

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

Dated 22 May 2017 to the Base Prospectus of UBS AG, [London] [Jersey] [Branch], dated 27 September 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 16-12482. This Supplement is a part of the Base Prospectus and shall be read in conjunction with the Base Prospectus and the previous supplement.

Supplement No. 1 was approved by the SFSA on 16 December 2016. The Supplement was published by UBS AG on 16 December 2016. Registration number at the SFSA is 16-18523.

This Supplement No. 2 was approved by the SFSA on 22 May 2017. This Supplement was published by UBS AG on 22 May 2017. Registration number at the SFSA is 17-3509.

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

Publication of the fourth quarter 2016 financial report as per 31 December 2016 of UBS Group on 27 January 2017 which also contains UBS AG interim consolidated financial information, publication of the annual report of UBS Group AG and UBS AG and the standalone financial statements of UBS AG as per 31 December 2016 on 10 March 2017.

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

The attention of the investors is in particular drawn to the following: Investors who have already agreed to purchase or subscribe for the 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 24 May 2017. 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 “2. Security specific Risks”, the subsection entitled “6. UBS has announced its intention to make certain structural changes in light of regulatory trends and requirements and the Conditions of the Securities do not contain any restrictions on the Issuer's or UBS's ability to restructure its business” is completely replaced as follows:

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

Since 2014, 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 became the holding company of the UBS Group. During 2015, UBS Group AG completed a court procedure under the Swiss Stock Exchange and Securities Trading Act resulting in the cancellation of the shares of the remaining minority shareholders of UBS AG. As a result, UBS Group AG owns 100% of the outstanding shares of UBS AG.

In June 2015, UBS AG transferred its Personal & Corporate Banking and Wealth Management businesses booked in Switzerland to UBS Switzerland AG, a banking subsidiary of UBS AG in Switzerland. Also in 2015, UBS implemented a more self-sufficient business and operating model for UBS Limited, UBS's investment banking subsidiary in the UK, and established UBS Business Solutions AG as a direct subsidiary of UBS Group AG to act as the Group service company. 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.

In the second half of 2015, UBS transferred the ownership of the majority of its existing service subsidiaries outside the US to UBS Business Solutions AG, and expects to transfer shared services functions in Switzerland and the UK from UBS AG to this entity during 2017. As of 1 January 2017, UBS completed the transfer of the shared service employees in the US to the US service company, UBS Business Solutions US LLC, a subsidiary of UBS AG.

As of 1 July 2016, UBS Americas Holding LLC was designated as intermediate holding company for UBS's US subsidiaries as required under the enhanced prudential standards regulations pursuant to the Dodd-Frank Act. UBS Americas Holding LLC holds all of UBS's US subsidiaries and is subject to US capital requirements, governance requirements and other prudential regulation.

In addition, UBS transferred the majority of the operating subsidiaries of Asset Management to UBS Asset Management AG during 2016. Furthermore, UBS merged its Wealth Management subsidiaries in Italy, Luxembourg (including its branches in Austria, Denmark and Sweden), the Netherlands and Spain into UBS Deutschland AG, which was renamed to UBS Europe SE, to establish UBS's new European legal entity which is headquartered in Frankfurt, Germany.

UBS continues to consider further changes to the Group's legal structure in response to regulatory requirements, and other external developments, including the anticipated exit of the United Kingdom from the European Union. Such changes may include the transfer of operating subsidiaries of UBS AG to become direct subsidiaries of UBS Group AG, further consolidation of operating subsidiaries in the EU, 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.

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. Such changes, should they occur, may adversely affect the Issuer's ability to redeem or pay interest on the Securities and/or lead to circumstances in which the Issuer may elect to cancel such interest (if applicable)."

In the section headed "2. Security specific Risks", in the subsection entitled "22. Payments under the Securities may be subject to U.S. withholdings", the subsection entitled "Payments under the Securities may be subject to U.S. withholding under the US Tax Code" is renamed as "Payments under the Securities may be subject to U.S. withholding under the U.S. Internal Revenue Code" and is completely replaced as follows:

"Payments under the Securities may be subject to U.S. withholding under the U.S. Internal Revenue Code

U.S. Treasury Department regulations under Section 871(m) of the U.S. Internal Revenue Code requires withholding (up to 30%, depending on whether an income tax treaty or other exemption 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 ("**Dividend Equivalents**") that are subject to U.S. withholding tax at a rate of 30% (or lower applicable rate). **In the case of (but not limited to) 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.**

Under these regulations, withholding may be required even in the absence of any actual dividendrelated payment or adjustment made pursuant to the Conditions of the Securities and it may be difficult or even not possible for investors to determine whether the Securities include Dividend Equivalents.

Section 871(m) of the U.S. Internal Revenue Code and the applicable regulations may apply to Securities that are issued (re-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.

In withholding this tax, the Issuer will regularly apply the general tax rate of 30% to the payments subject to U.S. provisions (or deemed payments) and not any lower tax rate pursuant to any potentially applicable income tax treaties. In such case, a Securityholder's individual tax situation can therefore not be taken into account.

The Issuer's determination of whether the Securities are subject to this withholding tax is binding for the Securityholders, but not for the United States Internal Revenue Service (the "**IRS**"). The rules of Section 871(m) of the U.S. Internal Revenue Code require complex calculations in respect of the Securities that refer to U.S. equities and application of these rules to a specific issuance of Securities issue may be uncertain. Consequently, the IRS may determine they are to be applied even if the Issuer initially assumed the rules would not apply. There is a risk in such case that Securityholders may be subject to withholding tax with retroactive effect.

There is also the risk that Section 871(m) of the U.S. Internal Revenue Code must also be applied to Securities that were not initially subject to withholding tax. This case could arise in particular if the Securities' economic parameters change such that the Securities are in fact subject to tax liability and the Issuer continues to issue and sell these Securities.

As the Issuer is not obliged to offset any withholding tax pursuant to Section 871(m) of the U.S. Internal Revenue Code on interest, capital or other payments to the Securityholders by paying an additional amount, Securityholders will receive smaller payments in such case than they would have received without withholding tax being imposed. **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 U.S. Internal Revenue Code and the regulations thereunder in respect of their acquisition and ownership of the Securities.**"

In the section headed "G. CONDITIONS OF THE SECURITIES" the following changes shall be made:

In the section entitled "3. General Conditions of the Securities" in § 5 "Settlement; Conversion Rate, Impracticability of physical settlement; Period of Presentation; Prescription" the subparagraph (5) "Taxes, charges and/or expenses" shall be renamed as "Taxes, fees or other duties" and completely replaced as follows:

"(5) Taxes, fees or other duties

All present and future taxes, fees or other duties in connection with the Securities shall be borne and paid by the Securityholders. The Issuer and the Paying Agent, as the case may be, are entitled, but not obliged, to withhold from any required performance under these Conditions any such taxes, fees and/or duties payable by the Securityholder in accordance with the preceding sentence (including, for the avoidance of doubt, any withholding or deduction required by Sections 871(m) ("**871(m)**") and 1471 to 1474 ("**FATCA**") of the U.S. Internal Revenue Code of 1986, any treaty, law, regulation or other official guidance implementing FATCA, or any agreement (or related guidance) between the Issuer, the Paying Agent or any other person and the United States, any other jurisdiction, or any authority of any of the foregoing implementing FATCA) and none of the Issuer, the Paying Agent or any other person shall be required to pay any additional amounts with respect to any FATCA or 871(m) withholding or deduction imposed on or with respect to any Securities."

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

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

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

On 31 December 2016, UBS Group's common equity tier 1 ("CET1") capital ratio¹ was 13.8% on a fully applied basis and 16.8% on a phase-in basis, invested assets stood at CHF 2,821 billion, equity attributable to UBS Group AG shareholders was CHF 53,621 million and market capitalization was CHF 61,420 million. On the same date, UBS employed 59,387 people².

On 31 December 2016, UBS AG (consolidated) CET1 capital ratio¹ was 14.5% on a fully applied basis and 17.5% on a phase-in basis, invested assets stood at CHF 2,821 billion and equity attributable to UBS AG shareholders was CHF 53,662 million. On the same date, UBS AG Group employed 56,208 people².

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

"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 under "*Our strategy*" in the "*Operating environment and strategy*" section of the Annual Report 2016; a description of the businesses, strategies, clients, organisational structures, products and services of the business divisions and the Corporate Center can also be found in the "*Operating environment and strategy*" section of the Annual Report 2016.

Wealth Management

Wealth Management provides comprehensive advice and tailored financial services to wealthy private clients around the world, except those served by Wealth Management Americas. Its clients benefit from the full spectrum of resources that UBS as a global firm can offer, including banking and lending solutions, wealth planning, investment management solutions, and corporate finance advice. 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 provides advice-based solutions through financial advisors who deliver a fully integrated set of products and services specifically designed to address the needs of their clients. Its business is primarily domestic US but includes Canada and international business booked in the US.

Personal & Corporate Banking

Personal & Corporate Banking provides comprehensive financial products and services to private, corporate and institutional clients in Switzerland and is among the leading players in the private and corporate loan market in Switzerland, with a well-collateralized and conservatively managed lending portfolio. Its business is a central element of UBS's universal bank delivery model in Switzerland. Personal & Corporate Banking works with the wealth management, investment bank and asset management businesses to ensure that clients

¹ 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 Basel III framework includes prudential filters for the calculation of capital. As these filters are being phased in between 2014 and 2018, their effects are gradually factored into the calculations of capital, RWA and capital ratios on a phase-in basis and are entirely reflected in the capital, RWA and capital ratios on a fully applied basis. For information as to how UBS Group AG (consolidated) and UBS AG (consolidated) common equity tier 1 capital is calculated, refer to the table "*Reconciliation IFRS equity to Swiss SRB common equity tier 1 capital*" in the sections "*Capital management*" and "*UBS AG (consolidated) capital and leverage ratio information*", respectively of the Annual Report 2016, as defined herein.

² Full-time equivalents.

receive the best products and solutions for their specific financial needs. Personal & Corporate Banking is also an important source of growth for other business divisions in Switzerland through client referrals. In addition, Personal & Corporate Banking manages a substantial part of UBS's Swiss infrastructure and banking products platform, both of which are leveraged across the Group.

Asset Management

Asset Management provides investment management products and services, platform solutions and advisory support to institutions, wholesale intermediaries and wealth management clients around the world, with an onshore presence in 22 countries. It is a leading fund house in Europe, the largest mutual fund manager in Switzerland, and one of the largest fund of hedge funds and real estate investment managers in the world. Its global investment capabilities include all major traditional and alternative asset classes.

Investment Bank

The Investment Bank is present in over 35 countries, with principal offices in all major financial centres, providing investment advice, financial solutions and capital markets access. It serves corporate, institutional and wealth management clients across the globe and forms a synergetic partnership with UBS's wealth management, personal and corporate banking and asset management businesses. The business division is organized into Corporate Client Solutions and Investor Client Services, and also includes UBS Securities Research.

Corporate Center

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

Competition

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

Recent Developments

1. UBS AG (consolidated) key figures

UBS AG derived the selected consolidated financial information included in the table below, except where indicated, from the Annual Report 2016, which contains the audited consolidated financial statements of UBS AG, as well as additional unaudited consolidated financial information, for the year ended 31 December 2016 and comparative figures for the years ended 31 December 2015 and 2014.

The consolidated financial statements for the years ended on 31 December 2016, 31 December 2015 and 31 December 2014 were prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and are stated in Swiss francs ("CHF").

Information for the years ended 31 December 2016, 2015 and 2014 which is indicated as being unaudited in the table below was included in the Annual Report 2016, 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 2016 is incorporated by reference herein.

The Group and business divisions are managed on the basis of a key performance indicator framework, which identifies profit and growth financial measures, in the context of sound risk and capital management objectives. When determining variable compensation, both Group and business division key performance indicators are taken into account. UBS AG reviews the key performance indicators framework on a regular basis, considering the company's strategy and the market environment in which the company operates. Key performance indicators are disclosed in UBS AG's quarterly and annual reporting to allow comparison of the company's performance over the reporting periods. The company's key performance indicators are designed to be assessed on an over-the-cycle basis and are subject to seasonal patterns. The section "Measurement of performance" of the Annual Report 2016 contains an explanation of the use by UBS Group AG of the information contained under the heading "Key performance indicators" in the table below and the definitions of each of these key performance indicators. Please also see below in the respective footnotes. In addition, the table "Key performance indicators – definitions and reason for use" below contains a description and the reason for the use of each key performance indicator, except those disclosed in accordance with applicable legislation.

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:

<i>CHF million, except where indicated</i>	As of or for the year ended		
	31.12.16	31.12.15	31.12.14
	<i>audited, except where indicated</i>		
Group results			
Operating income	28,421	30,605	28,026
Operating expenses	24,352	25,198	25,557
Operating profit / (loss) before tax	4,069	5,407	2,469
Net profit / (loss) attributable to shareholders	3,207	6,235	3,502
Key performance indicators			
Profitability			
Return on tangible equity (%) ¹	6.9*	13.5*	8.2*
Return on assets, gross (%) ²	3.0*	3.1*	2.8*
Cost / income ratio (%) ³	85.6*	82.0*	90.9*
Growth			
Net profit growth (%) ⁴	(48.6)*	78.0*	10.4*
Net new money growth for combined wealth management businesses (%) ⁵	2.1*	2.2*	2.5*
Resources⁶			
Common equity tier 1 capital ratio (fully applied, %) ^{7,8}	14.5*	15.4*	14.2*
Going concern leverage ratio (phase-in, %) ^{9,10}	5.8*	-	-
Additional information			
Profitability			
Return on equity (RoE) (%) ¹¹	5.9*	11.7*	7.0*
Return on risk-weighted assets, gross (%) ¹²	13.2*	14.3*	12.6*
Resources⁶			
Total assets	935,353	943,256	1,062,327
Equity attributable to shareholders	53,662	55,248	52,108

Common equity tier 1 capital (fully applied) ⁸	32,447	32,042	30,805
Common equity tier 1 capital (phase-in) ⁸	39,474	41,516	44,090
Risk-weighted assets (fully applied) ⁸	223,232*	208,186*	217,158*
Common equity tier 1 capital ratio (phase-in, %) ^{7,8}	17.5*	19.5*	19.9*
Going concern capital ratio (fully applied, %) ¹⁰	16.3*	-	-
Going concern capital ratio (phase-in, %) ¹⁰	22.6*	-	-
Common equity tier 1 leverage ratio (fully applied, %) ¹³	3.7*	3.6*	3.1*
Going concern leverage ratio (fully applied, %) ^{9,10}	4.2*	-	-
Leverage ratio denominator (fully applied) ¹³	870,942*	898,251*	999,124*
Other			
Invested assets (CHF billion) ¹⁴	2,821	2,689	2,734
Personnel (full-time equivalents)	56,208*	58,131*	60,155*

* unaudited

¹ Net profit attributable to shareholders before amortization and impairment of goodwill and intangible assets (annualized as applicable) / average equity attributable to shareholders less average goodwill and intangible assets.

