

**Supplement No. 4 pursuant to the Financial Instruments Trading Act (SFS 1991:980) chapter 2 section 34**

dated 14 May 2014 to the already published tripartite Base Prospectus dated 16 August 2013 comprising the Summary and Securities Note of UBS AG, [London] [Jersey] [Branch], dated 16 August 2013 and the Registration Document dated 16 August 2013,

in relation to Certificates, Notes or Warrants.

The Base Prospectus has been approved and registered by the Swedish Financial Supervisory Authority ("SFSA"). Registration number at the SFSA is 13-8188. This Supplement is a part of the Base Prospectus and shall be read in conjunction with the Base Prospectus.

Supplement No. 1 has been approved and registered by the SFSA on 28 August 2013. Supplement No. 1 was published by UBS AG on 28 August 2013. Registration number at the SFSA was 13-9196.

Supplement No. 2 has been approved and registered by the SFSA on 28 November 2013. Supplement No. 2 was published by UBS AG on 29 November 2013. Registration number at the SFSA was 13-13101.

Supplement No. 3 has been approved and registered by the SFSA on 4 March 2014. Supplement No. 3 was published by UBS AG on 4 March 2014. Registration number at the SFSA was 14-3345.

This Supplement has been approved and registered by the SFSA on 14 May 2014. This Supplement has been published by UBS AG on 14 May 2014. Registration number at the SFSA is 14-6438.

**This supplement serves as update to the Registration Document, the Base Prospectus and the Prospectuses mentioned above in connection to the following occurrence:**

Publication of the annual report of UBS AG as per 31 December 2013 on 14 March 2014.

The following table shows the updated information that has become available after the date of the relevant Supplement, the Base Prospectus or the Summary and Securities Note, as mentioned above.

<b>Updated information</b>	<b>Revisions</b>
Risk Factors	The section Risk factors in the Registration Document have been updated.
Certain information regarding the Issuer has been updated.	The information in Element B.12 of the Summary as well as certain information regarding UBS has been updated pursuant to the Annual Report.

**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, Bonds or Securities, 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 16 May 2014. A withdrawal, if any, of an order must be communicated in writing to the Issuer at its registered office specified in the address list hereof.**

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- 1) In relation to the Registration Document as listed introductory on page 1 the following adjustments have been made:

**In the section headed "III. Statutory Auditors" (page 17 of the Registration Document) the first paragraph will be replaced by the following:**

"Based on article 31 of the Articles of Association, UBS AG shareholders elect the auditors for a term of office of one year. At the AGM of 28 April 2011, 3 May 2012 and 2 May 2013, Ernst & Young Ltd., Aeschengraben 9, CH-4002 Basel ("Ernst & Young") were elected as auditors for the financial statements of UBS AG and the consolidated financial statements of the UBS Group for a one-year term."

**In the section headed "I. Risk Factors" (starting at page 4 of the Registration Document) the paragraphs after the paragraph headed "Effect of downgrading of the Issuer's Rating" up to and excluding the paragraph headed "Potential Conflicts of Interest" will be replaced by the following risk factors:**

**"Regulatory and legislative changes may adversely affect UBS's business and 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 risk-weighted assets ("RWA");
- the introduction of a more demanding leverage ratio;
- new or significantly enhanced liquidity 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 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 governance structures at a local jurisdiction level.

Many of these measures have been adopted and their implementation 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 its 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 the strictest among the major financial centers. 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*

In September 2011, the Swiss Parliament adopted the "too-big- to-fail" ("TBTF") law to address the issues posed by large banks. The law became effective on 1 March 2012. Accordingly, Swiss regulatory changes have generally proceeded more quickly than those in other major jurisdictions, and the Swiss Financial Market Supervisory Authority (FINMA), the Swiss National Bank ("SNB") and the Swiss Federal Council are implementing requirements that are significantly more onerous and restrictive for major Swiss banks, such as UBS, than those adopted or proposed by regulatory authorities in other major global financial centers.

**Capital regulation:** The provisions of the 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 UBS's total exposure (a metric that is based on UBS's balance sheet size) and market share in Switzerland. In addition, the Swiss governmental authorities have the authority to impose an additional countercyclical buffer capital requirement of up to 2.5% of RWA. This authority has been exercised to impose an additional capital charge of 1% in respect of RWA arising from Swiss residential mortgage loans (increasing to 2% effective from the end of June 2014). In addition, UBS and FINMA have mutually agreed to an incremental operational capital requirement to be held against litigation, regulatory and similar matters and other contingent liabilities, which added CHF 22.5 billion to UBS's RWA at 31 December 2013. There can be no assurance that UBS will not in the future be subject to increases in capital requirements 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:** 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") intended to ensure that UBS is not overly reliant on short-term funding and that it has sufficient long-term funding for illiquid assets. UBS currently calculates these ratios under supervisory guidance from FINMA, as neither the international nor Swiss standards for the calculation of these requirements have been fully implemented. These requirements, together with liquidity requirements imposed by other jurisdictions in which UBS operates, will likely require UBS to maintain substantially higher levels of overall liquidity. 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 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 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 systemically important banks, 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 Swiss TBTF law provides for the possibility of a limited reduction of capital requirements for systemically important institutions that adopt measures to reduce resolvability ability risk beyond what is legally required. Such actions would likely include an alteration of 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. In view of these factors, UBS intends to establish a new banking subsidiary of UBS AG in Switzerland. The scope of this potential future subsidiary's business is still being determined, but UBS would currently expect it to include UBS's Retail & Corporate business division and likely the Swiss-booked business within its Wealth Management business division. UBS expects to implement this change in a phased approach starting in mid-2015. This structural change is being discussed on an ongoing basis with FINMA, and remains subject to a number of uncertainties that may affect its feasibility, scope or timing. UBS may consider further changes to the legal structure of the Group in response to regulatory requirements in Switzerland or in other countries in which it operates, including to improve the resolvability of the UBS Group, to respond to Swiss and other capital requirements (including seeking potential reduction in the progressive buffer requirement as applied to UBS) and to respond to regulatory required changes in legal structure. 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, 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.

