

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

Dated 28 December 2015 to the Base Prospectus of UBS AG, [London] [Jersey] [Branch], dated 17 April 2015,

in relation to Certificates, Notes or Warrants.

The Base Prospectus was approved and registered by the Swedish Financial Supervisory Authority ("SFSA"). Registration number at the SFSA is 15-3606. This Supplement is a part of the Base Prospectus and shall be read in conjunction with the Base Prospectus.

Supplement No. 1 was approved by the SFSA on 8 July 2015. The Supplement was published by UBS AG on 8 July 2015. Registration number at the SFSA is 15-9442.

Supplement No. 2 was approved by the SFSA on 10 September 2015. The Supplement was published by UBS AG on 10 September 2015. Registration number at the SFSA is 15-11665.

This Supplement No. 3 was approved by the SFSA on 28 December 2015. This Supplement was published by UBS AG on 28 December 2015. Registration number at the SFSA is 15-17048.

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

Placement of UBS AG's long-term senior debt rating on review for possible upgrade by Moody's on 12 October 2015, the publication of the third quarter financial report as per 30 September 2015 of UBS Group AG on 3 November 2015 and of UBS AG on 6 November 2015, the revision of the outlook statement from stable to positive by Standard & Poor's on 2 December 2015 and the revision of the outlook statement from stable to positive by Fitch Ratings on 8 December 2015.

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

**The attention of the investors is in particular drawn to the following: Investors who have already agreed to purchase or subscribe for the Notes, Certificates, or Warrants, as the case may be, before this supplement is published have, pursuant to the Financial Instruments Trading Act (SFS 1991:980) chapter 2 section 34, the right, exercisable within a time limit of two working days after the publication of this supplement, to withdraw their acceptances, provided that the new circumstances or the incorrectness causing the supplement occurred before the closing of the public offering and before the delivery of the securities. This means that the last day to withdrawal is before close of business on 30 December 2015. 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.**

## TABLE OF CONTENTS OF THIS SUPPLEMENT

	Page
1) Base Prospectus	4
2) Summary English Language	57
3) Summary Swedish Language	67
4) Summary Danish Language	77
Signatories	89

- 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:

The section headed "1. Issuer specific Risks" is, starting with and including the subsection "General insolvency risk" completely replaced as follows:

**"General insolvency risk**

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

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

On 15 January 2015, the Swiss National Bank ("SNB") discontinued the minimum targeted exchange rate for the Swiss franc versus the euro, which had been in place since September 2011. At the same time, the SNB lowered the interest rate on deposit account balances at the SNB that exceed a given exemption threshold by 50 basis points to negative 0.75 per cent. It also moved the target range for three-month LIBOR to between negative 1.25 per cent. and negative 0.25 per cent., (previously negative 0.75 per cent. to positive 0.25 per cent.). These decisions resulted in an immediate, considerable strengthening of the Swiss franc against the euro, US dollar, British pound, Japanese yen and several other currencies, as well as a reduction in Swiss franc interest rates. The longer-term rate of the Swiss franc against these other currencies is not certain, nor is the future direction of Swiss franc interest rates. Several other central banks have likewise adopted a negative-interest-rate policy.

A significant portion of the equity of UBS's foreign operations is denominated in US dollars, euros, British pounds and other foreign currencies.

Similarly, a significant portion of UBS's risk-weighted assets ("RWA") are denominated in US dollars, euros, British pounds and other foreign currencies. Group Asset and Liability Management is mandated with the task of minimizing adverse effects from changes in currency rates on UBS's capital ratios. The Group Asset and Liability Management Committee, a committee of the UBS Group AG Executive Board, can adjust the currency mix in capital, within limits set by the Board of Directors, to balance the effect of foreign exchange movements on the fully applied Common Equity Tier 1 ("CET1") capital and total capital ratio. As a result, the proportion of RWA denominated in foreign currencies outweighs the capital in these currencies, and any further significant appreciation of the Swiss franc against these currencies would be expected to benefit UBS's Basel III capital ratios, while a depreciation of the Swiss franc would be expected to have a detrimental effect.

The portion of UBS's operating income denominated in non-Swiss franc currencies is greater than the portion of operating expenses denominated in non-Swiss franc currencies. Therefore, appreciation of the Swiss franc against other currencies generally has an adverse effect on UBS's earnings in the absence of any mitigating actions.

In addition to the estimated effects from changes in foreign currency exchange rates, UBS's equity and capital are affected by changes in interest rates. In particular, the calculation of its net defined benefit assets and liabilities is sensitive to the discount rate applied. Any further reduction in interest rates would lower the discount rates and result in an increase in pension plan deficits due to the long duration of corresponding liabilities. This would lead to a

corresponding reduction in UBS's equity and fully applied CET<sub>1</sub> capital. Also, a continuing low or negative interest rate environment would have an adverse effect on the re-pricing of UBS's assets and liabilities, and would significantly impact the net interest income generated from its wealth management and retail and corporate businesses. The low or negative interest rate environment may affect customer behavior and hence the overall balance sheet structure. Mitigating actions that UBS has taken, or may take in the future, to counteract these effects, such as the introduction of selective deposit fees or minimum lending rates, could result in the loss of customer deposits, a key source of UBS's funding, and / or a declining market share in its domestic lending portfolio.

UBS is closely monitoring developments in the Swiss economy. UBS expects the stronger Swiss franc may have a negative effect on the Swiss economy and on exporters in particular, which could adversely affect some of the counterparties within UBS's domestic lending portfolio and lead to an increase in the level of credit loss expenses in future periods from the low levels recently observed.

**Regulatory and legal changes may adversely affect UBS's business and its ability to execute its strategic plans**

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

- significantly higher regulatory capital requirements;
- changes in the definition and calculation of regulatory capital;
- changes in the calculation of RWA, including potential requirements to calculate or disclose RWA using less risk-sensitive standardized approaches rather than the internal models approach UBS currently uses as required by the Swiss Financial Market Supervisory Authority ("FINMA") under the Basel Committee on Banking Supervision ("BCBS") "International framework for liquidity risk measurement, standards and monitoring" ("Basel III") framework;
- changes in the calculation of the leverage ratio or the introduction of a more demanding leverage ratio;
- new or significantly enhanced liquidity or funding requirements;
- requirements to maintain liquidity and capital in jurisdictions in which activities are conducted and booked;
- limitations on principal trading and other activities;
- new licensing, registration and compliance regimes;
- limitations on risk concentrations and maximum levels of risk;
- taxes and government levies that would effectively limit balance sheet growth or reduce the profitability of trading and other activities;
- cross-border market access restrictions;
- a variety of measures constraining, taxing or imposing additional requirements relating to compensation;
- adoption of new liquidation regimes intended to prioritize the preservation of systemically significant functions;
- requirements to maintain loss-absorbing capital or debt instruments subject to write down as part of recovery measures or a resolution of the Group or a Group company, including requirements for subsidiaries to maintain such instruments;

- requirements to adopt structural and other changes designed to reduce systemic risk and to make major financial institutions easier to manage, restructure, disassemble or liquidate, including ring-fencing certain activities and operations within separate legal entities; and
- requirements to adopt risk and other governance structures at a local jurisdiction level.

Many of these measures have been adopted and their implementation has had a material effect on UBS's business. Others will be implemented over the next several years; some are subject to legislative action or to further rulemaking by regulatory authorities before final implementation. As a result, there remains a high level of uncertainty regarding a number of the measures referred to above, including whether (or the form in which) they will be adopted, the timing and content of implementing regulations and interpretations and / or the dates of their effectiveness. The implementation of such measures and further, more restrictive changes may materially affect UBS's business and ability to execute UBS's strategic plans.

Notwithstanding attempts by regulators to coordinate their efforts, the measures adopted or proposed differ significantly across the major jurisdictions, making it increasingly difficult to manage a global institution. The absence of a coordinated approach, moreover, disadvantages institutions headquartered in jurisdictions that impose relatively more stringent standards. Switzerland has adopted capital and liquidity requirements for its major international banks that are among the strictest of the major financial centres. This could disadvantage Swiss banks, such as UBS, when they compete with peer financial institutions subject to more lenient regulation or with unregulated non-bank competitors.

#### Regulatory and legislative changes in Switzerland

Swiss regulatory changes have generally proceeded more quickly in capital, liquidity and other areas than those in other major jurisdictions, FINMA, the SNB and the Swiss Federal Council are implementing requirements that are significantly more onerous and restrictive for major Swiss banks, such as UBS, than those adopted or proposed by regulatory authorities in other major global financial centres. In December 2014, a group of senior experts representing the private sector, authorities and academia (the Brunetti group) appointed by the Swiss Federal Council published recommendations on, among other things, safeguarding systemic stability and too big to fail ("TBTF"), including with respect to the calculation of RWA, higher leverage ratio and withdrawing regulatory waivers at the level of the entity holding systemically relevant functions. Based on the Brunetti group report, the Swiss Federal Council conducted a review of the Swiss TBTF law, resulting in proposed cornerstones of a revised Swiss "too big to fail" framework (the "**Swiss TBTF Proposal**"). The Swiss TBTF Proposal would make the Swiss capital regime by far the most demanding in the world and in several areas anticipates adoption of international standards.

*Capital regulation:* A revised banking ordinance and capital adequacy ordinance implementing the Basel III capital standards and the Swiss TBTF law became effective on 1 January 2013. As a systemically relevant Swiss bank, UBS is subject to base capital requirements, as well as a progressive buffer that scales with its total exposure (a metric that is based on its balance sheet size) and market share in Switzerland. In addition, Swiss governmental authorities have the authority to impose an additional countercyclical buffer capital requirement of up to 2.5 per cent. of RWA. This authority has been exercised to impose an additional capital charge of 2 per cent. in respect of RWA arising from Swiss residential mortgage loans. FINMA has further required banks using the internal ratings-based ("IRB") approach to use a bank-specific multiplier when calculating RWA for owner-occupied Swiss residential mortgages, which is being phased in through 2019. Moreover, FINMA has extended the multiplier approach to Swiss income-producing residential and commercial real estate ("IPRE"), as well as to credit exposure in the Basel II asset class "corporate" for the Investment Bank. The multiplier for IPRE applies from the first quarter of 2015, and the multiplier for Investment Bank corporates from the second quarter of 2015, and they will increase over time and reach full implementation by December 2018. Assuming no change in portfolio size or other characteristics, UBS expects these multipliers to result in an aggregate increase in RWA of CHF 5 to 6 billion each year from

2015 through 2018 and CHF 2 billion in 2019. UBS understands that the new requirements have been introduced against the background of the BCBS considering substantive changes to the standardized approach and a capital requirement floor based on the standardized approach. In October 2015, the Swiss Federal Council published the Swiss TBTF Proposal which outlines the cornerstones of further strengthened capital requirements for Swiss systemically relevant banks ("SRB") and represents the intended implementation of the recommendation of the Brunetti commission. For Swiss SRB which operate internationally, the proposal would revise existing Swiss SRB capital requirements as a new going concern requirement and would establish an additional gone concern capital requirement, which, together with the going concern requirement, represents the TLAC required for Swiss SRB. The proposed going concern capital requirements consist of a basic requirement for all Swiss SRB which is set at 4.5 per cent. of the Leverage Ratio Denominator ("LRD") and 12.9 per cent. of RWA. On top of that, a progressive buffer would be added reflecting the degree of systemic importance. The progressive buffer for UBS is expected to be 0.5 per cent. of LRD and 1.4 per cent. of RWA resulting in a total going concern capital requirement of 5 per cent. of LRD and 14.3 per cent. of RWA. The going concern leverage ratio proposal would require a minimum CET1 capital requirement of 3.5 per cent. of LRD and up to 1.5 per cent. in high-trigger additional Tier 1 ("AT1") capital instruments. The minimum CET1 capital requirement will remain unchanged at 10 per cent. of RWA, and the balance of the RWA-based capital requirement, i.e. 4.3 per cent., may be met with high-trigger AT1 instruments. The gone concern capital would be 5.0 per cent. of LRD and 14.3 per cent. of RWA for internationally active Swiss SRB and may be met with senior debt that is TLAC eligible. Banks would be eligible for a reduction of the gone concern capital requirement if they demonstrate improved resolvability. The proposal envisages transitional arrangements for outstanding low-trigger AT1 and tier 2 instruments to qualify as going concern capital until maturity or first call date and at least until the end of 2019. Any high and low-trigger tier 2 capital remaining after 2019 will qualify as gone concern capital while low-trigger tier 1 capital instruments will continue to qualify as going concern capital.

The BCBS has issued far-reaching proposals (i) on revising the standardized approach to credit risk, e.g., by relying less on external credit ratings, reducing the scope of national discretion and strengthening the link between the standardized and the IRB approach, (ii) on mandatory disclosure of RWA based on the standardized approach and (iii) on the design of a capital floor framework. If adopted by the BCBS and implemented into Swiss regulation, implementation of disclosure or capital calculations based on the standardized approach would result in significant implementation costs to UBS. In addition, a capital standard or floor based on the standardized approach would likely be less risk sensitive and would likely result in higher capital requirements.

In addition, UBS has mutually agreed with FINMA to an incremental operational capital requirement to be held against litigation, regulatory and similar matters and other contingent liabilities, which added CHF 13.3 billion to its RWA as of 30 June 2015. There can be no assurance that UBS will not be subject to increases in capital requirements in the future either from the imposition of additional requirements or changes in the calculation of RWA or other components of the existing minimum capital requirement.

*Liquidity and funding:* As a Swiss SRB, UBS is required to maintain a Liquidity Coverage Ratio ("LCR") of high-quality liquid assets to estimated stressed short-term funding outflows, and will be required to maintain a Net Stable Funding Ratio ("NSFR"), both of which are intended to ensure that UBS is not overly reliant on short-term funding and that it has sufficient long-term funding for illiquid assets.

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

*Resolution planning and resolvability:* The revised Swiss banking act and capital adequacy ordinances provide FINMA with additional powers to intervene to prevent a failure or resolve a failing financial institution. These measures may be triggered when certain thresholds are breached and permit the exercise of considerable discretion by FINMA in determining whether, when or in what manner to exercise such powers. In case of a threatened insolvency, FINMA may impose more onerous requirements on UBS, including restrictions on the payment of dividends and interest. Although the actions that FINMA may take in such circumstances are not yet defined, UBS could be required directly or indirectly, for example, to alter its legal structure (e.g., to separate lines of business into dedicated entities, with limitations on intra-group funding and certain guarantees), or to further reduce business risk levels in some manner. The Swiss banking act also provides FINMA with the ability to extinguish or convert to common equity the liabilities of a bank in connection with its resolution.

Swiss TBTF requirements require Swiss SRB, including UBS, to put in place viable emergency plans to preserve the operation of systemically important functions despite a failure of the institution, to the extent that such activities are not sufficiently separated in advance. The current Swiss TBTF law provides for the possibility of a limited reduction of capital requirements for Swiss SRB that adopt measures to reduce resolvability risk beyond what is legally required. Such actions include changes to the legal structure of a bank group in a manner that would insulate parts of the group to exposure from risks arising from other parts of the group thereby making it easier to dispose of certain parts of the group in a recovery scenario, to liquidate or dispose of certain parts of the group in a resolution scenario or to execute a debt bail-in. The revisions to the Swiss TBTF Proposal also contemplate a limited reduction of the proposed TLAC requirement based on improvements to resolvability. However, there is no certainty with respect to timing or size of a potential capital rebate.

UBS has undertaken or announced a series of measures to improve its resolvability:

- UBS Group AG completed an exchange offer for the shares of UBS AG and a procedure under the Swiss Stock Exchange and Securities Trading Act to squeeze out minority shareholders of UBS AG and as at the date of this Prospectus owns all of the outstanding shares of UBS AG and is the holding company for the UBS Group.
- In June 2015, UBS AG transferred its Retail & Corporate and Wealth Management business booked in Switzerland to UBS Switzerland AG, a banking subsidiary of UBS AG in Switzerland.
- In the UK, UBS completed the implementation of a more self-sufficient business and operating model for UBS Limited, under which UBS Limited bears and retains a larger proportion of the risk and reward in its business activities.
- In the third quarter, UBS established UBS Business Solutions AG as a direct subsidiary of UBS Group AG, to act as the Group service company. UBS will transfer the ownership of the majority of its existing service subsidiaries to this entity. UBS expects that the transfer of shared service and support functions into the service company structure will be implemented in a staged approach through 2018. The purpose of the service company structure is to improve the resolvability of the Group by enabling UBS to maintain operational continuity of critical services should a recovery or resolution event occur.
- UBS AG has established a new subsidiary, UBS Americas Holding LLC, which UBS intends to designate as its intermediate holding company for its US subsidiaries prior to the 1 July 2016 deadline under new rules for foreign banks in the US pursuant to the Dodd-Frank Act. During the third quarter of 2015, UBS AG contributed its equity participation in its principal US operating subsidiaries to UBS Americas Holding LLC to meet the requirement under the Dodd-Frank Act that the intermediate holding company own all of UBS's US operations, except branches of UBS AG.



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

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

Movement of businesses to a new subsidiary ("**subsidiarization**") will require significant time and resources to implement. Subsidiarization in Switzerland and elsewhere may create operational, capital, liquidity, funding and tax inefficiencies and increase UBS's and counterparties' credit risk. Refer to "*Regulatory and legislative changes outside Switzerland*" for a description of other regulatory and legislative developments that may affect these decisions and further discussion of these risks. There can be no assurance that the execution of the changes UBS has undertaken, planned or may implement in the future will result in a material reduction in the progressive capital buffer as permitted under the Swiss TBTF law or that these changes will satisfy existing or future requirements for resolvability or mandatory structural change in banking organizations.

*Market regulation:* The Swiss Parliament adopted in June 2015 new regulation of the financial market infrastructure in Switzerland which is expected to become effective in 2016 and mandates the clearing of OTC derivatives with a central counterparty, among other things. These laws may have a material impact on the market infrastructure that UBS uses, available platforms, collateral management and the way it interacts with clients. In addition, these initiatives may cause UBS to incur material implementation costs.

#### Regulatory and legislative changes outside Switzerland

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

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

For example, UBS has significant operations in the UK and currently uses UBS AG's London branch as a global booking centre for many types of products. UBS has been required by the Prudential Regulatory Authority ("**PRA**") and by FINMA to increase very substantially the capitalization of its UK bank subsidiary, UBS Limited, and may be required to change its booking practices to reduce or even eliminate its utilization of UBS AG's London branch as a global booking centre for the ongoing business of the Investment Bank. In addition, the UK Independent Commission on Banking has recommended structural and non-structural reforms of the banking sector, most of which have been endorsed by the UK government and implemented in the Financial Services (Banking Reform) Act. Key proposed measures include the ring-fencing of retail banking activities in the UK (which UBS does not expect to affect it directly), additional common equity tier 1 capital requirements of up to 3 per cent. of RWA for

retail banks, and the issuance by UK banks of debt subject to bail-in provisions. Furthermore, the European Commission published its proposal for a "Regulation on bank structural reform" in January 2014. The objectives of the Regulation centre on the reduction of the systemic impact of banks and addressing the too big to fail problem. Proposals include the separation of retail banking activities from wholesale banking activities together with a ban on proprietary trading and lending to hedge funds and private equity funds. Significant divergence in views on the scope and application of these proposals persists at the EU level with full potential political agreement not likely before early 2016. Issues that remain the subject of debate include how prescriptive to be as to separation requirements and which trading activities entities can and cannot be engaged in. The applicability and implications of such changes to branches and subsidiaries of foreign banks are also not yet entirely clear, but they could have a material adverse effect on UBS's businesses located or booked in the UK and other EU locations.

In February 2014, the Federal Reserve Board issued final rules for foreign banking organizations ("FBO") operating in the US (under Section 165 of the Dodd-Frank Act) that include the following: (i) a requirement for FBO with more than USD 50 billion of US non-branch assets to establish an intermediate holding company ("IHC") to hold all US subsidiary operations, (ii) risk-based capital and leverage requirements for the IHC, (iii) liquidity requirements, including a 30-day onshore liquidity requirement for the IHC, (iv) risk management requirements including the establishment of a risk committee and the appointment of a US chief risk officer, (v) stress test and capital planning requirements and (vi) a debt-to-equity limit for institutions that pose "a grave threat" to US financial stability. Requirements differ based on the overall size of the foreign banking organization and the amount of its US-based assets. UBS expects that it will be subject to the most stringent requirements based on its current operations. It will have to establish an IHC by 1 July 2016 and meet many of the new requirements. The IHC will not need to comply with the US leverage ratio until 1 January 2018.

In October 2015, the Federal Reserve Board proposed long-term debt and TLAC requirements for US globally systemically important bank holding companies and US IHC that are controlled by non-US globally systemically important banks. Under the proposed regulation, covered IHC, including UBS's IHC, would be required to have TLAC held by a non-US parent entity (internal TLAC) equal to the greatest of: (i) 16 per cent. or 18 per cent. of RWA, (ii) if the IHC is subject to the US supplementary leverage ratio, 6 per cent. or 6.75 per cent. of total leverage exposure and (iii) 8 per cent. or 9 per cent. of average total consolidated assets. The lower percentages would apply to an IHC if the home country resolution authority for the IHC's parent banking organization certifies to the Federal Reserve Board that its resolution strategy for the parent banking organization does not involve the IHC entering a resolution proceeding in the US. FINMA has adopted a single point of entry resolution strategy and UBS anticipates that it will qualify for the lower internal TLAC requirement. The TLAC requirement must be met with tier 1 capital and eligible long-term debt, including tier 2 capital instruments that meet requirements for eligible long-term debt, that is issued directly by the covered IHC to a foreign entity that controls the covered IHC. An IHC also would be required to maintain outstanding eligible long-term debt held by a non-US parent entity equal to the greatest of: (i) 7 per cent. of RWA, (ii) if the IHC is subject to the US supplementary leverage ratio, 3 per cent. of total leverage exposure and (iii) 4 per cent. of average total consolidated assets. In addition, IHC would be required to maintain an internal TLAC buffer of 2.5 per cent. of RWA plus any countercyclical buffer. Failure to maintain the buffer would trigger restrictions on distribution of dividends and discretionary variable compensation payments. If adopted as proposed, these requirements would apply as of 1 January 2019, with the RWA-based component of the TLAC requirement phased in until 1 January 2022. Refer to "*Recent developments – US Federal Reserve proposes TLAC requirements*" in the section "*Information about UBS AG*" of this Prospectus for more information.

In the US, regulations implementing the "Volcker Rule" became effective in July 2015. In general, the Volcker Rule prohibits any banking entity from engaging in proprietary trading and from owning interests in hedge funds and other private fund vehicles. The Volcker Rule also broadly limits investments and other transactional activities between a bank and funds that the bank has sponsored or with which the bank has certain other relationships. The Volcker Rule permits UBS and other non-US banking entities to engage in certain activities that would

otherwise be prohibited to the extent that they are conducted outside the US and certain other conditions are met. UBS has established a global compliance and reporting framework to ensure compliance with the Volcker Rule and the available exemptions. The Volcker Rule could also have a substantial impact on market liquidity and the economics of market-making activities.

*OTC derivatives regulation:* In 2009, the G20 countries committed to require all standardized over-the-counter (“**OTC**”) derivative contracts to be traded on exchanges or trading facilities and cleared through central counterparties by the end of 2012. This commitment is being implemented through the Dodd-Frank Act in the US and corresponding legislation in the EU, Switzerland – where the new regulation of the financial market infrastructure in Switzerland, which is expected to become effective in 2016, mandates, among other things, the clearing of OTC derivatives via a central counterparty – and other jurisdictions, and has and will continue to have a significant effect on UBS’s OTC derivatives business, which is conducted primarily in the Investment Bank. For example, UBS expects that, as a rule, the shift of OTC derivatives trading to a central clearing model will tend to reduce profit margins in these products, although some market participants may be able to offset this effect with higher trading volumes in commoditized products. Although UBS is preparing for these thematic market changes, the changes are likely to reduce the revenue potential of certain lines of business for market participants generally, and UBS may be adversely affected.

These mandatory clearing requirements will be supplemented by mandatory requirements to trade such clearable instruments on regulated venues under the forthcoming Markets in Financial Instruments Directive (“**MiFID II**”) and the Markets in Financial Instruments Regulation (“**MiFIR**”). These two pieces of legislation, together with the more detailed implementing measures, due to take effect in early 2017, have the potential to bring about a major change to many aspects of the way financial services are provided in and into the European Economic Area. All areas of the provision of financial services are impacted across all client types. Some notable areas covered include increased pre and post-trade transparency, particularly into the area of fixed income products; further restrictions on the provision of inducements; the introduction of a new discretionary trading venue with the aim of regulating broker crossing networks; trading controls for algorithmic trading activities; increased conduct of business requirements and strengthened supervisory powers which include powers for authorities to ban products or services in particular situations. UBS will not know the full effect of this legislation until the details of the implementing legislation and national implementation (where applicable) are completed. UBS expects that this legislation will necessitate changes in business models and procedures in a number of areas. This will likely entail the expenditure of significant time and resources on an ongoing basis and, in common with some other legislative proposals in this area, may also reduce the revenue potential of UBS’s businesses.

UBS AG registered as a swap dealer with the Commodity Futures Trading Commission (“**CFTC**”) in the US at the end of 2012, enabling the continuation of its swaps business with US persons. UBS expects to register UBS AG as a security-based swap dealer with the SEC, when its registration is required. Regulations issued by the CFTC and those proposed by the SEC impose substantial new requirements on registered swap dealers for clearing, trade execution, transaction reporting, recordkeeping, risk management and business conduct. Certain of the CFTC’s regulations, including those relating to swap data reporting, recordkeeping, compliance and supervision, apply to UBS AG globally. Application of the CFTC’s regulations and the SEC’s regulations, when they become effective to UBS AG’s or possibly to other Group entities’ swaps business with non-US persons continues to present a substantial implementation burden, will likely duplicate or conflict with legal requirements applicable to UBS outside the US, including in Switzerland, and may place UBS at a competitive disadvantage to firms that are not required to register as swap dealers with the SEC or CFTC.

*Regulation of cross-border provision of financial services:* In many instances, UBS provides services on a cross-border basis. UBS is therefore sensitive to barriers restricting market access for third-country firms. In particular, efforts in the European Union (“**EU**”) to harmonize the regime for third-country firms to access the European market may have the effect of creating new barriers

that adversely affect UBS's ability to conduct business in these jurisdictions from Switzerland. In addition, a number of jurisdictions are increasingly regulating cross-border activities on the basis of some notion of comity (e.g., substituted compliance and equivalence determination). While the issuance of such determinations in particular jurisdictions may ensure UBS access to markets in those jurisdictions, a negative determination in other jurisdictions may negatively influence UBS's ability to act as a global firm. In addition, as jurisdictions tend to apply such determinations on a jurisdictional level rather than on an entity level, UBS will generally need to rely on jurisdictions' willingness to collaborate.

#### Resolution and recovery; bail-in

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

The Financial Stability Board ("FSB") and the BCBS have issued proposed standards on total loss-absorbing capacity ("TLAC") that aims to build up adequate loss-absorbing capacity for global systemically important banks to ensure that an orderly wind-down is possible. The FSB proposes that a minimum Pillar 1 TLAC requirement be set within the range of 16 per cent. to 20 per cent. of RWA and at least twice the Basel III tier 1 leverage ratio requirement. In addition, a number of jurisdictions, including Switzerland, the US, the UK and the EU, have implemented or are considering implementing changes that would allow resolution authorities to write down or convert into equity unsecured debt to execute a bail-in. The scope of bail-in authority and the legal mechanisms that would be utilized for the purpose are subject to a great deal of development and interpretation. Regulatory requirements to maintain minimum TLAC, including potential requirements to maintain TLAC at subsidiaries, as well as the power of resolution authorities to bail in TLAC and other debt obligations and uncertainty as to how such powers will be exercised, may increase the total amount and cost of funding for the Group. See "Regulatory and legal changes may adversely affect UBS's business and its ability to execute its strategic plans – Regulatory and legislative changes in Switzerland" above in connection with the Swiss TBTF Proposal.

#### Possible consequences of regulatory and legislative developments

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

#### **UBS's capital strength is important in supporting its strategy, client franchise and competitive position**

UBS's capital position, as measured by the fully applied common equity tier 1 and total capital ratios under Swiss SRB Basel III requirements, is determined by: (i) RWA (credit, non-

counterparty related, market and operational risk positions, measured and risk-weighted according to regulatory criteria) and (ii) eligible capital. Both RWA and eligible capital may fluctuate based on a number of factors. RWA are driven by UBS's business activities and by changes in the risk profile of UBS's exposures, as well as regulatory requirements. For instance, substantial market volatility, a widening of credit spreads (a major driver of UBS's value-at-risk), adverse currency movements, increased counterparty risk, deterioration in the economic environment, or increased operational risk could result in a rise in RWA. UBS's eligible capital would be reduced if it experienced net losses or losses through other comprehensive income, as determined for the purpose of the regulatory capital calculation, which may also render it more difficult or more costly for it to raise new capital. In addition, eligible capital can be reduced for a number of other reasons, including certain reductions in the ratings of securitization exposures, acquisitions and divestments changing the level of goodwill, adverse currency movements affecting the value of equity, prudential adjustments that may be required due to the valuation uncertainty associated with certain types of positions, and changes in the value of certain pension fund assets and liabilities or in the interest rate and other assumptions used to calculate the changes in UBS's net defined benefit obligation recognized in other comprehensive income. See *"Fluctuation in foreign exchange rates and continuing low or negative interest rates may have a detrimental effect on UBS's capital strength, its liquidity and funding position, and its profitability"*. Any such increase in RWA or reduction in eligible capital could materially reduce UBS's capital ratios.

Risks captured in the operational risk component of RWA have become increasingly significant as a component of UBS's overall RWA as a result of significant reductions in market and credit risk RWA, as UBS executes its strategy, and increased operational risk charges arising from operational risk events (including charges arising from litigation, regulatory and similar matters). UBS has agreed with FINMA on a supplemental analysis that is used to calculate an incremental operational risk capital charge to be held for litigation, regulatory and similar matters and other contingent liabilities. The incremental RWA calculated based on this supplemental analysis as of 30 September 2015 was CHF 13.3 billion. Future developments in and the ultimate elimination of the incremental RWA attributable to the supplemental analysis will depend on provisions charged to earnings for litigation, regulatory and similar matters and other contingent liabilities and on developments in these matters. There can be no assurance that UBS will be successful in addressing these matters and reducing or eliminating the incremental operational risk component of RWA.

