* urevideret				
<p><sup>1</sup> Nettooverskud / nettotab, som kan henføres til UBS AG-aktionærer inden amortisering og værdiforringelser af goodwill og immaterielle aktiver (på årsbasis, hvor relevant) / gennemsnitlig egenkapital, der kan henføres til UBS AG-aktionærer minus UBS AG's gennemsnitlige goodwill og immaterielle aktiver. <sup>2</sup> Driftsindtægter før kredittab (udgift) eller genindvinding (på årsbasis, hvor relevant) / gennemsnitlig aktivsum i alt. <sup>3</sup> Driftsudgifter / driftsindtægter før kredittab (udgift) eller genindvinding. <sup>4</sup> Ændring i nettooverskud, som kan henføres til UBS AG-aktionærer fra fortsættende aktiviteter mellem nuværende og jävnførelsesperioder / nettooverskud, som kan henføres til UBS AG-aktionærer fra fortsættende aktiviteter fra jävnførelsesperiode. Ikke meningsfuldt og ikke inkluderet, hvis enten rapporteringsperioden eller jävnførelsesperioden er en tabsperiode. <sup>5</sup> Sammenlagt for Wealth Management og Wealth Management Americas' netto nye midler for perioden (på årsbasis, hvor relevant) / investerede aktiver ved periodens begyndelse. Baseret på korrigerede nye midler, hvilket udeholder den negative virkning på netto nye midler i 2015 på CHF 9,9 mia. fra UBS' balance og kapitaloptimeringsbeholdninger. <sup>6</sup> Egentlig kernekapital / risikovægtede aktiver. <sup>7</sup> Baseret på Basel III-regelsættet således som dette gælder for schweiziske systemisk relevante banker (SRB). <sup>8</sup> Egentlig kernekapital og tabsabsorberende kapital / gearingsforholdets nævner. <sup>9</sup> Beregnet i overensstemmelse med schweiziske SRB-regler. Fra den 31. december 2015 og fremefter er beregningen af gearingsforholdets nævner for schweiziske systemisk relevante banker (SRB) fuldt på linje med Basel III-regelsættet. Tal fra tidligere perioder er beregnet i overensstemmelse med tidligere schweiziske SRB-regler og er derfor ikke fuldt sammenlignelige. <sup>10</sup> Baseret på Basel III risikovægtede aktiver (indfaset). <sup>11</sup> Inkluderer investerede aktiver for Personal &amp; Corporate Banking.</p>				
	Erklæring vedrørende væsentlige negative ændringer.	Der er ikke siden den 31. december 2015 indtrådt nogen væsentlig negativ ændring i fremtidsudsigterne for UBS AG eller UBS AG-koncernen.		
	Erklæring vedrørende væsentlige ændringer.	Der er ikke siden den 31. december 2015, som er den regnskabsperiode pr. hvilken, der senest er offentliggjort reviderede periodeoplysninger, indtrådt nogen væsentlig ændring i den finansielle eller handelsmæssige stilling for UBS AG eller UBS AG-koncernen.		

**The Element B.15 is completely replaced as follows:**

<b>B.15</b>	Udstederens hovedaktiviteter.	UBS AG leverer sammen med sine datterselskaber økonomisk rådgivning og løsninger til privatkunder, institutionelle kunder og erhvervs-kunder over hele verden samt til privatkunder i Schweiz. Koncernens driftsstruktur er sammensat af Koncerncentret og fem
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		<p>forretningsdivisioner: Wealth Management, Wealth Management Americas, Personal &amp; Corporate Banking, Asset Management og Investment Bank. UBS' strategi bygger på styrken fra alle dets aktiviteter og fokuserer sin indsats på områder inden for hvilke, UBS udmærker sig, samtidig med at banken søger at kapitalisere på sine overbevisende vækstudsigter inden for de aktivitetsområder og regioner, hvor UBS driver virksomhed, for derved at generere attraktive og stabile afkast til sine aktionærer. Alle UBS' aktiviteter er kapitaleffektive og bygger på en stærk konkurrencemæssig position i deres fokusmarkeder.</p> <p>I henhold til artikel 2 i UBS AG's vedtægter dateret 15. februar 2016 ("<b>Vedtægter</b>") er UBS AG's formål at drive bankvirksomhed. Bankens virksomhedsformål strækker sig over alle typer af banktjenester, finansielle tjenester, rådgivningstjenester samt handels- og serviceydelser i Schweiz og udlandet. UBS AG kan etablere filialer og repræsentationskontorer såvel som banker, finansieringsselskaber og enhver anden type virksomhed i Schweiz og i udlandet samt have kapitalandele i og lede disse virksomheder. UBS AG har tilladelse til at erhverve, belåne og sælge fast ejendom og byggeretter i Schweiz og i udlandet. UBS AG må yde lån, garantier og anden form for finansiering og sikkerhedsstillelse for Koncernselskaber og låne og investere penge på penge- og kapitalmarkederne.</p>
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**The Element B.17 is completely replaced as follows:**