In September 2013, the Swiss National Council approved two motions for the mandatory structural reform of banks in Switzerland that would, if also adopted by the Council of States, result in the submission to Parliament of a law requiring the separation of certain investment banking activities from systemically relevant activities, such as retail and commercial banking. No date has been set for the debate. It is unclear whether, when and in what form such a law will be adopted.

Market regulation: The Swiss government is working on fundamentally reviewing the rules on market infrastructure and on the relationship between UBS and its clients. These laws may, if enacted, have a material impact on the market infrastructure that UBS uses, available platforms, collateral management and the way UBS 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 UBS 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 UBS AG affiliates, expose UBS's businesses to higher local capital requirements, and potentially give rise to client and counterparty concerns about the credit quality of individual subsidiaries. Such changes could also negatively impact 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 center for many types of products. UBS is being required by the UK Prudential Regulatory Authority and by FINMA to increase very substantially the capitalization of its UK bank subsidiary, UBS Limited, and expects to be required to change its booking practices to reduce or even eliminate its utilization of UBS AG London branch as a global booking center 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 measures proposed include the ring-fencing of retail banking activities in the UK (which UBS does not expect to impact UBS directly), additional common equity tier 1 capital requirements of up to 3% of RWA for retail banks, and the issuance by UK banks of debt subject to "bail-in" provisions. Furthermore, the European Commission's recent proposals in light of the Liikanen report also advocate a Volcker-style prohibition on proprietary trading together with a separation of trading from banking activities. The applicability and implications of such changes to branches and subsidiaries of foreign banks are not yet entirely clear, but they could have a material effect on UBS's businesses located or booked in the UK.

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. UBS will have until 1 July 2016 to establish an IHC and meet many of the new requirements. UBS must submit an implementation plan by 1 January 2015 and the IHC will not need to comply with the US leverage ratio until 1 January 2018.

US regulators published final regulations implementing the Volcker Rule in December 2013 and generally extended until 2015 the time to conform to this rule and the related regulations. 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 solely outside the US and certain other conditions are met. One impact will be the need to establish an extensive global compliance framework designed to ensure compliance with the Volcker Rule and the terms of the available exemptions. Moreover, the Volcker Rule could have an impact on the way in which UBS organizes and conducts certain business lines. UBS continues to evaluate the final rule and its impact on its activities. The Volcker Rule could 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 European Union, Switzerland and other jurisdictions, and will have a significant impact 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, they are likely to reduce the revenue potential of certain lines of business for market participants generally, and UBS may be adversely affected.

UBS AG registered as a swap dealer with the Commodity Futures Trading Commission ("CFTC") in the US at the end of 2012, enabling the continuation of swaps business with US persons. UBS also expects that UBS AG will be required to register as a securities-based swap dealer with the US Securities and Exchange Commission. Regulations issued by the CFTC 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, are expected to apply to UBS AG globally. In July 2013, the CFTC approved final cross-border guidance that defines the extraterritorial application of its swaps regulations. This guidance may allow non-US swap dealers, such as UBS AG, to operate on the basis of "substituted compliance," under which they may comply with home country requirements instead of the corresponding CFTC requirements if the CFTC determines the home country requirements to be "comprehensive and comparable." In December 2013, the CFTC issued comparability determinations for Switzerland (as well as the home countries of certain other non-US swap dealers) that will allow UBS to comply with relevant Swiss regulations instead of CFTC requirements for many, but not all, of the CFTC regulations for which substituted compliance is available. While the CFTC deferred a comparability determination on swap data reporting requirements as UBS continues to review the issue, it granted reporting no-action relief that allows UBS AG (and other non-US swap dealers) to delay reporting transactions with non-US persons for several months. The CFTC's regulations will apply to swaps between non-US persons and non-US swap dealers when US personnel are involved, but in January 2014, the CFTC delayed the applicability of US regulations in this context until 15 September 2014, giving additional time for foreign swap dealers to comply with US requirements regarding transactions with non-US persons conducted from the US. Application of these requirements to UBS's 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 of the US and may place UBS at a competitive disadvantage to firms that are not CFTC-registered swap dealers.

Regulation of cross-border provision of financial services: In many instances, UBS provides services on a cross-border basis and 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, equivalence determination). While the issuance of such determinations in particular jurisdictions may ensure market access for UBS to 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, 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. 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.

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 effectuate a so-called "bail-in." Some jurisdictions are also considering adopting requirements that regulated firms maintain specified amounts of unsecured debt that could increase loss-absorbing capacity. 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. Depending upon the outcome, bail-in authority may have a significant effect on UBS's funding costs.

#### *Possible consequences of regulatory and legislative developments*

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 its ability to compete with other financial institutions. They are likely 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 resulting in an impact on 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 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 its exposures, as well as regulatory requirements. For instance, substantial market volatility, a widening of credit spreads (the major driver of UBS's value-at-risk), adverse currency movements, increased counterparty risk, a deterioration in the economic environment, or increased operational risk could result in a rise in RWA. Eligible capital would be reduced if UBS experiences 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 UBS 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 recognized in other comprehensive income. 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 will be 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 31 December 2013 was CHF 22.5 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 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 UBS's capital ratios. UBS has achieved substantial reductions in RWA, in part to mitigate the effects of increased capital requirements. However, there is a risk that UBS will not be successful in pursuing its plans to further reduce RWA, either because UBS 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 systemically relevant banks. The leverage ratio operates separately from the risk-based capital requirements, and, accordingly, under certain circumstances could constrain UBS's business activities even if UBS is able to satisfy other risk-based capital requirements. UBS has achieved substantial reductions in its balance sheet size and anticipates further reductions as it winds down its Non-core and Legacy Portfolio positions. These reductions would improve UBS's leverage ratio and contribute to its ability to comply with the more stringent leverage ratio requirements scheduled to become effective in future years. There can be no assurance that these plans will be executed successfully. There is also a risk that the minimum leverage ratio requirement will be increased significantly beyond the levels currently scheduled to come into effect, making it more difficult for UBS to satisfy the requirements without adversely affecting certain of its businesses.