The required levels and calculation of UBS's regulatory capital and the calculation of its RWA are also subject to changes in regulatory requirements or their interpretation, as well as the exercise of regulatory discretion. Changes in the calculation of RWA under Basel III and Swiss requirements (such as the revised treatment of certain securitization exposures under the Basel III framework) have significantly increased the level of UBS's RWA and, therefore, have adversely affected its capital ratios. UBS has achieved substantial reductions in RWA, in part to mitigate the effects of increased capital requirements. Further changes in the calculation of RWA, the imposition of additional supplemental RWA charges or multipliers applied to certain exposures, or the imposition of an RWA floor based on the standardized approach or other methodology could substantially increase UBS's RWA. See *"Regulatory and legal changes may adversely affect UBS's business and its ability to execute its strategic plans – Regulatory and legislative changes in Switzerland – Capital regulations"* for more information on the recent FINMA requirement for banks using the IRB approach to use a bank-specific multiplier when calculating RWA related to certain exposures. In addition, UBS may not be successful in its plans to further reduce RWA, either because it is unable to carry out fully the actions it has planned or because other business or regulatory developments or actions to some degree counteract the benefit of its actions.

In addition to the risk-based capital requirements, UBS is subject to a minimum leverage ratio requirement for Swiss SRB. The minimum leverage ratio requirement would be substantially increased under the Swiss TBTF Proposal. The leverage ratio operates separately from the risk-based capital requirements. It is a simple balance sheet measure and therefore limits balance sheet intensive activities, such as lending, more than activities that are less balance sheet intensive and, accordingly, under certain circumstances could constrain UBS's business activities even if UBS satisfies other risk-based capital requirements. UBS has achieved substantial

reductions in its balance sheet and expects to make further reductions as it winds down its Non-core and Legacy Portfolio positions. These reductions have improved its leverage ratio and contributed to its ability to comply with the more stringent leverage ratio requirements. However, further increases in the leverage ratio requirement, including those contemplated in the Swiss TBTF Proposal, may make it difficult for UBS to satisfy the requirements without adversely affecting certain of its businesses, particularly balance sheet intensive businesses, such as lending.

Changes in international or Swiss requirements for risk-based capital, leverage ratios, LCR or NSFR, including changes in minimum levels, method of calculation or supervisory add-ons could have a material adverse effect on UBS's capital position and its business. Any such changes that are implemented only, or more quickly, in Switzerland may have an adverse effect on UBS's competitive position compared with institutions regulated under different regimes.

**UBS may not be successful in completing its announced strategic plans or in implementing changes in its businesses to meet changing market, regulatory and other conditions**

In October 2012, UBS announced a significant acceleration in the implementation of its strategy. The strategy included transforming its Investment Bank to focus it on its traditional strengths, very significantly reducing Basel III RWA and further strengthening its capital position, and significantly reducing costs and improving efficiency. UBS has substantially completed the transformation of its business, but elements remain that are not complete. There continues to be a risk that UBS will not be successful in completing the execution of its plans, that its plans may be delayed, that market events may adversely affect the implementation of its plans or that the effects of its plans may differ from those intended.

UBS has substantially reduced the RWA and balance sheet usage of its Non-core and Legacy Portfolio positions, but there can be no assurance that it will continue to be able to exit the remaining positions in the Non-core and Legacy Portfolio as quickly as its plans suggest or that it will not incur significant losses in doing so. The continued illiquidity and complexity of many of its legacy risk positions in particular could make it difficult to sell or otherwise exit these positions and reduce the RWA and the balance sheet usage associated with these exposures. As the size of the Non-core and Legacy Portfolio decreases, achieving a complete exit of particular classes of transactions will be necessary to achieve the reductions of RWA, balance sheet and costs associated with the positions. At the same time, UBS's ability to meet its future capital targets and requirements depends in part on its ability to reduce RWA and balance sheet usage without incurring unacceptable losses.

As part of its strategy, UBS has a program underway to achieve significant incremental cost reductions. The success of its strategy and its ability to reach certain of the targets it has announced depends on the success of the effectiveness and efficiency measures it is able to carry out. As is often the case with major effectiveness and efficiency programs, its plans involve significant risks. Included among these are the risks that restructuring costs may be higher and may be recognized sooner than it has projected, that it may not be able to identify feasible cost reduction opportunities that are also consistent with its business goals and that cost reductions may be realized later or may be less than it anticipates. Changes in workforce location or reductions in workforce can lead to charges to the income statement well in advance of the cost savings intended to be achieved through such workforce strategy. For example, under IFRS UBS is required to recognize provisions for real estate lease contracts when the unavoidable costs of meeting the obligations under the contracts are considered to exceed the future economic benefits expected to be received under them and closure or disposal of operations may result in foreign currency translation losses (or gains) previously recorded in other comprehensive income being recognized in income. In addition, as UBS implements its effectiveness and efficiency programs it may experience unintended consequences such as the loss or degradation of capabilities that it needs in order to maintain its competitive position and achieve its targeted returns.

UBS is exposed to possible outflows of client assets in its asset-gathering businesses and to changes affecting the profitability of its Wealth Management business division and it may not be

successful in implementing the business changes needed to address them. UBS experienced substantial net outflows of client assets in its wealth management and asset management businesses in 2008 and 2009. The net outflows resulted from a number of different factors, including its substantial losses, damage to its reputation, the loss of client advisors, difficulty in recruiting qualified client advisors and tax, legal and regulatory developments concerning its cross-border private banking business.

Many of these factors have been successfully addressed. UBS's Wealth Management and Wealth Management Americas business divisions recorded substantial net new money inflows in 2013 and 2014. Long-term changes affecting the cross-border private banking business model will, however, continue to affect client flows in the Wealth Management business division for an extended period of time. One of the important drivers behind the longer-term reduction in the amount of cross-border private banking assets, particularly in Europe but increasingly also in other regions, is the heightened focus of fiscal authorities on cross-border investments. Changes in local tax laws or regulations and their enforcement and the implementation of cross-border tax information exchange regimes may affect the ability or the willingness of UBS's clients to do business with UBS or the viability of its strategies and business model. For the last three years, UBS has experienced net withdrawals in its Swiss booking centre from clients domiciled elsewhere in Europe, in many cases related to the negotiation of tax treaties between Switzerland and other countries.

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

Reduced and in some cases negative interest rates impact Wealth Management's performance, particularly given the associated cost of maintaining the high-quality liquid assets required to cover regulatory outflow assumptions embedded in the LCR. In order to adapt its business to the new regulatory and interest rate environments, in the first half of 2015, Wealth Management launched a global program intended to optimize its leverage ratio denominator and LCR and changed pricing for a number of clients with a high proportion of short-term deposits relative to invested assets. Although the majority of these clients have chosen to retain their relationship with UBS and, in the aggregate, the program has reduced the LRD and high-quality liquid asset requirements for the Wealth Management's business, net new money outflows and reductions in customer deposits have been recorded in the second and third quarters of 2015 related to this program.

UBS will continue its efforts to adjust to client trends, regulatory and market dynamics as necessary, in an effort to overcome the effects of changes in the business environment on its profitability, balance sheet and capital positions, but there can be no assurance that UBS will be able to counteract those effects. In addition, it has made changes to its business offerings and pricing practices in line with the Swiss Supreme Court case concerning "retrocessions" (fees paid to a bank for distributing third-party and intra-group investment funds and structured products) and other industry developments. These changes may adversely affect its margins on these products and the current offering may be less attractive to clients than the products it replaces. There can be no assurance that UBS will be successful in its efforts to offset the adverse impact of these or similar trends and developments.

Asset Management experienced net outflows of client assets in 2012 and 2013, although it had net inflows for the first three quarters of 2014 and for full year 2014. Further net outflows of client assets could also adversely affect the results of this business division.

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

The nature of UBS's business subjects it to significant regulatory oversight and liability risk. As a global financial services firm operating in more than 50 countries, it is subject to many different legal, tax and regulatory regimes. It is involved in a variety of claims, disputes, legal proceedings and government investigations. These proceedings expose it to substantial monetary damages and legal defence costs, injunctive relief and criminal and civil penalties, in addition to potential regulatory restrictions on its businesses. The outcome of most of these matters, and their potential effect on UBS's future business or financial results, is extremely difficult to predict.

In December 2012, UBS announced settlements totalling approximately CHF 1.4 billion in fines by and disgorgements to US, UK and Swiss authorities to resolve investigations by those authorities relating to LIBOR and other benchmark interest rates. UBS entered into a non-prosecution agreement ("**NPA**") with the US Department of Justice ("**DOJ**") and UBS Securities Japan Co. Ltd. also pled guilty to one count of wire fraud relating to the manipulation of certain benchmark interest rates. In May 2015, the NPA was terminated by the DOJ based on its determination in its discretion 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, and has agreed to pay a USD 203 million fine and accept a three-year term of probation. The settlements do not resolve investigations by other authorities or civil claims that have been or may in the future be asserted by private and governmental claimants with respect to submissions regarding LIBOR or other benchmark interest rates. The extent of UBS's financial exposure to these remaining matters is extremely difficult to estimate and could be material.

UBS's settlements with governmental authorities in connection with foreign exchange and LIBOR and benchmark interest rates starkly illustrate the much-increased level of financial and reputational risk now associated with regulatory matters in major jurisdictions. Very large fines and disgorgement amounts were assessed against UBS, and the guilty pleas by UBS and a subsidiary, despite UBS's full cooperation with the authorities in the investigations relating to LIBOR and other benchmark interest rates, and despite UBS's receipt of conditional leniency or conditional immunity from antitrust authorities in a number of jurisdictions, including the US and Switzerland. UBS understands that, in determining the consequences to UBS, the authorities considered the fact that it has in the recent past been determined that UBS has engaged in serious misconduct in several other matters. The heightened risk level was further illustrated by the European Commission ("**EC**") announcement in December 2013 of fines against other financial institutions related to its Yen Interest Rate Derivatives ("**YIRD**") investigation. The EC stated that UBS would have been subject to fines of approximately EUR 2.5 billion had it not received full immunity for disclosing to the EC the existence of infringements relating to YIRD. Recent resolution of enforcement matters involving other financial institutions further illustrates the continued increase in the financial and other penalties, reputational risk and other consequences of regulatory matters in major jurisdictions, particularly the US, and the resulting difficulty in predicting in this environment the financial and other terms of resolutions of pending government investigations and similar proceedings. In 2014, Credit Suisse AG ("**CS**") and BNP Paribas ("**BNPP**") each pleaded guilty to criminal charges in the United States and simultaneously entered into settlements with other US agencies, including the Federal Reserve and the New York Department of Financial Services ("**DFS**"). These resolutions involved the payment of substantial penalties (USD 1.8 billion in the case of CS and USD 8.8 billion in the case of BNPP), agreements with respect to future operation of their businesses and actions with respect to relevant personnel. In the case of BNPP, the DFS suspended for a one-year period BNPP's ability to conduct through its New York branch business activity related to the business line that gave rise to the illegal conduct, namely US dollar clearing for specified BNPP business units. In addition, the DOJ has announced a series of resolutions related to the conduct of major financial institutions in packaging, marketing, issuing and selling residential mortgage-backed securities. In these resolutions, financial institutions have been required to pay penalties ranging from USD 7 to USD 16.7 billion and, in many cases, were also required to provide relief to consumers who were harmed by the relevant conduct.



UBS continues to be subject to a large number of claims, disputes, legal proceedings and government investigations, including the matters described in the notes to the financial statements included in its Third Quarter 2015 Financial Report and it expects that its ongoing business activities will continue to give rise to such matters in the future. The extent of its financial exposure to these and other matters is material and could substantially exceed the level of provisions that UBS has established for litigation, regulatory and similar matters. UBS is not able to predict the financial and other terms on which some of these matters may be resolved. Litigation, regulatory and similar matters may also result in non-monetary penalties and consequences. Among other things, a guilty plea to, or conviction of, a crime (including as a result of termination of the NPA) could have material consequences for 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.

At this point in time, UBS believes that the industry continues to operate in an environment where charges associated with litigation, regulatory and similar matters will remain elevated for the foreseeable future and it continues to be exposed to a number of significant claims and regulatory matters.

Ever since its losses in 2007 and 2008, UBS has been subject to a very high level of regulatory scrutiny and to certain regulatory measures that constrain its strategic flexibility. While it believes that it has remediated the deficiencies that led to the material losses during the 2007–2009 financial crisis, the unauthorized trading incident announced in September 2011, the LIBOR-related settlements of 2012 and settlements with some regulators of matters related to UBS's foreign exchange and precious metals business, the resulting effects of these matters on its reputation and relationships with regulatory authorities have proven to be more difficult to overcome. For example, following the unauthorized trading incident, FINMA placed restrictions (since removed) on acquisitions or business expansions in UBS's Investment Bank unit. UBS is determined to address the issues that have arisen in the above and other matters in a thorough and constructive manner. UBS is in active dialogue with its regulators concerning the actions that it is taking to improve its operational risk management and control framework, but there can be no assurance that its efforts will have the desired effects. As a result of this history, UBS's level of risk with respect to regulatory enforcement may be greater than that of some of its peer institutions.

#### **Operational risks affect UBS's business**

UBS's businesses are dependent on its ability to process a large number of complex transactions across multiple and diverse markets in different currencies, to comply with requirements of many different legal and regulatory regimes to which it is subject and to prevent, or promptly detect and stop, unauthorized, fictitious or fraudulent transactions. UBS's operational risk management and control systems and processes are designed to help ensure that the risks associated with its activities, including those arising from process error, failed execution, misconduct, unauthorized trading, fraud, system failures, financial crime, cyber-attacks, breaches of information security and failure of security and physical protection, are appropriately controlled.

Cyber-crime is a fast growing threat to large organizations that rely on technology to support their business. It can range from internet-based attacks that interfere with the organizations' internet websites, to more sophisticated crimes that target the organizations, as well as their clients, and seek to gain unauthorized access to technology systems in efforts to disrupt business, steal money or obtain sensitive information. Cyber-threats to the financial industry have been increasing and cyber-attacks have become increasingly sophisticated as criminal organizations deploy resources and technical capabilities to target specific institutions.

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

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

Participation in high-volume and high-frequency trading activities, even in the execution of client-driven business, can also expose UBS to operational risks. UBS's loss in 2012 relating to the Facebook initial public offering illustrates the exposure participants in these activities have to unexpected results arising not only from their own systems and processes but also from the behavior of exchanges, clearing systems and other third parties and from the performance of third-party systems.

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

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

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

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

UBS's reputation is critical to the success of its strategic plans. Damage to its reputation can have fundamental negative effects on its business and prospects. Reputational damage is difficult to reverse, and improvements tend to be slow and difficult to measure. This was demonstrated in recent years, as UBS's very large losses during the financial crisis, the US cross-border matter (relating to the governmental inquiries and investigations relating to UBS's cross-border private banking services to US private clients during the years 2000–2007 and the settlements entered into with US authorities with respect to this matter) and other events seriously damaged UBS's reputation. Reputational damage was an important factor in UBS's loss of clients and client assets across its asset-gathering businesses, and contributed to its loss

of and difficulty in attracting staff in 2008 and 2009. These developments had short-term and also more lasting adverse effects on UBS's financial performance, and UBS recognized that restoring its reputation would be essential to maintaining its relationships with clients, investors, regulators and the general public, as well as with its employees. More recently, the unauthorized trading incident announced in September 2011 and UBS's involvement in the LIBOR matter and investigations relating to its foreign exchange and precious metals business have also adversely affected its reputation. Any further reputational damage could have a material adverse effect on its operational results and financial condition and on its ability to achieve its strategic goals and financial targets.

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

The financial services industry prospers in conditions of economic growth, stable geopolitical conditions, transparent, liquid and buoyant capital markets and positive investor sentiment. An economic downturn, continued low interest rates or weak or stagnant economic growth in UBS's core markets, or a severe financial crisis can negatively affect UBS's revenues and ultimately its capital base.

A market downturn and weak macroeconomic conditions can be precipitated by a number of factors, including geopolitical events, changes in monetary or fiscal policy, trade imbalances, natural disasters, pandemics, civil unrest, war or terrorism. Because financial markets are global and highly interconnected, even local and regional events can have widespread impact well beyond the countries in which they occur. A crisis could develop, regionally or globally, as a result of disruptions in emerging markets as well as developed markets that are susceptible to macroeconomic and political developments, or as a result of the failure of a major market participant. UBS has material exposures to a number of these markets, both as a wealth manager and as an investment bank. Moreover, its strategic plans depend more heavily upon its ability to generate growth and revenue in emerging markets, causing UBS to be more exposed to the risks associated with them. The continued absence of sustained and credible improvements to unresolved issues in Europe, continued US fiscal and monetary policy issues, emerging markets fragility and the mixed outlook for global growth demonstrate that macroeconomic and political developments can have unpredictable and destabilizing effects. Adverse developments of these kinds have affected UBS's businesses in a number of ways, and may continue to have further adverse effects on its businesses as follows:

- a general reduction in business activity and market volumes, as UBS has recently experienced, affects fees, commissions and margins; local or regional economic factors, such as the ongoing European sovereign debt concerns and negative interest rates, could also have an effect on UBS;
- a market downturn is likely to reduce the volume and valuations of assets UBS manages on behalf of clients, reducing its asset and performance-based fees;
- the ongoing low interest rate environment will further erode interest margins in several of UBS's businesses and adversely affect its net defined benefit obligations in relation to its pension plans;
- negative interest rates announced by central banks in Switzerland or elsewhere may also affect client behaviour and changes to UBS's deposit and lending pricing and structure that it may make to respond to negative interest rates and client behaviour may cause deposit outflows, reduced business volumes or otherwise adversely affect UBS's businesses;
- reduced market liquidity or volatility limits trading and arbitrage opportunities and impedes UBS's ability to manage risks, impacting both trading income and performance-based fees;
- deteriorating market conditions could cause a decline in the value of assets that UBS owns and accounts for as investments or trading positions;

- worsening economic conditions and adverse market developments could lead to impairments and defaults on credit exposures and on UBS's trading and investment positions, and losses may be exacerbated by declines in the value of collateral it holds; and
- if individual countries impose restrictions on cross-border payments or other exchange or capital controls, or change their currency (for example, if one or more countries should leave the euro), UBS could suffer losses from enforced default by counterparties, be unable to access its own assets, or be impeded in, or prevented from, managing its risks.

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

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

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

UBS, like other financial market participants, was severely affected by the financial crisis that began in 2007. The deterioration of financial markets since the beginning of the crisis was extremely severe by historical standards, and UBS recorded substantial losses on fixed income trading positions, particularly in 2008 and 2009. Although UBS has significantly reduced its risk exposures starting in 2008, and more recently as it progresses its strategy and focuses on complying with Basel III capital standards, UBS continues to hold substantial legacy risk positions, primarily in its Non-core and Legacy Portfolio unit. In many cases these risk positions remain illiquid, and UBS continues to be exposed to the risk that the remaining positions may again deteriorate in value. In the fourth quarter of 2008 and the first quarter of 2009, certain of these positions were reclassified for accounting purposes from fair value to amortized cost; these assets are subject to possible impairment due to changes in market interest rates and other factors.

Moreover, UBS holds positions related to real estate in various countries, and could suffer losses on these positions. These positions include a substantial Swiss mortgage portfolio. Although management believes that this portfolio has been very prudently managed, UBS could nevertheless be exposed to losses if the concerns expressed by the SNB and others about unsustainable price escalation in the Swiss real estate market come to fruition. Other macroeconomic developments, such as the implications on export markets of the appreciation of the Swiss franc following recent announcements by the SNB, the adoption of negative interest rates by the SNB or other central banks or any return of crisis conditions within the eurozone and the potential implications of the recent decision in Switzerland to reinstate immigration quotas for EU / EEA countries, could also adversely affect the Swiss economy, its business in Switzerland in general and, in particular, its Swiss mortgage and corporate loan portfolios.

In addition, UBS is exposed to risk in its prime brokerage, reverse repo and Lombard lending activities, as the value or liquidity of the assets against which it provides financing may decline rapidly.

**UBS's global presence subjects it to risk from currency fluctuations**

UBS prepares its consolidated financial statements in Swiss francs. However, a substantial portion of its assets, liabilities, invested assets, revenues and expenses are denominated in other currencies, particularly the US dollar, the euro and the British pound. Accordingly, changes in foreign exchange rates, particularly between the Swiss franc and the US dollar (US dollar revenues account for the largest portion of its non-Swiss franc revenues) have an effect on its reported income and expenses, and on other reported figures such as other comprehensive

income, invested assets, balance sheet assets, RWA and Basel III CET<sub>1</sub> capital. These effects may adversely affect UBS's income, balance sheet, capital and liquidity ratios. The effects described in the sidebar "Impact of Swiss National Bank actions" in the "Current market climate and industry drivers" section of the Annual Report 2014 clearly illustrate the potential effect of significant currency movements, particularly of the Swiss franc.

**UBS is dependent upon its risk management and control processes to avoid or limit potential losses in its counterparty credit and trading businesses**

Controlled risk-taking is a major part of the business of a financial services firm. Credit risk is an integral part of many of UBS's retail, corporate, wealth management and Investment Bank activities, and its non-core activities that were transferred to Corporate Center – Non-core and Legacy Portfolio, including lending, underwriting and derivatives activities. Changes in interest rates, credit spreads, securities' prices, market volatility and liquidity, foreign exchange levels and other market fluctuations can adversely affect UBS's earnings. Some losses from risk-taking activities are inevitable, but to be successful over time, UBS must balance the risks it takes against the returns it generates. UBS must, therefore, diligently identify, assess, manage and control its risks, not only in normal market conditions but also as they might develop under more extreme (stressed) conditions, when concentrations of exposures can lead to severe losses.

As seen during the financial crisis of 2007–2009, UBS is not always able to prevent serious losses arising from extreme or sudden market events that are not anticipated by its risk measures and systems. Value-at-risk, a statistical measure for market risk, is derived from historical market data, and thus by definition could not have anticipated the losses suffered in the stressed conditions of the financial crisis. Moreover, stress loss and concentration controls and the dimensions in which UBS aggregated risk to identify potentially highly correlated exposures proved to be inadequate. Notwithstanding the steps it has taken to strengthen its risk management and control framework, UBS could suffer further losses in the future if, for example:

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

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

If UBS decides to support a fund or another investment that it sponsors in its asset or wealth management businesses, it might, depending on the facts and circumstances, incur charges that could increase to material levels.

Investment positions, such as equity investments made as part of strategic initiatives and seed investments made at the inception of funds that UBS manages, may also be affected by market

risk factors. These investments are often not liquid and generally are intended or required to be held beyond a normal trading horizon. They are subject to a distinct control framework. Deteriorations in the fair value of these positions would have a negative impact on UBS's earnings.

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

If available, the fair value of a financial instrument or non-financial asset or liability is determined using quoted prices in active markets for identical assets or liabilities. Where the market is not active, fair value is established using a valuation technique, including pricing models. Where available, valuation techniques use market observable assumptions and inputs. If such information is not available, inputs may be derived by reference to similar instruments in active markets, from recent prices for comparable transactions or from other observable market data. If market observable data is not available, UBS selects non-market observable inputs to be used in its valuation techniques. UBS also uses internally developed models. Such models have inherent limitations; different assumptions and inputs would generate different results, and these differences could have a significant impact on UBS's financial results. UBS regularly reviews and updates its valuation models to incorporate all factors that market participants would consider in setting a price, including factoring in current market conditions. Judgment is an important component of this process, and failure to make the changes necessary to reflect evolving market conditions could have a material adverse effect on UBS's financial results. Moreover, evolving market practice may result in changes to valuation techniques that could have a material impact on UBS's financial results. Changes in model inputs or calibration, changes in the valuation methodology incorporated in models, or failure to make the changes necessary to reflect evolving market conditions could have a material adverse effect on UBS's financial results.

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

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

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

More stringent capital, liquidity and funding requirements will likely lead to increased competition for both secured funding and deposits as a stable source of funding, and to higher funding costs. The addition of loss-absorbing debt as a component of capital requirements and potential future requirements to maintain senior unsecured debt that could be written down in the event of UBS's insolvency or other resolution, may increase UBS's funding costs or limit the availability of funding of the types required.

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

The financial services industry is characterized by intense competition, continuous innovation, detailed (and sometimes fragmented) regulation and ongoing consolidation. UBS faces competition at the level of local markets and individual business lines, and from global financial

institutions that are comparable to it 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. UBS's competitive strength and market position could be eroded if it is unable to identify market trends and developments, does not respond to them by devising and implementing adequate business strategies, adequately developing or updating its technology, particularly in trading businesses, or is unable to attract or retain the qualified people needed to carry them out.

The amount and structure of UBS's employee compensation is affected not only by its business results but also by competitive factors and regulatory considerations. Constraints on the amount or structure of employee compensation, higher levels of deferral, performance conditions and other circumstances triggering the forfeiture of unvested awards may adversely affect UBS's ability to retain and attract key employees, and may in turn negatively affect UBS's business performance. UBS has made changes to the terms of compensation awards to reflect the demands of various stakeholders, including regulatory authorities and shareholders. These terms include the introduction of a deferred contingent capital plan with many of the features of the loss-absorbing capital that UBS has issued in the market but with a higher capital ratio write-down trigger, increased average deferral periods for stock awards, and expanded forfeiture provisions for certain awards linked to business performance. These changes, while intended to better align the interests of UBS's staff with those of other stakeholders, increase the risk that key employees will be attracted by competitors and decide to leave UBS, and that UBS may be less successful than its competitors in attracting qualified employees. The loss of key staff and the inability to attract qualified replacements, depending upon which and how many roles are affected, could seriously compromise UBS's ability to execute its strategy and to successfully improve its operating and control environment.

In a referendum in March 2013, the Swiss cantons and voters approved an initiative to give shareholders of Swiss listed companies more influence over board and management compensation. The ordinance requires public companies to specify in their articles of association a mechanism to require annual binding votes by shareholders on the aggregate compensation of each of the board of directors and the executive board. UBS held its first such binding votes at its 2015 annual general meeting.

The EU has adopted legislation that caps the amount of variable compensation in proportion to the amount of fixed compensation for employees of a bank active within the EU. This legislation will apply to employees of UBS in the EU. These and other similar initiatives may require UBS to make further changes to its compensation structure and may increase the risks described above.

#### **UBS's financial results may be negatively affected by changes to accounting standards**

UBS reports its results and financial position in accordance with IFRS as issued by the IASB. Changes to IFRS or interpretations thereof may cause its future reported results and financial position to differ from current expectations, or historical results to differ from those previously reported due to the adoption of accounting standards on a retrospective basis. Such changes may also affect UBS's regulatory capital and ratios. UBS monitors potential accounting changes and when these are finalized by the IASB, and determines the potential impact and discloses significant future changes in its financial statements. Currently, there are a number of issued but not yet effective IFRS changes, as well as potential IFRS changes, some of which could be expected to impact UBS's reported results, financial position and regulatory capital in the future.

#### **UBS's financial results may be negatively affected by changes to assumptions supporting the value of its goodwill**

The goodwill that UBS has recognized on the respective balance sheets of its operating segments is tested for impairment at least annually. UBS's impairment test in respect of the assets recognized as of 31 December 2014 indicated that the value of its goodwill is not impaired. The impairment test is based on assumptions regarding estimated earnings, discount rates and long-term growth rates impacting the recoverable amount of each segment and on estimates of the carrying amounts of the segments to which the goodwill relates. If the estimated earnings and other assumptions in future periods deviate from the current outlook,

the value of UBS's goodwill may become impaired in the future, giving rise to losses in the income statement. For example, in the third quarter of 2012, the carrying amount of goodwill and certain other non-financial assets of the Investment Bank were written down, resulting in a pre-tax impairment loss of almost CHF 3.1 billion.

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

The deferred tax assets ("DTA") that UBS has recognized on its balance sheet as of 31 December 2014 in respect of prior years' tax losses reflect the probable recoverable level based on future taxable profit as informed by its business plans. If the business plan earnings and assumptions in future periods substantially deviate from current forecasts, the amount of recognized deferred tax assets may need to be adjusted in the future. These adjustments may include write-downs of deferred tax assets through the income statement.

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

In 2015, excluding the effects of any potential reassessment of the level of deferred tax assets, UBS expects its effective tax rate to be approximately 25 per cent. UBS expects to revalue its overall level of deferred tax assets during the second half of each year based on a reassessment of future profitability taking into account updated business plan forecasts as part of its annual business planning process. In each of the past three years, UBS has recognized substantial DTA as a result of extension of the forecast period over which income is taken into account for recognition of DTA based on both future forecasts and assessment criteria of the reliability of those forecasts. As the internal assessment thresholds for further extensions of the forecast period are higher, UBS currently does not expect to make further extensions of the forecast period in the near future, which will reduce the amount of DTA recognized in future years. Should UBS realize less profits in future years than anticipated in its forecasts or reduce its forecasts of future profitability, particularly in the US, it could be required to write down currently recognized DTA. Given the amount of DTA currently recognized, any such write-down could be substantial. In 2015, excluding the effects of any potential reassessment of the level of deferred tax assets, UBS expects its effective tax rate to be approximately 25 per cent. UBS's full year tax rate could change significantly based on reassessments of DTA. It could also change if aggregate tax expenses for locations other than Switzerland, the US and the UK differ from what is expected. UBS's effective tax rate is also sensitive to any future reductions in statutory tax rates, particularly in the US and Switzerland. Reductions in the statutory tax rate would cause the expected future tax benefit from items such as tax loss carry-forwards in the affected locations to diminish in value. This in turn would cause a write-down of the associated deferred tax assets.

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

UBS has undertaken, or is considering, changes to its legal structure in the US, the UK, Switzerland and other countries in response to regulatory changes. Tax laws or the tax authorities in these countries may prevent the transfer of tax losses incurred in one legal entity to newly organized or reorganized subsidiaries or affiliates or may impose limitations on the utilization of tax losses that are expected to carry on businesses formerly conducted by the transferor. Were this to occur in situations where there were also limited planning opportunities



to utilize the tax losses in the originating entity, the deferred tax assets associated with such tax losses could be written down through the income statement.

A net charge of CHF 123 million was recognized in operating expenses (within operating profit before tax) in 2014 in relation to the UK bank levy. This is a balance sheet levy, payable by banks operating in the UK. UBS's bank levy expense for future years will depend on both the rate of the levy and UBS's taxable UK liabilities at each year-end; changes to either factor could increase the cost. This expense could increase if organizational changes involving UBS Limited and/or UBS AG alter the level or profile of UBS's bank levy tax base. UBS expects that the annual bank levy charge will continue to be recognized for IFRS purposes as an expense arising in the final quarter of each financial year, rather than being accrued throughout the year, as it is charged by reference to the year-end balance sheet position.