² Operating income before credit loss (expense) or recovery (annualized as applicable) / average total assets.

³ Operating expenses / operating income before credit loss (expense) or recovery.

⁴ Change in net profit attributable to shareholders from continuing operations between current and comparison periods / net profit attributable to shareholders from continuing operations of comparison period. Not meaningful and not included if either the reporting period or the comparison period is a loss period.

⁵ Net new money growth for combined wealth management businesses is calculated as the aggregate of the net new money for the period (annualized as applicable) of the business divisions Wealth Management and Wealth Management Americas / aggregate invested assets at the beginning of the period of the business divisions Wealth Management and Wealth Management Americas. Net new money and invested assets are each derived from the "Wealth Management" and "Wealth Management Americas" sections of the management report contained in the Annual Report 2016, under "Financial and operating performance". Net new money growth for combined wealth management businesses is based on adjusted net new money, which excludes the negative effect on net new money in 2015 of CHF 9.9 billion in Wealth Management from UBS's balance sheet and capital optimization program.

⁶ Subsequent to the publication of the fourth quarter 2016 report, the Annual General Meeting of shareholders of UBS AG approved the distribution of a CHF 2,250 million dividend from UBS AG to UBS Group AG, which was higher than the previously estimated amount. This, in combination with the adjusting event after the reporting period described in "Note 35 Events after the reporting period" to the UBS AG's consolidated financial statements included in the Annual Report 2016, resulted in a reduction of CET1 capital (CHF 607 million on a fully applied basis and CHF 585 million on a phase-in basis), a reduction in the leverage ratio denominator (CHF 45 million on a fully applied basis and CHF 27 million on a phase-in basis) and respective capital ratios of UBS AG consolidated as of 31 December 2016.

⁷ Common equity tier 1 capital / risk-weighted assets.

⁸ Based on the Basel III framework as applicable for Swiss systemically relevant banks.

⁹ Total going concern capital / leverage ratio denominator.

¹⁰ Based on the revised Swiss SRB framework that became effective on 1 July 2016. Figures for prior periods are not available.

¹¹ Net profit attributable to shareholders (annualized as applicable) / average equity attributable to shareholders.

¹² Based on fully applied risk-weighted assets for all periods presented. This consolidated financial information was derived from the Annual Report 2016. Figures as of 31 December 2015 and 31 December 2014 do not correspond to the figures contained in the Annual Report 2015 or the Annual Report 2014, which were based on phase-in risk-weighted assets.

¹³ Calculated in accordance with Swiss SRB rules. From 31 December 2015 onward, the leverage ratio denominator calculation is aligned with the Basel III rules. Figures for periods prior to 31 December 2015 are calculated in accordance with former Swiss SRB rules and are therefore not fully comparable.

¹⁴ Includes invested assets for Personal & Corporate Banking.

Key performance indicators – definitions and reason for use		
Key performance indicator	Definition	Reason for use
Return on tangible equity	Net profit attributable to shareholders before amortization and impairment of goodwill and intangible assets (annualized as applicable) divided by average equity attributable to shareholders less average goodwill and intangible assets	This metric is used because it provides information on the profitability of the business in relation to tangible equity.
Return on assets, gross	Operating income before credit loss (expense) or recovery (annualized as applicable) divided by average total assets	This profitability metric provides information on the gross income generation in relation to average total assets.

Cost / income ratio	Operating expenses divided by operating income before credit loss (expense) or recovery	This metric is used to provide information on the efficiency of the business by comparing operating expenses with gross income.
Net profit growth	Change in net profit attributable to shareholders from continuing operations between current and comparison periods divided by net profit attributable to shareholders from continuing operations of comparison period	This profitability metric provides information on profit growth in comparison with prior period.
Net new money growth for combined wealth management business	Net new money for combined wealth management businesses for the period (annualized as applicable) divided by Invested assets at the beginning of the period	This growth metric is used to provide information on the wealth management business growth by comparing net new money intakes during the reporting period with invested assets at the beginning of the period.

2. Key international regulatory and legal developments

Revisions of BCBS capital framework and ongoing consultations

Proposed revisions to the Pillar 1 requirements: The Basel Committee on Banking Supervision ("BCBS") is currently finalising a comprehensive reform package for the Basel III capital framework, the elements of which have been proposed in a series of separate consultation papers. High-level guidance on the revisions issued by the BCBS in November 2016 included: (i) the revised standardized approach to credit risk will be more risk-sensitive and more consistent with banks' internal model-based approaches, which are subject to approval by the home country regulator; (ii) a revised standardized approach for operational risk will replace the existing approaches, including the advanced measurement approach, which is based on banks' internal models and also subject to approval by the home country regulator; and (iii) a leverage ratio surcharge for global systemically important banks ("G-SIBs") will be introduced. In addition, an aggregate output floor, in relation to the level of capital required, is expected to be part of the reform package. Final rules, which were expected to be issued in January 2017, have been delayed. UBS expects that if the proposals are adopted in their current form and implemented in Switzerland, the proposed changes to the capital framework will likely result in a significant increase in UBS's overall RWA without considering the effect of mitigating measures.

Revisions to the Pillar 2 requirements: In April 2016, the BCBS revised its 2004 principles for the management and supervision of interest rate risk. The revised standards include guidance on the development of interest rate shock scenarios, enhanced quantitative disclosure requirements as well as an updated standardised framework, which banks could be mandated to follow. The impact of these revisions can only be determined once its implementation in national prudential regulations becomes clearer.

Revisions to the Pillar 3 requirements: FINMA has revised its Pillar 3 disclosure requirements to reflect changes to the BCBS Pillar 3 standards. Requirements relating to the 2015 BCBS revisions became effective for Swiss banking institutions on 31 December 2016 with additional requirements to be implemented during 2017. Further revisions to the Pillar 3 framework are expected as part of the finalisation of the Basel III capital framework.

Consultation on regulatory capital treatment of accounting provisions: In October 2016, the BCBS issued a consultative document and a discussion paper on the Basel III regulatory capital treatment of accounting provisions following the publication of IFRS 9, *Financial Instruments*, issued by the International Accounting Standards Board, and the Current Expected Credit Loss model, issued by the US Financial Accounting Standards Board. The new rules require the use of expected credit loss models as opposed to the currently applied incurred credit loss impairment approach under IFRS and US GAAP. UBS will adopt the IFRS 9 requirements on 1 January 2018. The BCBS consultative document proposes to retain for an interim period the current regulatory treatment of accounting provisions. This would result in

the impact of IFRS 9 on common equity tier 1 capital to be limited to the excess of expected credit losses over the current regulatory expected losses for banks applying the internal ratings-based approach. The BCBS also considers the adoption of transitional arrangements to phase in this impact. The BCBS discussion paper sets out longer-term options that include retaining the current regulatory treatment and introducing an expected credit loss component to the standardized regulatory approach. The consultation period ended in January 2017.

Developments on TLAC and MREL requirements

Following the publication of the Financial Stability Board's ("FSB") international TLAC standard in November 2015, a number of major jurisdictions issued TLAC requirements during 2016.

Switzerland was the first jurisdiction to implement TLAC requirements as part of the revision of the Swiss Capital Adequacy Ordinance that became effective on 1 July 2016. Subject to a limited reduction of the gone concern requirement based on improvements to the resolvability of the firm, the TLAC requirements applicable to UBS as of 1 January 2020 are 28.6% of RWA (excluding countercyclical buffer requirements) and 10% of the LRD. The revised Capital Adequacy Ordinance requires that TLAC-eligible instruments be issued out of a holding company, which would increase the overall tax burden for the Group under the current Swiss tax law. The Swiss Federal Council has requested the Federal Tax Administration to propose amendments to the Swiss tax law in order to address this issue.

In November 2016, the Bank of England published the final UK Minimum Requirement for own Funds and Eligible Liabilities ("MREL") rules, including minimum standards for domestic systemically important banks ("D-SIBs") in the UK, such as UBS Limited. Starting as of 1 January 2020, D-SIBs will have to meet MREL requirements amounting to the greater of (i) a multiple, initially less than two and increasing to two as of 1 January 2022, of the Pillar 1 requirement of 8% and an institution-specific add-on, or (ii) if subject to a leverage ratio requirement, two times the applicable requirement of currently 3%.

Also in November 2016, the European Commission ("EC") published a proposal to integrate the FSB TLAC standard into the EU MREL regime. The EC proposes to apply MREL requirements to global systemically important institutions ("G-SIIs") calculated at 16% of RWA and 6% of the leverage exposure measure as of 1 January 2019, increasing to 18% and 6.75%, respectively, as of 1 January 2022. The proposal would also introduce internal MREL requirements for material subsidiaries of non-EU G-SIIs.

In December 2016, the Federal Reserve Board issued a final rule that will apply TLAC requirements, minimum long-term debt requirements and clean holding company requirements to all US G-SIBs and to foreign G-SIBs' US intermediate holding companies ("covered IHCs"), including UBS Americas Holding LLC. The final rule will require covered IHCs to maintain debt to the parent G-SIB qualifying as TLAC (internal TLAC) of at least the greatest of 16% of RWA, 6% of leverage exposure or 9% of average total consolidated assets, plus a buffer, including eligible long-term debt of at least the greatest of 6% of RWA, 2.5% of leverage exposure or 3.5% of average total consolidated assets. The final rule prohibits covered IHCs from having liabilities to unrelated third parties that exceed 5% of its total TLAC (clean holding company requirement) unless all of its TLAC is contractually subordinated to third-party liabilities. It further prohibits a covered IHC from incurring short-term debt, entering into derivatives with unaffiliated parties and issuing certain guarantees. The rule becomes effective as of 1 January 2019.

Implementation of margin requirements for non-cleared OTC derivatives

The G20 commitments on derivatives call for adoption of mandatory exchange of initial and variation margin for uncleared over-the-counter ("OTC") derivative transactions ("margin rules"). Margin rules for the largest counterparties (phase 1 counterparties) became effective in the US, Canada and Japan on 1 September 2016 and in the EU, Switzerland and major jurisdictions in Asia in the first quarter of 2017. Margin requirements for the next group of counterparties, including significant numbers of end users, have generally become effective in these jurisdictions on 1 March 2017. In recognition of the low level of industry and end-

user readiness for these requirements, regulators in many of these jurisdictions have issued supervisory guidance or other relief intended to allow market participants to continue to transact while proceeding as quickly as practicable to implement the requirements. This relief is generally effective until September 2017. The non-cleared margin requirements will have a significant operational and funding impact on the OTC derivatives activities of UBS and many of its clients. The delays in the completion of rulemaking have affected its ability to complete the execution of required documentation and operational processes with counterparties ahead of relevant compliance dates, which may limit its and other dealers' ability to transact with clients until this is remedied.

Refer to "*Regulatory and legal developments*" in the "*Operating environment and strategy*" section of the Annual Report 2016 for information on further key regulatory and legal developments in Switzerland, in the EU and in the US."

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

"3. Organisational Structure of the Issuer

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

Since 2014, 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 became the holding company of the UBS Group. During 2015, UBS Group AG completed a court procedure under the Swiss Stock Exchange and Securities Trading Act resulting in the cancellation of the shares of the remaining minority shareholders of UBS AG. As a result, UBS Group AG owns 100% of the outstanding shares of UBS AG.

In June 2015, UBS AG transferred its Personal & Corporate Banking and Wealth Management businesses booked in Switzerland to UBS Switzerland AG, a banking subsidiary of UBS AG in Switzerland. Also in 2015, UBS implemented a more self-sufficient business and operating model for UBS Limited, UBS's investment banking subsidiary in the UK, and established UBS Business Solutions AG as a direct subsidiary of UBS Group AG to act as the Group service company. 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.

In the second half of 2015, UBS transferred the ownership of the majority of its existing service subsidiaries outside the US to UBS Business Solutions AG, and expects to transfer shared services functions in Switzerland and the UK from UBS AG to this entity during 2017. As of 1 January 2017, UBS completed the transfer of the shared service employees in the US to the US service company, UBS Business Solutions US LLC, a subsidiary of UBS AG.

As of 1 July 2016, UBS Americas Holding LLC was designated as intermediate holding company for UBS's US subsidiaries as required under the enhanced prudential standards regulations pursuant to the Dodd-Frank Act. UBS Americas Holding LLC holds all of UBS's US subsidiaries and is subject to US capital requirements, governance requirements and other prudential regulation.

In addition, UBS transferred the majority of the operating subsidiaries of Asset Management to UBS Asset Management AG during 2016. Furthermore, UBS merged its Wealth Management subsidiaries in Italy, Luxembourg (including its branches in Austria, Denmark and Sweden), the Netherlands and Spain into UBS Deutschland AG, which was renamed to

UBS Europe SE, to establish UBS's new European legal entity which is headquartered in Frankfurt, Germany.

UBS continues to consider further changes to the Group's legal structure in response to regulatory requirements and other external developments, including the anticipated exit of the United Kingdom from the European Union. Such changes may include the transfer of operating subsidiaries of UBS AG to become direct subsidiaries of UBS Group AG, further consolidation of operating subsidiaries in the EU 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.

UBS Group AG's interests in subsidiaries and other entities as of 31 December 2016, including interests in significant subsidiaries, are discussed in "Note 28 Interests in subsidiaries and other entities" to the UBS Group AG's consolidated financial statements included in the UBS Group AG and UBS AG Annual Report 2016, (the "**Annual Report 2016**").

UBS AG's interests in subsidiaries and other entities as of 31 December 2016, including interests in significant subsidiaries, are discussed in "Note 28 Interests in subsidiaries and other entities" to the UBS AG's consolidated financial statements included in the Annual Report 2016."