Changes in the Swiss requirements for risk-based capital or leverage ratios, whether pertaining to the minimum levels required for large Swiss banks or to the calculation thereof, could have a material adverse effect on UBS's business and could affect UBS's competitive position internationally compared with institutions that are 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 UBS's Investment Bank to focus it on its traditional strengths, very significantly reducing Basel III RWA and further strengthening UBS's capital position, and significantly reducing costs and improving efficiency across the Group. UBS has made significant progress in implementing the strategy and as of the end of 2013 is ahead of the majority of its performance targets. There continues to be a risk that UBS will not be successful in completing the execution of its plans, or that its plans may be delayed or that the effects of its plans may differ from those intended.

Although UBS has substantially reduced the RWA and balance sheet usage associated with its Non-core and Legacy Portfolio positions, there can be no assurance that UBS will be able to exit them 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 the 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. At the same time, UBS's strategy rests heavily on its ability to reduce those RWA and balance sheet usage in order to meet its future capital targets and requirements without incurring unacceptable losses.

As part of its strategy, UBS has underway a program to achieve significant incremental cost reductions. The success of UBS's strategy and its ability to reach certain of the targets it has announced depends heavily on the effectiveness of the cost reduction and efficiency measures UBS is able to carry out. As is often the case with major cost reduction and efficiency programs, UBS's plans involve significant risks. Included among these are the risks that restructuring costs may be higher and may be recognized sooner than UBS has projected and

that UBS may not be able to identify feasible cost reduction opportunities at the level of its objective that are also consistent with its business goals. In addition, when UBS implements its cost reduction and efficiency programs it may experience unintended consequences such as the loss or degradation of capabilities that UBS 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 UBS 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 UBS's substantial losses, the damage to UBS's reputation, the loss of client advisors, difficulty in recruiting qualified client advisors and tax, legal and regulatory developments concerning UBS's 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.

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 may affect the ability or the willingness of UBS's clients to do business with UBS or the viability of UBS's strategies and business model. In 2012 and 2013, UBS experienced net withdrawals in its Swiss booking center from clients domiciled elsewhere in Europe, in many cases related to the negotiation of tax treaties between Switzerland and other countries, including the treaty with Germany that was ultimately not ratified by Germany.

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 UBS's return on invested assets and adversely affect the profitability of its Wealth Management business division. UBS has implemented changes in its product offerings and service improvements, and will continue its efforts to adjust to client trends and market dynamics as necessary, in an effort to overcome the effects of these changes in the business mix on its profitability, but there can be no assurance that UBS will be able to counteract those effects. In addition, UBS has made changes to its business offerings and pricing practices in line with the Swiss Supreme Court case concerning "retrocessions" and other industry developments. These changes may adversely affect UBS's 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 trends and developments.

Global Asset Management experienced net outflows of client assets in 2012 and 2013. Further net outflows of client assets could adversely affect the results of this business division.

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

The nature of its business subjects UBS to significant regulatory oversight and liability risk. As a global financial services firm operating in more than 50 countries, UBS is subject to many different legal, tax and regulatory regimes. UBS is involved in a variety of claims, disputes, legal proceedings and government investigations in jurisdictions where it is active. These proceedings expose UBS to substantial monetary damages and legal defense 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.

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 could be material and could substantially exceed the level of provisions that UBS has established for litigation, regulatory and similar matters.

In December 2012, UBS announced settlements totaling approximately CHF 1.4 billion in fines by and disgorgements to US, UK and Swiss authorities to resolve investigations by those authorities relating to LIBOR and other benchmark interest rates. UBS AG entered into a non-prosecution agreement with the US Department of Justice and UBS Securities Japan Co. Ltd. also pled guilty to one count of wire fraud relating to the manipulation of certain benchmark interest rates. 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 for 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.

These settlements 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 plea of a UBS subsidiary was required, in spite of UBS's full cooperation with the authorities in the investigations relating to LIBOR and other benchmark interest rates, and in spite of 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 to have 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 UBS not received full immunity for disclosing to the EC the existence of infringements relating to YIRD.

Under the non-prosecution agreement UBS entered into in connection with the LIBOR matter, UBS has agreed, among other things, that, for two years from 18 December 2012 it will not commit any US crime, and it will advise the Department of Justice of all potentially criminal conduct by UBS or any of its employees relating to violations of US laws concerning fraud or securities and commodities markets. UBS is also obligated to continue to cooperate fully with the Department of Justice. Failure to comply with these obligations could result in termination of the non-prosecution agreement and potential criminal prosecution in relation to the matters covered by the non-prosecution agreement. As a result of this history and UBS's ongoing obligations under the non-prosecution agreement, UBS's level of risk with respect to regulatory enforcement may be greater than that of some of its peer institutions.

Considering UBS's overall exposures and the current regulatory and political climate affecting financial institutions, UBS expects charges associated with legal, regulatory and similar matters to remain at elevated levels through 2014.

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 UBS 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 and the LIBOR-related settlements of 2012, the 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 informed UBS that it would not be permitted to undertake acquisitions in its Investment Bank unit (unless FINMA granted an exception), and that material new business initiatives in that unit would be subject to FINMA oversight. 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 effects desired. Although the special restrictions mentioned above have recently been withdrawn by FINMA, this example illustrates that difficulties associated with UBS's relationships with regulatory authorities have the potential to adversely affect the execution of its business strategy.

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

All of UBS's businesses are dependent on UBS's 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 UBS 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, unauthorized trading, fraud, system failures, cyber-attacks, breaches of information security and failure of security and physical protection, are appropriately controlled.

For example, cyber-crime is a fast growing threat to large organizations that rely on technology to support their business, like UBS. Cyber-crime 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.

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 and its subsidiaries 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 their clients. Failure to maintain and implement adequate programs to combat money laundering and terrorist financing could have serious consequences, both in legal terms and in terms of UBS's reputation.

Although UBS is continuously adapting its capability to detect and respond to the risks described above, if its internal controls fail or prove ineffective in identifying and remedying them UBS 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.