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

UBS has committed to return at least 50 per cent. of its net profit to shareholders as capital returns, provided its fully applied CET1 capital ratio is at least 13 per cent. and its post-stress fully applied CET1 capital ratio is at least 10 per cent. As of 30 June 2015, UBS's post-stress CET1 capital ratio exceeded this 10 per cent. objective. However, UBS's ability to maintain a fully applied CET1 capital ratio of at least 13 per cent. is subject to numerous risks, including the results of its business, changes to capital standards, methodologies and interpretation that may adversely affect UBS's calculated fully applied CET1 capital ratio, imposition of risk add-ons or additional capital requirements such as additional capital buffers.

Changes in the methodology, assumptions, stress scenario and other factors may result in material changes in UBS's post-stress fully applied CET1 capital ratio. UBS's objective to maintain a post-stress fully applied CET1 capital ratio of at least 10 per cent. is a condition to its capital returns commitment. To calculate its post-stress CET1 capital ratio, UBS forecasts capital one year ahead based on internal projections of earnings, expenses, distributions to shareholders and other factors affecting CET1 capital, including UBS's net defined benefit assets and liabilities. UBS also forecasts one-year developments in RWA. It adjusts these forecasts based on assumptions as to how they may change as a result of a severe stress event. It then further deducts from capital the stress loss estimated using its combined stress test ("CST") framework to arrive at the post-stress CET1 capital ratio. Changes to UBS's results, business plans and forecasts, in the assumptions used to reflect the effect of a stress event on UBS's business forecasts or in the results of its CST, could have a material effect on its stress scenario results and on its calculated fully applied post-stress CET1 capital ratio. UBS's CST framework relies on various risk exposure measurement methodologies which are predominantly proprietary, on its selection and definition of potential stress scenarios and on its assumptions regarding estimates of changes in a wide range of macroeconomic variables and certain idiosyncratic events for each of those scenarios. UBS periodically reviews these methodologies, and assumptions are subject to periodic review and change on a regular basis. UBS's risk exposure measurement methodologies may change in response to developing market practice and enhancements to its own risk control environment, and input parameters for models may change due to changes in positions, market parameters and other factors. UBS's stress scenarios, the events comprising a scenario and the assumed shocks and market and economic consequences applied in each scenario are subject to periodic review and change. A change in the CST scenario used to calculate the fully applied post-stress CET1 capital ratio, or in the assumptions used in a particular scenario, may cause the post-stress CET1 capital ratio to fluctuate materially from period to period. UBS's business plans and forecasts are subject to inherent uncertainty, its choice of stress test scenarios and the market and macroeconomic assumptions used in each scenario are based on judgments and assumptions about possible future events. UBS's risk exposure methodologies are subject to inherent limitations, rely on numerous assumptions as well as on data which may have inherent limitations. In particular, certain data is not available on a monthly basis and UBS may therefore rely on prior month/quarter data as an estimate. All of these factors may result in UBS's post-stress CET1

capital ratio, as calculated using its methodology for any period, being materially higher or lower than the actual effect of a stress scenario.

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

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

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

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

**In the section headed "2. Security specific Risks", after the risk factor entitled "1. Special risks related to specific features of the Security structure", the following risk factors are added and, as a consequence, the numbering of all subsequent risk factors is adjusted accordingly:**

**"2. Effect of downgrading of the Issuer's rating**

The general assessment of the Issuer's creditworthiness may affect the value of the Securities. This assessment generally depends on the ratings assigned to the Issuer or its affiliated companies by rating agencies such as Standard & Poor's Credit Market Services Europe Limited, Fitch Ratings Limited, Moody's Investors Service, Inc. and Scope Ratings AG. As a result, any downgrading of the Issuer's rating by a rating agency may have a negative impact on the value of the Securities.

**3. Ratings are not Recommendations**

The ratings of UBS AG as Issuer should be evaluated independently from similar ratings of other entities, and from the rating, if any, of the debt or derivative securities issued. A credit rating is not a recommendation to buy, sell or hold securities issued or guaranteed by the rated entity and may be subject to review, revision, suspension, reduction or withdrawal at any time by the assigning rating agency.

A rating of the Securities, if any, is not a recommendation to buy, sell or hold the Securities and may be subject to revision or withdrawal at any time by the relevant rating agency. Each rating should be evaluated independently of any other securities rating, both in respect of the rating agency and the type of security. Furthermore, rating agencies which have not been hired by the Issuer or otherwise to rate the Securities could seek to rate the Securities and if such "unsolicited

ratings" are lower than the equivalent rating assigned to the Securities by the relevant hired rating agency, such ratings could have an adverse effect on the value of the Securities."

**In the section headed "2. Security specific Risks", after the risk factor entitled "Securityholders are exposed to the risk of a bail-in" (being the new number 5.), the following risk factor is added and, as a consequence, the numbering of all subsequent risk factors is adjusted accordingly:**

**"6. The Conditions of the Securities do not contain any restrictions on the Issuer's or UBS's ability to restructure its business**

Over the past two years, UBS has undertaken a series of measures to improve the resolvability of the Group in response to too big to fail ("TBTF") requirements in Switzerland and other countries in which the Group operates. UBS Group AG completed an exchange offer for the shares of UBS AG and a procedure under the Swiss Stock Exchange and Securities Trading Act to squeeze out minority shareholders of UBS AG and as at the date of this Listing Prospectus owns all of the outstanding shares of UBS AG and is the holding company for the UBS Group.

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

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

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

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

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

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

authorities, and remain subject to a number of uncertainties that may affect their feasibility, scope or timing.

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

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

"UBS AG ("Issuer") with its subsidiaries (together, "UBS AG (consolidated)" or "UBS AG Group"; together with UBS Group AG, which is the holding company of UBS AG, "UBS Group" "Group", "UBS" or "UBS Group AG (consolidated)") is committed to providing private, institutional and corporate clients worldwide, as well as retail clients in Switzerland, with superior financial advice and solutions, while generating attractive and sustainable returns for shareholders. UBS's strategy centers on its Wealth Management and Wealth Management Americas businesses and its leading (in its own opinion) universal bank in Switzerland, complemented by Asset Management and its Investment Bank. In UBS's opinion, these businesses share three key characteristics: they benefit from a strong competitive position in their targeted markets, are capital-efficient, and offer a superior structural growth and profitability outlook. UBS's strategy builds on the strengths of all of its businesses and focuses its efforts on areas in which UBS excels, while seeking to capitalize on the compelling growth prospects in the businesses and regions in which it operates. Capital strength is the foundation of UBS's success. The operational structure of the Group is comprised of the Corporate Center and five business divisions: Wealth Management, Wealth Management Americas, Retail & Corporate, Asset Management and the Investment Bank.

On 30 September 2015, UBS Group AG (consolidated) common equity tier 1 ("CET1") capital ratio<sup>1</sup> was 14.3% on a fully applied basis and 18.3% on a phase-in basis, invested assets stood at CHF 2,577 billion, equity attributable to UBS Group AG shareholders was CHF 54,077 million and market capitalization was CHF 69,324 million. On the same date, UBS employed 60,088 people<sup>2</sup>.

On 30 September 2015, UBS AG (consolidated) CET1 capital ratio<sup>1</sup> was 15.3% on a fully applied basis and 18.3% on a phase-in basis, invested assets stood at CHF 2,577 billion and equity attributable to UBS AG shareholders was CHF 54,126 million. On the same date, UBS AG Group employed 58,502 people<sup>2</sup>.

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

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

The rating agencies Standard & Poor's Credit Market Services Europe Limited ("**Standard & Poor's**"), Moody's Investors Service, Inc., ("**Moody's**"), Fitch Ratings Limited ("**Fitch Ratings**") and Scope Ratings AG ("**Scope Ratings**") have published credit ratings reflecting their assessment of the creditworthiness of UBS AG, i.e. its ability to fulfill in a timely manner payment obligations, such as principal or interest payments on long-term loans, also known as debt servicing. The ratings from Fitch Ratings, Standard & Poor's and Scope Ratings may be attributed a plus or minus sign, and those from Moody's a number. These supplementary attributes indicate the relative position within the respective rating class. UBS AG has long-term counterparty credit rating of A (outlook: positive outlook) from Standard & Poor's, long-term senior debt rating of A2 (outlook: under review for possible upgrade) from Moody's, long-term issuer default rating of A (outlook: positive) from Fitch Ratings and issuer credit-strength rating of A (outlook: stable) from Scope Ratings.

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

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

Standard & Poor's			Moody's		Fitch Ratings		Scope Ratings	
CCC			Caa3		C	Exceptionally high levels of credit risk	C	Extremely weak credit quality with a highly significant risk of a default-like-event
CCC-		Currently highly vulnerable	Ca	Highly speculative, likely in, or very near, default with some prospect of recovery of principal and interest	RD	Restricted default		
CC								
R	Under regulatory supervision		C	Typically in default, with little prospect for recovery of principal or interest	D	Default	D	Credit default-like event
SD	Selective Default							
D	Default							

Standard & Poor's, Fitch Ratings and Scope Ratings are registered as credit rating agencies under Regulation (EC) No 1060/2009 as amended by Regulation (EU) No 513/2011 (the "CRA Regulation"). Moody's is not established in the EEA and is not certified under the CRA Regulation, but the rating it has issued is endorsed by Moody's Investors Service Ltd., a credit rating agency established in the EEA and registered under the CRA Regulation."

**In section "2. Business Overview" the subsection entitled "Business Divisions and Corporate Center" is completely replaced by the following text:**

**"Business Divisions and Corporate Center**

UBS operates as a group with five business divisions (Wealth Management, Wealth Management Americas, Retail & Corporate, Asset Management - previously referred to as Global Asset Management - and the Investment Bank) and a Corporate Center. Each of the business divisions and the Corporate Center are described below. A description of the Group's strategy can be found in the annual report 2014 of UBS Group AG and UBS AG as of 31 December 2014 in the English language, published on 13 March 2015 (the "Annual Report 2014", which is incorporated by reference into this Base Prospectus), on pages 39-41 (inclusive); a description of the businesses, strategies, clients, organizational structures, products and services of the business divisions and the Corporate Center can be found in the Annual Report 2014, on pages 46-62 (inclusive)."

**In section "2. Business Overview" the subsection entitled "Global Asset Management" is renamed "Asset Management" and completely replaced by the following text:**

**"Asset Management**

Asset Management is a large-scale, well-diversified asset manager with businesses across regions and client segments. It serves third-party institutional and wholesale clients, as well as clients of UBS's wealth management businesses with a broad range of investment capabilities and styles across all major traditional and alternative asset classes. Complementing the investment offering, the fund services unit provides fund administration services for UBS and third-party funds."

**In section "2. Business Overview" the subsection entitled "Recent Developments" is completely replaced by the following text:**

**"Recent Developments**

1. UBS AG (consolidated) key figures

UBS AG derived the selected consolidated financial information included in the table below for the years ended 31 December 2012, 2013 and 2014 from its Annual Report 2014, which contains the audited consolidated financial statements of UBS AG, as well as additional unaudited consolidated financial information, for the year ended 31 December 2014 and comparative figures for the years ended 31 December 2013 and 2012. The selected consolidated financial information included in the table below for the nine months ended 30 September 2015 and 30 September 2014 was derived from the UBS AG third quarter 2015 financial report, which contains the unaudited consolidated financial statements of UBS AG, as well as additional unaudited consolidated financial information, for the nine months ended 30 September 2015 and comparative figures for the nine months ended 30 September 2014. The consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and stated in Swiss francs ("CHF"). The Annual Report 2014 and the third quarter 2015 financial report are incorporated by reference herein. In the opinion of management, all necessary adjustments were made for a fair presentation of the UBS AG consolidated financial position and results of operations. Information for the years ended 31 December 2012, 2013 and 2014 which is indicated as being unaudited in the table below was included in the Annual Report 2014 but has not been audited on the basis that the respective disclosures are not required under IFRS, and therefore are not part of the audited financial statements. As described in more detail in Note 1b to the UBS AG consolidated financial statements contained in the Annual Report 2014, certain information which was included in the consolidated financial statements to the annual report 2013 was restated in the Annual Report 2014. The figures contained in the table below in respect of the year ended 31 December 2013 reflect the restated figures as contained in the Annual Report 2014. Prospective investors should read the whole of this document and the documents incorporated by reference herein and should not rely solely on the summarized information set out below:

	As of or for the nine months ended		As of or for the year ended		
	30.9.15	30.9.14	31.12.14	31.12.13	31.12.12
<i>CHF million, except where indicated</i>					
	<i>unaudited</i>		<i>audited, except where indicated</i>		
<b>Results</b>					
Operating income	23,834	21,281	28,026	27,732	25,423
Operating expenses	18,655	19,224	25,557	24,461	27,216
Operating profit / (loss) before tax	5,179	2,057	2,469	3,272	(1,794)
Net profit / (loss) attributable to UBS AG shareholders	5,285	2,609	3,502	3,172	(2,480)
<b>Key performance indicators</b>					
<b>Profitability</b>					
Return on tangible equity (%) <sup>1</sup>	15.4	8.3	8.2*	8.0*	1.6*
Return on assets, gross (%) <sup>2</sup>	3.2	2.8	2.8*	2.5*	1.9*
Cost / income ratio (%) <sup>3</sup>	78.1	90.3	90.9*	88.0*	106.6*
<b>Growth</b>					
Net profit growth (%) <sup>4</sup>	102.6	15.7	10.4*	-	-
Net new money growth for combined wealth management businesses (%) <sup>5</sup>	2.0	2.4	2.5*	3.4*	3.2*
<b>Resources</b>					
Common equity tier 1 capital ratio (fully applied, %) <sup>6,7</sup>	15.3	13.7	14.2*	12.8*	9.8*
Leverage ratio (phase-in, %) <sup>8,9</sup>	5.3	5.4	5.4*	4.7*	3.6*
<b>Additional information</b>					

<b>Profitability</b>					
Return on equity (RoE) (%) <sup>10</sup>	13.3	7.1	7.0*	6.7*	(5.1)*
Return on risk-weighted assets, gross (%) <sup>11</sup>	14.6	12.4	12.4*	11.4*	12.0*
<b>Resources</b>					
Total assets	981,891	1,044,899	1,062,327	1,013,355	1,259,797
Equity attributable to UBS AG shareholders	54,126	50,824	52,108	48,002	45,949
Common equity tier 1 capital (fully applied) <sup>7</sup>	33,183	30,047	30,805	28,908	25,182*
Common equity tier 1 capital (phase-in) <sup>7</sup>	40,581	42,464	44,090	42,179	40,032*
Risk-weighted assets (fully applied) <sup>7</sup>	217,472	219,296	217,158*	225,153*	258,113*
Risk-weighted assets (phase-in) <sup>7</sup>	221,410	222,648	221,150*	228,557*	261,800*
Common equity tier 1 capital ratio (phase-in, %) <sup>6,7</sup>	18.3	19.1	19.9*	18.5*	15.3*
Total capital ratio (fully applied, %) <sup>7</sup>	19.9	18.7	19.0*	15.4*	11.4*
Total capital ratio (phase-in, %) <sup>7</sup>	23.7	24.9	25.6*	22.2*	18.9*
Leverage ratio (fully applied, %) <sup>8,9</sup>	4.6	4.2	4.1*	3.4*	2.4*
Leverage ratio denominator (fully applied) <sup>9</sup>	949,548	980,669	999,124*	1,015,306*	1,206,214*
Leverage ratio denominator (phase-in) <sup>9</sup>	955,027	987,327	1,006,001*	1,022,924*	1,216,561*
<b>Other</b>					
Invested assets (CHF billion) <sup>12</sup>	2,577	2,640	2,734	2,390	2,230
Personnel (full-time equivalents)	58,502	60,292	60,155*	60,205*	62,628*

\* unaudited

<sup>1</sup> Net profit / loss attributable to UBS AG shareholders before amortization and impairment of goodwill and intangible assets (annualized as applicable) / average equity attributable to UBS AG shareholders less average goodwill and intangible assets. <sup>2</sup> Operating income before credit loss (expense) or recovery (annualized as applicable) / average total assets. <sup>3</sup> Operating expenses / operating income before credit loss (expense) or recovery. <sup>4</sup> Change in net profit attributable to UBS AG shareholders from continuing operations between current and comparison periods / net profit attributable to UBS AG shareholders from continuing operations of comparison period. Not meaningful and not included if either the reporting period or the comparison period is a loss period. <sup>5</sup> Combined Wealth Management's and Wealth Management Americas' net new money for the period (annualized as applicable) / invested assets at the beginning of the period. Based on adjusted net new money which excludes the negative effect on net new money (third quarter of 2015: 3.3 billion; second quarter of 2015: CHF 6.6 billion) in Wealth Management from UBS's balance sheet and capital optimization efforts in the second quarter of 2015. <sup>6</sup> Common equity tier 1 capital / risk-weighted assets. <sup>7</sup> Based on the Basel III framework as applicable to Swiss systemically relevant banks (SRB), which became effective in Switzerland on 1 January 2013. The information provided on a fully applied basis entirely reflects the effects of the new capital deductions and the phase out of ineligible capital instruments. The information provided on a phase-in basis gradually reflects those effects during the transition period. Numbers for 31 December 2012 are calculated on an estimated basis described below and are referred to as "pro-forma". Some of the models applied when calculating 31 December 2012 pro-forma information required regulatory approval and included estimates (as discussed with UBS's primary regulator) of the effect of new capital charges. These figures are not required to be presented, because Basel III requirements were not in effect on 31 December 2012. They are nevertheless included for comparison reasons. <sup>8</sup> Common equity tier 1 capital and loss-absorbing capital / total adjusted exposure (leverage ratio denominator). <sup>9</sup> In accordance with Swiss SRB rules. The Swiss SRB leverage ratio came into force on 1 January 2013. Numbers for 31 December 2012 are on a pro-forma basis (see footnote 7 above). <sup>10</sup> Net profit / loss attributable to UBS AG shareholders (annualized as applicable) / average equity attributable to UBS AG shareholders. <sup>11</sup> Based on Basel III risk-weighted assets (phase-in) for 2015, 2014 and 2013, and on Basel 2.5 risk-weighted assets for 2012. <sup>12</sup> Includes invested assets for Retail & Corporate.

## 2. Swiss Federal Council proposes new capital requirements for Swiss systemically relevant banks

In October 2015, the Swiss Federal Council published proposed cornerstones of a revised Swiss TBTF framework. For Swiss systemically relevant banks ("SRB") which operate internationally, the proposal would revise existing Swiss SRB capital requirements as a new going concern requirement and would establish an additional gone concern capital requirement, which, together with the going concern requirement, represents the total loss-absorbing capacity ("TLAC") required for Swiss SRB. The new requirements would be phased in and become fully applicable by the end of 2019. The proposal would make the Swiss capital regime by far the most demanding in the world.

The proposed going concern capital requirements consist of a basic requirement for all Swiss SRB which is set at 4.5% of the leverage ratio denominator ("LRD") and 12.9% of risk-weighted assets ("RWA"). On top of that, a progressive buffer would be added, reflecting the degree of



systemic importance. The progressive buffer for UBS is expected to be 0.5% of the LRD and 1.4% of RWA, resulting in a total going concern capital requirement of 5.0% of LRD and 14.3% of RWA. The going concern leverage ratio proposal would require a minimum CET<sub>1</sub> capital requirement of 3.5% of LRD and of up to 1.5% in high-trigger additional tier 1 ("AT<sub>1</sub>") capital instruments. The minimum CET<sub>1</sub> capital requirement will remain unchanged at 10% of RWA, and the balance of the RWA-based capital requirement, i.e. 4.3%, may be met with high-trigger AT<sub>1</sub> instruments.

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

The proposal envisages transitional arrangements for outstanding low-trigger AT<sub>1</sub> and tier 2 instruments to qualify as going concern capital until maturity or first call date and at least until the end of 2019. Any high and low-trigger tier 2 capital remaining after 2019 will qualify as gone concern capital while low-trigger tier 1 capital instruments will continue to qualify as going concern capital.

UBS will become compliant with the newly proposed rules at inception and intends to use the four-year phase-in period to fully implement the new requirements. UBS intends to meet the newly proposed CET<sub>1</sub> leverage ratio requirement of 3.5% by retaining sufficient earnings, while maintaining its commitment to a capital return payout ratio of at least 50% of net profit. Furthermore, UBS plans to continue its issuance of AT<sub>1</sub> instruments and TLAC-eligible senior debt to meet the new requirements without the need to increase its overall funding. Subject to market and other conditions, UBS currently expects to replace maturing UBS AG senior debt with Group TLAC-eligible senior debt, and maturing UBS AG tier 2 instruments with Group AT<sub>1</sub> instruments. As previously TBTF-compliant AT<sub>1</sub> and tier 2 instruments will remain eligible for capital treatment under the new regime on a grandfathering basis, UBS does not intend to use the proposed changes in the TBTF regime as a trigger to exercise its right to call outstanding low-trigger AT<sub>1</sub> or tier 2 loss-absorbing notes. UBS's total TLAC issuance will be affected by a capital rebate which UBS expects to receive for its improved resilience and resolvability. However, the amount of this resolvability rebate, which may be up to 2.0% of LRD and 5.7% of RWA of the gone concern capital requirement, is still not clear.

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

The Federal Department of Finance will propose amendments to the Capital Adequacy Ordinance and the Banking Ordinance for public comment and is expected to submit the amended ordinances to the Federal Council in the first quarter of 2016.

### *3. Changes to UBS's legal structure*

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

During the third quarter, UBS Group AG completed the SESTA procedure resulting in the cancellation of the shares of the remaining minority shareholders of UBS AG. As a result, UBS Group AG now owns 100% of the outstanding shares of UBS AG. Following completion of the SESTA procedure, on 22 September 2015 UBS Group AG paid a supplementary capital return of CHF 0.25 per share to its shareholders.

In the third quarter, UBS established UBS Business Solutions AG as a direct subsidiary of UBS Group AG, to act as the Group service company. UBS will transfer the ownership of the majority

of its existing service subsidiaries to this entity. UBS expects that the transfer of shared service and support functions into the service company structure will be implemented in a staged approach through 2018. The purpose of the service company structure is to improve the resolvability of the Group by enabling UBS to maintain operational continuity of critical services should a recovery or resolution event occur.

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

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

UBS's strategy, its business and the way it serves the vast majority of its clients are not affected by these changes. These plans do not require UBS to raise additional common equity capital and are not expected to materially affect the firm's capital-generating capability.

UBS is confident that the establishment of UBS Group AG and UBS Switzerland AG, along with its other announced measures, will substantially enhance the resolvability of the Group. FINMA has confirmed that these measures were in principle suitable to warrant a rebate under the current Swiss capital regulation. Therefore, UBS expects that the Group will qualify for a rebate on the gone concern capital requirements under the new Swiss TBTF proposal, which should result in lower overall capital requirements for the Group. The amount and timing of any such rebate will depend on the actual execution of these measures and can therefore only be specified once all measures are implemented.

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

#### *4. US Federal Reserve proposes TLAC requirements*

In October 2015, the Federal Reserve Board proposed long-term debt and TLAC requirements for US globally systemically important bank holding companies and US intermediate holding companies ("IHC") that are controlled by non-US globally systemically important banks. Under the proposed regulation, covered IHC, including UBS's IHC, would be required to have TLAC held by a non-US parent entity (internal TLAC) equal to the greatest of: (i) 16% or 18% of RWA, (ii) if the IHC is subject to the US supplementary leverage ratio, 6% or 6.75% of total leverage exposure and (iii) 8% or 9% of average total consolidated assets. The lower percentages would apply to an IHC if the home country resolution authority for the IHC's parent banking organization certifies to the Federal Reserve Board that its resolution strategy for the parent banking organization does not involve the IHC entering a resolution proceeding in the US. FINMA has adopted a single point of entry resolution strategy and UBS anticipates that it will qualify for the lower internal TLAC requirement. The TLAC requirement must be met with tier 1 capital and eligible long-term debt, including tier 2 capital instruments that meet requirements

for eligible long-term debt that is issued directly by the covered IHC to a foreign entity that controls the covered IHC.

An IHC also would be required to maintain outstanding eligible long-term debt held by a non-US parent entity equal to the greatest of: (i) 7% of RWA, (ii) if the IHC is subject to the US supplementary leverage ratio, 3% of total leverage exposure and (iii) 4% of average total consolidated assets. In addition, an IHC would be required to maintain an internal TLAC buffer of 2.5% of RWA plus any countercyclical buffer. Failure to maintain the buffer would trigger restrictions on distribution of dividends and discretionary variable compensation payments.

Eligible internal long-term debt generally must, among other things, be unsecured, unstructured, governed by US law, contractually subordinated to all third-party liabilities of the IHC, have a remaining maturity of at least one year, and include a contractual provision permitting the Federal Reserve Board to order the IHC to convert them into equity under certain circumstances.

The proposed regulation would also prohibit an IHC from issuing short-term debt or entering into qualified financial contracts with third parties, issuing certain guarantees of subsidiary liabilities, having a subsidiary guarantee liabilities of the IHC, or entering into arrangements that would permit a third party to offset a debt to a subsidiary of the IHC upon the IHC's default to the third party.

If adopted as proposed, these requirements would apply as of 1 January 2019, with the RWA-based component of the TLAC requirement phased in until 1 January 2022.

#### *5. Changes to the Group Executive Board ("GEB") and Board of Directors ("BoD")*

Robert J. McCann will take on a new role as Chairman UBS Americas. This follows his decision to step down from his current roles as President Wealth Management Americas and President UBS Americas as well as the GEB.

Tom Naratil, currently Group Chief Financial Officer and Group Chief Operating Officer, will succeed McCann as President Wealth Management Americas and President UBS Americas on the GEB.

UBS has named Axel P. Lehmann as its new group Chief Operating Officer. Lehmann will join the GEB and step down from the role he has held as a member of the BoD of UBS since 2009.

Kirt Gardner, currently Chief Financial Officer of Wealth Management, will become Group Chief Financial Officer and a member of the GEB.

Group Chief Risk Officer Philip J. Lofts has decided to step down from his current role and the GEB at the end of the year. He will be succeeded on the GEB by Christian Bluhm who joins UBS from FMS Wertmanagement.

President UBS Asia Pacific Chi-Won Yoon has decided to step down from his current role and the GEB at the end of the year. Yoon will be succeeded on the GEB by Kathryn Shih.

UBS has decided to appoint Sabine Keller-Busse, Group Head Human Resources, to the GEB.

All changes are effective 1 January 2016."

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

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

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

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

UBS Group AG completed an exchange offer for the shares of UBS AG and a procedure under the Swiss Stock Exchange and Securities Trading Act ("SESTA procedure") to squeeze out minority shareholders of UBS AG and as at the date of this Prospectus owns all of the outstanding shares of UBS AG and is the holding company for the UBS Group.

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

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

Refer to "*Recent Developments - 3. Changes to UBS's legal structure*", above, for information on further recent changes to UBS's legal structure.

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

UBS Group AG's interests in subsidiaries and other entities as of 31 December 2014, including information on UBS Group AG's significant subsidiaries, are discussed in the Annual Report 2014, on pages 527-536 (inclusive).

UBS AG's interests in subsidiaries and other entities as of 31 December 2014, including information on UBS AG's significant subsidiaries, are discussed in the Annual Report 2014, on pages 691-699 (inclusive)."

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

### **"4. Trend Information**

As stated in the third quarter 2015 financial report of UBS Group AG published on 3 November 2015, many of the underlying macroeconomic challenges and geopolitical issues that UBS has highlighted in previous quarters remain and are unlikely to be resolved in the foreseeable future. In addition, recently proposed changes to the too big to fail regulatory framework in Switzerland will cause substantial ongoing interest costs for the firm. UBS also continues to see headwinds from interest rates which have not increased in line with market expectations, negative market performance in certain asset classes and the weak performance of the euro versus the Swiss franc during the year. UBS is executing the measures already announced to mitigate these effects as it progresses towards its targeted return on tangible equity in the short to medium term. UBS's strategy has proven successful in a variety of market conditions. UBS remains

committed to its strategy and its disciplined execution in order to ensure the firm's long-term success and deliver sustainable returns for its shareholders."

**In section "5. Administrative, Management and Supervisory Bodies of UBS AG" the first sentence is replaced by the following text:**

"UBS AG is subject to, and compliant with, all relevant Swiss legal and regulatory requirements regarding corporate governance."

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

**"Board of Directors**

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

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

Refer to the section "Changes to the Group Executive Board ("GEB") and Board of Directors ("BoD")" above for information on changes to the BoD effective 1 January 2016."

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

**"Members of the Board of Directors**

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	2016	Chairman of the Board of Directors of UBS Group AG. Member of the board of the Swiss Bankers Association, the Swiss Finance Council, the Institute of International Finance, the International Monetary Conference, and the Financial Services Professional Board, Kuala Lumpur. Member of the Group of Thirty, Washington, D.C. and the Board of Trustees of Avenir Suisse; member of the IMD Foundation Board, Lausanne; member of the European Financial Services Roundtable and the European Banking Group. Advisory board member of the Department of Economics at the University of Zurich; member of the Advisory Board of Zukunft Finanzplatz; member of the International Advisory Panel, Monetary Authority of Singapore.
Michel Demaré  Syngenta International AG, Schwarzwaldallee 215, CH-4058 Basel	Independent Vice Chairman	2016	Independent Vice Chairman of the Board of Directors of UBS Group AG. Chairman of the board of Syngenta; board member of Louis-Dreyfus Commodities Holdings BV; Supervisory Board member of IMD, Lausanne; Chairman of SwissHoldings, Berne; Chairman of the Syngenta Foundation for Sustainable Agriculture. Member of the advisory board of the Department of Banking and Finance, University of Zurich. Member of the Advisory Board of Zukunft Finanzplatz.
David Sidwell  UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Senior Independent Director	2016	Senior Independent Director of the Board of Directors of UBS Group AG. Director and Chairperson of the Risk Policy and Capital Committee of Fannie Mae, Washington D.C.; Senior Advisor at Oliver Wyman, New York; board member of Ace Limited; board member of GAVI Alliance; Chairman of the board of Village Care, New York; Director of the National Council on Aging, Washington D.C.
Reto Francioni	Member	2016	Member of the Board of Directors of UBS Group AG. Professor, University of Basel; member of the board of Francioni AG.