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

"4. Trend Information

As indicated in the UBS Group fourth quarter 2016 report, published on 27 January 2017, although macroeconomic uncertainty, geopolitical tensions and divisive politics continue to affect client sentiment and transaction volumes, UBS has begun to observe improved investor confidence, primarily in the US, which may benefit its wealth management businesses. Lower than expected and negative interest rates, particularly in Switzerland and the eurozone, continue to present headwinds to net interest margins, which may be offset by the effect of higher US dollar interest rates. Implementing Switzerland's new bank capital standards and the proposed further changes to the international regulatory framework for banks will result in increasing capital requirements and costs. UBS will continue to execute its strategy with discipline, positioning it to mitigate these challenges and to benefit from any further improvement in market conditions.

Refer to "Current market climate and industry trends" in the "Operating environment and strategy" section of the Annual Report 2016 for more information."

The section "5. Administrative, Management and Supervisory Bodies of UBS AG" is completely replaced as follows:

"5. Administrative, Management and Supervisory Bodies of UBS AG

UBS AG complies with all relevant Swiss legal and regulatory corporate governance requirements, as well as with the NYSE standards as a foreign company with debt securities listed on the NYSE.

UBS AG operates under a strict dual board structure, as mandated by Swiss banking law. The Board of Directors ("**BoD**") exercises the ultimate supervision over management, whereas the Executive Board ("**EB**"), headed by the President of the Executive Board ("**President of the EB**"), has executive management responsibility. The functions of Chairman of the BoD and President of the EB are assigned to two different people, ensuring a separation of power. This structure establishes checks and balances and preserves the institutional independence of the BoD from the day-to-day management of UBS AG, for which responsibility is delegated to the EB under the leadership of the President of the EB. No member of one board may simultaneously be a member of the other.

The supervision and control of the EB remains with the BoD. The Articles of Association and the Organization Regulations of UBS AG with their annexes govern the authorities and responsibilities of the two bodies.

Board of Directors

The BoD is the most senior body of UBS AG. The BoD consists of at least five 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 upon proposal of the BoD.

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

Members of the Board of Directors

Member and business address	Title	Term of office	Current principal positions outside UBS AG
Axel A. Weber UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Chairman	2017	Chairman of the Board of Directors of UBS Group AG; board member of the Swiss Bankers Association; member of the Board of Trustees of Avenir Suisse; Advisory Board member of the "Beirat Zukunft Finanzplatz"; board member of the Swiss Finance Council; Chairman of the board of the Institute of International Finance; President of the International Monetary Conference; member of the European Financial Services Round Table; member of the European Banking Group; member of the Monetary Economics and International Advisory Panel, Monetary Authority of Singapore; 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	2017	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; Vice Chairman of the Supervisory Board of IMD, Lausanne; Chairman of the Syngenta Foundation for Sustainable Agriculture; Advisory Board member of the Department of Banking and Finance at the University of Zurich.
David Sidwell UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Member	2017	Senior Independent Director of the board of directors of UBS Group AG; Senior Advisor at Oliver Wyman, New York; board member of Chubb Limited; board member of GAVI Alliance; Chairman of the Board of Village Care, New York; Director of the National Council on Aging, Washington D.C.
Reto Francioni UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Member	2017	Member of the board of directors of UBS Group AG; professor, University of Basel; board member of Coca-Cola HBC AG; Chairman of the board of Swiss International Air Lines AG; board member of Francioni AG; board member of MedTech Innovation Partners AG.
Ann F. Godbehere UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Member	2017	Member of the Board of Directors of UBS Group AG; board member of Prudential plc (chairman of the audit committee); board member of Rio Tinto plc (chairman of the audit committee); board member of Rio Tinto Limited (chairman of the audit committee); board member of British American Tobacco plc
William G. Parrett UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Member	2017	Member of the Board of Directors of UBS Group AG; board member of the Eastman Kodak Company (chairman of the audit and finance committee); board member of the Blackstone Group LP (chairman of the audit committee and chairman of the conflicts committee); board member of Thermo Fisher Scientific Inc. (chairman of the audit committee); board member of Conduent Inc; 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.
Isabelle Romy Froiep Legal AG, Bellerivestrasse 201, CH-8034 Zurich	Member	2017	Member of the Board of Directors of UBS Group AG; partner at Froiep Legal AG, Zurich; associate professor at the University of Fribourg and at the Federal Institute of Technology, Lausanne; vice chairman of the Sanction Commission of SIX Swiss Exchange; member of the Fundraising Committee of the Swiss National Committee for UNICEF.
Robert W. Scully UBS AG, Bahnhofstrasse	Member	2017	Member of the Board of Directors of UBS Group AG; board member of Chubb Limited; board member of Zoetis Inc.; board member of KKR & Co LP; board member of the Dean's Advisors of Harvard Business School.

45, CH-8001 Zurich			
Beatrice Weder di Mauro	Member	2017	Member of the Board of Directors of UBS Group AG; distinguished fellow at INSEAD in Singapore (on leave from the University of Mainz); Supervisory Board member of Robert Bosch GmbH; board member of Bombardier Inc.; member of the ETH Zurich Foundation Board of Trustees; Economic Advisory Board member of Fraport AG; Advisory Board member 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			
Dieter Wemmer	Member	2017	Member of the Board of Directors of UBS Group AG; CFO at Allianz SE; Administrative Board member of Allianz Asset Management AG and Allianz Investment Management SE, both Allianz Group mandates; member of the CFO Forum; member of the Systemic Risk Working Group of the European Central Bank and the Bank for International Settlements; Chairman of the Economic & Finance Committee of Insurance Europe; member of the Berlin Center of Corporate Governance.
Allianz SE, Königinstr. 28, 80802 Munich, Germany			
Joseph Yam	Member	2017	Member of the Board of Directors of UBS Group AG; Executive Vice President of the China Society for Finance and Banking; board member of Johnson Electric Holdings Limited; board member of UnionPay International Co., Ltd.; 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			

Organizational principles and structure

Following each AGM, the BoD meets to appoint one or more Vice Chairmen, BoD committee members, 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 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.

Audit Committee

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

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

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

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

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

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

Executive Board

Under the leadership of the President of the EB, the EB has executive management responsibility for UBS AG and its business. All EB members (with the exception of the President of the EB) are proposed by the President of the EB. The appointments are made by the BoD.

Members of the Executive Board

Member and business address	Function	Current principal positions outside UBS AG
Sergio P. Ermotti UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	President of the Executive Board	Member of the Group Executive Board and Group Chief Executive Officer of UBS Group AG; Chairman of the Board of Directors of UBS Switzerland AG; Chairman of the Board of Directors of UBS Business Solutions AG; Chairman of the UBS Optimus Foundation board; Chairman of the Fondazione Ermotti, Lugano; Chairman and President of the board of the Swiss-American Chamber of Commerce; board member of the Fondazione Lugano per il Polo Culturale, Lugano; board member of the Global Apprenticeship Network; member of the Institut International D'Etudes Bancaires.
Christian Bluhm UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Chief Risk Officer	Member of the Group Executive Board and Group Chief Risk Officer of UBS Group AG; board member of UBS Business Solutions AG; board member of UBS Switzerland AG;
Markus U. Diethelm UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	General Counsel	Member of the Group Executive Board and Group General Counsel of UBS Group AG; board member of UBS Business Solutions AG; Chairman of the Swiss-American Chamber of Commerce's legal committee; member of the Swiss Advisory Council of the American Swiss Foundation; member of the Foundation Council of the UBS International Center of Economics in Society; Foundation Board member of the International Red Cross and Red Crescent Museum; member of the Professional Ethics Commission of the Association of Swiss Corporate Lawyers.
Kirt Gardner UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Chief Financial Officer	Member of the Group Executive Board and Group Chief Financial Officer of UBS Group AG; board member of UBS Business Solutions AG.
Sabine Keller-Busse UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Head Human Resources	Member of the Group Executive Board and Group Head Human Resources of UBS Group AG; board member of SIX Group (Chairman of the nomination & compensation committee); Foundation Board member of the UBS Pension Fund; Foundation Board member of the University Hospital Zurich.
Ulrich Körner UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	President Asset Management and President UBS Europe, Middle East and Africa	Member of the Group Executive Board and President Asset Management and President Europe, Middle East and Africa of UBS Group AG; member of the Supervisory Board of UBS Europe SE; Chairman of the Foundation Board of the UBS Pension Fund; Chairman of the Widder Hotel, Zurich; Vice President of the board of Lyceum Alpinum Zuoz; member of the Financial Service Chapter Board of the Swiss-American Chamber of Commerce; Advisory Board member of the Department of Banking and Finance at the University of Zurich; member of the business advisory council of the Laureus Foundation Switzerland.
Axel P. Lehmann UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Chief Operating Officer	Member of the Group Executive Board and Group Chief Operating Officer of UBS Group AG; board member of UBS Business Solutions AG; Co-Chair of the Global Future Council of the Future of Financial and Monetary Systems of the World Economic Forum; Chairman of the board of the Institute of Insurance Economics at the University of St. Gallen; member of the International and Alumni Advisory Board of University of St. Gallen; member of the Swiss-American Chamber of Commerce Chapter Doing Business in USA.
Tom Naratil UBS AG, 1200 Harbor Boulevard, Weehawken,	President Wealth Management Americas and President UBS Americas	Member of the Group Executive Board and President Wealth Management Americas and President UBS Americas of UBS Group AG; Chairman of UBS Americas Holding LLC; board member of the American Swiss Foundation; board member of the Clearing House Supervisory Board; member of the Board of Consultors for the College of Nursing at Villanova University.

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Andrea Orcel UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	President Investment Bank	Member of the Group Executive Board and President Investment Bank of UBS Group AG; board member of UBS Limited; board member of UBS Americas Holding LLC.
Kathryn Shih UBS AG, 2 International Finance Centre, 8 Finance Street, Central, Hong Kong	President UBS Asia Pacific	Member of the Group Executive Board and President UBS Asia Pacific of UBS Group AG; board member of Kenford International Ltd.; board member of Shih Co Charitable Foundation Ltd.; board member of Zygate Group Ltd.; member of the Hong Kong Trade Development Council (Financial Services Advisory Committee).
Jürg Zeltner UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	President Wealth Management	Member of the Group Executive Board and President Wealth Management of UBS Group AG; board member of the German-Swiss Chamber of Commerce; member of the IMD Foundation Board, Lausanne.

Potential Conflicts of Interest

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

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

"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 2016 is available in the section "*UBS AG consolidated financial statements*" of the Annual Report 2016 and in the UBS AG's standalone financial statements for the year ended 31 December 2016 (the "**Standalone Financial Statements**"), respectively; and for financial year 2015 it is available in the "Consolidated financial statements" and "Legal entity financial and regulatory information" sections of the UBS Group AG and UBS AG annual report 2015, in English, published on 18 March 2016 ("**Annual Report 2015**"). The consolidated and standalone financial accounts are closed on 31 December of each year.

With respect to the financial year 2016, reference is made to:

- (i) the following parts of the Annual Report 2016: the UBS AG consolidated financial statements, in particular to the Income statement on page 478, the Balance sheet on page 481, the Statement of changes in equity on pages 482-485 (inclusive), the Statement of cash flows on pages 487-488 (inclusive) and the Notes to the consolidated financial statements on pages 489-634 (inclusive); and
- (ii) the following parts of the Standalone Financial Statements: the Income statement on page 1, the Balance sheet on pages 2-3 (inclusive), the Statement of appropriation of retained earnings and proposed dividend distribution out of capital contribution reserve on page 4, and the Notes to the UBS AG standalone financial statements on pages 5-21 (inclusive).

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).

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

Auditing of Historical Annual Financial Information

The consolidated financial statements of UBS AG and the standalone financial statements of UBS AG for financial years 2016 and 2015 were audited by Ernst & Young. The reports of the auditors on the consolidated financial statements can be found on pages 471-477 (inclusive) of the Annual Report 2016 and on pages 566-567(inclusive) of the Annual Report 2015. The reports of the auditors on the standalone financial statements of UBS AG can be found on pages 22-25 (inclusive) of the Standalone Financial Statements and on pages 793-794 (inclusive) of the Annual Report 2015."

The section entitled "8. Litigation, Regulatory and Similar Matters" is completely replaced by the following text:

"8. Litigation, Regulatory and Similar Matters

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

Such matters are subject to many uncertainties and the outcome and the timing of resolution are often difficult to predict, particularly in the earlier stages of a case. There are also situations where UBS may enter into a settlement agreement. This may occur in order to avoid the expense, management distraction or reputational implications of continuing to contest liability, even for those matters for which UBS believes it should be exonerated. The uncertainties inherent in all such matters affect the amount and timing of any potential outflows for both matters with respect to which provisions have been established and other contingent liabilities. UBS makes provisions for such matters brought against it when, in the opinion of management after seeking legal advice, it is more likely than not that UBS has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required, and the amount can be reliably estimated. Where these factors are otherwise satisfied, a provision may be established for claims that have not yet been asserted against UBS, but are nevertheless expected to be, based on UBS's experience with similar asserted claims. If any of those conditions is not met, such matters result in contingent liabilities. If the amount of an obligation cannot be reliably estimated, a liability exists that is not recognized even if an outflow of resources is probable. Accordingly,

no provision is established even if the potential outflow of resources with respect to 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 "Note 20a Provisions" to the UBS AG's consolidated financial statements included in the Annual Report 2016. It is not practicable to provide an aggregate estimate of liability for UBS's litigation, regulatory and similar matters as a class of contingent liabilities. Doing so would require UBS to provide speculative legal assessments as to claims and proceedings that involve unique fact patterns or novel legal theories, that have not yet been initiated or are at early stages of adjudication, or as to which alleged damages have not been quantified by the claimants. Although it therefore cannot provide a numerical estimate of the future losses that could arise from litigation, regulatory and similar matters, UBS believes that the aggregate amount of possible future losses from this class that are more than remote substantially exceeds the level of current provisions. Litigation, regulatory and similar matters may also result in non-monetary penalties and consequences. For example, the Non-Prosecution Agreement ("**NPA**") described in item 5 of this section, which UBS entered into with the US Department of Justice ("**DOJ**"), Criminal Division, Fraud Section in connection with its submissions of benchmark interest rates, including, among others, the British Bankers' Association London Interbank Offered Rate ("**LIBOR**"), was terminated by the DOJ based on its determination that UBS had committed a US crime in relation to foreign exchange matters. As a consequence, UBS AG pleaded guilty to one count of wire fraud for conduct in the LIBOR matter, paid a USD 203 million fine and is subject to 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 its capital requirements and the calculation of operational risk for this purpose is included in the "Capital management" section of the Annual Report 2016.