<p><i>[Nedenstående Element B.17 skal alene indsættes ved Værdipapirer, hvor Udstederen er forpligtet til ved udstedelse at betale investor 100 % af den nominelle værdi:</i></p>		
<p><b>B.17</b></p>	<p>Den kreditvurdering, som Udstederen eller dens gældsværdipapirer har opnået.</p>	<p>Kreditvurderingsbureauet Standard &amp; Poor's Credit Market Services Europe Limited ("<b>Standard &amp; Poor's</b>"), Moody's Investors Service Ltd. ("<b>Moody's</b>"), Fitch Ratings Limited ("<b>Fitch Ratings</b>") og Scope Ratings AG ("<b>Scope Ratings</b>") har på opfordring offentliggjort kreditvurderinger, som afspejler deres vurdering af UBS AG's kreditværdighed, dvs. UBS AG's evne til at indfri sine forpligtelser i takt med at disse forfalder, såsom hovedstols- eller rentebetalingen på langfristede lån. De kreditvurderinger, som UBS opnår fra Fitch Ratings, Standard &amp; Poor's og Scope Ratings, kan have et foranstillet plus- eller minustegn, og kreditvurderingerne fra Moody's et tal. Disse supplerende betegnelser indikerer den relative placering inden for den pågældende kreditvurderingsklasse. UBS AG's langfristede modpartskreditgivningsaktiviteter har opnået en kreditvurdering på A (udsigter: positive fremtidsudsigter) fra Standard &amp; Poor's, UBS AG's langfristede foranstående gæld har opnået en kreditvurdering på A1 (udsigter: stabile fremtidsudsigter) fra Moody's, UBS AG's langsigtede udstederrating (<i>issuer default rating</i>) har opnået en kreditvurdering på A (udsigter: positive fremtidsudsigter) fra Fitch Ratings, og UBS AG's kreditstyrke har opnået en kreditvurdering på A (udsigter: stabile fremtidsudsigter) fra Scope Ratings.</p> <p>Alle ovennævnte kreditvurderingsbureauer er registreret som kreditvurderingsbureauer i henhold til Forordning (EF) nr. 1060/2009 som</p>

		ændret ved Forordning (EF) nr. 513/2011.
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b) in the section headed "Afsnit D – Risici":