Hansfluhsteig 21 CH-5200 Brugg			
Ann F. Godbehere  UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Member	2016	Member of the Board of Directors of UBS Group AG. Board member and Chairperson of the Audit Committee of Prudential plc, Rio Tinto plc and Rio Tinto Limited. Member of the board of British American Tobacco plc.
Axel P. Lehmann  Zurich Insurance Group, Mythenquai 2, CH-8002 Zurich	Member	2016	Member of the Board of Directors of UBS Group AG. Regional Chairman Europe, Middle East and Africa of Zurich Insurance Group, Zurich; Chairman of the board of Farmers Group, Inc., Los Angeles; Chairman of Zurich Insurance plc., Dublin; Chairman of the Board of Trustees of the Pension Plans 1 and 2 of the Zurich Insurance Group; member of the supervisory board of Zurich Beteiligungs-AG, Frankfurt am Main; member of the board of Economiesuisse; Chairman of the Global Agenda Council on the Global Financial System of World Economic Forum ("WEF"); Chairman of the Board of the Institute of Insurance Economics of University of St. Gallen; member of the International and Alumni Advisory Board of University of St. Gallen; former chairman and member of the Chief Risk Officer Forum.
William G. Parrett  UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Member	2016	Member of the Board of Directors of UBS Group AG. Member of the board and Chairperson of the Audit Committee of the Eastman Kodak Company; board member of the Blackstone Group LP (chairman of audit committee and chairman of the conflicts committee); board member of Thermo Fisher Scientific Inc. (chairman of audit committee); member of the board of IGATE Corporation; 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, Bellerivestrasse 201, CH-8034 Zurich	Member	2016	Member of the Board of Directors of UBS Group AG. Partner at Froiep, 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 Supervisory board of the Swiss national committee for UNICEF.
Beatrice Weder di Mauro  Johannes Gutenberg- University Mainz, Jakob Welder-Weg 4, D-55099 Mainz	Member	2016	Member of the Board of Directors of UBS Group AG. Professor at the Johannes Gutenberg University, Mainz; member of the board of Roche Holding Ltd., Basel, and supervisory board of Robert Bosch GmbH, Stuttgart. Member of the economic advisory board of Fraport AG; member of the advisory board of Deloitte Germany. Deputy Chairman of the University Council of the University of Mainz. Member of the Corporate Governance Commission of the German Government; member of the Senate of the Max Planck Society; member of the Global Agenda Council on Sovereign Debt of the WEF.
Joseph Yam  UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Member	2016	Member of the Board of Directors of UBS Group AG. Executive Vice President of the China Society for Finance and Banking. Member of the board of Johnson Electric Holdings Limited, of UnionPay International Co., Ltd. and of The Community Chest of Hong Kong. International Advisory Council member of China Investment Corporation; Distinguished Research Fellow at the Institute of Global Economics and Finance at the Chinese University of Hong Kong.

In section "5. Administrative, Management and Supervisory Bodies of UBS AG" in the subsection headed "Group Executive Board" the following paragraph is added after the first paragraph:

"Refer to the section "Changes to the Group Executive Board ("GEB") and Board of Directors ("BoD")" above for information on changes to the GEB effective 1 January 2016."

In section "5. Administrative, Management and Supervisory Bodies of UBS AG" in the table headed "Members of the Group Executive Board" the function of GEB member Ulrich Körner as "President Global Asset Management" is amended to "President Asset Management" and, consequently, the relevant table row reads as follows:

Ulrich Körner UBS AG, Bahnhofstrasse 45, CH-	President Asset Management and President Europe, Middle East and Africa
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**Section “6. Major Shareholders” is completely replaced by the following text:**

**“6. Major Shareholders**

UBS Group AG owns 100% of the outstanding shares of UBS AG.”

**In Section “7. Financial Information concerning the Issuer’s Assets and Liabilities, Financial Position and Profits and Losses” in subsection “Historical Financial Information” the third and the fourth paragraph (starting with “As described in the Annual Report 2014...” and “As described in the UBS AG second quarter 2015 financial report...”)** are completely replaced by the following text:

“As described in the Annual Report 2014 (Note 1b to the UBS AG consolidated financial statements) UBS AG has made certain adjustments in 2014 to the consolidated historical financial statements for the year ended 31 December 2013 due to (i) the adoption of Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32, Financial Instruments: Presentation) and (ii) removing exchange-traded derivative client cash balances from UBS AG's balance sheet. The comparative balance sheet as of 31 December 2013 was restated to reflect the effects of adopting these changes. These restatements had no impact on total equity, net profit, earnings per share or on UBS AG's Basel III capital. As described in the first quarter 2015 financial report of UBS AG (Note 1 to the interim consolidated financial statements), UBS AG has made certain adjustments in 2015 to the consolidated historical financial statements for the years ended 31 December 2014 and 31 December 2013 due to the refinement of the definition of cash and cash equivalents presented in the statement of cash flows to exclude cash collateral receivables on derivative instruments with bank counterparties. As described in the second quarter 2015 financial report of UBS AG (Note 1 to the interim consolidated financial statements), in the second quarter of 2015 UBS AG has (i) changed segment reporting related to fair value gains and losses on certain internal funding transactions and own credit, and (ii) revised the presentation of services and personnel allocations from Corporate Center – Services to business divisions and other Corporate Center units. Prior periods have been restated for these changes. These changes did not affect the UBS AG Group's total operating income, total operating expenses or net profit for any period presented.”

**In Section “7. Financial Information concerning the Issuer’s Assets and Liabilities, Financial Position and Profits and Losses” the subsection “Interim Financial Information” is completely replaced by the following text:**

**“Interim Financial Information**

Reference is also made to the (i) first, second and third quarter 2015 financial reports of UBS Group AG, which contain information on the financial condition and results of operations of UBS Group AG (consolidated) and UBS AG (consolidated) as of and for the quarter ended 31 March 2015, as of, for the quarter and for the six months ended 30 June 2015, and as of, for the quarter and for the nine months ended 30 September 2015, respectively; and (ii) the first, second and third quarter 2015 financial reports of UBS AG, which contain the interim consolidated financial statements of UBS AG for the periods ended 31 March 2015, 30 June 2015 and 30 September 2015, respectively, and certain supplemental information. Refer to the section “*Historical Annual Financial Information*” above for information on financial reporting and accounting changes made in the second quarter 2015. The interim consolidated financial statements of UBS Group AG and UBS AG, contained in the first, second and third quarter 2015 financial reports of UBS Group AG and UBS AG, respectively, are not audited.”

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

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

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

Such matters are subject to many uncertainties and the outcome is often difficult to predict, particularly in the earlier stages of a case. There are also situations where UBS may enter into a settlement agreement. This may occur in order to avoid the expense, management distraction or reputational implications of continuing to contest liability, even for those matters for which UBS believes it should be exonerated. The uncertainties inherent in all such matters affect the amount and timing of any potential outflows for both matters with respect to which provisions have been established and other contingent liabilities. UBS makes provisions for such matters brought against it when, in the opinion of management after seeking legal advice, it is more likely than not that UBS has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required, and the amount can be reliably estimated. 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 15a to the unaudited interim consolidated financial statements contained in the third quarter 2015 financial report of UBS AG. It is not practicable to provide an aggregate estimate of liability for UBS’s litigation, regulatory and similar matters as a class of contingent liabilities. Doing so would require UBS to provide speculative legal assessments as to claims and proceedings that involve unique fact patterns or novel legal theories, which have not yet been initiated or are at early stages of adjudication, or as to which alleged damages have not been



quantified by the claimants. Although UBS therefore cannot provide a numerical estimate of the future losses that could arise from the class of litigation, regulatory and similar matters, it believes that the aggregate amount of possible future losses from this class that are more than remote substantially exceeds the level of current provisions. Litigation, regulatory and similar matters may also result in non-monetary penalties and consequences. For example, the non-prosecution agreement ("**NPA**") described in paragraph 5 of this section, which UBS entered into with the US Department of Justice ("**DOJ**"), Criminal Division, Fraud Section in connection with 'UBS's submissions of benchmark interest rates, including, among others, the British 'Bankers' Association London Interbank Offered Rate ("**LIBOR**"), was terminated by the DOJ based on its determination that UBS had committed a US crime in relation to foreign exchange matters. As a consequence, UBS AG has pleaded guilty to one count of wire fraud for conduct in the LIBOR matter, and has agreed to pay a USD 203 million fine and accept a three-year term of probation. A guilty plea to, or conviction of, a crime (including as a result of termination of the NPA) could have material consequences for UBS. Resolution of regulatory proceedings may require UBS to obtain waivers of regulatory disqualifications to maintain certain operations, may entitle regulatory authorities to limit, suspend or terminate licenses and regulatory authorizations and may permit financial market utilities to limit, suspend or terminate UBS's participation in such utilities. Failure to obtain such waivers, or any limitation, suspension or termination of licenses, authorizations or participations, could have material consequences for UBS.

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

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

<i>CHF million</i>	WM	WMA	R&C	AM	IB	CC– Services	CC– Group ALM	CC– NcLP	<b>UBS</b>
<b>Balance as of 31 December 2014</b>	188	209	92	53	1,258	312	0	941	<b>3,053</b>
<b>Balance as of 30 June 2015</b>	188	229	86	48	724	302	0	791	<b>2,368</b>
Increase in provisions recognized in the income statement	4	54	0	0	0	6	0	577	<b>642</b>
Release of provisions recognized in the income statement	(3)	(3)	0	0	0	0	0	(42)	<b>(49)</b>
Provisions used in conformity with designated purpose	(26)	(21)	(3)	(32)	(2)	0	0	(67)	<b>(152)</b>
Foreign currency translation / unwind of discount	8	12	1	1	29	2	0	38	<b>89</b>
<b>Balance as of 30 September 2015</b>	<b>171</b>	<b>270</b>	<b>84</b>	<b>17</b>	<b>751</b>	<b>310</b>	<b>0</b>	<b>1,297</b>	<b>2,899</b>

<sup>1</sup> WM = Wealth Management; WMA = Wealth Management Americas; R&C = Retail & Corporate; AM = Asset Management; IB = Investment Bank; CC–Services = Corporate Center – Services; CC – Group ALM = Corporate Center – Group Asset and Liability Management; CC–NcLP = Corporate Center - Non-core and Legacy Portfolio. <sup>2</sup> Provisions, if any, for the matters described in this section are recorded in Wealth Management (item 3), Wealth Management Americas (item 4), Corporate Center – Services (item 7) and Corporate Center – Non-core and Legacy Portfolio (items 2 and 8). Provisions, if any, for the matters described in items 1 and 6 are allocated between Wealth Management and Retail & Corporate, and provisions for the matter described in item 5 are allocated between the Investment Bank and Corporate Center– Services.

1. Inquiries regarding cross-border wealth management businesses

Tax and regulatory authorities in a number of countries have made inquiries, served requests for information or examined employees located in their respective jurisdictions relating to the cross-border wealth management services provided by UBS and other financial institutions. It is

possible that implementation of automatic tax information exchange and other measures relating to cross-border provision of financial services could give rise to further inquiries in the future.

As a result of investigations in France, in 2013, UBS (France) S.A. and UBS AG were put under formal examination ("*mise en examen*") for complicity in having illicitly solicited clients on French territory, and were declared witness with legal assistance ("*témoïn assisté*") regarding the laundering of proceeds of tax fraud and of banking and financial solicitation by unauthorized persons. In 2014, UBS AG was placed under formal examination with respect to the potential charges of laundering of proceeds of tax fraud, and the investigating judges ordered UBS to provide bail ("*caution*") of EUR 1.1 billion. UBS AG appealed the determination of the bail amount, but both the appeal court ("*Cour d'Appel*") and the French Supreme Court ("*Cour de Cassation*") upheld the bail amount and rejected the appeal in full in late 2014. UBS AG has filed an application with the European Court of Human Rights to challenge various aspects of the French court's decision. In September 2015, the former CEO of UBS Wealth Management was placed under formal examination in connection with these proceedings.

In March 2015, UBS (France) S.A. was placed under formal examination for complicity regarding the laundering of proceeds of tax fraud and of banking and financial solicitation by unauthorized persons for the years 2004 until 2008 and declared witness with legal assistance for the years 2009 to 2012. A bail of EUR 40 million was imposed, and was reduced by the Court of Appeals in May 2015 to EUR 10 million. UBS (France) S.A. is considering whether or not to further appeal that decision.

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

In January 2015, UBS received inquiries from the US Attorney's Office for the Eastern District of New York and from the US Securities and Exchange Commission ("**SEC**"), which are investigating potential sales to US persons of bearer bonds and other unregistered securities in possible violation of the Tax Equity and Fiscal Responsibility Act of 1982 ("**TEFRA**") and the registration requirements of the US securities laws. UBS is cooperating with the authorities in these investigations.

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

UBS's balance sheet at 30 September 2015 reflected provisions with respect to matters described in this item 1 in an amount that UBS believes to be appropriate under the applicable accounting standard. As in the case of other matters for which UBS has established provisions, the future outflow of resources in respect of such matters cannot be determined with certainty based on currently available information, and accordingly may ultimately prove to be substantially greater (or may be less) than the provision that UBS has recognized.

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

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

through 2007, UBS RESI sponsored approximately USD 80 billion in RMBS, based on the original principal balances of the securities issued.

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

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

*RMBS-related lawsuits concerning disclosures:* UBS is named as a defendant relating to its role as underwriter and issuer of RMBS in a large number of lawsuits related to approximately USD 6.7 billion in original face amount of RMBS underwritten or issued by UBS. Of the USD 6.7 billion in original face amount of RMBS that remains at issue in these cases, approximately USD 3.6 billion was issued in offerings in which a UBS subsidiary transferred underlying loans (the majority of which were purchased from third-party originators) into a securitization trust and made representations and warranties about those loans ("**UBS-sponsored RMBS**"). The remaining USD 3.1 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. A class action in which UBS was named as a defendant was settled by a third-party issuer and received final approval by the district court in 2013. The settlement reduced the original face amount of third-party RMBS at issue in the cases pending against UBS by approximately USD 24 billion. The third-party issuer will fund the settlement at no cost to UBS. In 2014, certain objectors to the settlement filed a notice of appeal from the district court's approval of the settlement.

UBS is a defendant in two lawsuits brought by the National Credit Union Administration ("**NCUA**"), as conservator for certain failed credit unions, asserting misstatements and omissions in the offering documents for RMBS purchased by the credit unions. Both lawsuits were filed in US District Courts, one in the District of Kansas and the other in the Southern District of New York. The Kansas court partially granted UBS's motion to dismiss in 2013 and held that the NCUA's claims for 10 of the 22 RMBS certificates on which it had sued were time-barred. As a result, the original principal balance at issue in that case was reduced from USD 1.15 billion to approximately USD 400 million. The original principal balance at issue in the Southern District of New York case is approximately USD 400 million. In May 2015 the Kansas court, relying on a March 2015 decision rendered by the US Court of Appeals for the Tenth Circuit in a case filed by the NCUA against Barclays Capital, Inc., granted a motion for reconsideration filed by the NCUA and reinstated the NCUA's claims against UBS for the 10 certificates that had been dismissed in 2013.

*Loan repurchase demands related to sales of 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 they 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. UBS has been notified by certain institutional purchasers of mortgage loans and RMBS of their contention that possible breaches of representations may entitle the purchasers to require that UBS repurchase the loans or to other relief. The table "Loan repurchase demands by year received – original principal balance of loans" summarizes repurchase demands received by UBS and UBS's repurchase activity from 2006 through 29 October 2015. In the table, "Resolved demands" are considered to be finally resolved, and include demands that are time-barred under the decision

rendered by the New York Court of Appeals on 11 June 2015 in *Ace Securities vs. DB Structured Products* ("**Ace Decision**"). Repurchase demands in all other categories are not finally resolved.

**Loan repurchase demands by year received – original principal balance of loans <sup>1</sup>**

<i>USD million</i>	2006- 2008	2009	2010	2011	2012	2013	2014	2015, through 29 October	<b>Total</b>
<b>Resolved demands</b>									
Loan repurchases / make whole payments by UBS	12	1							<b>13</b>
Demands barred by statute of limitations		1	2	3	18	519	260		<b>803</b>
Demands rescinded by counterparty	110	104	19	303	237				<b>773</b>
Demands resolved in litigation	1	21							<b>21</b>
<b>Demands expected to be resolved by third parties</b>									
Demands resolved or expected to be resolved through enforcement of indemnification rights against third-party originators		77	2	45	107	99	72		<b>403</b>
<b>Demands in dispute</b>									
Demands in litigation			346	732	1,041				<b>2,118</b>
Demands in review by UBS				1					<b>1</b>
<b>Total</b>	<b>122</b>	<b>205</b>	<b>368</b>	<b>1,084</b>	<b>1,404</b>	<b>618</b>	<b>332</b>	<b>0</b>	<b>4,133</b>

<sup>1</sup> Loans submitted by multiple counterparties are counted only once.

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

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

Any future repurchase demands should be time-barred by virtue of the Ace Decision.

*Lawsuits related to contractual representations and warranties concerning mortgages and RMBS:* In 2012, certain RMBS trusts filed an action ("**Trustee Suit**") in the Southern District of New York seeking to enforce UBS RESI's obligation to repurchase loans in the collateral pools for three RMBS securitizations ("**Transactions**") with an original principal balance of approximately USD 2

billion for which Assured Guaranty Municipal Corp. ("**Assured Guaranty**"), a financial guaranty insurance company, had previously demanded repurchase. In January 2015, the court rejected plaintiffs' efforts to seek damages for all loans purportedly in breach of representations and warranties in any of the three Transactions and limited plaintiffs to pursuing claims based solely on alleged breaches for loans identified in the complaint or other breaches that plaintiffs can establish were independently discovered by UBS. In February 2015, the court denied plaintiffs' motion seeking reconsideration of its ruling. With respect to the loans subject to the Trustee Suit that were originated by institutions still in existence, UBS intends to enforce its indemnity rights against those institutions. Related litigation brought by Assured Guaranty was resolved in 2013.

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

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

*Mortgage-related regulatory matters:* In 2014, UBS received a subpoena from the US Attorney's Office for the Eastern District of New York issued pursuant to the Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("**FIRREA**"), which seeks documents and information related to UBS's RMBS business from 2005 through 2007. In September 2015, the Eastern District of New York identified a number of transactions that are currently the focus of their inquiry, as to which UBS is providing additional information. UBS continues to respond to the FIRREA subpoena and to subpoenas from the New York State Attorney General ("**NYAG**") relating to its RMBS business. In addition, UBS has also been responding to inquiries from both the Special Inspector General for the Troubled Asset Relief Program ("**SIGTARP**") (who is working in conjunction with the US Attorney's Office for Connecticut and the DOJ) and the SEC relating to trading practices in connection with purchases and sales of mortgage-backed securities in the secondary market from 2009 through the present. UBS is cooperating with the authorities in these matters. Numerous other banks reportedly are responding to similar inquiries from these authorities.

As reflected in the table "Provision for claims related to sales of residential mortgage-backed securities and mortgages", UBS's balance sheet at 30 September 2015 reflected a provision of USD 1,174 million with respect to matters described in this item 2. As in the case of other matters for which UBS has established provisions, the future outflow of resources in respect of this matter cannot be determined with certainty based on currently available information, and accordingly may ultimately prove to be substantially greater (or may be less) than the provision that UBS has recognized.

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

<i>USD million</i>	
<b>Balance as of 31 December 2014</b>	<b>849</b>
<b>Balance as of 30 June 2015</b>	<b>772</b>
Increase in provision recognized in the income statement	507

Release of provision recognized in the income statement	(44)
Provision used in conformity with designated purpose	(61)
<b>Balance as of 30 September 2015</b>	<b>1,174</b>

### 3. Madoff

In relation to the Bernard L. Madoff Investment Securities LLC ("**BMIS**") investment fraud, UBS AG, UBS (Luxembourg) SA and certain other UBS subsidiaries have been subject to inquiries by a number of regulators, including the Swiss Financial Market Supervisory Authority ("**FINMA**") and the Luxembourg Commission de Surveillance du Secteur Financier ("**CSSF**"). Those inquiries concerned two third-party funds established under Luxembourg law, substantially all assets of which were with BMIS, as well as certain funds established in offshore jurisdictions with either direct or indirect exposure to BMIS. These funds now face severe losses, and the Luxembourg funds are in liquidation. The last reported net asset value of the two Luxembourg funds before revelation of the Madoff scheme was approximately USD 1.7 billion in the aggregate, although that figure likely includes fictitious profit reported by BMIS. The documentation establishing both funds identifies UBS entities in various roles including custodian, administrator, manager, distributor and promoter, and indicates that UBS employees serve as board members. UBS (Luxembourg) SA and certain other UBS subsidiaries are responding to inquiries by Luxembourg investigating authorities, without however being named as parties in those investigations. In 2009 and 2010, the liquidators of the two Luxembourg funds filed claims on behalf of the funds against UBS entities, non-UBS entities and certain individuals including current and former UBS employees. The amounts claimed are approximately EUR 890 million and EUR 305 million, respectively. The liquidators have filed supplementary claims for amounts that the funds may possibly be held liable to pay the BMIS Trustee. These amounts claimed by the liquidator are approximately EUR 564 million and EUR 370 million, respectively. In addition, a large number of alleged beneficiaries have filed claims against UBS entities (and non-UBS entities) for purported losses relating to the Madoff scheme. The majority of these cases are pending in Luxembourg, where appeals were filed by the claimants against the 2010 decisions of the court in which the claims in a number of test cases were held to be inadmissible. In July 2015, the Luxembourg Court of Appeal dismissed one test appeal in its entirety, which decision was appealed by the investor. In July 2015, the Luxembourg Supreme Court found in favor of UBS and dismissed the investor's appeal. In the US, the BMIS Trustee filed claims in 2010 against UBS entities, among others, in relation to the two Luxembourg funds and one of the offshore funds. The total amount claimed against all defendants in these actions was not less than USD 2 billion. Following a motion by UBS, in 2011, the Southern District of New York dismissed all of the BMIS Trustee's claims other than claims for recovery of fraudulent conveyances and preference payments that were allegedly transferred to UBS on the ground that the BMIS Trustee lacks standing to bring such claims. In 2013, the Second Circuit affirmed the District Court's decision and, in June 2014, the US Supreme Court denied the BMIS Trustee's petition seeking review of the Second Circuit ruling. In December 2014, several claims, including a purported class action, were filed in the US by BMIS customers against UBS entities, asserting claims similar to the ones made by the BMIS Trustee, seeking unspecified damages. One claim was voluntarily withdrawn by the plaintiff. In July 2015, following a motion by UBS, the Southern District of New York dismissed the two remaining claims on the basis that the New York courts did not have jurisdiction to hear the claims against the UBS entities. In Germany, certain clients of UBS are exposed to Madoff-managed positions through third-party funds and funds administered by UBS entities in Germany. A small number of claims have been filed with respect to such funds. In January 2015, a court of appeal reversed a lower court decision in favor of UBS in one such

case and ordered UBS to pay EUR 49 million, plus interest. UBS has filed an application for leave to appeal the decision.

#### 4. Puerto Rico

Declines since August 2013 in the market prices of Puerto Rico municipal bonds and of closed-end funds (the "**funds**") that are sole-managed and co-managed by UBS Trust Company of Puerto Rico and distributed by UBS Financial Services Incorporated of Puerto Rico ("**UBS PR**") have led to multiple regulatory inquiries, as well as customer complaints and arbitrations with aggregate claimed damages of USD 1.4 billion. The claims are filed by clients in Puerto Rico who own the funds or Puerto Rico municipal bonds and/or who used their UBS account assets as collateral for UBS non-purpose loans; customer complaint and arbitration allegations include fraud, misrepresentation and unsuitability of the funds and of the loans. A shareholder derivative action was filed in 2014 against various UBS entities and current and certain former directors of the funds, alleging hundreds of millions in losses in the funds. In 2015, defendants' motion to dismiss was denied. Defendants are seeking leave to appeal that ruling to the Puerto Rico Supreme Court. In 2014, a federal class action complaint also was filed against various UBS entities, certain members of UBS PR senior management, and the co-manager of certain of the funds seeking damages for investor losses in the funds during the period from May 2008 through May 2014. Defendants have moved to dismiss that complaint. In March 2015, a class action was filed in Puerto Rico state court against UBS PR seeking equitable relief in the form of a stay of any effort by UBS PR to collect on non-purpose loans it acquired from UBS Bank USA in December 2013 based on plaintiffs' allegation that the loans are not valid.

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

In September 2015, the SEC and the Financial Industry Regulatory Authority ("**FINRA**") announced settlements with UBS PR of their separate investigations stemming from the 2013 market events. Without admitting or denying the findings in either matter, UBS PR agreed in the SEC settlement to pay USD 15 million (which includes USD 1.18 million in disgorgement, a civil penalty of USD 13.63 million and pre-judgment interest), and USD 18.5 million in the FINRA matter (which includes up to USD 11 million in restitution to 165 UBS PR customers and a civil penalty of USD 7.5 million). The SEC settlement involves a charge against UBS PR of failing to supervise the activities of a former financial advisor who had recommended the impermissible investment of non-purpose loan proceeds into the UBS PR closed-end funds, in violation of firm policy and the customer loan agreements. In the FINRA settlement, UBS PR is alleged to have failed to supervise certain customer accounts which were both more than 75% invested in UBS PR closed-end funds and leveraged against those positions. UBS also understands that the DOJ is conducting a criminal inquiry into the impermissible reinvestment of non-purpose loan proceeds. UBS is cooperating with the authorities in this inquiry.

In 2011, a purported derivative action was filed on behalf of the Employee Retirement System of the Commonwealth of Puerto Rico ("**System**") against over 40 defendants, including UBS PR and other consultants and underwriters, trustees of the System, and the President and Board of the Government Development Bank of Puerto Rico. The plaintiffs alleged that defendants violated their purported fiduciary duties and contractual obligations in connection with the issuance and underwriting of approximately USD 3 billion of bonds by the System in 2008 and sought damages of over USD 800 million. UBS is named in connection with its underwriting and consulting services. In 2013, the case was dismissed by the Puerto Rico Court of First Instance on the grounds that plaintiffs did not have standing to bring the claim, but that dismissal was subsequently overturned on appeal. Defendants have renewed their motion to dismiss the complaint on grounds not addressed when the court issued its prior ruling.

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

In June 2015 Puerto Rico's Governor stated that the Commonwealth is unable to meet its obligations and in September 2015, the Puerto Rico government-established Working Group for the Fiscal and Economic Recovery of Puerto Rico issued a fiscal and economic growth plan as well as a proposal to negotiate with its creditors to restructure the island's outstanding debt. The Governor's statement and market reaction to any proposed debt restructuring may increase the number of claims against UBS concerning Puerto Rico securities as well as potential damages sought.

UBS's balance sheet at 30 September 2015 reflected provisions with respect to matters described in this item 4 in amounts that UBS believes to be appropriate under the applicable accounting standard. As in the case of other matters for which UBS has established provisions, the future outflow of resources in respect of such matters cannot be determined with certainty based on currently available information, and accordingly may ultimately prove to be substantially greater (or may be less) than the provisions that UBS has recognized.

#### 5. Foreign exchange, LIBOR, and benchmark rates

*Foreign exchange-related regulatory matters:* Following an initial media report in 2013 of widespread irregularities in the foreign exchange markets, UBS immediately commenced an internal review of its foreign exchange business, which includes its precious metals and related structured products businesses. Since then, various authorities have commenced investigations concerning possible manipulation of foreign exchange markets, including FINMA, the Swiss Competition Commission ("**WEKO**"), the DOJ, the SEC, the US Commodity Futures Trading Commission ("**CFTC**"), the Board of Governors of the Federal Reserve System ("**Federal Reserve Board**"), the UK Financial Conduct Authority ("**FCA**") (to which certain responsibilities of the UK Financial Services Authority ("**FSA**") have passed), the UK Serious Fraud Office ("**SFO**"), the Australian Securities and Investments Commission ("**ASIC**") and the Hong Kong Monetary Authority ("**HKMA**"), the Korea Fair Trade Commission and the Brazil Competition Authority ("**CADE**"). In addition, WEKO is, and a number of other authorities reportedly are, investigating potential manipulation of precious metals prices. UBS has taken and will take appropriate action with respect to certain personnel as a result of its ongoing review.

In 2014, UBS reached settlements with the FCA and the CFTC in connection with their foreign exchange investigations, and FINMA issued an order concluding its formal proceedings with respect to UBS relating to its foreign exchange and precious metals businesses. UBS has paid a total of approximately CHF 774 million to these authorities, including GBP 234 million in fines to the FCA, USD 290 million in fines to the CFTC, and CHF 134 million to FINMA representing confiscation of costs avoided and profits. The conduct described in the settlements and the FINMA order includes certain UBS personnel: engaging in efforts, alone or in cooperation/collusion with traders at other banks, to manipulate foreign exchange benchmark rates involving multiple currencies, attempts to trigger client stop-loss orders for UBS's benefit, and inappropriate sharing of confidential client information. UBS has ongoing obligations to cooperate with these authorities and to undertake certain remediation, including actions to improve processes and controls and requirements imposed by FINMA to apply compensation restrictions for certain employees and to automate at least 95% of UBS's global foreign exchange and precious metals trading by 31 December 2016. In 2014, the HKMA announced the conclusion of its investigation into foreign exchange trading operations of banks in Hong Kong. The HKMA found no evidence of collusion among the banks or of manipulation of foreign



exchange benchmark rates in Hong Kong. The HKMA also found that banks had internal control deficiencies with respect to their foreign exchange trading operations.

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

In May 2015, the Federal Reserve Board and the Connecticut Department of Banking issued an Order to Cease and Desist and Order of Assessment of a Civil Monetary Penalty Issued upon Consent ("**Federal Reserve Order**") to UBS AG. As part of the Federal Reserve Order, UBS AG paid a USD 342 million civil monetary penalty. The Federal Reserve Order is based on the Federal Reserve Board's finding that UBS AG had deficient policies and procedures that prevented UBS AG from detecting and addressing unsafe and unsound conduct by foreign exchange traders and salespeople, including disclosures to traders of other institutions of confidential customer information, agreements with traders of other institutions to coordinate foreign exchange trading in a manner to influence certain foreign exchange benchmarks fixes and market prices, and trading strategies that raised potential conflicts of interest, possible agreements with traders of other institutions regarding bid/offer spreads offered to foreign exchange customers, the provision of information to customers regarding price quotes and how a customer's foreign exchange order is filled.

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

In October 2015, UBS AG settled charges with the SEC relating to structured notes issued by UBS AG that were linked to the UBS V10 Currency Index with Volatility Cap. The SEC alleged that UBS negligently made certain statements and omissions in the offer and sale of the notes that violated Section 17(a)(2) of the Securities Act of 1933. Pursuant to the settlement, and without admitting or denying the SEC's findings, UBS agreed to pay a total of USD 19.5 million, consisting of USD 10 million in disgorgement, a USD 8 million penalty, and USD 1.5 million in prejudgment interest. UBS AG also agreed to pay USD 5.5 million of the disgorgement funds to investors who purchased the SEC-registered V10 notes. In addition, UBS has determined to compensate clients who purchased V10 instruments that were not registered with the SEC.