Provisions for litigation, regulatory and similar matters by business division and Corporate Center unit^{1,2}

<i>CHF million</i>	Wealth Management	Wealth Management Americas	Personal & Corporate Banking	Asset Management	Investment Bank	CC – Services	CC – Group ALM	CC – Non-core and Legacy Portfolio	Total 31.12.16	Total 31.12.15
Balance at the beginning of the year	245	459	83	16	585	310	0	1,284	2,983	3,053
Increase in provisions recognized in the income statement	76	113	7	5	43	5	0	606	856	1,263
Release of provisions recognized in the income statement	(6)	(15)	(4)	(6)	(2)	(3)	0	(11)	(48)	(166)
Provisions used in conformity with designated purpose	(19)	(137)	(9)	(9)	(13)	(49)	0	(318)	(554)	(1,174)
Foreign currency translation / unwind of discount	(4)	6	0	0	3	(4)	0	24	25	7
Balance at the end of the year	292	425	78	5	616	259	0	1,585	3,261	2,983

1 Provisions, if any, for the matters described in this disclosure are recorded in Wealth Management (item 3), Wealth Management Americas (item 4), the Investment Bank (item 8), CC – Services (item 7) and CC – Non-core and Legacy Portfolio (item 2). Provisions, if any, for the matters described in this disclosure in items 1 and 6 are allocated between Wealth Management and Personal & Corporate Banking, and provisions, if any, for the matters described in this disclosure in item 5 are allocated between the Investment Bank, CC – Services and CC – Non-core and Legacy Portfolio. 2 Provision movements are grouped by item for purposes of this table and may therefore differ from those shown in the table in "Note 20a Provisions" to the UBS AG consolidated financial statements included in the Annual Report 2016.

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. UBS has received disclosure orders from the Swiss Federal Tax Administration ("FTA") to transfer information based on requests for international administrative assistance in tax matters. The requests concern a number of UBS account numbers pertaining to current and former clients and are based on data from 2006 and 2008. UBS has taken steps to inform affected clients about the administrative assistance proceedings and their procedural rights, including the right to appeal. The requests are based on data received from the German authorities, who seized certain data related to UBS clients booked in Switzerland during their investigations and have apparently shared this data with other European countries. UBS expects additional countries to file similar requests. In addition, the Swiss Federal Supreme Court ruled in September 2016 that the double taxation agreement between the Netherlands and Switzerland provides a sufficient legal basis for an administrative assistance group request without specifying the names of the targeted taxpayers, which makes it more likely that similar requests for administrative assistance will be granted by the FTA.

In 2013, as a result of investigations in France, 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 ("témoin 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 AG 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 filed an application to the European Court of Human Rights ("ECHR") to challenge various aspects of the French court's decision. In January 2017, the ECHR denied UBS's application. The Swiss Federal Administrative Court ruled in October 2016 that in the administrative assistance proceedings related to the French bulk request, UBS has the right to appeal all final FTA client data disclosure orders. 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 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 subsequently reduced by the Court of Appeals to EUR 10 million.

In February 2016, the investigating judges indicated to UBS AG and UBS (France) S.A. that they closed their investigation. In July 2016, UBS AG and UBS (France) S.A. formally received the National Financial Prosecutor's recommendation ("*réquisitoire*") which sets forth her recommendation for which facts and offences both UBS entities as well as several former employees should be tried. Both UBS entities submitted comments on the *réquisitoire*. On 20 March 2017, the investigating judges issued their final trial order ("*ordonnance de renvoi en correctionnelle*"), charging UBS AG and UBS France S.A., as well as several former employees with complicity in regarding the laundering of proceeds of tax fraud and illicit solicitation of French residents in France. The matter will now be transferred to court and scheduled for trial.

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

In 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 2016 reflected provisions with respect to matters described in this item 1 in an amount that UBS believes to be appropriate under the applicable accounting standard. As in the case of other matters for which UBS has established provisions, the future outflow of resources in respect of such matters cannot be determined with certainty based on currently available information, and accordingly may ultimately prove to be substantially greater (or may be less) than the provision that UBS has recognized.

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

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

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

UBS was not a significant originator of US residential loans. A 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 2.5 billion in original face amount of RMBS underwritten or issued by UBS. Of the USD 2.5 billion in original face amount of RMBS that remains at issue in these cases, approximately USD 1.2 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 1.3 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 a lawsuit 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. The lawsuit was filed in the US District Court for the District of Kansas. The original principal balance at issue in the case is approximately USD 1.15 billion. In March 2017, UBS and NCUA reached an agreement in principle to resolve this matter. In the second quarter of 2016, UBS resolved a similar case brought by the NCUA in the US District Court for the Southern District of New York ("**SDNY**") relating to RMBS with an original principal balance of approximately USD 400 million, for a total of approximately USD 69.8 million, in addition to reasonable attorneys' fees incurred by NCUA.

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 with an original principal balance of approximately USD 2 billion, for which Assured Guaranty Municipal Corp., a financial guaranty insurance company, had previously demanded repurchase. A bench trial in the SDNY adjourned in May 2016. Approximately 9,000 loans were at issue in the trial. In September 2016, the court issued an order ruling on numerous legal and factual issues and applying those rulings to 20 exemplar loans. The court further ordered that a lead master be appointed to apply the court's rulings to the loans that remain at issue following the trial. 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.

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 2015, the Eastern District of New York identified a number of transactions that are the focus of their inquiry, and has subsequently provided a revised list of transactions. UBS has provided and continues to provide information. UBS continues to respond to the FIRREA

subpoena and to subpoenas from the New York State Attorney General and other state attorneys general 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 2014. UBS is cooperating with the authorities in these matters.

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 2016 reflected a provision of USD 1,500 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>	31.12.16	31.12.15
Balance at the beginning of the year	1,218	849
Increase in provision recognized in the income statement	589	662
Release of provision recognized in the income statement	0	(94)
Provision used in conformity with designated purpose	(307)	(199)
Balance at the end of the year	1,500	1,218

3. Madoff

In relation to the Bernard L. Madoff Investment Securities LLC (“**BMIS**”) investment fraud, UBS AG, UBS (Luxembourg) S.A. 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) S.A. 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 2014, the Luxembourg Court of Appeal dismissed one test case appeal in its entirety, which decision was appealed by the investor. In 2015, the Luxembourg Supreme Court found in favour of UBS and dismissed the investor’s appeal. In June 2016, the Luxembourg Court of Appeal dismissed the remaining test cases in their entirety. 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 2014, the US

Supreme Court denied the BMIS Trustee's petition seeking review of the Second Circuit ruling. In November 2016, the bankruptcy court issued an opinion dismissing the remaining claims for recovery of subsequent transfers of fraudulent conveyances and preference payments on the ground that the US Bankruptcy Code does not apply to transfers that occurred outside the US. The BMIS Trustee has indicated that he will appeal. In 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 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. The plaintiff in one of those claims has appealed the dismissal. 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 2015, a court of appeal ordered UBS to pay EUR 49 million, plus interest of approximately EUR 15.3 million.

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 approximately USD 2.0 billion, of which claims with aggregate claimed damages of approximately USD 861 million have been resolved through settlements, arbitration or withdrawal of the claim. The claims are filed by clients in Puerto Rico who own the funds or Puerto Rico municipal bonds and / or who used their UBS account assets as collateral for UBS non-purpose loans; customer complaint and arbitration allegations include fraud, misrepresentation and unsuitability of the funds and of the loans. A shareholder derivative action was filed in 2014 against various UBS entities and current and certain former directors of the funds, alleging hundreds of millions of US dollars in losses in the funds. In 2015, defendants' motion to dismiss was denied. Defendants' requests for permission to appeal that ruling were denied by the Puerto Rico Court of Appeals and the Puerto Rico Supreme Court. In 2014, a federal class action complaint also was filed against various UBS entities, certain members of UBS PR senior management, and the co-manager of certain of the funds seeking damages for investor losses in the funds during the period from May 2008 through May 2014. Defendants had moved to dismiss that complaint, and in December 2016, defendants' motion to dismiss was granted in part and denied in part. In 2015, a class action was filed in Puerto Rico state court against UBS PR seeking equitable relief in the form of a stay of any effort by UBS PR to collect on non-purpose loans it acquired from UBS Bank USA in December 2013 based on plaintiffs' allegation that the loans are not valid. The trial court denied defendants' motion to dismiss the action based on a forum selection clause in the loan agreements; the Puerto Rico Supreme Court has stayed the action pending its review of defendants' appeal from that ruling.

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

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

In 2011, a purported derivative action was filed on behalf of the Employee Retirement System of the Commonwealth of Puerto Rico ("**System**") against over 40 defendants, including UBS PR, which was named in connection with its underwriting and consulting

services. Plaintiffs alleged that defendants violated their purported fiduciary duties and contractual obligations in connection with the issuance and underwriting of approximately USD 3 billion of bonds by the System in 2008 and sought damages of over USD 800 million. Defendants' motion to dismiss is pending. In September 2016, the System announced its intention to join the action as a plaintiff and the court has since ordered that plaintiffs must file an amended complaint.

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. In September 2016, the court denied plaintiffs' motion for class certification. In October 2016, plaintiffs filed a petition with the US Court of Appeals for the First Circuit seeking permission to bring an interlocutory appeal challenging the denial of their motion for class certification. Defendants have filed an opposition to plaintiffs' petition.

Beginning in 2015, agencies and public corporations of the Commonwealth have defaulted on certain interest payments, and in July 2016, the Commonwealth defaulted on payments on its general obligation debt. Executive orders of the Governor that have diverted funds to pay for essential services instead of debt payments and stayed any action to enforce creditors' rights on the Puerto Rico bonds, continue to be in effect. In June 2016, US federal legislation created an oversight board with power to oversee Puerto Rico's finances and to restructure its debt. The oversight board is authorized to impose, and has imposed, a stay on exercise of creditors' rights. These events, further defaults, any further legislative action to create a legal means of restructuring Commonwealth obligations or to impose additional oversight on the Commonwealth's finances, or any restructuring of the Commonwealth's obligations, may increase the number of claims against UBS concerning Puerto Rico securities, as well as potential damages sought.

UBS's balance sheet at 31 December 2016 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 California State Attorney General, 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 continue to 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 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 2015, the DOJ's Criminal Division ("**Criminal Division**") terminated the December 2012 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 pleaded 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. Sentencing occurred on 5 January 2017. Under the plea agreement, UBS AG has paid a USD 203 million fine and is subject to a three-year term of probation starting on the sentencing date. 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. 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 UBS's processes and controls.

UBS has been granted conditional leniency or 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 leniency and 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 immunity by authorities in certain jurisdictions, including WEKO, in connection with potential competition law violations relating to foreign exchange and precious metals businesses, 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 as the leniency applicant.

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 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.

A putative class action has been filed in federal court in New York against UBS and other banks on behalf of participants, beneficiaries, and named fiduciaries of plans qualified under the Employee Retirement Income Security Act of 1974 ("**ERISA**") for whom a defendant bank provided foreign currency exchange transactional services, exercised discretionary authority or discretionary control over management of such ERISA plan, or authorized or permitted the

execution of any foreign currency exchange transactional services involving such plan's assets. The complaint asserts claims under ERISA. The parties filed a stipulation to dismiss the case with prejudice. The plaintiffs have appealed the dismissal.

In 2015, a putative class action was filed in federal court against UBS and numerous other banks on behalf of a putative class of persons and businesses in the US who directly purchased foreign currency from the defendants and their co-conspirators for their own end use. That action has been transferred to federal court in New York. Motions to dismiss are pending.

In 2016, a putative class action was filed in federal court in New York against UBS and numerous other banks on behalf of a putative class of persons and entities who had indirectly purchased FX instruments from a defendant or co-conspirator in the US. The complaint asserts claims under federal and state antitrust laws. Motions to dismiss will be filed.

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 had bought or sold physical precious metals and various precious metal products and derivatives. The complaints in these lawsuits assert claims under the antitrust laws and the CEA, and other claims. In October 2016, the court in New York granted UBS's motions to dismiss the putative class actions relating to gold and silver. Plaintiffs in those cases are seeking to amend their complaints to add new allegations about UBS. UBS's motion to dismiss the putative class action relating to platinum and palladium remains pending.

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 it 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 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.

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. In December 2016, UBS reached a settlement with WEKO regarding its investigation of bid-ask spreads in connection with Swiss franc interest rate derivatives and received full immunity from fines. 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 UBS 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 and WEKO, in connection with potential antitrust or competition law violations related to submissions for Yen LIBOR and Euroyen TIBOR. 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 in connection with the matters covered by the conditional grants, subject to UBS's continuing cooperation as leniency applicant. However, since the Secretariat of WEKO has asserted that UBS does not qualify for full immunity, UBS has been unable to reach a settlement with WEKO and therefore the investigation will continue. Furthermore, the conditional leniency and conditional immunity grants UBS has received do not bar government agencies from asserting other claims and imposing sanctions against it, 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 the federal courts in New York against UBS and numerous other banks on behalf of parties who transacted in certain interest rate benchmark-based derivatives. Also pending in the US and in other jurisdictions are actions asserting losses related to various products whose interest rates were linked to LIBOR and other benchmarks, including adjustable rate mortgages, preferred and debt securities, bonds pledged as collateral, loans, depository accounts, investments and other interest-bearing instruments. 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, USD ISDAFIX rates and other benchmark rates, and seek unspecified compensatory and other damages under varying legal theories.

In 2013, the US district court in the USD LIBOR 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. Certain plaintiffs appealed the decision to the Second Circuit, which, in May 2016, vacated the district court's ruling finding no antitrust injury and remanded the case back to the district court for a further determination on whether plaintiffs have antitrust standing. In December 2016, the district court again dismissed plaintiffs' antitrust claims, this time for lack of personal jurisdiction over UBS and other foreign banks. 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, GBP LIBOR, and SIBOR have filed motions to dismiss. UBS has entered into an agreement with representatives of a class of bondholders to settle their USD LIBOR class action. The agreement is subject to court approval.