Certain types of operational control weaknesses and failures could also adversely affect UBS's ability to prepare and publish accurate and timely financial reports. UBS identified control deficiencies following the unauthorized trading incident announced in September 2011, and 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 has not affected the reliability of UBS's 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 UBS 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 UBS conducts business.

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

UBS's reputation is critical to the success of UBS's strategic plans. Damage to its reputation can have fundamental negative effects on UBS's 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 and other events seriously damaged UBS's reputation. Reputational damage was an important factor in UBS's loss of clients and client assets across UBS's 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 also adversely affected UBS's reputation. Any further reputational damage could have a material adverse effect on UBS's operational results and financial condition and on UBS's 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 impacts 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, UBS's 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 UBS's 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, 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;
- 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 trading and investment positions, and losses may be exacerbated by declines in the value of collateral UBS 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 of 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 UBS's business units and of UBS as a whole, and ultimately its financial condition. As discussed below, there is also a somewhat related risk that the carrying value of goodwill of a business unit might suffer impairments and deferred tax assets levels may need to be adjusted.

**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 very 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. 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 very 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 Swiss National Bank and others about unsustainable price escalation in the Swiss real estate market come to fruition. Other macroeconomic developments, such as the implications on export markets of 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, UBS's business in Switzerland in general and, in particular, UBS's 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 UBS 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 UBS's non-Swiss franc revenues) have an effect on UBS's reported income and expenses, and on other reported figures such as other comprehensive income, invested assets, balance sheet assets, RWA and tier 1 capital. For example, in 2011 the strengthening of the Swiss franc, especially against the US dollar and euro, had an adverse effect on UBS's revenues and invested assets. Because exchange rates are subject to constant change, sometimes for completely unpredictable reasons, UBS's results are subject to risks associated with changes in the relative values of currencies.

**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 UBS's non-core activities 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 UBS's 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 aggregates risk to identify potentially highly correlated exposures proved to be inadequate. Notwithstanding the steps UBS has taken to strengthen its risk management and control framework, UBS could suffer further losses in the future if, for example:

- UBS does not fully identify the risks in its portfolio, in particular risk concentrations and correlated risks;
- UBS's 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 resultant environment is, therefore, affected;
- third parties to whom UBS has credit exposure or whose securities UBS holds for its own account are severely affected by events not anticipated by UBS's models, and accordingly UBS suffers defaults and impairments beyond the level implied by its risk assessment; or
- collateral or other security provided by UBS's 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 UBS holds for its clients in these activities could be harmed 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 holdings made as a 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, fair values of a financial instrument or non-financial asset or liability are 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 have a material impact on 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 upon the availability of funding sources, and UBS's success depends upon its ability to obtain funding at times, in amounts, for tenors and at rates that enable UBS to efficiently support its asset base in all market conditions. 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 UBS's funding sources has generally been stable, but could change in the future due to, among other things, general market disruptions or widening credit spreads, which could also influence the cost of funding. A change in the availability of short-term funding could occur quickly.

Reductions in UBS's credit ratings can increase UBS's funding costs, in particular with regard to funding from wholesale unsecured sources, and can affect the availability of certain kinds of funding. In addition, as UBS experienced in connection with Moody's downgrading of UBS's long-term rating in June 2012, ratings downgrades can require UBS to post additional collateral or make additional cash payments under master trading agreements relating to UBS's 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 Basel III capital and liquidity 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 an insolvency or other resolution of UBS, or a subsidiary, may increase UBS's funding costs or limit the availability of funding of the types required.

### **UBS might 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 UBS in their size and breadth. Barriers to entry in individual markets and pricing levels are being eroded by new technology. UBS expects these trends to continue and competition to increase. 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 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 are affected not only by UBS's 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 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 accepted an initiative to give shareholders of Swiss listed companies more influence over board and management compensation (the Minder Initiative). In November 2013, the Swiss Federal Council issued the final transitional ordinance implementing the constitutional amendments resulting from this initiative, which came into force on 1 January 2014. The ordinance requires public companies to specify in their articles of association ("AoA") a mechanism to permit a "say-on-pay" vote, setting out three requirements: (i) the vote on compensation must be held annually, (ii) the vote on compensation must be binding rather than advisory and (iii) the vote on compensation must be held separately for the board of directors and members of the executive board. In addition, shareholders will need to determine the details of the "say-on-pay" vote in the AoA, in particular the nature of the vote, timing aspects and the consequences of a "no" vote. Each company affected by the Minder Initiative must undertake a first binding vote on management compensation and remuneration of the board of directors 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 International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Changes to IFRS or interpretations thereof may cause UBS's future reported results and financial position to differ from current expectations. Such changes may also affect UBS's regulatory capital and ratios. UBS monitors potential accounting changes and when these are finalized by the IASB, UBS 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 UBS's goodwill**

The goodwill 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 2013 indicated that the value of UBS's 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. In the third quarter of 2012, for example, the recognition by the Investment Bank of a full impairment of goodwill and of an impairment of other non-financial assets resulted in a charge of almost CHF 3.1 billion against UBS's operating profit before tax.

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

The deferred tax assets UBS has recognized on its balance sheet as of 31 December 2013 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 and to the accuracy of new business plan forecasts. UBS's results in recent periods have demonstrated that changes in the recognition of deferred tax assets can have a very significant effect on UBS's reported results. If the Group's performance is expected to improve, particularly in the US, 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 the Group's 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, UBS 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 the Group's effective tax rate in the year in which any write-downs are taken.

In 2014, notwithstanding the effects of any potential reassessment of the level of deferred tax assets, UBS expects its effective tax rate to be in the range of 20% to 25%. Consistent with past practice, UBS expects to revalue its overall level of deferred tax assets in the second half of 2014 based on a reassessment of future profitability taking into account updated business plan forecasts. The full year effective tax rate could change significantly on the basis of this reassessment. It could also change if aggregate tax expenses for locations other than Switzerland, the US and 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.

This is a potential risk particularly as UBS considers reorganizations of its legal entity structures in the US, UK and Switzerland in response to regulatory changes. 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 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.