**The Element D.2 is completely replaced as follows:**

<p><b>D.2</b></p>	<p>Nøgleoplysning-er om de vigtigste risici, der er specifikke for Udstederen.</p>	<p>Værdipapirerne indebærer en udstederrisiko, også kaldet en debitorrisiko eller kreditrisiko for potentielle investorer. En udstederrisiko er den risiko, at UBS AG midlertidigt eller varigt bliver ude af stand til at opfylde sine forpligtelser i henhold til Værdipapirerne.</p> <p><b>Generel insolvensrisiko</b></p> <p>Den enkelte investor bærer den generelle risiko for, at Udsteders finansielle situation kan forværres. Gældsværdipapirerne eller derivaterne vil udgøre direkte, usikrede og ikke-efterstillede forpligtelser på Udstederen, som særligt i tilfælde af Udstederens insolvens vil være sideordnet med hinanden og med alle øvrige nuværende og fremtidige usikrede og ikke-efterstillede forpligtelser på Udstederen, bortset fra de forpligtelser som har fortrinsret i henhold til ufravigelige lovregler. Udstederens forpligtelser i henhold til Værdipapirerne er ikke beskyttet af obligatoriske eller frivillige indskudsgarantisystemer eller kompensationsordninger. <b>I tilfælde af Udstederens insolvens risikerer investorer således at miste hele deres investering i Værdipapirerne.</b></p> <p>UBS AG som Udsteder og UBS er eksponeret for forskellige brancherelaterede risici. Nedenfor følger en opsummering af de risici, som kan indvirke på Koncernens evne til at gennemføre sin strategi og på Koncernens forretningsaktiviteter, finansielle stilling, driftsresultat og udsigter, hvilket Koncernen anser for væsentligt, og som Koncernen p.t. er opmærksom på:</p> <ul style="list-style-type: none"> <li>• Valutakursudsving og fortsat lave eller negative renter kan have en skadelig indvirkning på UBS' kapitalstyrke, UBS' stilling i forhold til likviditets- og kapitalfremskaffelse samt UBS' rentabilitet.</li> <li>• Regulerings- og lovgivningsmæssige ændringer kan have en negativ indvirkning på UBS' virksomhed og evne til at udføre sine virksomhedsstrategier.</li> <li>• Hvis UBS bliver ude af stand til at opretholde sin konsolidering, kan dette have en negativ indvirkning på UBS' strategigennemførelse, kundehåndtering og konkurrence-situation.</li> <li>• UBS kan mislykkes med sine udmeldte strategiske planer.</li> <li>• Der opstår væsentlige juridiske og lovgivningsmæssige risici i udførelsen af UBS' aktiviteter.</li> <li>• Operationelle risici indvirker på UBS' aktiviteter.</li> <li>• UBS' omdømme er væsentlig for fremgangen i UBS' aktiviteter.</li> <li>• Udviklingen i branchen for finansielle serviceydelser påvirkes af</li> </ul>
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		<p>markedsforhold og det makroøkonomiske klima.</p> <ul style="list-style-type: none"> <li>• UBS kan mislykkes med at gennemføre ændringer i sine formueforvaltningsaktiviteter for at opfylde ændrede markedsmæssige, lovgivningsmæssige og andre betingelser.</li> <li>• Det er ikke nødvendigvis muligt for UBS at identificere eller udnytte indtjenings- eller konkurrencemuligheder eller fastholde og tiltrække kvalificerede medarbejdere.</li> <li>• UBS har ældre og andre risikopositioner, som kan påvirkes negativt af markedsforhold. Ældre risikopositioner kan desuden være vanskelige at afvikle.</li> <li>• UBS er afhængig af sine risikostyrings- og kontrolprocesser for at undgå eller begrænse potentielle tab på sine aktiviteter.</li> <li>• Værdiansættelsen af visse positioner er baseret på modeller; modeller har indbyggede begrænsninger og kan være baseret på input, som ikke har en kontrollerbar kilde.</li> <li>• Likviditet og finansieringsstyring er kritisk for UBS' fortsatte resultater.</li> <li>• UBS' regnskabsresultat kan blive påvirket negativt af ændringer i regnskabsstandarder.</li> <li>• UBS' regnskabsresultat kan blive påvirket negativt af ændringer i forudsætninger, der har betydning for værdien af UBS' goodwill.</li> <li>• Virkningen af skatter på UBS' regnskabsresultat påvirkes væsentligt af ændringer i UBS' udskudte skatteaktiver.</li> <li>• Koncernens anførte målsætning for kapitalafkast er delvist baseret på en soliditetsprocent, der er omfattet af lovgivningsmæssige ændringer, og som kan svinge meget.</li> <li>• UBS AG's driftsresultat, finansielle stilling og evne til at opfylde sine forpligtelser kan i fremtiden blive påvirket af midler, udbytter og øvrige udlodninger modtaget fra UBS Switzerland AG eller ethvert andet direkte datterselskab, som kan være omfattet af begrænsninger.</li> <li>• Hvis UBS kommer i økonomiske vanskeligheder, kan FINMA indgive opløsnings- eller konkursbegæring eller pålægge, at der træffes forholdsregler i forhold til UBS Group AG, UBS AG eller UBS Switzerland AG, og sådan proces henholdsvis sådanne foranstaltninger kan have en væsentlig negativ indvirkning på UBS' aktionærer og kreditorer.</li> </ul> <p>Fordi aktiviteterne for en velfunderet international finansiel virksomhed som UBS ifølge sagens natur er udsat for risici, som alene bliver tydelige i bagklogskabens klare lys, kan risici, som UBS ikke p.t. er opmærksom på, eller som UBS ikke p.t. anser for væsentlige, dog ligeledes indvirke på UBS' evne til at gennemføre sin strategi og på UBS' forretningsaktiviteter, finansielle stilling, driftsresultat og udsigter.</p>
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**In the Element D.3, in the subsection "Generelle risici vedrørende Værdipapirerne" in the risk factor entitled "De for Værdipapirerne gældende Betingelser indeholder**

***ingen begrænsninger i forhold til Udstederens eller UBS' evne til at omstrukturere sine aktiviteter" the last sentence is replaced as follows:***

"Der kan ikke gives nogen sikkerhed for, at sådanne ændringer, skulle de opstå, ikke vil påvirke Udstederens kreditvurdering negativt og/eller Udstederens evne til at opfylde sine forpligtelser i forhold til Værdipapirerne."

The Base Prospectus for Certificates, Notes or Warrants of UBS AG, [London] [Jersey] [Branch] dated 8 January 2016 and all supplements thereto, shall be maintained in printed format, for free distribution, at the offices of the Issuer for a period of twelve months after the publication of this document and are published on the website [www.ubs.com/keyinvest](http://www.ubs.com/keyinvest), or a successor website.

In addition, the annual reports and quarterly result materials of UBS Group AG and UBS AG are published on UBS's website, at [www.ubs.com/investors](http://www.ubs.com/investors) or a successor address.

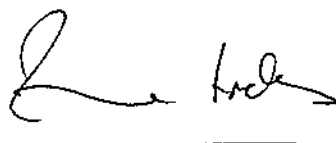
Zurich, 12 May 2016

**UBS AG**

By:

  
\_\_\_\_\_  
(signed by Clemens Taupitz)

By:

  
\_\_\_\_\_  
(signed by Stefanie Zaromitidis)