Investigations relating to foreign exchange 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 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 March 2015, UBS entered into a settlement agreement to resolve those actions. In 2015, additional putative class actions have been filed in federal court in New York against UBS and other banks on behalf of a putative class of persons who entered into or held any foreign exchange futures contracts and options on foreign exchange futures contracts since 1 January 2003. The complaints assert claims under the Commodity Exchange Act ("**CEA**") and the US antitrust laws. In July 2015, a consolidated complaint was filed on behalf of both putative classes of persons covered by the actions described above. In August 2015, UBS entered into an amended settlement agreement that would resolve all of these claims. The agreement, which is subject to court approval, requires, among other things, that UBS pay an aggregate of USD 141 million and provide cooperation to the settlement classes.

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

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

*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, including HIBOR (Hong Kong Interbank Offered Rate) and ISDAFIX, a benchmark rate used for various interest rate derivatives and other financial instruments. 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 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. The conduct described in the various settlements and the FINMA order includes certain UBS personnel: engaging in efforts to manipulate submissions for certain benchmark rates to benefit trading positions; colluding with employees at other banks and cash brokers to influence certain benchmark rates to benefit their trading positions; and giving inappropriate directions to UBS submitters that were in part motivated by a desire to avoid unfair and negative market and media perceptions during the financial crisis. The benchmark interest rates encompassed by one or more of these resolutions include Yen LIBOR, GBP LIBOR, Swiss franc ("**CHF**") LIBOR, Euro LIBOR, US dollar ("**USD**") LIBOR, EURIBOR (Euro Interbank

Offered Rate) and Euroyen TIBOR (Tokyo Interbank Offered Rate). UBS has ongoing obligations to cooperate with authorities with which it has reached resolutions and to undertake certain remediation with respect to benchmark interest rate submissions. Under the NPA, UBS agreed, among other things, that for two years from 18 December 2012 UBS would not commit any US crime, and UBS would advise DOJ of any potentially criminal conduct by UBS or any of its employees relating to violations of US laws concerning fraud or securities and commodities markets. The term of the NPA was extended by one year to 18 December 2015. In May 2015, the Criminal Division terminated the NPA based on its determination, in its sole discretion, that certain of UBS AG's employees committed criminal conduct that violated the NPA. As a result, UBS entered into a plea agreement with the DOJ under which it entered a guilty plea to one count of wire fraud relating to the manipulation of certain benchmark interest rates, including Yen LIBOR, and agreed to pay a fine of USD 203 million and accept a three-year term of probation. Sentencing is currently scheduled for 9 May 2016. The MAS, HKMA, ASIC and the Japan Financial Services Agency have all resolved investigations of UBS (and in some cases other banks). The orders or undertakings in connection with these investigations generally require UBS to take remedial actions to improve its processes and controls, impose monetary penalties or other measures. Investigations by the CFTC, ASIC and other governmental authorities remain ongoing notwithstanding these resolutions. 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 has paid a EUR 12.7 million fine, which was reduced to this level based in part on UBS's cooperation with the EC.

UBS has been granted conditional leniency or conditional immunity from authorities in certain jurisdictions, including the Antitrust Division of the DOJ, WEKO and the EC, in connection with potential antitrust or competition law violations related to submissions for Yen LIBOR and Euroyen TIBOR. WEKO has also granted UBS conditional immunity in connection with potential competition law violations related to submissions for CHF LIBOR and certain transactions related to CHF LIBOR. The Canadian Competition Bureau ("**Bureau**") had granted UBS conditional immunity in connection with potential competition law violations related to submissions for Yen LIBOR, but in January 2014, the Bureau discontinued its investigation into Yen LIBOR for lack of sufficient evidence to justify prosecution under applicable laws. As a result of these conditional grants, UBS will not be subject to prosecutions, fines or other sanctions for antitrust or competition law violations in the jurisdictions where UBS has conditional immunity or leniency in connection with the matters covered by the conditional grants, subject to UBS's continuing cooperation. However, the conditional leniency and conditional immunity grants UBS has received do not bar government agencies from asserting other claims and imposing sanctions against UBS, as evidenced by the settlements and ongoing investigations referred to above. In addition, as a result of the conditional leniency agreement with the DOJ, UBS is eligible for a limit on liability to actual rather than treble damages were damages to be awarded in any civil antitrust action under US law based on conduct covered by the agreement and for relief from potential joint and several liability in connection with such civil antitrust action, subject to UBS satisfying the DOJ and the court presiding over the civil litigation of its cooperation. The conditional leniency and conditional immunity grants do not otherwise affect the ability of private parties to assert civil claims against UBS.

LIBOR and other benchmark-related civil litigation: A number of putative class actions and other actions are pending in, or expected to be transferred to, the federal courts in New York against UBS and numerous other banks on behalf of parties who transacted in certain interest rate benchmark-based derivatives. Also pending are actions asserting losses related to various products whose interest rate was linked to USD LIBOR, including adjustable rate mortgages, preferred and debt securities, bonds pledged as collateral, loans, depository accounts, investments and other interest-bearing instruments. All of the complaints allege manipulation, through various means, of various benchmark interest rates, including LIBOR, Euroyen TIBOR, EURIBOR or USD ISDAFIX rates and seek unspecified compensatory and other damages, including treble and punitive damages, under varying legal theories that include violations of the CEA, the federal racketeering statute, federal and state antitrust and securities laws and other state laws. In 2013, a federal court in New York 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. The court has granted certain plaintiffs permission to assert claims for unjust enrichment and breach of contract against UBS and other defendants, and limited the CEA claims to contracts purchased between 15 April 2009 and May 2010. In 2015, the court in the US dollar action granted certain plaintiffs permission to assert common law fraud claims against UBS and other defendants. Certain plaintiffs have also appealed the dismissal of their US dollar antitrust claims; this appeal remains pending. In 2014, the court in the Euroyen TIBOR lawsuit dismissed the plaintiff's federal antitrust and state unjust enrichment claims and dismissed a portion of the plaintiff's CEA claims. In 2015, the court in the Euroyen TIBOR case dismissed plaintiff's federal racketeering claims and affirmed its previous dismissal of plaintiff's antitrust claims. UBS and other defendants in other lawsuits including the one related to Euroyen TIBOR have filed motions to dismiss.

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

With respect to additional matters and jurisdictions not encompassed by the settlements and order referred to above, UBS's balance sheet at 30 September 2015 reflected a provision in an amount that UBS believes to be appropriate under the applicable accounting standard. As in the case of other matters for which UBS has established provisions, the future outflow of resources in respect of such matters cannot be determined with certainty based on currently available information, and accordingly may ultimately prove to be substantially greater (or may be less) than the provision that UBS has recognized.

#### 6. Swiss retrocessions

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

FINMA has issued a supervisory note to all Swiss banks in response to the Supreme Court decision. The note sets forth the measures Swiss banks are to adopt, which include informing all affected clients about the Supreme Court decision and directing them to an internal bank contact for further details. UBS has met the FINMA requirements and has notified all potentially affected clients.

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

UBS's balance sheet at 30 September 2015 reflected a provision with respect to matters described in this item 6 in an amount that UBS believes to be appropriate under the applicable accounting standard. The ultimate exposure will depend on client requests and the resolution thereof, factors that are difficult to predict and assess. Hence, as in the case of other matters for which UBS has established provisions, the future outflow of resources in respect of such matters cannot be determined with certainty based on currently available information, and accordingly may ultimately prove to be substantially greater (or may be less) than the provision that UBS has recognized.

#### 7. Banco UBS Pactual tax indemnity

Pursuant to the 2009 sale of Banco UBS Pactual S.A. ("**Pactual**") by UBS to BTG Investments, LP ("**BTG**"), BTG has submitted contractual indemnification claims that UBS estimates amount to approximately BRL 2.3 billion, including interest and penalties, which is net of liabilities retained by BTG. The claims pertain principally to several tax assessments issued by the Brazilian tax authorities against Pactual relating to the period from December 2006 through March 2009, when UBS owned Pactual. The majority of these assessments relate to the deductibility of goodwill amortization in connection with UBS's 2006 acquisition of Pactual and payments made to Pactual employees through various profit sharing plans. These assessments are being challenged in administrative and judicial proceedings. In May 2015, the administrative court issued a decision that was largely in favor of the tax authority with respect to the goodwill amortization assessment. This decision has been appealed.

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

In 2013, the EC issued a Statement of Objections against 13 credit default swap ("**CDS**") dealers including UBS, as well as data service provider Markit and the International Swaps and Derivatives Association ("**ISDA**"). The Statement of Objections broadly alleges that the dealers infringed European Union antitrust rules by colluding to prevent exchanges from entering the credit derivatives market between 2006 and 2009. UBS submitted its response to the Statement of Objections and presented its position in an oral hearing in 2014. Since mid-2009, the Antitrust Division of the DOJ has also been investigating whether multiple dealers, including UBS, conspired with each other and with Markit to restrain competition in the markets for CDS trading, clearing and other services. In 2014, putative class action plaintiffs filed consolidated amended complaints in the Southern District of New York 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. Plaintiffs assert claims on behalf of all purchasers and sellers of CDS that transacted directly with any of the dealer defendants since 1 January 2008, and seek unspecified trebled compensatory damages and other relief. In 2014, the court granted in part and denied in part defendants' motions to dismiss the complaint. In September 2015, UBS and the other defendants entered into settlement agreements to resolve the litigation, pursuant to which UBS will pay USD 75 million out of a total settlement amount of approximately USD 1.865 billion. The agreements have received preliminary court approval but are subject to final court approval.

The specific litigation, regulatory and other matters described above include all such matters that management considers to be material and others that management believes to be of significance due to potential financial, reputational and other effects as described in Note 15b to the unaudited interim consolidated financial statements included the third quarter 2015 financial report of UBS AG. 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's and/or UBS AG Group's financial position or profitability and are or have been pending during the last twelve months until the date of this Base Prospectus.

*Inquiries regarding cross-border wealth management businesses.* In Germany, two different authorities have been conducting investigations against UBS Deutschland AG and UBS AG, respectively, and against certain employees of these entities concerning certain matters relating to UBS's past cross-border business. UBS is cooperating with these authorities within the limits of financial privacy obligations under Swiss and other applicable laws. UBS reached a settlement in July 2014 with the authorities in Bochum, concluding those proceedings. The settlement included a payment of approximately EUR 302 million. The proceedings by the authorities in Mannheim have not revealed sufficient evidence supporting the allegations being investigated.

*Claims related to UBS disclosure.* A putative consolidated class action has been filed in the United States District Court for the Southern District of New York against UBS, a number of current and former directors and senior officers and certain banks that underwrote UBS's May 2008 Rights Offering (including UBS Securities LLC ("UBSS")) alleging violation of the US securities laws in connection with UBS's disclosures relating to UBS's positions and losses in mortgage-related securities, UBS's positions and losses in auction rate securities, and UBS's US cross-border business. In 2011, the court dismissed all claims based on purchases or sales of UBS ordinary shares made outside the US, and, in 2012, the court dismissed with prejudice the remaining claims based on purchases or sales of UBS ordinary shares made in the US for failure to state a claim. In May 2014, the Second Circuit upheld the dismissal of the complaint and the matter is now concluded. UBS, a number of senior officers and employees and various UBS committees have also been sued in a putative consolidated class action for breach of fiduciary duties brought on behalf of current and former participants in two UBS ERISA retirement plans in which there were purchases of UBS stock. In 2011, the court dismissed the ERISA complaint. In 2012, the court denied plaintiffs' motion for leave to file an amended complaint. On appeal, the Second Circuit upheld the dismissal of all counts relating to one of the retirement plans. With respect to the second retirement plan, the Court upheld the dismissal of some of the counts, and vacated and remanded for further proceedings with regard to the counts alleging that defendants had violated their fiduciary duty to prudently manage the plan's investment options, as well as the claims derivative of that duty. In September 2014, the trial court dismissed the remaining claims. Plaintiffs appealed that ruling and in April 2015, the Second Circuit affirmed the trial court's dismissal of the remaining claims.

In 2012, a consolidated complaint was filed in a putative securities fraud class action pending in federal court in Manhattan against UBS AG and certain of its current and former officers relating to the unauthorized trading incident that occurred in the Investment Bank and was announced in September 2011. The lawsuit was filed on behalf of parties who purchased publicly traded UBS securities on any US exchange, or where title passed within the US, during the period 17 November 2009 through 15 September 2011. In 2013, the district court granted UBS's motion to dismiss the complaint in its entirety, from which plaintiffs filed an appeal. In 2015, the appellate court affirmed the district court's dismissal of the action.

*Transactions with Italian public sector entities.* A number of transactions that UBS Limited and UBS AG respectively entered into with public sector entity counterparties in Italy have been called into question or become the subject of legal proceedings and claims for damages and other awards. In Milan, in 2012, civil claims brought by the City of Milan against UBS Limited, UBS Italia SIM Spa and three other international banks in relation to a 2005 bond issue and associated derivatives transactions entered into with Milan between 2005 and 2007 were settled without admission of liability. In 2012, the criminal court in Milan issued a judgment convicting two current UBS employees and one former employee, together with employees from the three other banks, of fraud against a public entity in relation to the same bond issue and the execution, and subsequent restructuring, of the related derivative transactions. In the same proceedings, the Milan criminal court also found UBS Limited and three other banks liable for the administrative offense of failing to have in place a business organizational model capable of preventing the criminal offenses of which its employees were convicted. The sanctions imposed against UBS Limited, which could only become effective after all appeals were exhausted, were confiscation of the alleged level of profit flowing from the criminal findings (EUR 16.6 million), a fine in respect of the finding of the administrative offense (EUR 1 million) and payment of legal fees. UBS Limited and the individuals appealed that judgment and, in March 2014, the Milan Court of Appeal overturned all findings of liability against UBS Limited and the convictions of the UBS individuals and acquitted them. It issued a full judgment setting out the reasons for its rulings in June 2014. The appellate prosecutor did not pursue a further appeal and the acquittals are now final.

Derivative transactions with the Regions of Calabria, Tuscany, Lombardy, Lazio, Campania and Basilicata, and the City of Florence have also been called into question or become the subject of legal proceedings and claims for damages and other awards. UBS AG and UBS Limited have

settled all civil disputes with the Regions of Tuscany, Lombardy, Lazio and Calabria and the City of Florence without any admission of liability.

*Equities trading systems and practices.* UBS was among dozens of defendants, including broker dealers, trading exchanges, high frequency trading firms, and dark pool sponsors, named in putative class actions pending in New York federal court, which have been filed on behalf of purchasers and sellers of equity securities. The lawsuits allege principally that the defendants' equities order handling practices favored high frequency trading firms at the expense of other market participants, in violation of the federal securities laws. Plaintiffs filed a consolidated amended complaint in September 2014 in which UBS is no longer named as a defendant. In January 2015, the SEC announced the resolution of its investigation concerning the operation of UBS's ATS between 2008 and 2012, which focused on certain order types and disclosure practices that were discontinued two years ago. Under the SEC settlement order, which charges UBS with, among other things, violations of Section 17(a)(2) of the Securities Act of 1933 and Rule 612 of Regulation NMS (known as the sub-penny rule), UBS has paid a total of USD 14.5 million, which includes a fine of USD 12 million and disgorgement of USD 2.4 million. UBS is cooperating in the ongoing regulatory matters, including by the SEC.

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

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

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

In separate proceedings brought by KWL against LBBW in Leipzig, Germany, the court ruled in LBBW's favor in June 2013 and upheld the validity of the STCDO as between LBBW and KWL. KWL has appealed against that ruling and, in December 2014, the appeal court stayed the appeal proceedings following the judgment and UBS's request for permission to appeal in the proceedings in England. KWL and LBBW were given permission by the English trial judge to make applications to recover their costs in the German proceedings as damages from UBS in the English proceedings after the German proceedings conclude.

In 2011 and 2013, the former managing director of KWL and two financial advisers were convicted in Germany on criminal charges related to certain KWL transactions, including swap transactions with UBS. In July 2015, the Federal Supreme Court in Germany refused to hear their appeals against their prison sentences.

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

*Banco UBS Pactual tax indemnity.* In May 2014, UBS was notified that the administrative court had rendered a decision in favor of the taxpayer, Pactual, in connection with a profit-sharing plan assessment relating to an affiliate company. That decision became final in October 2014.

From 2013 through 2015, approximately BRL 186 million in tax claims relating to the period for which UBS has indemnification obligations were submitted for settlement through amnesty programs announced by the Brazilian government.

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

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

There has been no significant change in the financial or trading position of UBS AG Group since 30 September 2015.

There has been no material adverse change in the prospects of UBS AG or UBS AG Group since 31 December 2014."

**Section "10. Material Contracts" is completely replaced by the following text:**

**"10. Material Contracts**

No material contracts have been entered into outside of the ordinary course of UBS AG's or UBS AG Group's business, which could result in any member of the UBS AG Group being under an obligation or entitlement that is material to UBS AG's ability to meet its obligations to the investors in relation to the issued securities."

**In the section entitled "M. General Information", in section "7. Documents incorporated by Reference", paragraph (c) is completely replaced as follows:**

"(c) The first, second and third quarter 2015 financial reports of UBS Group AG, as well as the first, second and third quarter 2015 financial reports of UBS AG; and"



- 2) In relation to the Base Prospectus for Certificates, Notes or Warrants of UBS AG, [London] [Jersey] [Branch] dated 17 April 2015 in the section "I. Summary of the Base Prospectus" in the sub-section headed "A. Summary of the Base Prospectus (in the English language)"

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

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

<b>B.4b</b>	A description of any known trends affecting the issuer or the industries in which it operates.	<p><b>Trend Information</b></p> <p>As stated in the third quarter 2015 financial report of UBS Group AG published on 3 November 2015, many of the underlying macroeconomic challenges and geopolitical issues that UBS has highlighted in previous quarters remain and are unlikely to be resolved in the foreseeable future. In addition, recently proposed changes to the too big to fail regulatory framework in Switzerland will cause substantial ongoing interest costs for the firm. UBS also continues to see headwinds from interest rates which have not increased in line with market expectations, negative market performance in certain asset classes and the weak performance of the euro versus the Swiss franc during the year. UBS is executing the measures already announced to mitigate these effects as it progresses towards its targeted return on tangible equity in the short to medium term. UBS's strategy has proven successful in a variety of market conditions. UBS remains committed to its strategy and its disciplined execution in order to ensure the firm's long-term success and deliver sustainable returns for its shareholders.</p>
<b>B.5</b>	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. UBS AG is 100% owned by UBS Group AG, which is the holding company of the UBS Group. The UBS Group operates as a group with five business divisions (Wealth Management, Wealth Management Americas, Retail &amp; Corporate, Asset Management and the Investment Bank) and a Corporate Center.</p> <p>Over the past two years, UBS has undertaken a series of measures to improve the resolvability of the Group in response to too big to fail ("TBTF") requirements in Switzerland and other countries in which it operates, including establishing UBS Group AG as the holding company for the UBS Group.</p> <p>In June 2015, UBS AG transferred its Retail &amp; Corporate and Wealth Management business booked in Switzerland to UBS Switzerland AG, a banking subsidiary of UBS AG in Switzerland.</p> <p>In the UK, UBS completed the implementation of a more self-sufficient business and operating model for UBS Limited, under which UBS Limited bears and retains a larger proportion of the risk and reward in its business activities.</p> <p>In the third quarter of 2015, UBS established UBS Business Solutions AG as a direct subsidiary of UBS Group AG, to act as the Group service company. UBS will transfer the ownership of the majority of its existing service subsidiaries to this entity. UBS expects that the transfer of shared service and support functions into the service company structure will be implemented in a staged approach through 2018. The purpose of the service company structure is to improve the resolvability of the</p>

		<p>Group by enabling UBS to maintain operational continuity of critical services should a recovery or resolution event occur.</p> <p>UBS AG has established a new subsidiary, UBS Americas Holding LLC, which UBS intends to designate as its intermediate holding company for its US subsidiaries prior to the 1 July 2016 deadline under new rules for foreign banks in the US pursuant to the Dodd-Frank Act. During the third quarter of 2015, UBS AG contributed its equity participation in its principal US operating subsidiaries to UBS Americas Holding LLC to meet the requirement under the Dodd-Frank Act that the intermediate holding company own all of UBS's US operations, except branches of UBS AG.</p> <p>UBS has established a new subsidiary of UBS AG, UBS Asset Management AG, into which it expects to transfer the majority of the operating subsidiaries of Asset Management during 2016. UBS continues to consider further changes to the legal entities used by Asset Management, including the transfer of operations conducted by UBS AG in Switzerland into a subsidiary of UBS Asset Management AG.</p> <p>UBS continues to consider further changes to the Group's legal structure in response to capital and other regulatory requirements, and in order to obtain any reduction in capital requirements for which the Group may be eligible. Such changes may include the transfer of operating subsidiaries of UBS AG to become direct subsidiaries of UBS Group AG, consolidation of operating subsidiaries in the European Union, and adjustments to the booking entity or location of products and services. These structural changes are being discussed on an ongoing basis with FINMA and other regulatory authorities, and remain subject to a number of uncertainties that may affect their feasibility, scope or timing.</p>
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**The Element B.12 is completely replaced as follows:**

<b>B.12</b>	Selected historical key financial information.	<p>UBS AG derived the selected consolidated financial information included in the table below for the years ended 31 December 2012, 2013 and 2014 from its Annual Report 2014, which contains the audited consolidated financial statements of UBS AG, as well as additional unaudited consolidated financial information, for the year ended 31 December 2014 and comparative figures for the years ended 31 December 2013 and 2012. The selected consolidated financial information included in the table below for the nine months ended 30 September 2015 and 30 September 2014 was derived from the UBS AG third quarter 2015 financial report, which contains the unaudited consolidated financial statements of UBS AG, as well as additional unaudited consolidated financial information, for the nine months ended 30 September 2015 and comparative figures for the nine months ended 30 September 2014. The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and stated in Swiss francs (CHF). The Annual Report 2014 and the third quarter 2015 financial report are incorporated by reference herein. In the opinion of management, all necessary adjustments were made for a fair presentation of the UBS AG consolidated financial position and results of operations. Information for the years ended 31 December 2012, 2013 and 2014 which is indicated as being unaudited in the table below was included in the Annual Report 2014 but has not been audited on the basis that the respective disclosures are not required under IFRS, and therefore are not part of the</p>
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audited financial statements. As described in more detail in Note 1b to the UBS AG consolidated financial statements contained in the Annual Report 2014, certain information which was included in the consolidated financial statements to the annual report 2013 was restated in the Annual Report 2014. The figures contained in the table below in respect of the year ended 31 December 2013 reflect the restated figures as contained in the Annual Report 2014. Prospective investors should read the whole of the documentation and should not rely solely on the summarized information set out below:

CHF million, except where indicated	As of or for the nine months ended		As of or for the year ended		
	30.9.15	30.9.14	31.12.14	31.12.13	31.12.12
	<i>unaudited</i>		<i>audited, except where indicated</i>		
<b>Results</b>					
Operating income	23,834	21,281	28,026	27,732	25,423
Operating expenses	18,655	19,224	25,557	24,461	27,216
Operating profit / (loss) before tax	5,179	2,057	2,469	3,272	(1,794)
Net profit / (loss) attributable to UBS AG shareholders	5,285	2,609	3,502	3,172	(2,480)
<b>Key performance indicators</b>					
<b>Profitability</b>					
Return on tangible equity (%) <sup>1</sup>	15.4	8.3	8.2*	8.0*	1.6*
Return on assets, gross (%) <sup>2</sup>	3.2	2.8	2.8*	2.5*	1.9*
Cost / income ratio (%) <sup>3</sup>	78.1	90.3	90.9*	88.0*	106.6*
<b>Growth</b>					
Net profit growth (%) <sup>4</sup>	102.6	15.7	10.4*	-	-
Net new money growth for combined wealth management businesses (%) <sup>5</sup>	2.0	2.4	2.5*	3.4*	3.2*
<b>Resources</b>					
Common equity tier 1 capital ratio (fully applied, %) <sup>6,7</sup>	15.3	13.7	14.2*	12.8*	9.8*
Leverage ratio (phase-in, %) <sup>8,9</sup>	5.3	5.4	5.4*	4.7*	3.6*
<b>Additional information</b>					
<b>Profitability</b>					
Return on equity (RoE) (%) <sup>10</sup>	13.3	7.1	7.0*	6.7*	(5.1)*
Return on risk-weighted assets, gross (%) <sup>11</sup>	14.6	12.4	12.4*	11.4*	12.0*
<b>Resources</b>					
Total assets	981,891	1,044,899	1,062,327	1,013,355	1,259,797
Equity attributable to UBS AG shareholders	54,126	50,824	52,108	48,002	45,949
Common equity tier 1 capital (fully applied) <sup>7</sup>	33,183	30,047	30,805	28,908	25,182*

Common equity tier 1 capital (phase-in) <sup>7</sup>	40,581	42,464	44,090	42,179	40,032*
Risk-weighted assets (fully applied) <sup>7</sup>	217,472	219,296	217,158*	225,153*	258,113*
Risk-weighted assets (phase-in) <sup>7</sup>	221,410	222,648	221,150*	228,557*	261,800*
Common equity tier 1 capital ratio (phase-in, %) <sup>6,7</sup>	18.3	19.1	19.9*	18.5*	15.3*
Total capital ratio (fully applied, %) <sup>7</sup>	19.9	18.7	19.0*	15.4*	11.4*
Total capital ratio (phase-in, %) <sup>7</sup>	23.7	24.9	25.6*	22.2*	18.9*
Leverage ratio (fully applied, %) <sup>8,9</sup>	4.6	4.2	4.1*	3.4*	2.4*
Leverage ratio denominator (fully applied) <sup>9</sup>	949,548	980,669	999,124*	1,015,306*	1,206,214*
Leverage ratio denominator (phase-in) <sup>9</sup>	955,027	987,327	1,006,001*	1,022,924*	1,216,561*
<b>Other</b>					
Invested assets (CHF billion) <sup>12</sup>	2,577	2,640	2,734	2,390	2,230
Personnel (full-time equivalents)	58,502	60,292	60,155*	60,205*	62,628*

\* unaudited

<sup>1</sup> Net profit / loss attributable to UBS AG shareholders before amortization and impairment of goodwill and intangible assets (annualized as applicable) / average equity attributable to UBS AG shareholders less average goodwill and intangible assets. <sup>2</sup> Operating income before credit loss (expense) or recovery (annualized as applicable) / average total assets. <sup>3</sup> Operating expenses / operating income before credit loss (expense) or recovery. <sup>4</sup> Change in net profit attributable to UBS AG shareholders from continuing operations between current and comparison periods / net profit attributable to UBS AG shareholders from continuing operations of comparison period. Not meaningful and not included if either the reporting period or the comparison period is a loss period. <sup>5</sup> Combined Wealth Management's and Wealth Management Americas' net new money for the period (annualized as applicable) / invested assets at the beginning of the period. Based on adjusted net new money which excludes the negative effect on net new money (third quarter of 2015: 3.3 billion; second quarter of 2015: CHF 6.6 billion) in Wealth Management from UBS's balance sheet and capital optimization efforts in the second quarter of 2015. <sup>6</sup> Common equity tier 1 capital / risk-weighted assets. <sup>7</sup> Based on the Basel III framework as applicable to Swiss systemically relevant banks (SRB), which became effective in Switzerland on 1 January 2013. The information provided on a fully applied basis entirely reflects the effects of the new capital deductions and the phase out of ineligible capital instruments. The information provided on a phase-in basis gradually reflects those effects during the transition period. Numbers for 31 December 2012 are calculated on an estimated basis described below and are referred to as "pro-forma". Some of the models applied when calculating 31 December 2012 pro-forma information required regulatory approval and included estimates (as discussed with UBS's primary regulator) of the effect of new capital charges. These figures are not required to be presented, because Basel III requirements were not in effect on 31 December 2012. They are nevertheless included for comparison reasons. <sup>8</sup> Common equity tier 1 capital and loss-absorbing capital / total adjusted exposure (leverage ratio denominator). <sup>9</sup> In accordance with Swiss SRB rules. The Swiss SRB leverage ratio came into force on 1 January 2013. Numbers for 31 December 2012 are on a pro-forma basis (see footnote 7 above). <sup>10</sup> Net profit / loss attributable to UBS AG shareholders (annualized as applicable) / average equity attributable to UBS AG shareholders. <sup>11</sup> Based on Basel III risk-weighted assets (phase-in) for 2015, 2014 and 2013, and on Basel 2.5 risk-weighted assets for 2012. <sup>12</sup> Includes invested assets for Retail & Corporate.

Material adverse change statement.	There has been no material adverse change in the prospects of UBS AG or UBS AG Group since 31 December 2014.
Significant changes statement.	There has been no significant change in the financial or trading position of UBS AG Group since 30 September 2015.