In 2011, the UK government introduced a balance sheet based levy payable by banks operating or resident in the UK. A net charge of CHF 124 million was recognized in operating expenses (within operating profit before tax) in 2013. The Group's bank levy expense for future years will depend on both the rate of the levy and the Group's taxable UK liabilities at each year-end; changes to either factor could increase the cost. This expense will likely increase if, for example, UBS changes its booking practices so as to book more liabilities into its UK bank subsidiary, UBS Limited. 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.

In the section headed "IV. Information about UBS AG" (page 17 of the Registration Document) the paragraph headed "Corporate Information" (page 18) is replaced by the following text:

"The legal and commercial name of the company is UBS AG.

The company was incorporated under the name SBC AG on 28 February 1978 for an unlimited duration and entered in the Commercial Register of Canton Basel-City on that day. On 8 December 1997, the company changed its name to UBS AG. The company in its present form was created on 29 June 1998 by the merger of Union Bank of Switzerland (founded 1862) and Swiss Bank Corporation (founded 1872). UBS AG is entered in the Commercial Registers of Canton Zurich and Canton Basel-City. The registration number is CHE-101.329.561.

UBS AG is incorporated and domiciled in Switzerland and operates under the Swiss Code of Obligations and Swiss Federal Banking Law as an Aktiengesellschaft, a corporation that has issued shares of common stock to investors.

According to article 2 of the Articles of Association of UBS AG, dated 7 February 2014 ("Articles of Association"), the purpose of UBS AG is the operation of a bank. Its scope of operations extends to all types of banking, financial, advisory, trading and service activities in Switzerland and abroad.

The addresses and telephone numbers of UBS AG's two registered offices and principal places of business are: Bahnhofstrasse 45, CH-8001 Zurich, Switzerland, telephone +41 44 234 1111; and Aeschenvorstadt 1, CH-4051 Basel, Switzerland, telephone +41 61 288 5050."

In the section headed "V. Business Overview" (page 19 of the Registration Document) the paragraph headed "Recent Developments" (starting on page 20 of the Registration Document) is completely replaced by the following text:

**"Recent Developments:**

*UBS's results as of and for the year ended 31 December 2013, as presented in UBS AG's Annual Report 2013 (including audited consolidated financial statements of UBS Group)*

"UBS Group: Net profit attributable to UBS shareholders for 2013 was CHF 3,172 million compared with a loss of CHF 2,480 million in 2012. Operating profit before tax was 3,272 million compared with a loss of CHF 1,794 million in the prior year. Operating income increased by CHF 2,309 million and operating expenses decreased by CHF 2,755 million. On an adjusted basis<sup>1</sup>, profit before tax was CHF 4,141 million in 2013 compared with CHF 2,885 million in the prior year. Adjusted operating income increased by CHF 316 million, mainly reflecting an increase of CHF 891 million in net fee and commission income, largely in UBS's wealth management businesses. Adjusted net interest and trading income declined by CHF 535 million, mainly as a result of reductions in Corporate Center – Non-core and Legacy Portfolio as well as Corporate Center – Core Functions, partly offset by higher revenues in the Investment Bank. Adjusted other income decreased by CHF 108 million, mainly due to lower net gains on financial investments available-for-sale. Adjusted operating expenses decreased by CHF 938 million to CHF 23,689 million, mainly due to a decline of CHF 848 million in charges for provisions for

<sup>1</sup> Adjusted figures exclude each of the following items, to the extent applicable, on a Group and business division level: for 2013, an own credit loss of CHF 283 million, gains on sales of real estate of CHF 288 million, net losses related to the buyback of debt in public tender offers of CHF 167 million, a gain on the sale of Global Asset Management's Canadian domestic business of CHF 34 million, a net gain on the sale of the remaining proprietary trading business of CHF 31 million and net restructuring charges of CHF 772 million; for 2012, an own credit loss of CHF 2,202 million, gains on sales of real estate of CHF 112 million, net restructuring charges of CHF 371 million, a credit related to changes to UBS's Swiss pension plan of CHF 730 million, a credit related to changes to UBS's retiree benefit plans in the US of CHF 116 million and the impairment of goodwill and other non-financial assets of CHF 3,054 million.

litigation, regulatory and similar matters as well as a CHF 199 million reduction in personnel expenses, partly offset by CHF 110 million higher other non-personnel expenses. Furthermore, UBS recorded a net tax benefit of CHF 110 million compared with a net tax expense of CHF 461 million in the prior year.

Wealth Management: profit before tax was CHF 2,247 million in 2013, a decrease of CHF 160 million compared with CHF 2,407 million in 2012. Operating expenses included restructuring charges of CHF 178 million in 2013, while the prior year included a credit to personnel expenses of CHF 358 million related to changes to UBS's pension and retiree benefit plans as well as restructuring charges of CHF 26 million. Adjusted<sup>1</sup> for these items, profit before tax increased by CHF 350 million to CHF 2,425 million, reflecting CHF 522 million higher operating income, partly offset by a CHF 172 million increase in adjusted operating expenses, which included a charge in relation to the Swiss-UK tax agreement of CHF 107 million. The gross margin on invested assets declined by 1 basis point to 88 basis points. Net new money was CHF 35.9 billion compared with CHF 26.3 billion in the prior year.

Wealth Management Americas: profit before tax was USD 927 million in 2013 compared with USD 638 million in 2012. Adjusted<sup>1</sup> for the effects of restructuring in both years as well as a credit in 2012 related to changes to UBS's retiree benefit plans in the US, profit before tax increased to USD 991 million from USD 635 million. The adjusted result reflected a 12% increase in revenues due to higher recurring income and a 7% increase in operating expenses due to higher financial advisor related compensation, partly offset by lower charges for provisions for litigation, regulatory and similar matters. Net new money inflows were USD 19.0 billion compared with USD 22.1 billion in the prior year.