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 certain state laws, and seek unspecified compensatory damages, including treble damages. In March 2016, the court in the ISDAFIX action denied in substantial part defendants' motion to dismiss, holding that plaintiffs have stated Sherman Act, breach-of-contract, and unjust-enrichment claims against defendants, including UBS AG.

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

With respect to additional matters and jurisdictions not encompassed by the settlements and order referred to above, UBS's balance sheet at 31 December 2016 reflected a provision in an amount that UBS believes to be appropriate under the applicable accounting standard. As in the case of other matters for which UBS has established provisions, the future outflow of resources in respect of such matters cannot be determined with certainty based on currently available information, and accordingly may ultimately prove to be substantially greater (or may be less) than the provision that UBS has recognized.

6. Swiss retrocessions

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

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

The Supreme Court decision has resulted, and may continue to result, in a number of client requests for UBS to disclose and potentially surrender retrocessions. Client requests are assessed on a case-by-case basis. Considerations taken into account when assessing these cases include, among 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 2016 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 2.6 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. These assessments are being challenged in administrative and judicial proceedings. 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. In 2015, an intermediate administrative court issued a decision that was largely in favor of the tax authority with respect to the goodwill amortization assessment. In May 2016, the highest level of the administrative court agreed to review this decision on a number of the significant issues.

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

The Hong Kong Securities and Futures Commission ("**SFC**") has been conducting investigations into UBS's role as a sponsor of certain initial public offerings listed on the Hong Kong Stock Exchange. In October 2016, the SFC informed UBS that it intends to commence action against UBS and certain UBS employees with respect to sponsorship work

in those offerings. If such action is taken, there may be financial ramifications for UBS, including fines and obligations to pay investor compensation and suspension of UBS's ability to provide corporate finance advisory services in Hong Kong for a period of time. On 16 January 2017, a writ was filed by the SFC with Hong Kong's High Court in which UBS is named as one of six defendants from whom the SFC is seeking compensation in an unspecified amount for losses incurred by certain shareholders of China Forestry Holdings Company Limited, for whom UBS acted as a sponsor in connection with their 2009 listing application.

The specific litigation, regulatory and other matters described above under items (1) to (8) 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 20 Provisions and contingent liabilities" to the UBS AG consolidated financial statements included in the Annual Report 2016. 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 document.

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 2015, the EC issued a statement that it had decided to close its investigation against all 13 dealers, including UBS. In July 2016, the EC issued a statement that it had resolved its investigation regarding Markit and ISDA. Starting in 2009, the Antitrust Division of the DOJ investigated 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 September 2016, DOJ advised that it had closed its investigation. 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 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 final court approval."

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

"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 2016, 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 2016."

The section entitled "11. Statutory Auditors" is completely replaced as follows:

"11. Statutory Auditors

Based on article 31 of the Articles of Association, UBS AG shareholders elect the auditors for a term of office of one year. At the AGM of 7 May 2015 and 4 May 2016, 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 are a member of EXPERTsuisse, the Swiss Expert Association for Audit, Tax and Fiduciary."

In the section entitled "M. GENERAL INFORMATION" the subsection entitled "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 2016, 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) Financial statements (including the "Statutory auditor's report on the audit of the consolidated financial statements" and the "Report of Independent Registered Public Accounting Firm"), (6) Additional regulatory information, and the Appendix (published on the UBS website, at https://www.ubs.com/global/en/about_ubs/investor_relations/annualreporting/2016.html);
- (b) The UBS AG standalone financial statements and regulatory information for the year ended 31 December 2016 (including the "Report of the statutory auditor on the financial statements") (published on the UBS website, at https://www.ubs.com/global/en/about_ubs/investor_relations/annualreporting/2016.html);
- (c) 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 (published on the UBS website, at https://www.ubs.com/global/en/about_ubs/investor_relations/annualreporting/2015.html);
- (d) the Conditions of the Securities as contained on pages 157 to 241 of the Base Prospectus dated 23 June 2014 of UBS AG as filed with SFSA (published on the UBS website, at <http://keyinvest-eu.ubs.com/base-prospectus>);
- (e) the Conditions of the Securities as contained on pages 212 to 318 of the Base Prospectus dated 17 April 2015 of UBS AG as filed with SFSA (published on the UBS website, at <http://keyinvest-eu.ubs.com/base-prospectus>); and

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

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 27 September 2016 in the section headed "A. Summary of the Base Prospectus (in the English language)" the following changes shall be made:

In the section headed "Section B – Issuer":

Element B.4b is completely replaced as follows:

B.4b	A description of any known trends affecting the issuer or the industries in which it operates.	<p>Trend Information</p> <p>As indicated in the UBS Group fourth quarter 2016 report published on 27 January 2017, although macroeconomic uncertainty, geopolitical tensions and divisive politics continue to affect client sentiment and transaction volumes, UBS has begun to observe improved investor confidence, primarily in the US, which may benefit its wealth management businesses. Lower than expected and negative interest rates, particularly in Switzerland and the eurozone, continue to present headwinds to net interest margins, which may be offset by the effect of higher US dollar interest rates. Implementing Switzerland's new bank capital standards and the proposed further changes to the international regulatory framework for banks will result in increasing capital requirements and costs. UBS will continue to execute its strategy with discipline, positioning it to mitigate these challenges and to benefit from any further improvement in market conditions.</p>
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Element B.5 is completely replaced as follows:

B.5	Description of the group and the issuer's position within the group.	<p>UBS AG is a Swiss bank and the parent company of the UBS AG Group. It is 100% owned by UBS Group AG, which is the holding company of the UBS Group. UBS operates as a group with five business divisions (Wealth Management, Wealth Management Americas, Personal & Corporate Banking, Asset Management and the Investment Bank) and a Corporate Center.</p> <p>Since 2014, 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.</p> <p>In December 2014, UBS Group AG completed an exchange offer for the shares of UBS AG and became the holding company of the UBS Group. During 2015, UBS Group AG completed a court procedure under the Swiss Stock Exchange and Securities Trading Act resulting in the cancellation of the shares of the remaining minority shareholders of UBS AG. As a result, UBS Group AG owns 100% of the outstanding shares of UBS AG.</p> <p>In June 2015, UBS AG transferred its Personal & Corporate Banking and Wealth Management businesses booked in Switzerland to UBS Switzerland AG, a banking subsidiary of UBS AG in Switzerland. Also in 2015, UBS implemented a more self-sufficient business and operating model for UBS Limited, UBS's investment banking subsidiary in the UK, and established UBS Business Solutions AG as a direct subsidiary of UBS Group AG to act as the Group service company. 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>In the second half of 2015, UBS transferred the ownership of the majority of its existing service subsidiaries outside the US to UBS Business Solutions AG, and expects to transfer shared services functions in Switzerland and the UK</p>
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		<p>from UBS AG to this entity during 2017. As of 1 January 2017, UBS completed the transfer of the shared service employees in the US to the US service company, UBS Business Solutions US LLC, a subsidiary of UBS AG.</p> <p>As of 1 July 2016, UBS Americas Holding LLC was designated as intermediate holding company for UBS's US subsidiaries as required under the enhanced prudential standards regulations pursuant to the Dodd-Frank Act. UBS Americas Holding LLC holds all of UBS's US subsidiaries and is subject to US capital requirements, governance requirements and other prudential regulation.</p> <p>In addition, UBS transferred the majority of the operating subsidiaries of Asset Management to UBS Asset Management AG during 2016. Furthermore, UBS merged its Wealth Management subsidiaries in Italy, Luxembourg (including its branches in Austria, Denmark and Sweden), the Netherlands and Spain into UBS Deutschland AG, which was renamed to UBS Europe SE, to establish UBS's new European legal entity which is headquartered in Frankfurt, Germany.</p> <p>UBS continues to consider further changes to the Group's legal structure in response to regulatory requirements and other external developments, including the anticipated exit of the United Kingdom from the European Union. Such changes may include the transfer of operating subsidiaries of UBS AG to become direct subsidiaries of UBS Group AG, further consolidation of operating subsidiaries in the EU 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.</p>
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Element B.10 is completely replaced as follows:

B.10	Qualifications in the audit report.	Not applicable. There are no qualifications in the auditors' reports on the consolidated financial statements of UBS AG and the standalone financial statements of UBS AG for the years ended on 31 December 2016 and 31 December 2015.
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Element B.12 is completely replaced as follows:

B.12	Selected historical key financial information.	<p>UBS AG derived the selected consolidated financial information included in the table below, except where indicated, from the Annual Report 2016, which contains the audited consolidated financial statements of UBS AG, as well as additional unaudited consolidated financial information, for the year ended 31 December 2016 and comparative figures for the years ended 31 December 2015 and 2014.</p> <p>The consolidated financial statements for the years ended on 31 December 2016, 31 December 2015 and 31 December 2014 were prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and are stated in Swiss francs ("CHF").</p> <p>Information for the years ended 31 December 2016, 2015 and 2014 which is indicated as being unaudited in the table below was included in the Annual Report 2016 but has not been audited on the basis that the respective disclosures are not required under IFRS, and therefore are not part of the audited financial statements.</p>
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The Group and business divisions are managed on the basis of a key performance indicator framework, which identifies profit and growth financial measures, in the context of sound risk and capital management objectives. When determining variable compensation, both Group and business division key performance indicators are taken into account. UBS AG reviews the key performance indicators framework on a regular basis, considering the company's strategy and the market environment in which the company operates. Key performance indicators are disclosed in UBS AG's quarterly and annual reporting to allow comparison of the company's performance over the reporting periods. The company's key performance indicators are designed to be assessed on an over-the-cycle basis and are subject to seasonal patterns. Please refer to the footnotes to the table below for the definitions of the key performance indicators. In addition, the table "Key performance indicators – definitions and reason for use" below contains a description and the reason for the use of each key performance indicator, except those disclosed in accordance with applicable legislation.

<i>CHF million, except where indicated</i>	As of or for the year ended		
	31.12.16	31.12.15	31.12.14
	<i>audited, except where indicated</i>		
Group results			
Operating income	28,421	30,605	28,026
Operating expenses	24,352	25,198	25,557
Operating profit / (loss) before tax	4,069	5,407	2,469
Net profit / (loss) attributable to shareholders	3,207	6,235	3,502
Key performance indicators			
Profitability			
Return on tangible equity (%) ¹	6.9*	13.5*	8.2*
Return on assets, gross (%) ²	3.0*	3.1*	2.8*
Cost / income ratio (%) ³	85.6*	82.0*	90.9*
Growth			
Net profit growth (%) ⁴	(48.6)*	78.0*	10.4*
Net new money growth for combined wealth management businesses (%) ⁵	2.1*	2.2*	2.5*
Resources⁶			
Common equity tier 1 capital ratio (fully applied, %) ^{7,8}	14.5*	15.4*	14.2*
Going concern leverage ratio (phase-in, %) ^{9,10}	5.8*	-	-
Additional information			
Profitability			
Return on equity (RoE) (%) ¹¹	5.9*	11.7*	7.0*
Return on risk-weighted assets, gross (%) ¹²	13.2*	14.3*	12.6*
Resources⁶			
Total assets	935,353	943,256	1,062,327
Equity attributable to shareholders	53,662	55,248	52,108
Common equity tier 1 capital (fully applied) ⁸	32,447	32,042	30,805
Common equity tier 1 capital (phase-in) ⁸	39,474	41,516	44,090
Risk-weighted assets (fully applied) ⁹	223,232*	208,186*	217,158*
Common equity tier 1 capital ratio (phase-in, %) ^{7,8}	17.5*	19.5*	19.9*
Going concern capital ratio (fully applied, %) ¹⁰	16.3*	-	-
Going concern capital ratio (phase-in, %) ¹⁰	22.6*	-	-
Common equity tier 1 leverage ratio (fully applied, %) ¹³	3.7*	3.6*	3.1*
Going concern leverage ratio (fully applied, %) ^{9,10}	4.2*	-	-
Leverage ratio denominator (fully applied) ¹³	870,942*	898,251*	999,124*
Other			
Invested assets (CHF billion) ¹⁴	2,821	2,689	2,734
Personnel (full-time equivalents)	56,208*	58,131*	60,155*

* unaudited

¹ Net profit attributable to shareholders before amortization and impairment of goodwill and intangible assets (annualized as applicable) / average equity attributable to shareholders less average goodwill and intangible assets.

² Operating income before credit loss (expense) or recovery (annualized as applicable) / average total assets.

³ Operating expenses / operating income before credit loss (expense) or recovery.

⁴ Change in net profit attributable to shareholders from continuing operations between current and comparison periods / net profit attributable to shareholders from continuing operations of comparison period. Not meaningful and not included if either the reporting period or the comparison period is a loss period.

⁵ Net new money growth for combined wealth management businesses is calculated as the aggregate of the net new money for the period (annualized as applicable) of the business divisions Wealth Management and Wealth Management Americas / aggregate invested assets at the beginning of the period of the business divisions Wealth Management and Wealth Management Americas. Net new money and invested assets are each derived from the "Wealth Management" and "Wealth Management Americas" sections of the management report contained in the Annual Report 2016, under "Financial and operating performance". Net new money growth for combined wealth management businesses is based on adjusted net new money, which excludes the negative effect on net new money in 2015 of CHF 9.9 billion in Wealth Management from UBS's balance sheet and capital optimization program.

⁶ Subsequent to the publication of the fourth quarter 2016 report, the Annual General Meeting of shareholders of UBS AG approved the distribution of a CHF 2,250 million dividend from UBS AG to UBS Group AG, which was higher than the previously estimated amount. This, in combination with the adjusting event after the reporting period described in "Note 35 Events after the reporting period" to the UBS AG's consolidated financial statements included in the Annual Report 2016, resulted in a reduction of CET1 capital (CHF 607 million on a fully applied basis and CHF 585 million on a phase-in basis), a reduction in the leverage ratio denominator (CHF 45 million on a fully applied basis and CHF 27 million on a phase-in basis) and respective capital ratios of UBS AG consolidated as of 31 December 2016.

⁷ Common equity tier 1 capital / risk-weighted assets.

⁸ Based on the Basel III framework as applicable for Swiss systemically relevant banks.

⁹ Total going concern capital / leverage ratio denominator.

¹⁰ Based on the revised Swiss SRB framework that became effective on 1 July 2016. Figures for prior periods are not available.