**In Element B.15 the first paragraph is completely replaced, and, consequently, the complete Element B.15 reads as follows:**

<b>B.15</b>	Issuer's principal activities	UBS AG with its subsidiaries is committed to providing private, institutional and corporate clients worldwide, as well as retail clients in Switzerland, with superior financial advice and solutions, while generating attractive and sustainable returns for shareholders. UBS's strategy centers on its Wealth Management and Wealth Management Americas businesses and its leading (in its own opinion) universal bank in Switzerland, complemented by Asset Management and its Investment Bank. In UBS's opinion, these businesses share three key characteristics: they benefit from a strong competitive position in their targeted
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		<p>markets, are capital-efficient, and offer a superior structural growth and profitability outlook. UBS's strategy builds on the strengths of all of its businesses and focuses its efforts on areas in which UBS excels, while seeking to capitalize on the compelling growth prospects in the businesses and regions in which it operates. Capital strength is the foundation of UBS's success. The operational structure of the Group is comprised of the Corporate Center and five business divisions: Wealth Management, Wealth Management Americas, Retail &amp; Corporate, Asset Management and the Investment Bank.</p> <p>According to article 2 of the Articles of Association of UBS AG, dated 7 May 2015 ("<b>Articles of Association</b>"), the purpose of UBS AG is the operation of a bank. Its scope of operations extends to all types of banking, financial, advisory, trading and service activities in Switzerland and abroad. UBS AG may establish branches and representative offices as well as banks, finance companies and other enterprise of any kind in Switzerland and abroad, hold equity interests in these companies, and conduct their management. UBS AG is authorized to acquire, mortgage and sell real estate and building rights in Switzerland and abroad. UBS AG may provide loans, guarantees and other kinds of financing and security for Group companies and borrow and invest money on the money and capital markets.</p>
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**The Elements B.16 and B.17 are completely replaced as follows:**

<b>B.16</b>	Direct or indirect shareholdings or control agreements of the issuer.	UBS Group AG owns 100% of the outstanding shares of UBS AG.
<i>[The following Element B.17 is only to be inserted in case of Securities where the Issuer has an obligation arising on issue to pay to the investor 100% of the nominal value:]</i>		
<b>B.17</b>	Credit ratings assigned to the issuer or its debt securities.	<p>The rating agencies Standard &amp; Poor's Credit Market Services Europe Limited ("<b>Standard &amp; Poor's</b>"), Moody's Investors Service, Inc., ("<b>Moody's</b>"), Fitch Ratings Limited ("<b>Fitch Ratings</b>") and Scope Ratings AG ("<b>Scope Ratings</b>") have published credit ratings reflecting their assessment of the creditworthiness of UBS AG, i.e. its ability to fulfil in a timely manner payment obligations, such as principal or interest payments on long-term loans, also known as debt servicing. The ratings from Fitch Ratings, Standard &amp; Poor's and Scope Ratings may be attributed a plus or minus sign, and those from Moody's a number. These supplementary attributes indicate the relative position within the respective rating class. UBS AG has long-term counterparty credit rating of A (outlook: positive outlook) from Standard &amp; Poor's, long-term senior debt rating of A2 (outlook: under review for possible upgrade) from Moody's, long-term issuer default rating of A (outlook: positive) from Fitch Ratings and issuer credit-strength rating of A (outlook: stable) from Scope Ratings.</p> <p>Standard &amp; Poor's, Fitch Ratings and Scope Ratings are registered as credit rating agencies under Regulation (EC) No 1060/2009 as amended by Regulation (EU) No 513/2011 (the "<b>CRA Regulation</b>"). Moody's is not established in the EEA and is not certified under the CRA Regulation, but the rating it has issued is endorsed by Moody's Investors Service Ltd., a credit rating agency established in the EEA and registered under the CRA Regulation.</p>

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

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

<p><b>D.2</b></p>	<p>Key information on the key risks that is specific and individual to the issuer.</p>	<p>The Securities entail an issuer risk, also referred to as debtor risk or credit risk for prospective investors. An issuer risk is the risk that UBS AG becomes temporarily or permanently unable to meet its obligations under the Securities.</p> <p><b>General insolvency risk</b></p> <p>Each investor bears the general risk that the financial situation of the Issuer could deteriorate. The debt or derivative securities of the Issuer will constitute immediate, unsecured and unsubordinated obligations of the Issuer, which, in particular in the case of insolvency of the Issuer, rank pari passu with each other and all other current and future unsecured and unsubordinated obligations of the Issuer, with the exception of those that have priority due to mandatory statutory provisions. The Issuer's obligations relating to the Securities are not protected by any statutory or voluntary deposit guarantee system or compensation scheme. <b>In the event of insolvency of the Issuer, investors may thus experience a total loss of their investment in the Securities.</b></p> <p>UBS AG as Issuer and UBS are subject to various risks relating to their business activities. Summarised below are the risks that may impact the Group's ability to execute its strategy, and affect its business activities, financial condition, results of operations and prospects, which the Group considers material and is presently aware of:</p> <ul style="list-style-type: none"> <li>• On 15 January 2015, the Swiss National Bank ("SNB") discontinued the minimum targeted exchange rate for the Swiss franc versus the euro, which had been in place since September 2011. At the same time, the SNB lowered the interest rate on deposit account balances at the SNB that exceed a given exemption threshold by 50 basis points to negative 0.75%. It also moved the target range for three-month LIBOR to between negative 1.25% and negative 0.25%, (previously negative 0.75% to positive 0.25%). These decisions resulted in an immediate, considerable strengthening of the Swiss franc against the euro, US dollar, British pound, Japanese yen and several other currencies, as well as a reduction in Swiss franc interest rates. The longer-term rate of the Swiss franc against these other currencies is not certain, nor is the future direction of Swiss franc interest rates. Several other central banks have likewise adopted a negative-interest-rate policy. Fluctuation in foreign exchange rates and continuing low or negative interest rates may have a detrimental effect on UBS Group's capital strength, UBS Group's liquidity and funding position, and UBS Group's profitability.</li> <li>• Regulatory and legal changes may adversely affect UBS's business and ability to execute its strategic plans. The planned and potential regulatory and legislative developments in Switzerland and in other jurisdictions in which UBS has operations may have a material adverse effect on UBS's ability to execute its strategic plans, on the profitability or viability of certain business lines globally or in particular locations, and in some cases on UBS's ability to compete with other financial institutions. The developments have been, and are likely to continue to be, costly to implement and could also have a negative impact on UBS's legal structure or business model, potentially generating capital inefficiencies and affecting UBS's profitability. The uncertainty related</li> </ul>
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		<p>to, or the implementation of, legislative and regulatory changes may have a negative impact on UBS's relationships with clients and its success in attracting client business.</p> <ul style="list-style-type: none"> <li>• UBS's capital strength is important in supporting its strategy, client franchise and competitive position. Any increase in risk-weighted assets or reduction in eligible capital could materially reduce UBS's capital ratios. Additionally, UBS is subject to a minimum leverage ratio requirement for Swiss systemically relevant banks ("<b>SRB</b>"), which under certain circumstances could constrain UBS's business activities even if UBS satisfies other risk-based capital requirements.</li> <li>• UBS may not be successful in completing its announced strategic plans or its plans may be delayed or market events may adversely affect the implementation of the plan or the effects of its plans may differ from those intended. UBS is also exposed to possible outflows of client assets in its asset-gathering businesses and to changes affecting the profitability of its Wealth Management business division, and may not be successful in implementing changes in its businesses to meet changing market, regulatory and other conditions.</li> <li>• Material legal and regulatory risks arise in the conduct of UBS's business. UBS is subject to a large number of claims, disputes, legal proceedings and government investigations and expects that its ongoing business activities will continue to give rise to such matters in the future. The extent of UBS's financial exposure to these and other matters is material and could substantially exceed the level of provisions that UBS has established for litigation, regulatory and similar matters. Litigation, regulatory and similar matters may also result in non-monetary penalties and consequences. 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.</li> <li>• Operational risks, including those arising from process error, failed execution, misconduct, unauthorized trading, fraud, system failures, financial crime, cyber-attacks, breaches of information security and failure of security and physical protection, may affect UBS's business. If UBS's internal controls fail or prove ineffective in identifying and remedying these risks UBS could suffer operational failures that might result in material losses.</li> <li>• UBS's reputation is critical to the success of its business. Reputational damage can have fundamental negative effects on UBS's business and prospects and a material adverse effect on UBS's operational results and financial conditions and on UBS's ability to achieve its strategic goals and financial targets. Reputational damage is difficult to reverse, and improvements tend to be slow and difficult to measure.</li> <li>• Performance in the financial services industry is affected by market conditions and the macroeconomic climate. An economic downturn, continued low interest rates or weak or stagnant economic growth in</li> </ul>
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		<p>UBS's core markets, or a severe financial crisis can negatively affect UBS's revenues and ultimately its capital base.</p> <ul style="list-style-type: none"> <li>• The UBS holds legacy positions and other risk positions, including positions related to real estate in various countries that may be adversely affected by market conditions. In addition, legacy risk positions may be difficult to liquidate as the continued illiquidity and complexity of many of them could make it difficult to sell or otherwise exit these positions.</li> <li>• UBS's global presence subjects it to risk from currency fluctuations, which have an effect on UBS's reported income and expenses, and other reported figures such as other comprehensive income, invested assets, balance sheet assets, risk-weighted assets and Basel III common equity tier 1 capital. These effects may adversely affect UBS's income, balance sheet, capital and liquidity ratios.</li> <li>• UBS is dependent upon its risk management and control processes to avoid or limit potential losses in its counterparty credit and trading businesses and could suffer losses if, for example, it does not fully identify the risks in its portfolio or if its assessment of the risks identified or its response to negative trends proves to be untimely, inadequate, insufficient or incorrect.</li> <li>• Valuations of certain positions rely on models; models have inherent limitations and may use inputs which have no observable source; different assumptions and inputs would generate different results, and these differences could have a significant impact on UBS's financial results.</li> <li>• Liquidity and funding management are critical to UBS's ongoing performance. The volume of UBS's funding sources or the availability of funding of the types required could change due to, among other things, general market disruptions, widening credit spreads, more stringent capital, liquidity and funding requirements or reductions in UBS's credit ratings, which could also influence the cost of funding.</li> <li>• UBS might be unable to identify or capture revenue or competitive opportunities, or retain and attract qualified employees. UBS's competitive strength and market position could be eroded if UBS is unable to identify market trends and developments, does not respond to them by devising and implementing adequate business strategies, adequately developing or updating technology, particularly in the trading businesses, or is unable to attract or retain the qualified people needed to carry them out.</li> <li>• UBS's financial results may be negatively affected by changes to accounting standards. Changes to IFRS or interpretations thereof may cause UBS's future reported results and financial position to differ from current expectations, or historical results to differ from those previously reported due to the adoption of accounting standards on a retrospective basis. Such changes may also affect UBS's regulatory capital and ratios.</li> <li>• UBS's financial results may be negatively affected by changes to assumptions supporting the value of its goodwill. If assumptions in future periods deviate from the current outlook, the value of UBS's goodwill may become impaired in the future, giving rise to losses in the</li> </ul>
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		<p>income statement.</p> <ul style="list-style-type: none"> <li>• The effect of taxes on UBS's financial results is significantly influenced by reassessments of its deferred tax assets. UBS's full year effective tax rate could change significantly on the basis of such reassessments.</li> <li>• The Group's stated capital returns objective is based, in part, on capital ratios that are subject to regulatory change and may fluctuate significantly. UBS has committed to return at least 50% of its net profit to shareholders as capital returns, provided its fully applied CET1 capital ratio is at least 13% and its post-stress fully applied CET1 capital ratio is at least 10%. However, the Group's ability to maintain a fully applied CET1 capital ratio of at least 13% is subject to numerous risks, including the results of the business, changes to capital standards, methodologies and interpretation that may adversely affect the Group's calculated fully applied CET1 capital ratio, imposition of risk add-ons or additional capital requirements such as additional capital buffers. Additionally, changes in the methodology, assumptions, stress scenario and other factors may result in material changes in UBS's post-stress fully applied CET1 capital ratio.</li> <li>• UBS AG's operating results, financial condition and ability to pay obligations in the future may be affected by funding, dividends and other distributions received from UBS Switzerland AG or any other direct subsidiary, which may be subject to restrictions. The ability of such subsidiaries to make loans or distributions (directly or indirectly) to UBS AG may be restricted as a result of several factors, including restrictions in financing agreements and the requirements of applicable law and regulatory and fiscal or other restrictions. Restrictions and regulatory action of this kind could impede access to funds that UBS Group may need to make payments. Furthermore, UBS AG may guarantee some of the payment obligations of certain of its subsidiaries from time to time. Additionally, in connection with the transfer of the Retail &amp; Corporate and Wealth Management business booked in Switzerland from UBS AG to UBS Switzerland AG, which has become effective in June 2015, under the Swiss Merger Act UBS AG is jointly liable for obligations existing on the asset transfer date that are have been transferred to UBS Switzerland AG. These guarantees may require UBS AG to provide substantial funds or assets to subsidiaries or their creditors or counterparties at a time when UBS AG is in need of liquidity to fund its own obligations.</li> </ul> <p>However, because the business of a broad-based international financial services firm such as UBS is inherently exposed to risks that become apparent only with the benefit of hindsight, risks of which UBS is not presently aware or which it currently does not consider to be material could also impact its ability to execute its strategy and affect its business activities, financial condition, results of operations and prospects.</p>
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**In Element D.3, in the section entitled "General risks related to the Securities" the following risk factors are added directly after the headline:**

***"Effect of downgrading of the Issuer's rating***

The general assessment of the Issuer's creditworthiness may affect the value of the Securities. As a result, any downgrading of the Issuer's rating by a rating agency may have a negative impact on the value of the Securities.

***Ratings are not Recommendations***

The ratings of UBS AG as Issuer should be evaluated independently from similar ratings of other entities, and from the rating, if any, of the debt or derivative securities issued. A credit rating is not a recommendation to buy, sell or hold securities issued or guaranteed by the rated entity and may be subject to review, revision, suspension, reduction or withdrawal at any time by the assigning rating agency.

A rating of the Securities, if any, is not a recommendation to buy, sell or hold the Securities and may be subject to revision or withdrawal at any time by the relevant rating agency. Each rating should be evaluated independently of any other securities rating, both in respect of the rating agency and the type of security. Furthermore, rating agencies which have not been hired by the Issuer or otherwise to rate the Securities could seek to rate the Securities and if such "unsolicited ratings" are lower than the equivalent rating assigned to the Securities by the relevant hired rating agency, such ratings could have an adverse effect on the value of the Securities."

**In Element D.3, in the section entitled "General risks related to the Securities" the following risk factor is added after the risk factor entitled "Securityholders are exposed to the risk of a bail-in":**

***"The Conditions of the Securities do not contain any restrictions on the Issuer's or UBS's ability to restructure its business***

The Conditions of the Securities contain no restrictions on change of control events or structural changes, such as consolidations or mergers or demergers of the Issuer or the sale, assignment, spin-off, contribution, distribution, transfer or other disposal of all or any portion of the Issuer's or its subsidiaries' properties or assets in connection with the announced changes to its legal structure or otherwise and no event of default, requirement to repurchase the Securities or other event will be triggered under the Conditions of the Securities as a result of such changes. There 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 pay interest on the Securities and/or lead to circumstances in which the Issuer may elect to cancel such interest (if applicable)."

- 3) In relation to the Base Prospectus for Certificates, Notes or Warrants of UBS AG, [London] [Jersey] [Branch] dated 17 April 2015 in the section "I. Summary of the Base Prospectus" in the sub-section headed "B. Summary of the Base Prospectus (in the Swedish language)" in the section headed "Avsnitt B – Emittenten":

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

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

<b>B.4b</b>	En beskrivning av varje känd trend som påverkar emittenten eller de branscher där emittenten är verksam.	<p><b>Information om trender</b></p> <p>Som beskrivs i delårsrapporten för det tredje kvartalet 2015 för UBS Group AG, vilken offentliggjordes den 3 november 2015, många av de underliggande markoekonomiska utmaningar och geopolitiska frågor som UBS har lyft fram under tidigare kvartal kvarstår och det är osannolikt att dessa kommer att lösas under överskådlig tid. Dessutom kommer nyligen föreslagna ändringar i det regulatoriska regelverket i Schweiz för de som är för stora för att tillåtas falla att förorsaka betydande löpande räntekostnader för företaget. UBS ser fortsatt motvind från marknadsräntor som inte har stigit i linje med marknadens förväntningar, negativ marknadsutveckling i vissa tillgångsklasser och den svaga utvecklingen för euro i förhållande till schweizisk franc under året. UBS genomför de åtgärder som redan har tillkännagivits för att mildra dessa effekter när den fortsätter mot sitt mål för avkastning på synligt eget kapital på kort och medellång sikt. UBS strategi har visat sig framgångsrik i en rad olika marknadsförutsättningar. UBS står fortsatt fast vid sin strategi och dess disciplinerade genomförande för att möjliggöra företagets långsiktiga framgång och att leverera uthålliga avkastningar till sina aktieägare.</p>
<b>B.5</b>	Beskrivning av koncernen och emittentens plats inom koncernen.	<p>UBS AG är en schweizisk och moderbolaget till UBS AG-Koncernen. UBS AG ägs till 100% av UBS Group AG, som är holdingbolaget för UBS Koncernen. UBS Koncernen bedrivs som en koncern med fem affärsdivisioner (Wealth Management, Wealth Management Americas, Retail &amp; Corporate, Asset Management och Investment Bank) samt ett Corporate Center.</p> <p>Under de två senaste åren har UBS vidtagit en rad åtgärder för att återhämtningsförmågan hos Koncernen för att möta kraven i Schweiz avseende de som är för stora för att tillåtas falla ("TBTF") och andra länder där den är verksam, inklusive etablerandet av UBS Group AG som holdingbolaget för UBS Koncernen.</p> <p>I juni 2015 överförde UBS AG dess Retail &amp; Corporate och Wealth Management verksamhet som bokförs i Schweiz till UBS Switzerland AG, ett bankdotterföretag till UBS AG i Schweiz.</p> <p>I Storbritannien verkställde UBS genomförandet av en mer självförsörjande affärs- och verksamhetsmodell för UBS Limited, enligt vilken UBS Limited bär och behåller en större andel av risken och avkastningen från dess affärsaktiviteter.</p> <p>Under det tredje kvartalet 2015 etablerade UBS, UBS Business Solutions AG som ett direkt dotterföretag till UBS Group AG, för att agera som Koncernens serviceföretag. UBS kommer att överföra ägandet av majoriteten av dess existerande servicedotterföretag till denna enhet. UBS förväntar sig att överföringen av delade service- och stödfunktioner till serviceföretagsstrukturen kommer att genomföras stegvis till och med 2018. Syftet med serviceföretagsstrukturen är att förbättra återhämtningsförmågan hos Koncernen genom att möjliggöra för UBS att bibehålla operationell kontinuitet av kritiska tjänster om en återhämtnings- eller resolutionshändelse skulle inträffa.</p>

		<p>UBS AG har etablerat ett nytt dotterföretag, UBS Americas Holding LLC, som UBS avser att utse som dess mellanliggande holdingbolag för dess dotterföretag i USA före tidsfristen den 1 juli 2016 under de nya reglerna för utländska banker i USA enligt amerikansk rätt (<i>Dodd-Frank Act</i>). Under det tredje kvartalet 2015 tillsköt UBS AG dess ägandeintressen i dess huvudsakliga rörelsedrivande dotterföretag i USA till UBS Americas Holding LLC för att möta kravet under amerikansk rätt (<i>Dodd-Frank Act</i>) att det mellanliggande holdingbolaget äger alla av UBS verksamheter i USA, förutom filialer till UBS AG.</p> <p>UBS har etablerat ett nytt dotterföretag till UBS AG, UBS Asset Management AG, till vilket den förväntar sig att överföra majoriteten av de rörelsedrivande dotterföretagen inom Asset Management under 2016. UBS fortsätter att överväga ytterligare förändringar beträffande juridiska personer som används inom Asset Management, inklusive överföringen av verksamheter som bedrivs av UBS AG i Schweiz till ett dotterföretag till UBS Asset Management AG.</p> <p>UBS fortsätter att överväga ytterligare förändringar beträffande Koncernens juridiska struktur för att möta kapitalmässiga och andra regulatoriska krav samt för att uppnå varje minskning av kapitalkrav som Koncernen kan kvalificera sig till. Sådana förändringar kan inkludera överföringen av rörelsedrivande dotterföretag till UBS AG till att bli direkta dotterföretag till UBS Group AG, konsolidering av rörelsedrivande dotterföretag i den Europeiska Unionen och justeringar beträffande bokförande enhet eller placeringen av produkter och tjänster. Dessa strukturella förändringar diskuteras löpande med FINMA och andra regulatoriska myndigheter och fortsätter att vara föremål för ett antal osäkerhetsfaktorer som kan påverka dessas genomförbarhet, omfattning eller tidpunkt.</p>
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**The Element B.12 is completely replaced as follows:**

<b>B.12</b>	Utvald historisk finansiell nyckelinformation.	<p>UBS AG har hämtat den utvalda finansiella informationen i tabellen nedan för åren som slutade 31 december 2012, 2013 och 2014 från dess årsredovisning för 2014, som innehåller de reviderade konsoliderade finansiella räkenskaperna för UBS AG liksom även ytterligare oreviderad konsoliderad finansiell information för året som slutade den 31 december 2014 och jämförelsesiffror för åren som slutade den 31 december 2013 och 2012. Den utvalda finansiella informationen inkluderad i tabellen nedan för de nio månader som slutade 30 september 2015 och 30 september 2014 har hämtats från UBS AG:s delårsrapport för det tredje kvartalet 2015, vilken innehåller de oreviderade konsoliderade finansiella räkenskaperna för UBS AG, liksom även ytterligare oreviderad konsoliderad finansiell information för de nio månader som slutade 30 september 2015 och jämförelsesiffror för de nio siffror som slutade 30 september 2014. De konsoliderade finansiella räkenskaperna har tagits fram i enlighet med International Financial Reporting Standards (IFRS) som har utfärdats av International Accounting Standards Board (IASB) och anges i schweiziska franc (CHF). Årsredovisningen för 2014 och delårsrapporten för det tredje kvartalet 2015 är införlivade genom hänvisning häri. Enligt ledningens åsikt har alla justeringar som är nödvändiga för att ge en rättvisande bild av UBS AG:s konsoliderade finansiella ställning och verksamhetsresultat. Information för åren som slutade 31 december 2012, 2013 och 2014 vilken indikeras som oreviderad i tabellen nedan, inkluderades i Årsredovisningen 2014 men har inte reviderats på den grunden att de respektive beskrivningarna inte krävs enligt IFRS och därför inte utgör del av de reviderade finansiella räkenskaperna. Som beskrivs närmare i Not 1b till UBS AG:s konsoliderade finansiella räkenskaper i Årsredovisningen 2014, viss information som ingick i de konsoliderade finansiella räkenskaperna till årsredovisningen 2013 räknades om i Årsredovisningen 2014. Siffrorna i tabellen nedan avseende året</p>
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som slutade 31 december 2013 återspeglar de omräknade siffrorna så som dessa ingår i Årsredovisningen 2014. Potentiella investerare bör läsa dokumentationen i dess helhet och ska inte enbart förlita sig på den sammanfattande informationen som anges nedan:

CHF miljoner, förutom där indikerat	Per eller för de nio månader som slutade		Per eller för året som slutade		
	30.9.15	30.9.14	31.12.14	31.12.13	31.12.12
	Oreviderat		Reviderat, förutom där indikerat		
<b>Resultat</b>					
Rörelseintäkter	23 834	21 281	28 026	27 732	25 423
Rörelsekostnader	18 655	19 224	25 557	24 461	27 216
Rörelsevinst / (förlust) före skatt	5 179	2 057	2 469	3 272	(1 794)
Nettovinst / (förlust) hänförlig till UBS AG aktieägare	5 285	2 609	3 502	3 172	(2 480)
<b>Viktiga utvecklingsindikatorer</b>					
<b>Lönsamhet</b>					
Avkastning på synligt eget kapital (%) <sup>1</sup>	15,4	8,3	8,2*	8,0*	1,6*
Avkastning på tillgångar, brutto (%) <sup>2</sup>	3,2	2,8	2,8*	2,5*	1,9*
Kostnads / intäktsrelation (%) <sup>3</sup>	78,1	90,3	90,9*	88,0*	106,6*
<b>Tillväxt</b>					
Nettovinsttillväxt (%) <sup>4</sup>	102,6	15,7	10,4*	-	-
Nettotillväxt nya medel för kombinerade verksamheter inom förmögenhetsförvaltning (%) <sup>5</sup>	2,0	2,4	2,5*	3,4*	3,2*
<b>Resurser</b>					
Primärkapitalrelation ( <i>Common equity tier 1 capital ratio</i> ) (fullt tillämpad, %) <sup>6,7</sup>	15,3	13,7	14,2*	12,8*	9,8*
Hävstångsrelation (infasad, %) <sup>8,9</sup>	5,3	5,4	5,4*	4,7*	3,6*
<b>Ytterligare information</b>					
<b>Lönsamhet</b>					
Avkastning på eget kapital (RoE) (%) <sup>10</sup>	13,3	7,1	7,0*	6,7*	(5,1)*
Avkastning på riskvägda tillgångar, brutto (%) <sup>11</sup>	14,6	12,4	12,4*	11,4*	12,0*
<b>Resurser</b>					
Totala tillgångar	981 891	1 044 899	1 062 327	1 013 355	1 259 797
Eget kapital hänförligt till UBS AG aktieägare	54 126	50 824	52 108	48 002	45 949
Primärkapital ( <i>Common equity tier 1 capital</i> ) (fullt tillämpad) <sup>7</sup>	33 183	30 047	30 805	28 908	25 182*
Primärkapital ( <i>Common equity tier 1 capital</i> ) (infasad) <sup>7</sup>	40 581	42 464	44 090	42 179	40 032*
Riskvägda tillgångar (fullt tillämpad) <sup>7</sup>	217 472	219 296	217 158*	225 153*	258 113*
Riskvägda tillgångar (infasad) <sup>7</sup>	221 410	222 648	221 150*	228 557*	261 800*
Primärkapitalrelation ( <i>Common equity tier 1 capital ratio</i> ) (infasad, %) <sup>6,7</sup>	18,3	19,1	19,9*	18,5*	15,3*
Totalkapitalrelation (fullt tillämpad, %) <sup>7</sup>	19,9	18,7	19,0*	15,4*	11,4*
Totalkapitalrelation (infasad, %) <sup>7</sup>	23,7	24,9	25,6*	22,2*	18,9*
Hävstångsrelation (fullt tillämpad, %) <sup>8,9</sup>	4,6	4,2	4,1*	3,4*	2,4*
Hävstångsrelation nämnare (fullt tillämpad) <sup>9</sup>	949 548	980 669	999 124*	1,015 306*	1 206 214*
Hävstångsrelation nämnare (infasad) <sup>9</sup>	955 027	987 327	1 006 001*	1,022 924*	1 216 561*
<b>Övrigt</b>					
Investerade tillgångar (CHF miljarder) <sup>12</sup>	2 577	2 640	2 734	2 390	2 230

Anställda (motsvarande heltidstjänster)	58 502	60 292	60 155*	60 205*	62 628*
* oreviderat					
<p><b>1</b> Nettovinst/förlust hänförlig till UBS AG:s aktieägare före nedskrivningar och reserveringar av goodwill och immateriella tillgångar (på årsbasis där tillämpligt) / genomsnittligt eget kapital hänförligt till UBS AG:s aktieägare minskat med genomsnittlig goodwill och immateriella tillgångar. <b>2</b> Rörelseintäkter före kreditförluster (utgift) eller återvinning (på årsbasis där tillämpligt) / genomsnittliga totala tillgångar. <b>3</b> Rörelseutgifter/rörelseintäkter före kreditförlust (utgift) eller återvinning. <b>4</b> Förändring i nettovinst hänförlig till UBS AG:s aktieägare från fortsatt bedrivna verksamheter mellan innevarande och jämförelseperioder/nettovinst hänförlig till UBS AG:s aktieägare från fortsatt bedrivna verksamheter under jämförelseperiod. Ej meningsfullt och ej inkluderat om antingen rapporteringsperioden eller jämförelseperioden är en förlustperiod. <b>5</b> Kombinerat för Wealth Managements och Wealth Management Americas netto nya medel för perioden (på årsbasis där tillämpligt) / investerade tillgångar vid början av perioden. Baserat på justerat netto av nya pengar som exkluderar den negativa effekten på netto av nya pengar om CHF 6,6 miljarder i förmögenhetsförvaltning (<i>Wealth Management</i>) på UBS:s balansräkning och försök till kapitaloptimering i den andra kvartalet 2015. <b>6</b> Primärkapital/riskvägda tillgångar. <b>7</b> Baserat på Basel III-regelverket så som detta tillämpas på schweiziska systemviktiga banker (SRB), vilket trädde i kraft i Schweiz den 1 januari 2013. Informationen som återges på fullt tillämplad basis återspeglar fullt ut effekterna av de nya kapitalavdragen och utfasningen av icke kvalificerande kapitalinstrument. Informationen som återges på infasad basis återspeglar gradvis dessa effekter under övergångsperioden. Siffror för 31 december 2012 beräknas på en uppskattad basis enligt beskrivning nedan och är på pro forma-basis. Vissa av modellerna som tillämpas vid beräkningen av pro forma informationen 31 december 2012 krävde regulatoriskt godkännande och innefattar uppskattningar (enligt diskussion med UBS primära tillsynsmyndighet) av effekten av de nya kapitalkraven. Dessa siffror måste inte presenteras eftersom Basel III kraven inte var i kraft den 31 december 2012. Dessa är icke desto mindre inkluderade av jämförelseskäl. <b>8</b> Primärkapital och förlustabsorberande kapital/total justerad exponering (hävstångsrelationsnämndare). <b>9</b> I enlighet med schweiziska SRB-regler. Den schweiziska SRB hävstångsrelationen trädde i kraft den 1 januari 2013. Siffror för 31 december 2012 är på pro forma basis (se fotnot 7 ovan). <b>10</b> Nettovinst / (förlust) hänförlig till UBS aktieägare (på årsbasis där tillämpligt) / genomsnittligt eget kapital hänförligt till UBS AG:s aktieägare. <b>11</b> Baserat på Basel III riskvägda tillgångar (infasning) för 2014 och 2013 och på Basel 2,5 riskvägda tillgångar för 2012. <b>12</b> Inkluderar investerade tillgångar inom Retail &amp; Corporate.</p>					
	Uttalande om väsentliga negativa förändringar.	om	Det har inte inträffat någon väsentlig negativ förändring i framtidsutsikterna för UBS AG eller UBS AG Koncernen sedan den 31 december 2014.		
	Uttalande om väsentliga förändringar.	om	Det har inte inträffat någon väsentlig förändring i den finansiella eller handelspositionen för UBS AG Koncernen sedan den 30 september 2015.		