Retail & Corporate: profit before tax decreased to CHF 1,458 million in 2013 from CHF 1,827 million in the prior year, mainly as 2012 included a credit to personnel expenses of CHF 287 million related to changes to UBS's Swiss pension plan. Adjusted<sup>1</sup> for this and restructuring charges of CHF 54 million in 2013 and CHF 3 million in 2012, profit before tax decreased by CHF 31 million to CHF 1,512 million, as higher operating expenses were only partly offset by higher operating income. The annualized net new business volume growth rate was 1.8% in 2013.

Global Asset Management: profit before tax was CHF 576 million in 2013 compared with CHF 569 million in 2012. Adjusted<sup>1</sup> for a gain on the sale of the Canadian domestic business in 2013, restructuring charges in 2013 and 2012 as well as credits related to changes to pension and benefit plans in 2012, profit before tax was CHF 585 million compared with CHF 543 million in the prior year. This increase was due to higher performance fees coupled with lower operating expenses. Excluding money market flows, net new money outflows were CHF 4.8 billion compared with CHF 5.9 billion in the prior year.

Investment Bank: profit before tax was CHF 2,300 million in 2013 compared with CHF 267 million in 2012. Adjusted<sup>1</sup> for a gain from the sale of the remaining proprietary trading business in 2013 and restructuring charges in both years as well as prior year credits related to changes to UBS's retiree benefit plans in the US and Swiss pension plan, profit before tax was CHF 2,455 million compared with CHF 398 million. This increase was largely due to higher revenues in Investor Client Services and lower operating expenses. Fully applied risk-weighted assets ("RWA") decreased by CHF 2 billion to CHF 62 billion.

Corporate Center – Core Functions recorded a loss before tax of CHF 1,854 million in 2013 compared with CHF 3,698 million in the prior year. The 2013 loss was mainly due to treasury income remaining in Corporate Center – Core Functions of negative CHF 902 million, an own credit loss of CHF 283 million and operating expenses remaining in Corporate Center – Core Functions of CHF 847 million. These negative effects were partly offset by gains on sales of real estate of CHF 288 million.

Corporate Center – Non-core and Legacy Portfolio recorded a loss before tax of CHF 2,312 million in 2013 compared with a loss of CHF 3,764 million in the prior year. The 2013 loss was mainly due to total operating expenses of CHF 2,660 million which included charges of

CHF 1,320 million for provisions for litigation, regulatory and similar matters. Operating income was CHF 347 million, mainly due to gains from the revaluation of the option to acquire the SNB StabFund's equity, prior to UBS's exercise of the option. Fully applied RWA decreased by CHF 39 billion to CHF 64 billion.

Balance sheet: As of 31 December 2013, UBS's balance sheet assets stood at CHF 1,010 billion, a decrease of CHF 250 billion or 20% from 31 December 2012, primarily due to a reduction in positive replacement values ("PRV") in Corporate Center – Non-core and Legacy Portfolio. Funded assets, which represent total assets excluding PRV and collateral delivered against over-the-counter derivatives, decreased by CHF 66 billion to CHF 739 billion, mainly due to reductions in both collateral trading and trading portfolio assets, primarily reflecting the ongoing execution of UBS's strategy. Currency effects reduced funded assets by approximately CHF 18 billion.

Capital management: As of 31 December 2013, UBS's phase-in CET1 capital ratio was 18.5%, an increase of 3.2 percentage points compared with 15.3% as of 31 December 2012. The significant improvement in CET1 capital ratio was mainly due to a CHF 33.2 billion reduction in RWA, despite incremental RWA of CHF 22.5 billion resulting from the supplemental operational risk capital analysis mutually agreed to by UBS and FINMA. A CHF 2.1 billion increase in CET1 capital, consistent with UBS's strategy of high-quality capital accretion, also contributed to the increase in the CET1 capital ratio. UBS's phase-in total capital ratio stood at 22.2% as of 31 December 2013 compared with 18.9% as of 31 December 2012. This improvement was primarily due to the aforementioned reduction in RWA and the increase in CET1 capital. On a fully applied basis, the CET1 capital ratio increased 3.0 percentage points to 12.8% during the year. The fully applied total capital ratio increased 4.0 percentage points to 15.4%.

UBS's phase-in total Swiss SRB leverage ratio increased 102 basis points to 4.65% as of 31 December 2013 from 3.63% as of 31 December 2012. This increase was mainly due to a CHF 189 billion decrease in the total adjusted exposure, also known as the leverage ratio denominator, resulting in an improvement of 70 basis points to the leverage ratio. In addition, the increases in CET1 and loss-absorbing capital in 2013 contributed 32 basis points to the improvement in the leverage ratio on a phase-in basis.

Invested assets: Group invested assets stood at CHF 2,390 billion at the end of 2013, compared with CHF 2,230 billion at the end of 2012. In Wealth Management, invested assets were CHF 886 billion as of 31 December 2013, representing an increase of CHF 65 billion from 31 December 2012. Net new money inflows of CHF 36 billion and positive market performance of CHF 34 billion were slightly offset by negative currency translation effects of CHF 4 billion. In Wealth Management Americas, invested assets were CHF 865 billion as of 31 December 2013, an increase of CHF 93 billion from 31 December 2012. In US dollar terms, invested assets increased by USD 127 billion to USD 970 billion, reflecting positive market performance of USD 108 billion and continued strong net new money inflows of USD 19 billion. In Global Asset Management, invested assets were CHF 583 billion as of 31 December 2013 compared with CHF 581 billion as of 31 December 2012. Net new money outflows of CHF 20 billion, combined with negative currency translation effects of CHF 15 billion and a reduction of CHF 7 billion related to the sale of the Canadian domestic business, were more than offset by positive market performance of CHF 44 billion.

#### Change in UBS AG's Board of Directors, publication of agenda items for the Annual General Meeting on May 7, 2014 and submission of the amended Articles of Association for shareholders' approval

On 1 April 2014, UBS announced that Rainer-Marc Frey has decided not to seek re-election to the Board of Directors ("BoD") of UBS AG at this year's Annual General Meeting of shareholders ("AGM").