¹¹ Net profit attributable to shareholders (annualized as applicable) / average equity attributable to shareholders.

¹² Based on fully applied risk-weighted assets for all periods presented. This consolidated financial information was derived from the Annual Report 2016. Figures as of 31 December 2015 and 31 December 2014 do not correspond to the figures contained in the Annual Report 2015 or the Annual Report 2014, which were based on phase-in risk-weighted assets.

¹³ Calculated in accordance with Swiss SRB rules. From 31 December 2015 onward, the leverage ratio denominator calculation is aligned with the Basel III rules. Figures for periods prior to 31 December 2015 are calculated in accordance with former Swiss SRB rules and are therefore not fully comparable.

¹⁴ Includes invested assets for Personal & Corporate Banking.

Key performance indicators – definitions and reason for use		
Key performance indicator	Definition	Reason for use
Return on tangible equity	Net profit attributable to shareholders before amortization and impairment of goodwill and intangible assets (annualized as applicable) divided by average equity attributable to shareholders less average goodwill and intangible assets	This metric is used because it provides information on the profitability of the business in relation to tangible equity.
Return on assets, gross	Operating income before credit loss (expense) or recovery (annualized as applicable) divided by average total assets	This profitability metric provides information on the gross income generation in relation to average total assets.
Cost / income ratio	Operating expenses divided by operating income before credit loss (expense) or recovery	This metric is used to provide information on the efficiency of the business by comparing operating expenses with gross income.
Net profit growth	Change in net profit attributable to shareholders from continuing operations between current and comparison periods divided by net profit attributable to shareholders from continuing operations of comparison period	This profitability metric provides information on profit growth in comparison with prior period.
Net new money growth for combined wealth management business	Net new money for combined wealth management businesses for the period (annualized as	This growth metric is used to provide information on the wealth management business growth by comparing net new money intakes during the reporting period with invested assets at the beginning of the period.

		applicable) divided by Invested assets at the beginning of the period	
	Material adverse change statement.	There has been no material adverse change in the prospects of UBS AG or UBS AG Group since 31 December 2016.	
	Significant changes statement.	There has been no significant change in the financial or trading position of UBS AG or UBS AG Group since 31 December 2016, which is the end of the last financial period for which audited financial information has been published.	

Element B.14 is completely replaced as follows:

B.14	Description of the group and the issuer's position within the group.	Please see element B.5
	Dependence upon other entities within the group.	UBS AG is the parent company of, and conducts a significant portion of its operations through, subsidiaries. As such, to a certain extent, it is dependent on certain of its subsidiaries.

The first paragraph of Element B.15 is completely replaced and, consequently, Element B.15 reads as follows:

B.15	Issuer's principal activities.	<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 & Corporate Banking, Asset Management and the Investment Bank. UBS's strategy is centered on its leading wealth management businesses and its premier universal bank in Switzerland which are enhanced by Asset Management and the Investment Bank. UBS focuses on businesses that, in its opinion, have a strong competitive position in their targeted markets, are capital efficient and have an attractive long-term structural growth or profitability outlook.</p> <p>According to article 2 of the articles of association of UBS AG dated 4 May 2016 ("Articles of Association"), the purpose of UBS AG is the operation of a bank. Its scope of operations extends to all types of banking, financial, advisory, trading and service activities in Switzerland and abroad. UBS AG may establish branches and representative offices as well as banks, finance companies and other enterprises of any kind in Switzerland and abroad, hold equity interests in these companies, and conduct their management. UBS AG is authorized to acquire, mortgage and sell real estate and building rights in Switzerland and abroad. UBS AG may borrow and invest money on the capital markets. UBS AG is part of the group of companies controlled by the group parent company UBS Group AG. It may promote the interests of the group parent company or other group companies. It may provide loans, guarantees and other kinds of financing and security for group companies.</p>
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- 3) In relation to the Base Prospectus for Certificates, Notes or Warrants of UBS AG, [London] [Jersey] [Branch] dated 27 September 2016 in the section headed "B. Summary of the Base Prospectus (in the Swedish language)" the following changes shall be made:

In the section headed "Avsnitt B – Emittent":

Element B.4b is completely replaced as follows:

B.4b	En beskrivning av varje känd trend som påverkar emittenten eller de branscher där emittenten är verksam.	<p>Information om trender</p> <p>Enligt vad som angivits i UBS-koncernens kvartalsrapport för fjärde kvartalet 2016 som publicerades den 27 januari 2017, har UBS – trots att makroekonomisk osäkerhet, geopolitiska spänningar och splittrande politik fortsätter att påverka kunderna och transaktionsvolymerna – börjat iakttä ökat förtroende hos investerarna, främst i USA, som kan gynna dess förmögenhetsförvaltningsföretag. Lägre än förväntade och negativa räntor, i synnerhet i Schweiz och eurozonen, fortsätter att utgöra motvind för nettoräntemarginaler, vilket kan komma att kompenseras av effekten av högre räntor för USD. Dessutom kommer ändringarna i de regulatoriska kapitalkraven för banker i Schweiz och föreslagna ytterligare ändringar i det internationella regelverket för banker att resultera i ökade kapitalkrav och kostnader. UBS kommer att fortsätta att genomföra sin strategi med disciplin, positionera sig för att lindra dessa utmaningar och att dra fördel av eventuella ytterligare förbättringar av marknadsvillkoren.</p>
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Element B.5 is completely replaced as follows:

B.5	Beskrivning av koncernen och emittentens plats inom koncernen.	<p>UBS AG är en schweizisk bank och moderbolaget till UBS AG-koncernen. Det ägs till 100 % av UBS Group AG, som är holdingbolaget för UBS-koncernen. UBS bedrivs som en koncern med fem affärsdivisioner (Wealth Management, Wealth Management Americas, Personal & Corporate Banking, Asset Management och Investment Bank) samt ett Corporate Center.</p> <p>Sedan 2014 har UBS vidtagit en rad åtgärder för att förbättra Koncernens förmåga till avveckling för att möta kraven i Schweiz och andra länder där Koncernen är verksam, avseende företag som anses för stora för att tillåtas fallera.</p> <p>I december 2014 avslutade UBS Group AG ett utbyteserbjudande för aktierna i UBS AG och etablerade UBS Group AG som holdingbolag för UBS Group. Under 2015 genomförde UBS Group AG ett domstolsförfarande enligt lagen för den schweiziska börsen (the Swiss Stock Exchange and Securities Trading Act) 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 sin verksamhet inom Personal & Corporate Banking och Wealth Management, som bokförs i Schweiz, till UBS Switzerland AG, ett bankdotterföretag till UBS AG i Schweiz. År 2015 avslutade UBS även genomförandet av en mer självförsörjande affärs- och verksamhetsmodell för UBS Limited, dess investeringsdotterföretag i Storbritannien, och etablerade UBS Business Solutions AG som ett direkt dotterföretag till UBS Group AG, för att agera som koncernens serviceföretag. Syftet med serviceföretagsstrukturen är att förbättra Koncernens förmåga till avveckling genom att möjliggöra för UBS att bibehålla operationell kontinuitet av kritiska tjänster om en rekonstruktions- eller avvecklingshändelse skulle inträffa.</p> <p>Under andra halvan av 2015 överförde UBS ägandeskapet för majoriteten av</p>
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		<p>dess befintliga serviceföretag utanför USA till UBS Business Solutions AG. Överföringen av delade servicefunktioner i Schweiz och Storbritannien från UBS AG till detta bolag förväntas ske under 2017. Per den 1 januari 2017 har UBS genomfört överföringen av medarbetare inom delade tjänster i USA till det amerikanska serviceföretaget UBS Business Solutions US LLC, ett dotterbolag till UBS AG.</p> <p>Per den 1 juli 2016 utsågs UBS Americas Holding LLC till mellanliggande holdingbolag för dess dotterföretag i USA, vilket krävs i de utökade reglerna rörande stabilitetstillsyn i enlighet med Dodd-Frank Act. UBS Americas Holding LLC äger alla UBS dotterföretag i USA, och lyder under amerikansk rätt avseende kapitalkrav, krav på företagsstyrning och annan stabilitetsreglering.</p> <p>Dessutom överförde UBS majoriteten av de rörelsedrivande dotterföretagen inom Asset Management AG under år 2016. Vidare slogs UBS dotterbolag för förmögenhetsförvaltning i Italien, Luxemburg (inklusive dess filialer i Österrike, Danmark och Sverige), Nederländerna och Spanien ihop till UBS Deutschland AG, som döptes om till UBS Europe SE, för att etablera UBS nya europeiska juridiska enhet, med huvudkontor i Frankfurt, Tyskland.</p> <p>UBS fortsätter att överväga ytterligare förändringar beträffande Koncernens juridiska struktur för att möta regulatoriska krav och andra externa utvecklingar, inklusive Storbritanniens förväntade utträde ur den Europeiska Unionen. Sådana förändringar kan inkludera överföringen av rörelsedrivande dotterföretag till UBS AG till att bli direkta dotterföretag till UBS Group AG, ytterligare konsolidering av rörelsedrivande dotterföretag i EU och justeringar beträffande bokförande enhet eller placeringen av produkter och tjänster. Dessa strukturella förändringar diskuteras löpande med FINMA och andra regulatoriska myndigheter och fortsätter att vara beroende av ett antal osäkerhetsfaktorer som kan påverka deras genomförbarhet, omfattning eller tidpunkt.</p>
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Element B.10 is completely replaced as follows:

B.10	Anmärkningar i revisionsberättelsen.	Ej tillämpligt. Det finns inte några anmärkningar i revisionsberättelsen för de konsoliderade finansiella räkenskaperna för UBS AG och de separata finansiella räkenskaperna för UBS AG för åren som slutade den 31 december 2016 och 31 december 2015.
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Element B.12 is completely replaced as follows:

B.12	Utvald historisk finansiell nyckelinformation.	<p>UBS AG har, såvida inte annat anges, hämtat den utvalda finansiella informationen i tabellen nedan, från årsredovisningen för 2016, vilken innehåller de reviderade konsoliderade finansiella räkenskaperna för UBS AG, liksom ytterligare oreviderad konsoliderad finansiell information, för året som slutade den 31 december 2016 och jämförelsesiffror för åren som slutade den 31 december 2015 och 2014.</p> <p>De konsoliderade finansiella räkenskaperna, för åren som slutade 31 december 2016, 31 december 2015 och 31 december 2014, har tagits fram i enlighet med International Financial Reporting Standards ("IFRS"), utfärdade av International Accounting Standards Board ("IASB"), och anges i schweiziska franc ("CHF").</p> <p>Information för åren som slutade 31 december 2016, 2015 och 2014 vilken indikeras som oreviderad i tabellen nedan, inkluderades i Årsredovisningen 2016 men har inte reviderats på grund av att de respektive beskrivningarna inte krävs enligt IFRS och därför inte utgör del av de reviderade finansiella</p>
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	räkenskaperna.			
	Koncernen och affärsdivisionerna hanteras med utgångspunkt i viktiga nyckeltal, vilka identifierar finansiella indikatorer för vinst och tillväxt, inom ramen för sunda risk- och kapitalhanteringsmål. Vid fastställandet av variabeln kompensation tas både Koncernens och affärsdivisionens viktiga resultatindikatorer med i beräkningen. UBS AG granskar regelbundet nyckeltalen, och beaktar företagets strategi och marknadsmiljö i vilket företaget är verksamt. Viktiga nyckeltal ingår i UBS AG:s kvartalsmässiga och årliga rapportering för att tillåta jämförelse av företagets resultat över rapporteringsperioderna. Företagets viktiga nyckeltal har utformats för att utvärderas över bestämda cykler och följer vissa säsongsmönster. Se fotnoterna i tabellen nedan för definitioner av nyckeltalen. Dessutom innehåller tabellen "Nyckeltal - definitioner och anledning till användning" nedan en beskrivning och skäl för användning för varje nyckeltal, förutom de som gäller i enlighet med tillämplig lagstiftning.			
	<i>CHF miljoner, förutom där indikerat</i>	31.12.16	31.12.15	31.12.14
		<i>Reviderat, förutom där indikerat</i>		
	Koncernresultat			
	Rörelseintäkter	28 421	30 605	28 026
	Rörelsekostnader	24 352	25 198	25 557
	Rörelsevinst / (förlust) före skatt	4 069	5 407	2 469
	Nettovinst / (förlust) hänförlig till UBS AG aktieägare	3 207	6 235	3 502
	Viktiga resultatindikatorer			
	Lönsamhet			
	Avkastning på synligt eget kapital (%) ¹	6,9*	13,5*	8,2*
	Avkastning på tillgångar, brutto (%) ²	3,0*	3,1*	2,8*
	Kostnads / intäktsrelation (%) ³	85,6*	82,0*	90,9*
	Tillväxt			
	Nettovinsttillväxt (%) ⁴	(48,6)*	78,0*	10,4*
	Nettotillväxt nya medel för kombinerade verksamheter inom förmögenhetsförvaltning (%) ⁵	2,1*	2,2*	2,5*
	Resurser⁶			
	Primärkapitalrelation (Common equity tier 1 capital ratio) (fullt tillämpad, %) ^{7,8}	14,5*	15,4*	14,2*
	Hävstångsrelation enligt "going concern" (infasad, %) ^{9,10}	5,8*	-	-
	Ytterligare information			
	Lönsamhet			
	Avkastning på eget kapital (RoE) (%) ¹¹	5,9*	11,7*	7,0*
	Avkastning på riskvägda tillgångar, brutto (%) ¹²	13,2*	14,3*	12,6*
	Resurser⁶			
	Totala tillgångar	935 353	943 256	1 062 327
	Eget kapital hänförligt till aktieägare	53 662	55 248	52 108
	Primärkapital (Common equity tier 1 capital) (fullt tillämpad) ⁸	32 447	32 042	30 805
	Primärkapital (Common equity tier 1 capital) (infasad) ⁸	39 474	41 516	44 090
	Riskvägda tillgångar (fullt tillämpad) ⁸	223 232*	208 186*	217 158*
	Primärkapitalrelation (Common equity tier 1 capital ratio) (infasad, %) ^{7,8}	17,5*	19,5*	19,9*
	Kapitalrelation enligt going concern (fullt tillämpad, %) ¹⁰	16,3*	-	-
	Kapitalrelation enligt going concern (infasad, %) ¹⁰	22,6*	-	-
	Primärkapital (Common equity tier 1 capital) (infasad, %) ¹³	3,7*	3,6*	3,1*
	Kapitalrelation enligt going concern (fullt tillämpad, %) ^{9,10}	4,2*	-	-
	Hävstångsrelationsnämne (fullt tillämpad) ¹³	870 942*	898 251*	999 124*
	Övrigt			
	Investerade tillgångar (CHF miljarder) ¹⁴	2 821	2 689	2 734
	Anställda (motsvarande heltidstjänster)	56 208*	58 131*	60 155*

* oreviderat

¹ Nettovinst hänförlig till aktieägare före nedskrivningar och reserveringar av goodwill och immateriella tillgångar (på årsbasis där tillämpligt) / genomsnittligt eget kapital hänförligt till aktieägare minskat med genomsnittlig goodwill och immateriella tillgångar.