In Element B.15 the first paragraph is completely replaced and, consequently, the complete Element B.15 reads as follows:

<b>B.15</b>	Emittentens huvudsakliga verksamhet.	<p>UBS AG och dess dotterföretag är beslutna att tillhandahålla privata, institutionella och företagskunder världen över, liksom även privatpersonskunder i Schweiz med bättre finansiell rådgivning och lösningar samtidigt som attraktiv och uthållig avkastning för aktieägarna genereras. UBS strategi är centrerad på dess verksamheter Wealth Management (förmögenhetsförvaltning) och Wealth Management Americas och dess ledande (enligt dess egen uppfattning) universalbank i Schweiz, kompletterat av Asset Management (tillgångsförvaltning) och dess Investmentbank. Enligt UBS uppfattning delar dessa verksamheter tre nyckeldrag: dessa drar fördel av en stark konkurrensmässig position inom dessas målmarknader, är kapitaleffektiva och erbjuder bättre strukturella tillväxt- och lönsamhetsutsikter. UBS strategi bygger på styrkorna inom alla dess verksamheter och fokuserar dess insatser till områden där UBS är framgångsrikt, samtidigt som den försöker kapitalisera från de tilltalande tillväxtutsikterna inom de verksamheter och regioner där den är verksam. Kapitalstyrka är basen för UBS framgång. Den operationella strukturen inom Koncernen består av Corporate Center (företagscenter) och fem verksamhetsdivisioner: Wealth Management, Wealth Management Americas, Retail &amp; Corporate (bankverksamhet för privatpersoner och företagskunder), Global Asset Management och dess Investmentbank.</p> <p>Enligt Artikel 2 i Bolagsordningen för UBS AG, daterad den 7 maj 2015 ("<b>Bolagsordningen</b>") är verksamhetsföremålet för UBS AG att bedriva bankverksamhet. Dess verksamhetsföremål sträcker sig över alla typer av banktjänster, finansiella tjänster, rådgivningstjänster och handelsaktiviteter i</p>
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		Schweiz och utomlands. UBS AB kan etablera filialer och representationskontor liksom även banker, kreditmarknadsföretag och andra företag av varje slag i Schweiz och utomlands, inneha ägarintressen i dessa bolag och sköta dessas ledning. UBS AG är auktoriserat att köpa, in-teckna och sälja fast egendom och byggrätter i Schweiz och utomlands. UBS AG kan tillhandahålla lån, garantier och andra former av finansiering och säkerheter för Koncernföretag och låna och investera på penning- och kapitalmarknader.
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The Elements B.16 and B.17 are completely replaced as follows:

<b>B.16</b>	Direkt eller indirekt aktieäggande eller kontrollöverens-kommelser avseende emittenten.	UBS Group AG äger 100% av de utestående aktierna i UBS AG.
[Den följande Punkten B.17 ska endast infogas beträffande Värdepapper där Emittenten har en förpliktelse som uppkommer vid emissionstillfället att betala investeraren 100% av det nominella värdet:		
<b>B.17</b>	Kreditvärdighets-betyg som tilldelats emittenten eller dess skuldvärdepapper.	<p>Kreditvärderingsinstituten Standard &amp; Poor's Credit Market Services Europe Limited ("<b>Standard &amp; Poor's</b>"), Moody's Investors Service, Inc., ("<b>Moody's</b>") Fitch Ratings Limited ("<b>Fitch Ratings</b>") och Scope ratings AG ("<b>Scope Ratings</b>") har publicerat kreditvärdighetsbetyg som återspeglar deras bedömning av UBS AG:s kreditvärdighet, dvs. UBS förmåga att i tid fullgöra sina betalningsförpliktelser, så som amortering och räntebetalningar på långfristiga lån. Betygen från Fitch Ratings, Standard &amp; Poor's och Scope Ratings kan tillskrivas ett plus- eller minustecken och de från Moody's en siffra. Dessa tillkommande beteckningar indikerar den relativa positionen inom respektive betygsklass. UBS AG har långfristigt motpartskreditvärdighetsbetyget A (positiv utsikt) från Standard &amp; Poor's, för långfristig icke-säkerställd, icke efterställd skuldsättning kreditvärdighetsbetyget A2 (under granskning för möjlig nedvärdering) från Moody's, för långfristig emittentfallissemang kreditvärdighetsbetyget A (positiv utsikt) från Fitch Ratings och för emittentkreditstyrka kreditvärdighetsbetyget A (stabil utsikt) från Scope Ratings.</p> <p>Standard &amp; Poor's, Fitch Ratings och Scope Ratings är registrerade som kreditvärderingsinstitut under Förordning (2009/1060/EG), så som denna ändrades genom Förordning (2011/513/EG) ("<b>KVI-Förordningen</b>"). Moody's är inte etablerat inom EES och är inte certifierad under KVI-Förordningen, men kreditvärdighetsbetyget som Moody's utfärdat stöds av Moody's Investors Service Ltd., ett kreditvärderingsinstitut som är etablerat inom EES och registrerat under KVI-Förordningen.</p>

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

Element D.2 is completely replaced as follows:

<b>D.2</b>	Nyckelinformation om väsentliga risker som är specifika och individuella för Emittenten.	<p>Värdepapperen medför emittentrisk, även kallad gäldenärsrisk eller kreditrisk för potentiella investerare. En emittentrisk är risken att UBS AG tillfälligt eller varaktigt blir oförmögen att fullgöra dess förpliktelser under Värdepapperen.</p> <p><b>Generell risk för insolvens</b> Varje Värdepappersinnehavare bär den generella risken att den finansiella</p>
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		<p>situationen för Emittenten kan försämrans. Värdepapperen utgör direkta, icke säkerställda och icke efterställda förpliktelser för Emittenten och förpliktelserna kommer vid Emittentens insolvens att rangordnas lika med samtliga andra nuvarande och framtida icke säkerställda och icke efterställda förpliktelser för Emittenten, med undantag för de förpliktelser som har förmånsrätt enligt tvingande lagregler. Emittentens förpliktelser under Värdepapperen garanteras inte av något system av insättningsgarantier eller kompensationsplaner. <b>Om Emittenten blir insolvent kan följaktligen Värdepappersinnehavare lida en total förlust av sina investeringar i Värdepapperen.</b></p> <p>UBS AG som Emittent och UBS är utsatta för olika riskfaktorer i sin affärsverksamhet. Sammanfattade nedan är riskerna som kan påverka Koncernens förmåga att verkställa sin strategi och påverka dess affärsverksamhet, finansiella ställning, verksamhetsresultat och utsikter, som Koncernen anser är väsentliga och för närvarande är medveten om:</p> <ul style="list-style-type: none"> <li>• Den 15 januari 2015 avbröt den schweiziska centralbanken ("SNB") den lägsta målsättningsväxelkursen för den schweiziska francen mot euron, vilken hade funnits på plats sedan september 2011. Vid samma tidpunkt sänkte SNB räntesatsen på saldon på insättningskonton hos SNB som överstiger en viss undantagströskel med 50 baspunkter till negativa 0,75%. Den flyttade också målsättningsintervallet för tre månaders LIBOR till mellan negativa 1,25% och negativa 0,25% (tidigare negativa 0,75% till positiva 0,25%). Dessa beslut resulterade i en betydande stärkning av den schweiziska francen mot euron, US dollar, brittiska pund, japanska yen och flera andra valutor, liksom även en sänkning av räntesatser i schweiziska franc. Den långsiktiga kursen för den schweiziska francen mot dessa andra valutor är inte säker, inte heller är den framtida riktningen för räntesatser i den schweiziska francen. Flera andra centralbanker har på liknande sätt antagit policys om negativ ränta. Fluktuationer i valutakurser och fortsatt låga eller negativa räntesatser kan ha en mycket negativ inverkan på UBS Koncernens kapitalstyrka, UBS Koncernens likviditets- och finansieringsposition och UBS Koncernens lönsamhet.</li> <li>• Regulatoriska och juridiska förändringar kan negativt inverka på UBS verksamhet och förmåga att genomföra dess strategiska planer. De planerade och potentiella regulatoriska och lagstiftningsmässiga utvecklingarna i Schweiz och i andra jurisdiktioner där UBS bedriver verksamhet kan ha väsentlig negativ inverkan på UBS förmåga att genomföra dess strategiska planer, på lönsamheten eller livskraften för vissa verksamhetsområden globalt eller i särskilda jurisdiktioner och, i vissa fall, på UBS förmåga att konkurrera med andra finansiella institutioner. Utvecklingarna har varit och kommer sannolikt att fortsätta att vara kostsamma att implementera och kan också ha en negativ inverkan på UBS juridiska struktur och affärsmodell, potentiellt genereras kapitalineffektiviteter och påverka UBS lönsamhet. Osäkerheten relaterad till eller verkställandet av juridiska och regulatoriska förändringar kan ha en negativ inverkan på UBS relationer med kunder och dess framgång i att attrahera kundaffärer.</li> <li>• UBS kapitalstyrka är viktig för att stödja dess strategi, kunderbjudande och konkurrensmässiga position. Varje ökning i riskvägda tillgångar eller en reduktion i kvalificerande kapital skulle kunna väsentligt reducera UBS kapitalrelationer. Vidare, UBS är underkastad ett krav på lägsta hävstångsrelation för schweiziska systemrelevanta banker ("SRB"), vilket under vissa omständigheter skulle kunna begränsa UBS affärsverksamheter även om UBS möter övriga riskbaserade kapitalkrav.</li> </ul>
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		<ul style="list-style-type: none"> <li>• UBS kanske inte är framgångsrik i sina tillkännagivna strategiska planer eller dess planer kan bli försenade eller marknadshändelser kan negativt inverka på genomförandet av planen eller effekterna av dess planer kan skilja sig från de avsedda. UBS är också exponerad mot potentiell utflöde av klienttillgångar inom dess tillgångssamlade verksamheter och mot förändringar som påverkar lönsamheten inom dess affärsområde Wealth Management och kanske inte är framgångsrik i att genomföra förändringar inom dess verksamheter för att möta ändrade marknads-, regulatoriska eller andra förhållanden.</li> <li>• Väsentliga juridiska och regulatoriska risker uppkommer vid driften av UBS verksamhet. UBS är föremål för ett stort antal krav, tvister, rättsliga förfaranden och statliga undersökningar och förväntar sig att dess pågående affärsverksamheter kommer att fortsätta att ge upphov till sådana saker i framtiden. Omfattningen av UBS finansiella exponering mot dessa och andra saker är väsentlig och kan i betydande mån överstiga nivån av de reserveringar UBS har etablerat för rättegångar, regulatoriska förfaranden och liknande aspekter. Rättegångar, regulatoriska och liknande förfaranden kan också resultera i icke-monetära straff och konsekvenser. Lösningen på regulatoriska förfaranden kan kräva att UBS erhåller undantag för regulatoriska avvikelser för att upprätthålla vissa verksamheter, kan berättiga regulatoriska myndigheter att begränsa, temporärt stänga ner eller avsluta tillstånd och regulatoriska godkännanden och kan tillåta att finansiella marknadsfunktioner att begränsa, temporärt stänga ner eller avsluta UBS deltagande inom sådana funktioner. Misslyckande att erhålla sådana undantag, eller varje begränsning, temporär nedstängning eller avslutande av tillstånd, godkännanden eller deltaganden, skulle kunna ha väsentliga konsekvenser för UBS.</li> <li>• Operationella risker, inklusive de som härrör från processfel, misslyckat utförande, obehörig handel, bedrägeri, systemfel, finansiell brottslighet, cyber-attacker, informationsintrång och misslyckanden inom säkerhet och fysiskt skydd, kan påverka UBS verksamhet. Om UBS interna kontroller misslyckas eller visar sig vara otillräckliga vad gäller identifiering och hantering av dessa risker, skulle UBS kunna drabbas av operationella misslyckanden som kan resultera i väsentliga förluster.</li> <li>• UBS rykte är kritiskt för framgången för dess verksamhet. Renommeskada kan ha grundläggande negativ inverkan på UBS verksamhet och framtidsutsikter och ha väsentlig negativ inverkan på UBS verksamhetsresultat och finansiella omständigheter och på UBS förmåga att uppnå dess strategiska mål och finansiella mål. Renommeskada är svårt att reversera och förbättringar tenderar att vara långsamma och svåra att mäta.</li> <li>• Utveckling inom den finansiella tjänsteindustrin påverkas av marknadsförhållanden och det markoekonomiska klimatet. En ekonomisk nedgång, fortsatt låga marknadsräntor eller svag eller stagnerande ekonomisk tillväxt på UBS kärnmarknader eller en allvarlig finansiell kris kan negativt inverka på UBS intäkter och ytterst dess kapitalbas.</li> <li>• UBS innehar äldre positioner och andra riskpositioner, inklusive positioner hänförliga till fast egendom i olika länder som kan påverkas negativt av marknadsförhållanden. Dessutom äldre riskpositioner kan vara svåra att likvidera eftersom den fortsatta bristande likviditeten och komplexiteten för många av dessa kan göra det svårt att sälja eller på annat sätt gå ur dessa</li> </ul>
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		<p>positioner.</p> <ul style="list-style-type: none"> <li>• UBS globala närvaro utsätter den för risk från valutafluktuationer, vilket har inverkan på UBS rapporterade intäkter och utgifter och andra rapporterade siffror såsom annan inkomst, investerade tillgångar, tillgångar på balansräkningen, riskvägda tillgångar och primärkapital enligt Basel III. Dessa effekter kan negativt inverka på UBS intäkter, balansräkning, kapital- och likviditetsrelationer.</li> <li>• UBS är beroende av dess riskhantering- och kontrollprocesser för att undvika eller begränsa potentiella förluster inom dess motpartskredits- och handelsverksamheter och skulle kunna drabbas av förluster om, till exempel, den inte till fullo identifierar riskerna inom dess portfölj eller om dess bedömning av riskerna som identifierats eller dess svar på negativa trender visar sig ske vid fel tidpunkt, olämpliga, otillräckliga eller felaktiga.</li> <li>• Värderingar av vissa positioner förlitar sig på modeller; modeller har inneboende begränsningar och kan använda ingångsvärden som inte har någon observerbar källa; andra antaganden och ingångsvärden skulle generera andra resultat och dessa skillnader skulle kunna ha en betydande inverkan på UBS finansiella resultat.</li> <li>• Likviditets- och finansieringsförvaltning är kritiskt för UBS pågående verksamhet. Volymen för UBS finansieringskällor eller tillgången till finansiering av de slag som krävs, kan förändras på grund av, bland annat, allmänna marknadsstörningar, ökade kreditspreadar, striktare kapital-, likviditets- och finansieringskrav eller nedvärderingar av UBS kreditvärdighetsbetyg, vilket även kan inverka på kostnaden för finansiering.</li> <li>• UBS kan vara oförmögen att identifiera eller tillvarata intäkter eller konkurrensmässiga möjligheter eller att behålla och attrahera kvalificerade anställda. UBS konkurrensmässiga styrka och marknadsställning skulle kunna eroderas om UBS är oförmögen att identifiera marknadstrender och utvecklingar, inte svarar på dessa genom att ta fram och genomföra lämpliga affärsstrategier, på lämpligt sätt ta fram eller uppdatera teknologi, särskilt inom handelsverksamheterna eller är oförmögen att attrahera eller behålla de kvalificerade personer som behövs för att utföra dessa.</li> <li>• UBS finansiella resultat kan påverkas negativt av förändringar inom redovisningsstandarder. Förändringar i IFRS eller tolkningar därav kan föranleda att UBS framtida rapporterade resultat och finansiella position skiljer sig från de som tidigare rapporterats på grund av införandet av redovisningsstandarder på retroaktiv basis. Sådana förändringar kan också påverka UBS regulatoriska kapital och relationer.</li> <li>• UBS finansiella resultat kan påverkas negativt av förändringar i antaganden för värderingen av dess goodwill. Om antaganden under framtida perioder skiljer sig från de nuvarande utsikterna, kan värdet av UBS goodwill försämrats, vilket ger upphov till förluster över resultaträkningen.</li> <li>• Inverkan av skatter på UBS finansiella resultat påverkas i väsentlig mån av omvärderingar av dess uppskjutna skattefordringar. UBS effektiva skattekostnad på helårsbasis skulle kunna förändras väsentligt på basis av sådana omvärderingar.</li> <li>• Koncernens angivna mål för avkastning från kapital baseras, delvis, på</li> </ul>
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		<p>kapitalrelationer som är föremål för regulatoriska förändringar och kan fluktuera i betydande mån. UBS har beslutat att återföra åtminstone 50% av dess nettovinst till aktieägare som avkastning från kapital, förutsatt att dess fullt tillämpade primärkapitalrelation är minst 13% och dess fullt tillämpade primärkapitalrelation vid stresstest är minst 10%. Men Koncernens förmåga att upprätthålla en fullt tillämpad primärkapitalrelation om minst 13% är underkastad ett flertal risker, inklusive resultatet från Koncernens verksamhet, förändringar i kapitalstandarder, metodologier och tolkningar som kan negativt inverka på Koncernens beräknade fullt tillämpade primärkapitalrelation, påförande av att risktillägg, eller ytterligare kapitalkrav såsom ytterligare kapitalbuffertar. Vidare, förändringar i metodologin, antaganden, stressscenarier och andra faktorer kan resultera i väsentliga skillnader i UBS fullt tillämpade primärkapitalrelation vid stresstest.</p> <ul style="list-style-type: none"> <li>• UBS AG:s rörelseresultat, finansiella ställning och förmåga att betala sina förpliktelser i framtiden, kan påverkas av finansiering, utdelning och andra överföringar erhållna från UBS Switzerland AG eller varje annat direktägt dotterföretag, vilket kan vara föremål för begränsningar. Förmågan hos sådana dotterföretag att lämna lån eller överföringar (direkt eller indirekt) till UBS AG kan vara begränsad som en konsekvens av flera faktorer, inklusive restriktioner i finansieringsavtal och krav enligt tillämplig rätt samt regulatoriska och skattemässiga eller andra begränsningar. Begränsningar och regulatoriska åtgärder av detta slag kan försämra tillgången till medel som UBS Koncernen behöver för att göra betalningar. Vidare, UBS AG kan garantera betalningsförpliktelserna för vissa av sina dotterföretag från tid till annan. Dessutom, i samband med överföringen av verksamheterna inom Retail &amp; Corporate och Wealth Management som bokförs i Schweiz från UBS AG till UBS Switzerland AG, vilken fick verkan i juni 2015, under schweizisk rätt (<i>Swiss Merger Act</i>) är UBS AG solidariskt ansvarigt för förpliktelser som existerade vid dagen för tillgångsoverföringen och vilka har överförts till UBS Switzerland AG. Dessa garantier kan kräva att UBS AG tillhandahåller betydande medel eller tillgångar till dotterföretag eller dessas borgenärer eller motparter vid en tidpunkt när UBS AG är i behov av likviditet för att finansiera sina egna förpliktelser.</li> </ul> <p>Men eftersom verksamheten i en brett baserat internationellt finansiellt tjänsteföretag, som UBS, till sin inneboende natur är exponerad mot risker som blir uppenbara endast i efterhand, kan risker som UBS inte för närvarande är medvetet om eller som det för närvarande inte betraktar som väsentliga, också påverka dess förmåga att verkställa sin strategi och kan påverka dess affärsverksamhet, finansiella ställning, verksamhetsresultat och utsikter.</p>
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In Element D.3, in the section entitled "Generella risker avseende Värdepapperen" the following risk factors are added directly after the headline:

***"Inverkan av nedvärdering av Emittentens kreditvärdighetsbetyg***

Den allmänna uppfattningen om Emittentens kreditvärdighet kan påverka värdet för Värdepapperen. Som en konsekvens kan varje nedvärdering av Emittentens kreditvärdighetsbetyg ha en negativ inverkan på värdet för Värdepapperen.

***Kreditvärdighetsbetyg är inte rekommendationer***

Kreditvärdighetsbetygen för UBS AG som Emittent bör utvärderas separat från liknande kreditvärdighetsbetyg för andra enheter och från kreditvärdighetsbetyget, om något, tilldelat emitterade skuld- eller derivatvärdepapperen. Ett kreditvärdighetsbetyg är inte en rekommendation att köpa, sälja eller inneha värdepapper emitterade eller garanterade av

enheten för kreditvärdighetsbetyget och kan bli föremål för granskning, ändring, tillfälligt indragande, sänkning eller återkallande när som helst utav det tilldelande kreditvärderingsinstitutet.

Ett kreditvärdighetsbetyg för Värdepapperen, om något, är inte en rekommendation att köpa, sälja eller inneha Värdepapperen och kan bli föremål för ändring eller återkallande när som helst utav det relevanta kreditvärderingsinstitutet. Varje kreditvärdighetsbetyg bör utvärderas separat från andra kreditvärdighetsbetyg för värdepapper, både avseende kreditvärderingsinstitutet och typen av värdepapper. Vidare, kreditvärderingsinstitut som inte har anlåtats av Emittenten eller annars för att värdera Värdepapperen kan försöka att värdera Värdepapperen och, om sådana icke efterfrågade kreditvärdighetsbetyg är lägre än det motsvarande kreditvärdighetsbetyget tilldelat Värdepapperen av det relevanta anlåtade kreditvärderingsinstitutet, så kan sådana kreditvärdighetsbetyg ha en negativ inverkan på Värdepapperens värde."

**In Element D.3, in the section entitled "General risks related to the Securities" the following risk factor is added after the risk factor entitled "Värdepappersinnehavare är exponerade mot risken för skuldnedskrivning":**

***Villkoren för Värdepapperen innehåller inte några begränsningar för Emittentens eller UBS förmåga att omorganisera sin verksamhet***

Villkoren för Värdepapperen innehåller inte några begränsningar avseende förändrad ägarkontroll eller strukturella förändringar, såsom sammanslagningar eller fusioner eller avyttranden avseende Emittenten eller försäljningen, överlåtelsen, avknoppningen, tillskjutandet, utdelningen, överföringen eller annan disposition avseende all eller någon del av Emittentens eller dess dotterföretags fastigheter eller tillgångar i samband med de tillkännagivna ändringarna avseende dess juridiska struktur eller annars och ingen uppsägningsgrundande händelse, skyldighet att återköpa Värdepapperen eller någon annan händelse kommer att aktiveras under Villkoren för Värdepapperen som en följd av sådana ändringar. Det kan inte lämnas någon försäkran att, skulle dessa inträffa, dessa inte kommer att ha en negativ inverkan på kreditvärdighetsbetygen för Emittenten och/eller öka sannolikheten för inträffande av en uppsägningsgrundande händelse. Sådana ändringar, skulle dessa inträffa, kan negativt påverka Emittentens förmåga att erlagga ränta avseende Värdepapperen och/eller leda till omständighet där Emittenten kan välja att annullera sådan ränta (om tillämpligt).

- 4) In relation to the Base Prospectus for Certificates, Notes or Warrants of UBS AG, [London] [Jersey] [Branch] dated 23 June 2014 in the section "I. Summary of the Base Prospectus" in the sub-section headed "C. Summary of the Base Prospectus (in the Danish language)" in the section headed "Afsnit B – Udsteder":

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

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

<b>B.4b</b>	Kendte tendenser, der påvirker Udsteder, og brancher inden for hvilke, Udstederen driver virksomhed.	<p><b>Oplysninger om tendenser</b></p> <p>Som beskrevet i UBS-koncernen AG's 3. kvartalsrapport, som blev offentliggjort den 3. november 2015, er mange af de underliggende makroøkonomiske udfordringer og geografiske problemstillinger, som UBS tidligere har fremhævet, stadig aktuelle og bliver sandsynligvis ikke løst i den nærmeste fremtid. Derudover vil de ændringer, der for nylig blev foreslået til det såkaldte "for stor til at krakke"-regelsæt i Schweiz, medføre væsentlige løbende renteomkostninger for banken. UBS er ligeledes stadig i modvind i forhold til renten, som ikke er steget i takt med markedsforventningerne, negative markedsresultater inden for visse aktivklasser og euroens vigende udvikling over for schweizerfrancen i årets løb. UBS iværksætter de tiltag, der allerede er udmeldt, for at dæmpe disse virkninger samtidig med, at UBS bevæger sig frem mod sit afkastmål for den synlige kapital på kort til mellemlang sigt. UBS' strategi har vist sig vellykket under en række markedsvilkår. UBS vil forsat holde sig til sin strategi og sin disciplinerede gennemførelse deraf for at sikre bankens langsigtede succes og levere bæredygtige afkast for sine aktionærer.</p>
<b>B.5</b>	Beskrivelse af koncernen og Udstederens position inden for koncernen.	<p>UBS AG er en schweizisk bank og moderselskab for UBS AG-koncernen. UBS AG er 100 % ejet af UBS-koncernen AG, som er holdingselskabet for UBS-koncernen. UBS-koncernen fungerer som en koncern med fem forretningsafdelinger (<i>Wealth Management, Wealth Management Americas, Retail &amp; Corporate, Asset Management og Investment Bank</i>) og et Koncerncenter (<i>Corporate Center</i>).</p> <p>UBS har i de seneste to år truffet en række foranstaltninger til forbedring af Koncernens afviklingsmuligheder som følge af de såkaldte "for store til at krakke"-krav (<i>too big to fail</i>) ("<b>TBTF</b>") i Schweiz og andre lande, hvor Koncernen driver virksomhed, herunder ved at stifte UBS-koncernen AG som holdingselskab for UBS-koncernen.</p> <p>I juni 2015 overdrog UBS AG den del af forretningsdivisionerne Privatkunder &amp; Virksomheder (<i>Retail &amp; Corporate</i>) og Formueforvaltning (<i>Wealth Management</i>), som bogføres i Schweiz, til UBS Switzerland AG, som er et bankdatterselskab af UBS AG i Schweiz.</p> <p>I Storbritannien har UBS gennemført implementeringen af en mere selvforsynende forretnings- og driftsmodel for UBS Limited i henhold til hvilken, UBS Limited bærer og beholder en større del af de risici henholdsvis</p>

		<p>det afkast, der er forbundet med bankens forretningsaktiviteter.</p> <p>I 3. kvartal 2015 stiftede UBS selskabet UBS Business Solutions AG som et direkte datterselskab af UBS-koncernen AG med henblik på, at dette selskab skal fungere som Koncernens serviceselskab. UBS vil overdrage ejerskabet til hovedparten af sine eksisterende servicedatterselskaber til denne enhed. UBS forventer, at overdragelsen af delte service- og supportfunktioner til dette serviceselskab vil blive implementeret trinvist i løbet af 2018. Formålet med serviceselskabets struktur er at forbedre Koncernens afviklingsmuligheder ved at sætte UBS i stand til at opretholde driftskontinuitet i kritiske tjenester, skulle der opstå en genopretnings- eller afviklingsbegivenhed.</p> <p>UBS AG har stiftet et nyt datterselskab, UBS Americas Holding LLC, som UBS planlægger at udpege som sit mellemliggende holdingselskab for sine amerikanske datterselskaber med henblik på senest den 1. juli 2016 at efterleve de nye regler for udenlandske banker i henhold til den amerikanske 'Dodd-Frank-lov '. I 3. kvartal 2015 indskød UBS AG sin kapitalandel i sit amerikanske primære driftsdatterselskab i UBS Americas Holding LLC med henblik på at opfylde kravene i henhold til Dodd-Frank-loven om, at det mellemliggende holdingselskab skal eje alle UBS' amerikanske aktiviteter, bortset fra filialer af UBS AG.</p> <p>UBS AG har stiftet et nyt datterselskab af UBS AG, UBS Asset Management AG, hvortil UBS forventer at overdrage størstedelen af Asset Managements driftsdatterselskaber i løbet af 2016. UBS overvejer fortsat yderligere ændringer til de juridiske enheder, der anvendes af Asset Management, herunder at overdrage UBS AG's aktiviteter i Schweiz til et datterselskab af UBS Asset Management AG.</p> <p>UBS overvejer fortsat yderligere ændringer til Koncernens juridiske struktur som følge af kapital- og øvrige lovgivningsmæssige krav, og med henblik på at opnå en evt. reduktion af kapitalkrav, som Koncernen måtte være kvalificeret til. Sådanne ændringer kan fx omfatte en overdragelse af UBS AG's driftsdatterselskaber, således at de bliver direkte datterselskaber i UBS-koncernen AG, en konsolidering af driftsselskaber i den Europæiske Union samt en ændring af bogføringsenheden eller placeringen af produkter og serviceydelser. Disse strukturændringer drøftes løbende med 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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The Element B.12 is completely replaced as follows:

<b>B.12</b>	Udvalgte historiske finansielle nøgleoplysninger.	UBS AG har hentet følgende udvalgte konsoliderede regnskabsoplysninger for årene, der sluttede henholdsvis den 31. december 2012, 2013 og 2014 fra sin årsrapport for 2014, som indeholder UBS AG's reviderede
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koncernregnskab samt yderligere ureviderede konsoliderede regnskabsoplysninger for året, der sluttede den 31. december 2014, og sammenligningstal for årene, der sluttede henholdsvis den 31. december 2013 og 2012. De udvalgte konsoliderede regnskabsoplysninger, der er indeholdt i tabellen nedenfor for perioden 1. januar - 30. september 2015 og 1. januar - 30. september 2014, er hentet fra UBS AG's regnskabsrapport for 3. kvartal 2015, som indeholder UBS AG's ureviderede koncernregnskab, samt yderligere ureviderede konsoliderede regnskabsoplysninger for perioden 1. januar - 30. september 2015 og sammenligningstal for perioden 1. januar - 30. september 2014. Koncernregnskaberne er udarbejdet i overensstemmelse med de internationale regnskabsstandarder (*International Financial Reporting Standards* ("IFRS")), som er udstedt af the International Accounting Standards Board ("IASB") og er angivet i schweizerfranc (CHF). Årsrapporten for 2014 og regnskabsrapporten for 3. kvartal 2015 er indarbejdet heri ved henvisning. Efter ledelsens skøn er der foretaget alle sådanne justeringer, som måtte være nødvendige for at give et retvisende billede af UBS AG's konsoliderede finansielle stilling og driftsresultat. Regnskabsoplysninger for årene, der sluttede henholdsvis den 31. december 2012, 2013 og 2014 og i forbindelse med hvilke, det i tabellen nedenfor står anført, at de er ureviderede, var indeholdt i årsrapporten for 2014, 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. Som nærmere beskrevet i Note 1b til UBS AG's koncernregnskab indeholdt i årsrapporten for 2014 var visse oplysninger indeholdt i koncernregnskabet for 2013 tilpasset i årsrapporten for 2014. De tal, der fremgår af tabellen nedenfor, for året, der sluttede den 31. december 2013, afspejler de tilpassede tal som indeholdt i årsrapporten for 2014. Potentielle investorer bør læse dokumentationen i sin helhed og bør ikke udelukkende forlade sig på de oplysninger, der er sammenfattet nedenfor:

CHF mio., medmindre andet fremgår	Pr. eller for kvartalet, der sluttede		Pr. eller for året, der sluttede		
	30.9.15	30.9.14	31.12.14	31.12.13	31.12.12
	urevideret		revideret, medmindre andet fremgår		
<b>Resultat</b>					
Driftsindtægter	23.834	21.281	28.026	27.732	25.423
Driftsudgifter	18.655	19.224	25.557	24.461	27.216
Driftsoverskud (driftstab) før skat	5.179	2.057	2.469	3.272	(1.794)
Nettooverskud (nettotab) henførbart til UBS AG-aktionærer	5.285	2.609	3.502	3.172	(2.480)
<b>Nøgleindikatorer</b>					
<b>Rentabilitet</b>					
Afkast på synlig kapital (%) <sup>1</sup>	15,4	8,3	8,2*	8,0*	1,6*
Afkastningsgrad, brutto (%) <sup>2</sup>	3,2	2,8	2,8*	2,5*	1,9*
Omkostninger i forhold til indtægter (%) <sup>3</sup>	78,1	90,3	90,9*	88,0*	106,6*
<b>Vækst</b>					
Nettovækst i overskud (%) <sup>4</sup>	102,6	15,7	10,4*	-	-
Nettovækst nye midler for kombinerede formueforvaltningsvirksomheder (%) <sup>5</sup>	2,0	2,4	2,5*	3,4*	3,2*
<b>Ressourcer</b>					