UBS also published the agenda for the AGM which will be held on 7 May 2014. At the AGM the BoD will propose that shareholders approve amended Articles of Association to implement the

new Ordinance Against Excessive Compensation in Listed Stock Corporations ("Ordinance"). The Ordinance, enacted by the Swiss Federal Council to implement the Minder initiative, entered into force on 1 January 2014, although certain transitional provisions apply. UBS will propose that shareholders vote on the fixed compensation for the Group Executive Board ("GEB") for the following financial year, and on compensation for members of the BoD for the period up to the next AGM. However, UBS will propose that the vote on the variable compensation for the GEB be taken based on the results of the preceding financial year.

In compliance with the Ordinance, each member of the Human Resources and Compensation Committee will now be subject to annual election at the AGM. Voting on the compensation payable to the BoD and the GEB will be binding, and will take place for the first time at the 2015 AGM."

**The section headed "VI. Organisational Structure of the Issuer" (page 22 of the Registration Document) is completely replaced by the following text:**

"UBS AG is the parent company of the UBS Group. UBS Group legal entity structure is designed to support its businesses with an efficient legal, tax and funding framework considering regulatory restrictions in the countries where UBS operates. UBS operates as a group with five business divisions and a Corporate Center. Neither the business divisions nor the Corporate Center are separate legal entities. They primarily operate out of UBS AG, through its branches worldwide. This structure is designed to capitalize on the increased business opportunities and cost efficiencies offered by the use of a single legal platform, and to enable the flexible and efficient use of capital. Where it is impossible or inefficient to operate out of the parent bank, businesses operate through local subsidiaries. This can be the case when required for legal, tax or regulatory purposes, or when legal entities join the Group through acquisition.

UBS has announced that it intends to establish a new banking subsidiary of UBS AG in Switzerland. The scope of this potential future subsidiary's business is still being determined, but UBS AG would currently expect it to include the Retail & Corporate business division and likely the Swiss-booked business within the Wealth Management business division. UBS AG expects to implement this change in a phased approach starting in mid-2015. This structural change is being discussed on an ongoing basis with the Swiss Financial Market Supervisory Authority (FINMA), and remains subject to a number of uncertainties that may affect its feasibility, scope or timing.

In February 2014, the US Federal Reserve Board issued final rules for foreign banking organizations ("FBO") operating in the US that include 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. UBS has until 1 July 2016 to establish an IHC.

UBS AG's significant subsidiaries as of 31 December 2013 are listed in its annual report as of 31 December 2013 published on 14 March 2014 (the "Annual Report 2013"), on pages 481-482 (inclusive) of the English version."

**In the section headed "VIII. Administrative, Management and Supervisory Bodies of UBS AG" (page 22 of the Registration Document) in the table headed "Members of the Board of Directors" the following sections have been replaced:**

"

Members and business address	Title	Term of office	Current principal positions outside UBS AG
Michel Demaré Syngenta International AG, Schwarzwaldallee	Independent Vice Chairman	2014	Chairman of the board of Syngenta, a member of the IMD Supervisory Board, Lausanne, and 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



215, CH-4058 Basel			
Reto Francioni  Deutsche Börse AG,  D-60485 Frankfurt am Main	Member	2014	CEO of Deutsche Börse AG and holding various mandates on the boards of Deutsche Börse Group subsidiaries; professor at the University of Basel. Member of the Shanghai International Financial Advisory Committee, the Advisory Board of Moscow International Financial Center, the International Advisory Board of Instituto de Empresa, the Board of Trustees of the Goethe Business School; the Steering Committee of the Project "Role of Financial Services in Society", World Economic Forum, the Franco-German Roundtable, the Strategic Advisory Group of VHV Insurance
Helmut Panke  UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Member	2014	Member of the board and Chairperson of the Regulatory and Public Policy Committee of Microsoft Corporation; member of the board and Chairperson of the Safety & Risk Committee of Singapore Airlines Ltd.; member of the Supervisory Board of Bayer AG

**In the section headed "IX. Major Shareholders" the first, the fifth and the sixth subparagraph (page 26 of the Registration Document) are replaced by the following text:**

"Under the Swiss Federal Act on Stock Exchanges and Securities Trading of 24 March 1995, as amended (the "Swiss Stock Exchange Act"), anyone holding shares in a company listed in Switzerland, or holding derivative rights related to shares of such a company, must notify the company and the SIX Swiss Exchange if the holding attains, falls below or exceeds one of the following threshold percentages: 3, 5, 10, 15, 20, 25, 33 1/3, 50 or 66 2/3% of the voting rights, whether or not such rights may be exercised.

UBS holds UBS AG shares primarily to hedge employee share and option participation plans. In addition, the Investment Bank holds a limited number of UBS AG shares in its capacity as a liquidity provider to the equity index futures market and as a market-maker in UBS AG shares and derivatives on UBS AG shares. Furthermore, to meet client demand, UBS has issued structured debt instruments linked to UBS AG shares, which are economically hedged by cash-settled derivatives and, to a limited extent, own shares held by the Investment Bank. As of 31 December 2013, UBS held 73,800,252 UBS AG shares, corresponding to 1.9% of the total share capital of UBS AG. At the same time, UBS had disposal positions relating to 284,975,843 voting rights of UBS AG, corresponding to 7.4% of the total voting rights of UBS AG. 7.0% of this consisted of voting rights on shares deliverable in respect of employee awards.

Further details on the distribution of UBS AG's shares, also by region and shareholders' type, and on the number of shares registered, not registered and carrying voting rights as of 31 December 2013 can be found in the Annual Report 2013, on pages 258-261 (inclusive) of the English version."

**In the section headed "X. Financial Information concerning the Issuer's Assets and Liabilities, Financial Position and Profits and Losses" (page 26 of the Registration Document) the first paragraph is replaced by the following text:**

"A description of UBS AG's and UBS Group's assets and liabilities, financial position and profits and losses for financial year 2012 is available in the Financial information section of the annual report of UBS AG as of 31 December 2012 ("Annual Report 2012"), and for financial year 2013 is available in the Financial information section of the Annual Report 2013. UBS AG's financial year is the calendar year."