² Rörelseintäkter före kreditförluster (utgift) eller återvinning (på årsbasis där tillämpligt) / genomsnittliga totala tillgångar.

³ Rörelseutgifter/rörelseintäkter före kreditförlust (utgift) eller återvinning.

⁴ Förändring i nettovinst hänförlig till aktieägare från fortsatt bedrivna verksamheter mellan innevarande och jämförelseperioder/nettovinst hänförlig till aktieägare från fortsatt bedrivna verksamheter under jämförelseperiod. Ej meningsfullt och ej inkluderat om antingen rapporteringsperioden eller jämförelseperioden är en förlustperiod.

⁵ Nettotillväxt för nya medel för kombinerade Wealth Managements-verksamheter beräknas som sammanlagda nya medel för perioden (på årsbasis där tillämpligt) för divisionerna Wealth Management och Wealth Management Americas / sammanlagda investerade tillgångar vid början av perioden för divisionerna Wealth Management och Wealth Management Americas. Netto nya medel och investerade tillgångar hämtas var och en från avsnitten "Wealth Management" och "Wealth Management Americas" i rapporten som ingår i årsrapporten 2016 under avsnittet "Ekonomiska resultat och verksamhetsresultat". Nettotillväxt för nya medel för de kombinerade Wealth Management-verksamheterna baseras på justerat netto av nya pengar, vilket exkluderar den negativa effekten på netto av nya pengar 2015 på CHF 9,9 miljarder inom Wealth Management från UBS:s program avseende balansräknings- och kapitaloptimering.

⁶ Efter publicering av kvartalsrapporten för fjärde kvartalet 2016 beslutade aktieägarnas årsmöte för UBS AG om att godkänna en fördelning av en utdelning på CHF 2 250 miljoner från UBS AG till UBS Group AG, vilket var högre än det tidigare uppskattade beloppet. Detta, i kombination med justeringshändelsen efter rapporteringsperioden som beskrivs i "Anteckning 35 Händelser efter rapporteringsperioden" till UBS AG:s konsoliderade finansiella räkenskaper, inkluderade i årsredovisningen för 2016, ledde till en minskning av kärnprimärkapital (CHF 607 miljoner helt tillämpade och CHF 585 miljoner som infasas), en minskning i hävstångsdenominator (CHF 45 miljoner helt tillämpade och CHF 27 miljoner som infasas) och respektive kapitalrelationer för UBS AG konsoliderade per den 31 december 2016.

⁷ Primärkapital (Common equity tier 1 capital) /riskvägda tillgångar.

⁸ Baserat på Basel III-regelverket så som detta tillämpas på schweiziska systemviktiga banker (SRB).

⁹ Totalt kapital/hävstångsdenominator enligt going concern.

¹⁰ Baserat på de reviderade schweiziska SRB-regler som började tillämpas från den 1 juli 2016. Siffror för tidigare perioder är inte tillgängliga.

¹¹ Nettovinst hänförlig till aktieägares profit (på årsbasis där tillämpligt)/genomsnittligt eget kapital hänförligt till aktieägare.

¹² Baserat på fullt tillämpade riskvägda tillgångar för alla de presenterade perioderna. Denna konsoliderade finansiella information hämtades från årsredovisningen för 2016 Siffrorna per den 31 december 2015 och 31 december 2014 motsvarar inte siffrorna i årsredovisningen för 2015 eller årsredovisningen för 2014 som baserades på infasade riskvägda tillgångar.

¹³ Beräknad i enlighet med schweiziska SRB-regler. Från och med 31 december 2015 är beräkningen av hävstångsrelationsnämaren fullt lierad med Basel III-reglerna. Siffror för perioder före 31 december 2015 har beräknats i enlighet med tidigare schweiziska SRB-regler och är därför inte fullt jämförbara.

¹⁴ Inkluderar investerade tillgångar inom Personal & Corporate Banking.

Nyckeltal – definition och skäl för användning		
Nyckeltal	Definition	Skäl för användning
Avkastning på synligt eget kapital	Nettovinst hänförlig till aktieägare före nedskrivningar och reserveringar av goodwill och immateriella tillgångar (på årsbasis där tillämpligt) delat med genomsnittligt eget kapital hänförligt till aktieägare minskat med genomsnittlig goodwill och immateriella tillgångar	Detta mått används eftersom det tillhandahåller information om verksamhetens lönsamhet i förhållande till materiellt kapital.
Avkastning på tillgångar, brutto	Rörelseintäkter före kreditförluster (utgift) eller återvinning (på årsbasis där tillämpligt) delat med genomsnittliga totala tillgångar	Detta mått på lönsamhet tillhandahåller information om frambringandet av bruttointkomst i relation till genomsnittliga totala tillgångar.
Kostnads / intäktsrelation	Rörelseutgifter delat med rörelseintäkter före kreditförlust (utgift) eller återvinning	Detta mått används för att tillhandahålla information om företagets effektivitet genom att jämföra rörelseutgifter med bruttointäkt.
Nettovinststillväxt	Förändring i nettovinst hänförlig till aktieägare från fortsatt bedrivna verksamheter mellan innevarande och jämförelseperioder delat med nettovinst hänförlig till aktieägare från fortsatt	Detta lönsamhetsmått tillhandahåller information om vinststillväxt i relation till tidigare period.

		bedrivna verksamheter under jämförelseperiod	
	Nettotillväxt nya medel för kombinerade verksamheter inom förmögenhetsförvaltning	Netto av nya pengar för kombinerad hälsoförvaltning för perioden (årsbasis om möjligt) delat på investerade tillgångar i början av perioden.	Detta tillväxtmått används för att tillhandahålla information om tillväxt av förmögenhetsförvaltning genom att jämföra netto nya pengainflöden under rapporteringsperioden med investerade tillgångar i periodens början.
	Uttalande om väsentliga negativa förändringar.	Det har inte inträffat någon väsentlig negativ förändring i framtidsutsikterna för UBS AG eller UBS AG-koncernen sedan den 31 december 2016.	
	Uttalande om väsentliga förändringar.	Det har inte inträffat någon väsentlig förändring i den finansiella positionen eller handelspositionen för UBS AG eller UBS AG-koncernen sedan den 31 december 2016, vilket är slutet på den senaste finansiella period för vilken reviderad information har publicerats.	

Element B.14 is completely replaced as follows:

B.14	Beskrivning av koncernen och av emittentens position inom koncernen. Beroende av andra företag inom koncernen.	Se Punkt B.5. UBS AG är moderbolag för och genomför en stor andel av sin verksamhet genom dotterbolag. På grund av detta är de i viss utsträckning beroende av sina dotterbolag.
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The first paragraph of Element B.15 is completely replaced and, consequently, Element B.15 reads as follows:

B.15	Emittentens huvudsakliga verksamhet.	<p>UBS AG och dess dotterbolag tillhandahåller finansiell rådgivning och lösningar till privata, institutionella och företagskunder i hela världen, likväl som till privata kunder i Schweiz. Koncernens struktur består av Corporate Center och fem divisioner: Wealth Management, Wealth Management Americas, Personal & Corporate Banking, Asset Management och Investment Bank. UBS:s strategi centreras på dess ledande verksamhet inom förmögenhetsförvaltning och universella premierbank i Schweiz som utökas av Asset Management och Investment Bank. UBS fokuserar på företag som, enligt dem, har en stark konkurrensposition på sin marknad, är kapitaleffektiva och har en attraktiv långsiktig strukturtillväxt eller lönsamhetsprognos.</p> <p>Enligt Artikel 2 i Bolagsordningen för UBS AG, daterad den 4 maj 2016 ("Bolagsordningen") är verksamhetsföremålet för UBS AG att bedriva bankverksamhet. Dess verksamhet sträcker sig över alla typer av banktjänster, finansiella tjänster, rådgivningstjänster och handelsaktiviteter i Schweiz och utomlands. UBS AG kan etablera filialer och representationskontor liksom även banker, kreditmarknadsföretag och andra företag av varje slag i Schweiz och utomlands, inneha ägarintressen i dessa bolag och sköta dessas ledning. UBS AG är auktoriserat att köpa, inteckna och sälja fast egendom och byggrätter i Schweiz och utomlands. UBS AG kan låna och investera på penning- och kapitalmarknader. UBS AG ingår i den företagskoncern som styrs av moderföretaget UBS Group AG. Det kan verka till fördel för koncernens moderföretag eller andra koncernföretag. Det kan tillhandahålla lån, garantier och andra former av finansiering och säkerheter för koncernföretagen.</p>
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- 4) In relation to the Base Prospectus for Certificates, Notes or Warrants of UBS AG, [London] [Jersey] [Branch] dated 27 September 2016 in the section headed "C. Summary of the Base Prospectus (in the Danish language)" the following changes shall be made:

In the section headed "Afsnit B – Udsteder":

Element B.4b is completely replaced as follows:

B.4b	Kendte tendenser, der påvirker Udsteder, og brancher inden for hvilke, Udstederen driver virksomhed.	<p>Oplysninger om tendenser</p> <p>Selv om makroøkonomisk usikkerhed, geopolitiske spændinger og politisk uenighed stadig påvirker klienternes indstilling og investeringsvolumener, har UBS, som beskrevet i UBS koncernens 4. kvartalsrapport, der blev offentliggjort den 27. januar 2017, særligt i USA, bemærket en stigende investortillid. Det kan være til fordel for UBS' formueforvaltningsvirksomhed. Et renteniveau, der er lavere end forventet, og negative renter, især i Schweiz og eurozonen, giver problemer for nettorentemarginalerne, hvilket kan blive udlignet af højere US dollar-renter. Derudover vil ændringerne af de schweiziske bankkapitalstandarder og de forslåede yderligere krav til bankerne på internationalt plan betyde øgede kapitalkrav og omkostninger. UBS vil fortsat disciplineret holde sig til sin strategi med henblik på at minimere disse udfordringer og drage fordel af eventuelle yderligere forbedringer i markedsforholdene.</p>
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Element B.5 is completely replaced as follows:

B.5	Beskrivelse af koncernen og Udstederens position inden for koncernen.	<p>UBS AG er en schweizisk bank og moderselskab for UBS AG-koncernen. Den er 100 % ejet af UBS-koncernen AG, som er holdingselskabet for UBS-koncernen. UBS fungerer som en koncern med fem forretningsafdelinger (Wealth Management, Wealth Management Americas, Personal & Corporate Banking, Asset Management og Investment Bank) og et Koncerncenter (Corporate Center).</p> <p>Siden 2014 UBS har gennem truffet en række foranstaltninger til forbedring af koncernens afviklingsmuligheder som følge af de såkaldte "for store til at krakke"-krav (too big to fail) i Schweiz og andre lande, hvor koncernen driver virksomhed.</p> <p>I december 2014 gennemførte UBS-koncernen AG et ombytningsstilbud for aktierne i UBS AG og blev holdingselskab for UBS-koncernen. I løbet af 2015 gennemførte UBS Group AG en domstolsbestemt annullering af de resterende minoritetsaktier i UBS AG i overensstemmelse med den schweiziske fondsbørs- og valutahandelslov. Samlet ejer UBS Group AG nu 100 % af de udestående aktier i UBS AG.</p> <p>I juni 2015 overdrog UBS AG den del af formueforvaltning Personal & Corporate Banking og Wealth Management, som bogføres i Schweiz, til UBS Switzerland AG, som er et bankdatterselskab af UBS AG i Schweiz. UBS implementerede endvidere i 2015 en mere selvforsynende virksomheds- og driftsmodel for UBS Limited, som er UBS's investeringsbank og datterselskab i Storbritannien, og oprettede UBS Business Solutions AG som direkte datterselskab ejet af UBS Group AG til at fungere som koncernens servicevirksomhed. Formålet med struktureringen af serviceselskabet er at forbedre koncernens afviklingsmuligheder ved at sætte UBS i stand til at opretholde driften af kritiske aktiviteter i tilfælde af et behov for genopretning eller opløsning.</p>
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		<p>I andet halvår 2015 overdrog UBS sin majoritetsejerandel af de eksisterende servicedatterselskaber udenfor USA til UBS Business Solutions AG og forventer at overføre sine koncernfunktioner i Schweiz og Storbritannien fra UBS AG til denne enhed i 2017. Pr. 1. januar 2017 overførte UBS medarbejdere fra koncernfunktionerne i USA til det amerikanske serviceselskab UBS Business Solutions US LLC, som er et datterselskab ejet af UBS AG.</p> <p>Pr. 1. juli 2016 blev UBS Americas Holding LLC udpeget som direkte holdingselskab for UBS's amerikanske datterselskaber jf. de udvidede forsigtighedsregler i overensstemmelse med Dodd-Frank Act. UBS Americas Holding LLC ejer alle UBS' amerikanske datterselskaber og er underlagt amerikanske krav til kapital, selskabsledelse og anden tilsynsregulering.</p> <p>Endvidere har UBS overdraget størstedelen af kapitalforvaltningens driftsdatterselskaber til UBS Asset Management AG i 2016. Endvidere har UBS sammenlagt sine formueforvaltningsdatterselskaber i Italien, Luxembourg (samt afdelinger i Østrig, Danmark og Sverige), Holland og Spanien i UBS Deutschland AG, som har ændret navn til UBS Europe SE, med henblik på oprettelse af UBS's nye europæiske, juridiske enhed med hovedkontor i Frankfurt, Tyskland.</p> <p>UBS vil gennemføre yderligere ændringer af koncernens juridiske struktur for at opfylde myndighedskrav og håndtere eksterne forhold samt Storbritanniens forventede udtrædelse af EU. Sådanne ændringer kan eksempelvis omfatte en overdragelse af UBS AG's driftsdatterselskaber, således at de bliver direkte datterselskaber i UBS-koncernen AG, yderligere konsolidering af driftsdatterselskaber i EU og en ændring af bogføringsenheden eller placeringen af produkter og serviceydelser. Disse strukturændringer drøftes løbende med FINMA 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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Element B.10 is completely replaced as follows:

B.10	Revisorpåtegning med forbehold.	Ikke relevant. Revisionspåtegningen i forbindelse med koncernregnskabet for UBS AG og årsregnskabet for UBS AG for årene, som sluttede den 31. december 2016 og den 31. december 2015, er uden forbehold.
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Element B.12 is completely replaced as follows:

B.12	Udvalgte historiske finansielle nøgleoplysninger.	<p>UBS AG har hentet følgende udvalgte konsoliderede regnskabsoplysninger for årene, undtagen hvis andet fremgår, fra årsrapporten for 2016, som indeholder UBS AG's reviderede koncernregnskab samt yderligere ureviderede konsoliderede regnskabsoplysninger for året, der sluttede den 31. december 2016, og sammenligningstal for årene, der sluttede henholdsvis den 31. december 2015 og 2014.</p> <p>Koncernregnskabet for ultimo 2016, ultimo 2015 og ultimo 2014 er udarbejdet i overensstemmelse med International Financial Reporting Standards ("IFRS") udarbejdet af International Accounting Standards Board ("IASB") og angivet i schweiziske frank ("CHF").</p> <p>Regnskabsoplysninger for årene, der sluttede henholdsvis den 31. december 2016, 2015 og 2014 og i forbindelse med hvilke, det i tabellen</p>
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	<p>nedenfor står anført, at de er ureviderede, var indeholdt i årsrapporten for 2016, 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.</p> <p>Koncernen og forretningsafdelinger forvaltes på basis af en ramme for nøgletal, der identificerer finansielle foranstaltninger for overskud og vækst i forbindelse med hensigtsmæssige målsætninger for risiko- og kapitalforvaltning. Ved fastsættelsen af variabel kompensation tages der både højde for nøgletal for koncernen og forretningsafdelinger. UBS AG gennemgår regelmæssigt rammen for nøgletal, idet selskabets strategi og markedssituationen, hvorunder selskabet opererer, tages med i betragtning. Nøgletal offentliggøres i UBS AG's kvartals- og årsregnskab med henblik på at muliggøre sammenligning af selskabets resultater hen over regnskabsperioderne. Selskabets nøgletal er udformet til at blive vurderet på en "hen over perioderne"-basis, og de er genstand for sæsonbetingede mønstre. Definitionerne af nøgletallene er angivet i fodnoterne til tabellen nedenfor. Endvidere indeholder tabellen "Nøgletal – definitioner og baggrund for anvendelse" beskrivelse og forklaring til brugen af hvert nøgletal, undtagen de nøgletal, der fremgår i overensstemmelse med gældende lovgivning.</p>
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CHF mio., medmindre andet fremgår	Pr. eller for året, der sluttede		
	31.12.16	31.12.15	31.12.14
	revideret, medmindre andet fremgår		
Koncernresultat			
Driftsindtægter	28.421	30.605	28.026
Driftsudgifter	24.352	25.198	25.557
Driftsoverskud/(tab) før skat	4.069	5.407	2.469
Nettooverskud/ (nettotab) henførbart til aktionærer	3.207	6.235	3.502
Nøgletal			
Rentabilitet			
Afkast på synlig kapital (%) ¹	6,9*	13,5*	8,2*
Afkastningsgrad, brutto (%) ²	3,0*	3,1*	2,8*
Omkostninger i forhold til indtægter (%) ³	85,6*	82,0*	90,9*
Vækst			
Nettovækst i overskud (%) ⁴	(48,6)*	78,0*	10,4*
Nettovækst i nye midler for kombinerede formueforvaltningsvirksomheder (%) ⁵	2,1*	2,2*	2,5*
Ressourcer⁶			
Egentlig kernekapitaldækning (fuldt anvendt, %) ^{7,8}	14,5*	15,4*	14,2*
Gearingsforhold, virksomhed i drift (indfaset, %) ^{9,10}	5,8*	-	-
Yderligere oplysninger			
Rentabilitet			
Egenkapitalforrentning (RoE) (%) ¹¹	5,9*	11,7*	7,0*
Afkast på risikovægtede aktiver, brutto (%) ¹²	13,2*	14,3*	12,6*
Ressourcer⁶			
Aktiver i alt	935.353	943.256	1.062.327
Egenkapital henførbart til aktionærer	53.662	55.248	52.108
Egentlig kernekapital (fuldt anvendt) ⁸	32.447	32.042	30.805
Egentlig kernekapital (indfaset) ⁸	39.474	41.516	44.090
Risikovægtede aktiver (fuldt anvendt) ⁸	223.232*	208.186*	217.158*
Egentlig kernekapitaldækning (indfaset, %) ^{7,8}	17,5*	19,5*	19,9*
Kapitaldækning, virksomhed i drift (fuldt anvendt, %) ⁰	16,3*	-	-
Kapitaldækning, virksomhed i drift (indfaset, %) ¹⁰	22,6*	-	-
Egentlig kernekapital, gearingsforhold (fuldt anvendt, %) ¹³	3,7*	3,6*	3,1*
Gearingsforhold, virksomhed i drift (fuldt anvendt, %) ^{9,10}	4,2*	-	-
Gearingsforholdets nævner (fuldt anvendt) ¹³	870.942*	898.251*	999.124*
Andet			

Investerede aktiver (CHF mia.) ¹⁴	2.821	2.689	2.734
Medarbejdere (årsværk)	56.208*	58.131*	60.155*

* urevideret

¹ Nettooverskud, som kan henføres til aktionærer inden amortisering og værdiforringelser af goodwill og immaterielle aktiver (på årsbasis, hvor relevant) / gennemsnitlig egenkapital, der kan henføres til aktionærer minus gennemsnitlig goodwill og immaterielle aktiver.

² Driftsindtægter før kredittab (udgift) eller genindvinding (på årsbasis, hvor relevant) / gennemsnitlig aktivsum i alt.

³ Driftsudgifter / driftsindtægter før kredittab (udgift) eller genindvinding.

⁴ Ændring i nettooverskud, som kan henføres til aktionærer fra fortsættende aktiviteter mellem nuværende og jävnførelsesperioder / nettooverskud, som kan henføres til aktionærer fra fortsættende aktiviteter fra jävnførelsesperiode. Ikke meningsfuldt og ikke inkluderet, hvis enten rapporteringsperioden eller jävnførelsesperioden er en tabsperiode.

⁵ Nettovæksten i nye midler for kombinerede formueforvaltningsvirksomheder beregnes som den samlede sum af netto nye midler for perioden (på årsbasis, hvor relevant) for virksomhedsdivisionerne Wealth Management og Wealth Management Americas / samlede investerede aktiver primo perioden for virksomhedsdivisionerne Wealth Management og Wealth Management Americas. Netto nye midler og investerede aktiver er afledt fra afsnittene "Wealth Management" og "Wealth Management Americas" i forvaltningsrapporten, der er inkluderet i årsrapporten for 2016, under "Finansielle resultater og driftsresultater". Nettovæksten i nye midler for de kombinerede formueforvaltningsvirksomheder er baseret på justerede netto nye midler ekskl. den negative virkning på netto nye midler i 2015 på CHF 9,9 mia i Wealth Management fra UBS' balance og kapitaloptimeringsbestræbelser.

⁶ Efter offentliggørelse af regnskabet for 4. kvartal 2016 godkendte aktionæerne på den årlige generalforsamling at udlodde CHF 2.250 mio. fra UBS AG til UBS Group AG, hvilket er mere end tidligere estimeret. Sammen med reguleringen efter rapporteringsperioden jf. "Note 35 Hændelser efter rapporteringsperioden" til UBS AG's koncernregnskab medtaget i årsrapporten for 2016, førte det til en reduktion i CET1-kapital (CHF 607 mio. fuldt indregnet og CHF 585 mio. indfaset), og til en reduktion af gearingsgradens denominator (CHF 45 mio. fuldt indregnet og CHF 27 mio. indfaset) og den relevante gearingsgrad for UBS AG konsolideret ultimo december 2016.

⁷ Egentlig kernekapital / risikovægtede aktiver.

⁸ Baseret på Basel III-regelsættet, således som dette gælder for schweiziske systemisk relevante banker (SRB).

⁹ Samlet kapital for virksomhed i drift / gearingsforholdets nævner.

¹⁰ Baseret på de reviderede schweiziske SRB-regler, der blev gældende pr. 1. juli 2016. Tal for tidligere perioder er ikke tilgængelige.

¹¹ Nettoresultat for aktionæerne (annualiseret hvis relevant) / gennemsnitlig egenkapital tilhørende aktionæerne.

¹² Baseret på fuldt ud anvendte risikovægtede aktiver for alle præsenterede perioder. De konsoliderede regnskabsoplysninger er afledt fra årsrapporten for 2016. Tal pr. 31. december 2015 og 31. december 2014, svarer ikke til tallene i årsrapporten for 2015 eller årsrapporten for 2014, som er baseret på indfasede, risikovægtede aktiver.

¹³ Beregnet i overensstemmelse med schweiziske SRB-regler. Fra 31. december 2015 og fremefter er beregningen af gearingsforholdets nævner på linje med Basel III-regelsættet. Tal fra perioder forud for den 31. december 2015 er beregnet i overensstemmelse med tidligere schweiziske SRB-regler og er derfor ikke fuldt sammenlignelige.

¹⁴ Inkluderer investerede aktiver for Personal & Corporate Banking.

Nøgletal – definitioner og baggrund for anvendelse		
Nøgletal	Definition	Baggrund for anvendelse
Afkast på synlig kapital	Nettooverskud, som kan henføres til aktionærer inden amortisering og værdiforringelser af goodwill og immaterielle aktiver (på årsbasis, hvor relevant) delt med gennemsnitlig egenkapital, der kan henføres til aktionærer minus gennemsnitlig goodwill og immaterielle aktiver	Denne metode anvendes, fordi den giver information om virksomhedens lønsomhed i forhold til den synlige kapital.
Afkastningsgrad, brutto	Driftsindtægter før kredittab (udgift) eller genindvinding (på årsbasis, hvor relevant) delt med gennemsnitlig aktivsum i alt	Lønsomhedsmetoden giver information om genereringen af bruttoindtjening i forhold til de gennemsnitlige samlede aktiver
Omkostninger i forhold til indtægter	Driftsudgifter delt med driftsindtægter før kredittab (udgift) eller genindvinding	Denne metode anvendes til at give information om virksomhedens effektivitet ved at sammenholde driftsudgifter med bruttoindtjening
Nettovækst i overskud	Ændring i nettooverskud, som kan henføres til aktionærer fra fortsættende aktiviteter mellem nuværende og jävnførelsesperioder delt med nettooverskud, som kan henføres til aktionærer fra fortsættende aktiviteter	Denne lønsomhedsmetode giver information om overskudsvækst sammenholdt med forrige periode.

		fra jævnførelsesperiode. Ikke meningsfuldt og ikke inkluderet, hvis enten rapporteringsperioden eller jævnførelsesperioden er en tabsperiode	
	Nettovækst i nye midler for kombinerede formueforvaltningsvirksomheder	Nettobeløb for ny likviditet fra de samlede formueforvaltningsaktiviteter i perioden (annualiseret efter behov) delt med investerede aktiver primo perioden	Denne vækstmetode anvendes til at give information om væksten for formueforvaltningsvirksomheder ved at sammenholde tilførsel af netto nye midler i rapporteringsperioden med investerede aktiver primo perioden.
	Erklæring vedrørende væsentlige negative ændringer.	Der er ikke siden den 31. december 2016 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 2016, som er slutningen af den sidste regnskabsperiode, for hvilken der er offentliggjort revideret regnskabsoplysninger, indtrådt nogen væsentlig ændring i den finansielle eller handelsmæssige stilling for UBS AG eller UBS AG-koncernen.	

Element B.14 is completely replaced as follows:

B.14	Beskrivelse af koncernen og Udsteders plads i koncernen. Afhængighed af andre enheder i koncernen.	Jf. Element B.5. UBS AG er moderselskab for og udfører en stor del af sine driftsaktiviteter via datterselskaber. Banken er således i et vist omfang afhængigt af visse af sine datterselskaber.
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The first paragraph of Element B.15 is completely replaced and, consequently, Element B.15 reads as follows:

B.15	Udstederens hovedaktiviteter.	<p>UBS AG yder med sine datterselskaber økonomisk rådgivning og finansielle løsninger til private, institutionelle og erhvervs-kunder i hele verden samt private kunder i Schweiz. Koncernens driftsstruktur består af et Corporate Center og de fem forretningsområder "Wealth Management", "Wealth Management Americas", "Personal & Corporate Banking", "Asset Management" og investeringsbanken. UBS's strategi fokuseres på dens førende formueforvaltningsaktiviteter og solide universelle bankdrift i Schweiz, som understøttes af formueforvaltning og investeringsbankdrift. UBS fokuserer på aktiviteter, der efter bankens mening konkurrencemæssigt står stærkt på målmarkedet, som er kapitaleffektive og som har gode, langsigtede strukturelle vækst- eller overskudsmuligheder.</p> <p>I henhold til artikel 2 i UBS AG's vedtægter dateret 4. maj 2016 ("Vedtægter") 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 byggeret i Schweiz og i udlandet. UBS AG må låne og investere penge på kapitalmarkederne.</p>
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		UBS AG er en del af koncernen, der kontrolleres af koncernmoderselskabet UBS-koncernen AG. UBS AG må fremme koncernmoderselskabets eller andre koncernselskabers interesser. UBS AG må yde lån, garantier og anden form for finansiering og sikkerhedsstillelse for koncernselskaber.
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ADDRESS LIST

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The Base Prospectus for Certificates, Notes or Warrants of UBS AG, [London] [Jersey] [Branch] dated 27 September 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 <http://keyinvest-eu.ubs.com/base-prospectus>, or any successor address notified by the Issuer to the Securityholders for this purpose by way of publication on www.ubs.com/keyinvest.

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

Zurich, 22 May 2017

UBS AG