Egentlig kernekapitaldækning (fuldt anvendt, %) <sup>6,7</sup>	15,3	13,7	14,2*	12,8*	9,8*
Gearingsforhold (indfaset, %) <sup>8,9</sup>	5,3	5,4	5,4*	4,7*	3,6*
<b>Yderligere oplysninger</b>					
<b>Rentabilitet</b>					
Egenkapitalforrentning (RoE) (%) <sup>10</sup>	13,3	7,1	7,0*	6,7*	(5,1)*
Afkast på risikovægtede aktiver, brutto (%) <sup>11</sup>	14,6	12,4	12,4*	11,4*	12,0*
<b>Ressourcer</b>					
Aktiver i alt	981.891	1.044.899	1.062.327	1.013.355	1.259.797
Egenkapital henførbart til UBS AG-aktionærer	54.126	50.824	52.108	48.002	45.949
Egentlig kernekapital (fuldt anvendt) <sup>7</sup>	33.183	30.047	30.805	28.908	25.182*
Egentlig kernekapital (indfaset) <sup>7</sup>	40.581	42.464	44.090	42.179	40.032*
Risikovægtede aktiver (fuldt anvendt) <sup>7</sup>	217.472	219.296	217.158*	225.153*	258.113*
Risikovægtede aktiver (indfaset) <sup>7</sup>	221.410	222.648	221.150*	228.557*	261.800*
Egentlig kernekapitaldækning (indfaset, %) <sup>6,7</sup>	18,3	19,1	19,9*	18,5*	15,3*
Kapitaldækning i alt (fuldt anvendt, %) <sup>7</sup>	19,9	18,7	19,0*	15,4*	11,4*
Kapitaldækning i alt (indfaset, %) <sup>7</sup>	23,7	24,9	25,6*	22,2*	18,9*
Gearingsforhold (fuldt anvendt, %) <sup>8,9</sup>	4,6	4,2	4,1*	3,4*	2,4*
Gearingsforholdets nævner (fuldt anvendt) <sup>9</sup>	949.548	980.669	999.124*	1.015.306*	1.206.214*
Gearingsforholdets nævner (indfaset) <sup>9</sup>	955.027	987.327	1.006.001*	1.022.924*	1.216.561*
<b>Andet</b>					
Investerede aktiver (CHF mia.) <sup>12</sup>	2.577	2.640	2.734	2.390	2.230
Medarbejdere (årsværk)	58.502	60.292	60.155*	60.205*	62.628*
* urevideret					
<p><sup>1</sup> Nettooverskud / nettotab, som kan henføres til UBS AG-aktionærer inden amortisering og værdiforringelser af goodwill (på årsbasis, hvor relevant) / gennemsnitlig egenkapital, der kan henføres til UBS AG-aktionærer minus gennemsnitlig goodwill og immaterielle aktiver. <sup>2</sup> Driftsindtægter før kredittab (udgift) eller genindvinding (på årsbasis, hvor relevant) / gennemsnitlig aktivsum i alt. <sup>3</sup> Driftsudgifter / driftsindtægter før kredittab (udgift) eller genindvinding. <sup>4</sup> Ændring i nettooverskud, som kan henføres til UBS AG-aktionærer fra fortsættende aktiviteter mellem nuværende og jävnførelsesperioder / nettooverskud, som kan henføres til UBS AG-aktionærer fra fortsættende aktiviteter fra jävnførelsesperiode. Ikke meningsfuldt og ikke inkluderet, hvis enten rapporteringsperioden eller jävnførelsesperioden er en tabsperiode. <sup>5</sup> Sammenlagt for Wealth Management og Wealth Management Americas' netto nye midler for perioden (på årsbasis, hvor relevant) / investerede aktiver ved periodens begyndelse. Baseret på korrigerede nye midler, hvilket udeholder den negative virkning på netto nye midler (3. kvartal 2015: 3,3 mia.; 2. kvartal 2015: CHF 6,6 mia.) i Wealth Management fra UBS' balance og kapitaloptimeringsbestrebelse i 2. kvartal af 2015. <sup>6</sup> Egentlig kernekapital / risikovægtede aktiver. <sup>7</sup> Baseret på Basel III-regelsættet således som dette gælder for schweiziske systemisk relevante banker (SRB), som trådte i kraft i Schweiz den 1. januar 2013. Oplysningerne, som er angivet på fuldt anvendt basis, afspejler fuldt ud virkningerne af de nye kapitalfradrag og afviklingen af ikke-kvalificerende kapitalinstrumenter. De oplysninger, der er angivet på indfaset basis, afspejler gradvist disse virkninger i overgangsperioden. Tallene pr. 31. december 2012 er beregnet på skønsmæssig basis som beskrevet nedenfor, og er angivet som "proformata". Nogle af de metoder, der er anvendt ved beregningen af proforma-oplysningerne pr. 31. december 2012, krævede myndighedsgodkendelse og inkluderede skøn (som drøftet med UBS' primære tilsynsmyndighed) over virkningen af nye kapitalomkostninger. Disse tal kræves ikke fremlagt, da Basel III-kravene ikke var trådt i kraft den 31. december 2012. De er ikke desto mindre inkluderet af sammenligningsmæssige grunde. <sup>8</sup> Egentlig kernekapital og tabsabsorberende kapital / reguleret eksponering i alt (gearingsforholdets nævner). <sup>9</sup> I overensstemmelse med schweiziske SRB-regler. Det schweiziske SRB gearingsforhold trådte i kraft den 1. januar 2013. Tallene pr. 31. december 2012 er proformata (se fodnote 7 ovenfor). <sup>10</sup> Nettooverskud / nettotab, der kan henføres til UBS AG-aktionærer (på årsbasis, hvor relevant) / gennemsnitlig egenkapital, som kan henføres til UBS AG-aktionærer. <sup>11</sup> Baseret på Basel III risikovægtede aktiver (indfaset) for 2015, 2014 og 2013 og på Basel 2.5 risikovægtede aktiver for 2012. <sup>12</sup> Inkluderer investerede aktiver for Retail &amp; Corporate.</p>					
Erklæring vedrørende væsentlige negative ændringer.	Der er ikke siden den 31. december 2014 indtrådt nogen væsentlig negativ ændring i fremtidsudsigterne for UBS AG eller UBS AG-koncernen.				
Erklæring	Der er ikke siden den 30. september 2015 indtrådt nogen væsentlig ændring				



	vedrørende væsentlige ændringer.	i den finansielle eller handelsmæssige stilling for UBS AG-koncernen.
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**In Element B.15 the first paragraph is completely replaced and, consequently. The complete Element B.15 reads as follows:**

<b>B.15</b>	Udstederens hovedaktiviteter.	<p>Sammen med sine datterselskaber er det UBS AG's målsætning at levere økonomisk rådgivning og løsninger af højeste kvalitet til privatkunder, institutionelle kunder og erhvervskunder over hele verden samt til detailkunder i Schweiz, og derved generere stabile afkast til sine aktionærer. UBS' forretningsstrategi er centreret omkring Wealth Management og Wealth Management Americas og dets (efter UBS' opfattelse) førende universalbankaktiviteter i Schweiz, kompletteret af dets aktiviteter inden for Asset Management og Investment Banking. Efter UBS' opfattelse er disse aktiviteter karakteriseret ved tre centrale egenskaber: De bygger på en stærk konkurrencemæssig position i deres fokusmarkeder, er kapitaleffektive og tilbyder overlegne udsigter for strukturel vækst og rentabilitet. UBS' strategi bygger på styrken fra alle dets aktiviteter og fokuserer sin indsats på områder inden for hvilke, UBS udmærker sig, samtidig med at banken søger at kapitalisere på sine overbevisende vækstudsigter inden for de aktivitetsområder og regioner, hvor UBS driver virksomhed. Kapitalstyrke er grundlaget for UBS' succes. Koncernens driftsstruktur er sammensat af Koncerncentret og fem forretningsdivisioner: Wealth Management, Wealth Management Americas, Retail &amp; Corporate, Asset Management og Investment Bank.</p> <p>I henhold til pkt. 2 i UBS AG's vedtægter dateret 7. maj 2015 ("<b>Vedtægter</b>") er UBS AG's formål at drive bankvirksomhed. Bankens virksomhedsformål strækker sig over alle typer af banktjenester, finansielle tjenester, rådgivningstjenester samt handels- og serviceydelser i Schweiz og udlandet. UBS AG kan etablere filialer og repræsentationskontorer såvel som banker, finansieringsselskaber og enhver anden type virksomhed i Schweiz og i udlandet samt have kapitalandele i og lede disse virksomheder. UBS AG har tilladelse til at erhverve, belåne og sælge fast ejendom og byggeretter i Schweiz og i udlandet. UBS AG må yde lån, garantier og anden form for finansiering og sikkerhedsstillelse for Koncernselskaber og låne og investere penge på penge- og kapitalmarkederne.</p>
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**The Elements B.16 and B.17 are completely replaced as follows:**

<b>B.16</b>	Beskrivelse af, om Udstederen er direkte eller indirekte ejet eller kontrolleret.	UBS-koncernen AG ejer 100 % af de udestående aktier i UBS AG.
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[Nedenstående Element B.17 skal alene indsættes ved Værdipapirer, hvor Udstederen er forpligtet til ved udstedelse at betale investor 100 % af den nominelle værdi:

<p><b>B.17</b></p>	<p>Den kreditvurdering, som Udstederen eller dens gældsværdipapirer har opnået.</p>	<p>Kreditvurderingsbureauet Standard &amp; Poor's Credit Market Services Europe Limited ("<b>Standard &amp; Poor's</b>"), Moody's Investors Service, Inc. ("<b>Moody's</b>"), Fitch Ratings Limited ("<b>Fitch Ratings</b>") og Scope Ratings AG ("<b>Scope Ratings</b>") har offentliggjort kreditvurderinger, som afspejler deres vurdering af UBS AG's kreditværdighed, dvs. UBS' evne til at indfri sine forpligtelser i takt med at disse forfalder, såsom hovedstols- eller rentebetalinger på langfristede lån. De kreditvurderinger, som UBS opnår fra Fitch Ratings, Standard &amp; Poor's og Scope Ratings, kan have et foranstillet plus- eller minustegn, og kreditvurderingerne fra Moody's et tal. Disse supplerende betegnelser indikerer den relative placering inden for den pågældende kreditvurderingsklasse.</p> <p>UBS AG's langfristede modpartskreditgivningsaktiviteter har opnået en kreditvurdering på A (udsigter: positive fremtidsudsigter) fra Standard &amp; Poor's, UBS AG's langfristede foranstående gæld har opnået en kreditvurdering på A2 (udsigter: evt. opgradering under evaluering) fra Moody's, UBS AG's langsigtede udstederrating (<i>issuer default rating</i>) har opnået en kreditvurdering på A (udsigter: positive fremtidsudsigter) fra Fitch Ratings, og UBS AG's kreditstyrke har opnået en kreditvurdering på A (udsigter: stabile fremtidsudsigter) fra Scope Ratings.</p> <p>Standard &amp; Poor's, Fitch Ratings og Scope Ratings er registreret som kreditvurderingsbureauer i henhold til Forordning (EF) nr. 1060/2009 som ændret ved Forordning (EF) nr. 513/2011 ("<b>Forordning om kreditvurderingsbureauer</b>"). Moody's er ikke etableret i EØS og ikke er godkendt i henhold til Forordningen om kreditvurderingsbureauer, men den udstedte kreditvurdering er godkendt af Moody's Investors Service Ltd., et kreditvurderingsbureau, som er etableret i EØS og registeret i henhold til Forordningen om kreditvurderingsbureauer.</p>
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b) in the section headed "Afsnit D – Risici":

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

<p><b>D.2</b></p>	<p>Nøgleoplysninger om de vigtigste risici, der er specifikke for Udstederen.</p>	<p>Værdipapirerne indebærer en udstederrisiko, også kaldet en debitorrisiko eller kreditrisiko for potentielle investorer. En udstederrisiko er den risiko, at UBS AG midlertidigt eller varigt bliver ude af stand til at opfylde sine forpligtelser i henhold til Værdipapirerne.</p> <p><b>Generel insolvensrisiko</b></p> <p>Den enkelte investor bærer den generelle risiko for, at Udsteders finansielle situation kan forværres. Gældsværdipapirerne eller derivaterne vil udgøre direkte, usikrede og ikke-efterstillede forpligtelser på Udstederen, som særligt i</p>
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		<p>tilfælde af Udstederens insolvens vil være sideordnet med hinanden og med alle øvrige nuværende og fremtidige usikrede og ikke-efterstillede forpligtelser på Udstederen, bortset fra de forpligtelser som har fortrinsret i henhold til ufravigelige lovregler. Udstederens forpligtelser i henhold til Værdipapirerne er ikke beskyttet af obligatoriske eller frivillige indskudsgarantisystemer eller kompensationsordninger. <b>I tilfælde af Udstederens insolvens risikerer investorer således at miste hele deres investering i Værdipapirerne.</b></p> <p>UBS AG som Udsteder og UBS er eksponeret for forskellige brancherelaterede risici. Nedenfor følger en opsummering af de risici, som kan indvirke på Koncernens evne til at gennemføre sin strategi og på Koncernens forretningsaktiviteter, finansielle stilling, driftsresultat og udsigter, hvilket Koncernen anser for væsentligt, og som Koncernen p.t. er opmærksom på:</p> <ul style="list-style-type: none"> <li>• Den 15. januar 2015 fjernede den schweiziske nationalbank ("SNB") kursloftet for schweizerfrancen over for euroen, som havde været en realitet siden september 2011. SNB sænkede samtidigt renten på indlån i SNB, som oversteg en given tærskel, med 50 basispoint til -0,75 %. SNB ændrede også målintervallet for 3 mdr. LIBOR til mellem -1,25 % og -0,25 % (tidligere -0,75 % til +0,25 %). Disse beslutninger resulterede i en betydelig styrkelse af schweizerfrancen over for euroen, den amerikanske dollar, det britiske pund, den japanske yen og adskillige andre valutaer samt i en sænkning af CHF-renten. Såvel CHF-kursens udvikling på længere sigt over for disse andre valutaer som CHF-rentens fremtidige udvikling er forbundet med usikkerhed. Adskillige andre centralbanker har ligeledes indført en minusrente-politik. Valutakursudsving og fortsat lave eller negative renter kan have en skadelig indvirkning på UBS-koncernens kapitalstyrke, UBS-koncernens stilling i forhold til likviditets- og kapitalfremskaffelse samt UBS-koncernens rentabilitet.</li> <li>• Regulerings- og lovgivningsmæssige ændringer kan have en negativ indvirkning på UBS' virksomhed og evne til at udføre sine virksomhedsstrategier. Planlagte og potentielle ændringer i love og forskrifter i Schweiz og andre lande, hvor UBS driver virksomhed, kan have en væsentlig negativ indvirkning på UBS' evne til at udføre sine virksomhedsstrategier, på visse forretningsdivisioners lønsomhed eller rentabilitet på verdensplan eller specifikke steder og i visse tilfælde på UBS' konkurrenceevne i forhold til andre finansielle institutioner. Disse ændringer har og kan fortsat indebære store omkostninger at udføre og kan ligeledes have en negativ indvirkning på UBS' juridiske organisationsform eller forretningsmodel, hvilket potentielt set kan medføre manglende kapitaleffektivitet med deraf følgende indvirkning på UBS' rentabilitet. Den usikkerhed, der er forbundet med, eller implementeringen af, lovgivnings- og reguleringsmæssige ændringer kan have en negativ indvirkning på UBS' forhold til kunder og på UBS' succes i forhold til at tiltrække kundeaktiviteter.</li> <li>• UBS' konsolidering er et vigtigt bærende element i forhold til UBS' strategi, kundeåndter og konkurrencesituation. Enhver stigning i risikovægtede aktiver eller reduktion af kapitalgrundlaget kan reducere UBS'</li> </ul>
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		<p>soliditetsprocent væsentligt. UBS er desuden underlagt et mindstekrav for schweiziske systemisk vigtige banker (<i>systemically relevant banks</i>) ("<b>SRB</b>"), som under visse omstændigheder kan begrænse UBS' forretningsaktiviteter, selvom UBS opfylder andre risikobaserede kapitalkrav.</p> <ul style="list-style-type: none"> <li>• UBS kan mislykkes med sine udmeldte strategiske planer, eller planerne kan blive forsinket, eller der kan indtræffe markedsbegivenheder, som har en væsentlig negativ indvirkning på implementeringen deraf, eller effekten af planerne kan afvige fra, hvad der var tilsigtet. UBS er ligeledes udsat for mulig udgående strøm af kundeaktiver i sine formueforvaltningsaktiviteter og ændringer, der påvirker rentabiliteten af UBS' forretningsdivision for formueforvaltning (<i>Wealth Management</i>), ligesom UBS kan mislykkes med at gennemføre ændringer i sine aktiviteter for at opfylde ændrede markeds-mæssige, lovgivningsmæssige og andre betingelser.</li> <li>• Der opstår væsentlige juridiske og lovgivningsmæssige risici i udførelsen af UBS' aktiviteter. UBS er udsat for risikoen for en lang række krav, tvister, søgsmål og offentlige undersøgelser og forventer, at dens løbende forretningsaktiviteter fortsat vil give anledning til sådanne risici også i fremtiden. UBS' finansielle eksponering over for disse og andre forhold kan være væsentlig og i væsentligt grad overstige det hensættelsesniveau, som UBS har etableret til retssager, lovgivningsmæssige og lignende forhold. Retssager, lovgivningsmæssige og lignende forhold kan ligeledes resultere i ikke-monetære sanktioner og konsekvenser. UBS kan som følge af administrative afgørelser blive pålagt at indhente bindende tilsagn (<i>waiver of regulatory disqualifications</i>) for at opretholde visse aktiviteter, ligesom sådanne afgørelser kan give tilsynsmyndighederne ret til at begrænse, suspendere eller ophæve licenser og myndighedstilladelser og tillade specifikke finansielle institutioner (såkaldte <i>financial market utilities</i>) at begrænse, suspendere eller ophæve UBS' deltagelse i sådanne institutioner. Manglende indhentelse af sådant tilsagn eller en evt. begrænsning, suspendering eller ophævelse af licenser, tilladelser eller deltagelser kan have væsentlige konsekvenser for UBS.</li> <li>• Operationelle risici, herunder risici som følge af procesfejl, afviklingsfejl, uredelighed, uautoriseret handel, svig, systemfejl, økonomisk kriminalitet, cyberangreb, brud på datasikkerheden samt sikkerhedssvig og manglende fysisk beskyttelse, kan indvirke på UBS' aktiviteter. Hvis UBS' interne kontrolsystemer svigter eller viser sig at være mangelfulde i forhold til at identificere og imødegå sådanne risici, kan UBS blive udsat for driftsforstyrrelser, der kan medføre væsentlige tab.</li> <li>• UBS' omdømme er væsentlig for fremgangen i UBS' aktiviteter. En negativ påvirkning af UBS' omdømme kan have en væsentlig negativ indvirkning på UBS' driftsresultater og finansielle stilling samt på UBS' evne til at opnå sine strategiske og finansielle målsætninger. En negativ påvirkning af UBS' omdømme kan være vanskelig at vende, og forbedringer har tilbøjelighed til at ske langsomt og er svære at måle.</li> <li>• Udviklingen i branchen for finansielle serviceydelser påvirkes af</li> </ul>
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		<p>markedsforhold og det makroøkonomiske klima. Økonomisk nedgang, et fortsat lavt renteniveau eller en svag eller stagnerende økonomisk vækst på UBS' kernemarkeder eller en alvorlig finansiel krise kan have en negativ indvirkning på UBS' indtjening og i yderste konsekvens UBS' ansvarlige kapital.</p> <ul style="list-style-type: none"> <li>• UBS har ældre og andre risikopositioner, herunder positioner, der er forbundet med fast ejendom i forskellige lande, som kan påvirkes negativt af markedsforhold. Ældre risikopositioner kan desuden være vanskelige at afvikle, idet en fortsat illikviditet og kompleksiteten i mange af dem kan gøre det vanskeligt at sælge eller på anden måde at afvikle disse positioner.</li> <li>• UBS' globale tilstedeværelse udsætter UBS-koncernen for risiko for valutaudsving, som indvirker på UBS' rapporterede indtægter og omkostninger samt andre regnskabstal så som anden totalindkomst, investerede aktiver, balanceaktiver, risikovægtede aktiver og Basel III egentlig kernekapital. Disse forhold kan have en negativ indvirkning på UBS' indtjening, balance samt kapitalprocent og soliditetsgrad.</li> <li>• UBS er afhængig af sine risikostyrings- og kontrolprocesser for at undgå eller begrænse potentielle tab på sin modpartskreditgivnings- og handelsaktiviteter og kan lide tab, hvis den fx ikke i fuld udstrækning identificerer risiciene i sin portefølje, eller hvis UBS' vurdering af de identificerede risici eller reaktion på negative tendenser viser sig at være forkert timet, utilstrækkelig, mangelfuld eller forkert.</li> <li>• Værdiansættelsen af visse positioner er baseret på modeller; modeller har indbyggede begrænsninger og kan være baseret på input, som ikke har en kontrollerbar kilde; forskellige forudsætninger og input genererer forskellige resultater, og disse forskelle kan have en væsentlig indvirkning på UBS' regnskabsresultat.</li> <li>• Likviditet og finansieringsstyring er kritisk for UBS' fortsatte resultater. Omfanget af UBS' finansieringskilder eller tilgængeligheden af de nødvendige finansieringstyper kan ændre sig bl.a. som følge af generelle markedsforstyrrelser, stigende kreditspænd, skærpede kapital-, likviditets- og finansieringskrav eller en negradering af UBS' kreditvurderinger, som også kan indvirke på finansieringsomkostningerne.</li> <li>• Det er ikke nødvendigvis muligt for UBS at identificere eller udnytte indtjenings- eller konkurrencemuligheder eller fastholde eller tiltrække kvalificerede medarbejdere. UBS' konkurrencekraft og markedsposition kan svækkes, hvis UBS ikke er i stand til at identificere konjunkturer og udviklingslinjer, ikke imødegår dem ved at udarbejde og implementere passende forretningsstrategier, ikke i tilstrækkelig grad udvikler og opdaterer teknologier, særligt inden for handelsaktiviteter, eller ikke er i stand til at tiltrække eller fastholde de kvalificerede medarbejdere, der er nødvendige for at udføre dem.</li> <li>• UBS' regnskabsresultat kan blive påvirket negativt af en ændring i regnskabsstandarder. Ændringer til IFRS eller fortolkninger deraf kan bervirke, at UBS' fremtidige regnskabsresultater og finansielle stilling afviger</li> </ul>
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		<p>fra de aktuelle forventninger. Sådanne ændringer kan ligeledes indvirke på UBS' lovpligtige kapital og nøgletal.</p> <ul style="list-style-type: none"> <li>• UBS' regnskabsresultat kan blive påvirket negativt af en ændring i forudsætninger, der har betydning for værdien af UBS' goodwill. Hvis forudsætninger i fremtidige perioder afviger fra de aktuelle forventninger til fremtiden, kan værdien af UBS' goodwill blive forringet i fremtiden, hvilket kan give anledning til tab i resultatopgørelsen.</li> <li>• Virkningen af skatter på UBS' regnskabsresultat påvirkes væsentligt af ændringer i UBS' udskudte skatteaktiver. UBS' effektive skattesats for hele året kan ændre sig væsentligt på baggrund af sådanne ændringer.</li> <li>• Koncernens anførte målsætning for kapitalafkast er delvist baseret på en soliditetsprocent, der er omfattet af lovgivningsmæssige ændringer, og som kan svinge meget. UBS har givet tilsagn om et afkast til aktionærene på mindst 50 % af sit nettooverskud, forudsat at den fuldt anvendte egentlige kernekapitalprocent er på mindst 13 % og den fuldt anvendte egentlige kernekapitalprocent efter gennemførelse af stresstest er på mindst 10 %. Koncernens evne til at opretholde en fuldt anvendt egentlig kernekapitalprocent på mindst 13 % er dog eksponeret for adskillige risici, herunder resultatet af aktiviteten, ændringer i kapitalkrav, metoder og fortolkninger, som kan have en negativ indvirkning på Koncernens beregnede fuldt anvendte egentlige kernekapitalprocent, indførelsen af risikotillæg eller yderligere kapitalkrav så som yderligere kapitalbuffere. Ændringer i metoder, forudsætninger, stressscenariet og øvrige faktorer kan desuden medføre væsentlige ændringer i UBS' fuldt anvendte egentlige kernekapitalprocent efter gennemførelse af stresstest.</li> <li>• UBS AG's driftsresultat, finansielle stilling og evne til at opfylde sine forpligtelser kan i fremtiden blive påvirket af midler, udbytter og øvrige udlodninger modtaget fra UBS Switzerland AG eller ethvert andet direkte datterselskab, som kan være omfattet af begrænsninger. Sådanne datterselskabers evne til at give lån eller foretage udlodninger (direkte eller indirekte) til UBS AG kan være begrænset som følge af flere faktorer, herunder begrænsninger i henhold til låneaftaler og kravene i henhold til gældende lovgivning samt myndigheds- og skattemæssige eller øvrige begrænsninger. Begrænsninger og myndighedstiltag af denne art kan vanskeliggøre adgangen til den kapital, som UBS-koncernen måtte have brug for at opfylde sine betalingsforpligtelser. UBS AG kan desuden garantere nogle af betalingsforpligtelserne for visse af sine datterselskaber til enhver tid. I forbindelse med overdragelsen af den del af forretningsdivisionerne Privatkunder &amp; Virksomheder (<i>Retail &amp; Corporate</i>) og Formueforvaltning (<i>Wealth Management</i>), som bogføres i Schweiz, fra UBS AG til UBS Switzerland AG, som trådte i kraft i juni 2015, er UBS AG desuden i henhold til den schweiziske lov om virksomhedsoverdragelser (<i>Swiss Merger Act</i>) solidarisk ansvarlig for de forpligtelser, der eksisterer på datoen for aktivoverdragelsen, og som er blevet overdraget til UBS Switzerland AG. Disse garantier kan kræve, at UBS AG tilvejebringer væsentlige midler eller aktiver for datterselskaber eller deres kreditorer eller</li> </ul>
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		<p>modparter på et tidspunkt, hvor UBS AG har brug for likviditet til at finansiere sine egne forpligtelser.</p> <p>Fordi aktiviteterne for en velfunderet international finansiel virksomhed som UBS ifølge sagens natur er udsat for risici, som alene bliver tydelige bagklogskabens klare lys, kan risici, som UBS ikke p.t. er opmærksom på, eller som UBS ikke p.t. anser for væsentlige, dog ligeledes indvirke på UBS' evne til at gennemføre sin strategi og på Koncernens forretningsaktiviteter, finansielle stilling, driftsresultat og udsigter.</p>
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**In Element D3 in the section entitled "Generelle risici vedrørende Værdipapirerne" the following risk factors are added directly after the headline:**

***"Konsekvensen af en nedgradering af Udstederens kreditvurdering***

Den generelle vurdering af Udstederens kreditværdighed kan påvirke Værdipapirernes værdi. Et kreditvurderingsbureaus eventuelle nedgradering af Udstederens kreditvurdering kan således have en negativ indvirkning på Værdipapirernes værdi.

***Kreditvurderinger er ikke anbefalinger***

UBS AG's kreditvurderinger som Udsteder bør vurderes uafhængigt af lignende kreditvurderinger for andre enheder og af enhver kreditvurdering af udstedte gældsinstrumenter eller derivativer. En kreditvurdering er ikke en anbefaling til at købe, sælge eller eje værdipapirer, der er udstedt eller garanteret af den kreditvurderede enhed og kan til enhver tid blive revurderet, korrigeret, frataget, nedsat eller trukket tilbage af det pågældende kreditvurderingsbureau.

En evt. kreditvurdering af Værdipapirerne er ikke en anbefaling til at købe, sælge eller eje Værdipapirerne og kan til enhver tid blive revurderet eller trukket tilbage af det pågældende kreditvurderingsbureau. Hver enkelt kreditvurdering bør vurderes uafhængigt af enhver anden kreditvurdering af værdipapirer, både for såvel angår det pågældende kreditvurderingsbureau og værdipapirtypen. Kreditvurderingsbureauer, som ikke er engageret til af Udsteder, eller på anden vis, at kreditvurdere Værdipapirerne, kunne desuden søge at kreditvurdere Værdipapirerne, og hvis sådan "uanmodet kreditvurdering" er lavere end den tilsvarende kreditvurdering for Værdipapirerne foretaget af det relevante engagerede kreditvurderingsbureau, kan sådanne kreditvurderinger have en negativ indvirkning på Værdipapirernes værdi."

**In Element D.3, in the section entitled "Generelle risici vedrørende Værdipapirerne" the following risk factor is added directly after the risk factor entitled " Værdipapirejere er eksponeret for risiko for bail-in":**

***"De for Værdipapirerne gældende Betingelser indeholder ingen begrænsninger i forhold til Udstederens eller UBS' evne til at omstrukturere sine aktiviteter***

De for Værdipapirerne gældende Betingelser indeholder ingen begrænsninger i relation til ændringer af kontrollen eller strukturelle ændringer såsom sammenlægning, fusion eller spaltning af Udsteder eller salg, overdragelse, udskillelse, indskud, udlodning, overdragelse eller anden afhændelse helt eller delvist af Udsteders eller Udsteders datterselskabers værdier eller aktiver i forbindelse med de udmeldte strukturelle ændringer eller i øvrigt, og ingen

misligholdelsestilfælde, krav om tilbagekøb af Værdipapirerne eller anden begivenhed vil blive udløst i henhold til Betingelserne grundet sådanne ændringer. Der kan ikke gives nogen sikkerhed for, at sådanne ændringer, skulle de opstå, ikke vil påvirke Udstederens kreditvurdering negativt og/eller forøge sandsynligheden for, at der opstår en misligholdelsesbegivenhed. Skulle sådanne ændringer opstå, kan disse have en negativ indvirkning på Udstederens evne til at betale rente på Værdipapirerne og/eller føre til omstændigheder, hvor Udstederen kan vælge at annullere renten (hvis relevant)."



The Base Prospectus for Certificates, Notes or Warrants of UBS AG, [London] [Jersey] [Branch] dated 17 April 2015 and all supplements thereto, shall be maintained in printed format, for free distribution, at the offices of the Issuer for a period of twelve months after the publication of this document and are published on the website [www.ubs.com/keyinvest](http://www.ubs.com/keyinvest), or a successor website.

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

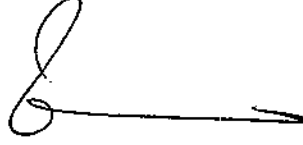
Zurich, 28 December 2015

**UBS AG**

By:

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

By:

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