**In the section headed "X. Financial Information concerning the Issuer's Assets and Liabilities, Financial Position and Profits and Losses" (page 26 of the Registration Document) the first paragraph in the section headed "Historical Financial Information" is replaced by the following text:**

With respect to the financial year 2013, reference is made to the following parts of the Annual Report 2013 (within the Financial information section, English version):

- (i) the Consolidated Financial Statements of UBS Group, in particular to the Income Statement on page 350, the Balance Sheet on page 353, the Statement of Cash Flows on pages 357-358 (inclusive) and the Notes to the Consolidated Financial Statements on pages 359-505 (inclusive); and
- (ii) the Financial Statements of UBS AG (Parent Bank), in particular to the Income Statement on page 510, the Balance Sheet on page 511, the Statement of Appropriation of Retained Earnings on page 512, the Notes to the Parent Bank Financial Statements on pages 513-531 (inclusive) and the Parent Bank Review on pages 507-509 (inclusive); and
- (iii) the section entitled "Introduction and accounting principles" on page 344."

**In the section headed "X. Financial Information concerning the Issuer's Assets and Liabilities, Financial Position and Profits and Losses" (page 26 of the Registration Document) the last paragraph is replaced by the following text:**

"The annual financial reports form an essential part of UBS AG's reporting. They include the audited consolidated financial statements of UBS Group, prepared in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board, and the audited financial statements of UBS AG (Parent Bank), prepared in order to meet Swiss regulatory requirements and in compliance with Swiss GAAP. The Financial information section of the annual reports also includes certain additional disclosures required under US Securities and Exchange Commission regulations. The annual reports also include discussions and analysis of the financial and business results of UBS, its business divisions and the Corporate Center."

**In the section headed "X. Financial Information concerning the Issuer's Assets and Liabilities, Financial Position and Profits and Losses" (page 26 of the Registration Document) the paragraph headed "Auditing of Historical Annual Financial Information" is replaced by the following text:**

"The consolidated financial statements of UBS Group and the financial statements of UBS AG (Parent Bank) for financial years 2012 and 2013 were audited by Ernst & Young. The reports of the auditors on the consolidated financial statements can be found on pages 321-322 (inclusive) of the Annual Report 2012 and on pages 348-349 (inclusive) of the Annual Report 2013 (Financial information section, English version). The reports of the auditors on the financial statements of UBS AG (Parent Bank) can be found on pages 483-484 (inclusive) of the Annual Report 2012 and on pages 532-533 (inclusive) of the Annual Report 2013 (Financial information section, English version)."

**In the section headed "X. Financial Information concerning the Issuer's Assets and Liabilities, Financial Position and Profits and Losses" (page 26 of the Registration Document) the paragraph headed "Interim Financial Information" is cancelled.**

**In the section headed "XI. Legal and Arbitration Proceedings" (starting on page 28 of the Registration Document) the sixth and the seventh paragraph plus the table headed**

"Provisions for litigation, regulatory and similar matters by segment" are replaced by the following text and table:

"The aggregate amount provisioned for litigation, regulatory and similar matters as a class is disclosed in Note 22a to the audited consolidated financial statements included in UBS AG's Annual Report 2013. 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 can confirm that 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.

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" and "Risk management and control" sections of UBS AG's Annual Report 2013.

Provisions for litigation, regulatory and similar matters by segment <sup>1, 2</sup>

<i>CHF million</i>	WM	WMA	R&C	GI AM	IB	CC – CF	CC – NcLP	Total 31.12.13	Total 31.12.12
Balance at the beginning of the year	130	170	29	7	28	338	73 <sup>2</sup>	1,432	482
Additions from acquired companies					8 <sup>3</sup>			8	
Increase in provisions recognized in the income statement	114	65	55	1	16	203	1,334	1,788	2,686
Release of provisions recognized in the income statement	(18)	(25)	(2)		(7)	(34)	(7)	(93)	(81)
Provisions used in conformity with designated purpose	(53)	(149)	(7)	(5)	(16)	(4)	(1,184)	(1,417)	(1,685)
Reclassifications	(7)		7		(6)	0		(6)	43
Foreign currency translation / unwind of discount	(1)	(5)			(2)	(14)	(67)	(89)	(13)
<b>Balance at the end of the year</b>	<b>165</b>	<b>56</b>	<b>82</b>	<b>3</b>	<b>22</b>	<b>488</b>	<b>808</b>	<b>1,622</b>	<b>1,432</b>

<sup>1</sup> WM = Wealth Management; WMA = Wealth Management Americas; R&C = Retail & Corporate; GI AM = Global Asset Management; IB = Investment Bank; CC-CF = Corporate Center-Core Functions; CC-NcLP = Non-core and Legacy Portfolio. <sup>2</sup> Provisions, if any, for the matters described in (a) item 5 of this section are recorded in Wealth Management, (b) items 2 and 8 of this section are recorded in Wealth Management Americas, (c) item 12 of this section are recorded in the Investment Bank, (d) items 4, 9 and 11 of this section are recorded in Corporate Center – Core Functions and (e) items 3 and 7 of this section are recorded in Corporate Center – Non-core and Legacy Portfolio. Provisions for the matters described in items 1 and 10 of this section are allocated between Wealth Management and Retail & Corporate, and provisions for the matter described in item 6 of this section are allocated between the Investment Bank and Corporate Center – Non-core and Legacy Portfolio. <sup>3</sup> Related to the acquisition of Link Investimentos. Refer to "Note 31 Business combinations" in the Financial Information section of the Annual Report 2013 for more information.

In the section headed "XI. Legal and Arbitration Proceedings" (starting on page 28 of the Registration Document) the paragraph headed "2. Inquiries regarding cross-border wealth management business" (page 29 of the Registration Document) is replaced by the following text:

"Following the disclosure and the settlement of the US cross-border matter, tax and regulatory authorities in a number of countries have made inquiries and served requests for information located in their respective jurisdictions relating to the cross-border wealth management services provided by UBS and other financial institutions. As a result of investigations in France, in May and June 2013, respectively, UBS (France) S.A. and UBS AG were put under formal examination ("mise en examen") for complicity in having illicitly solicited clients on French territory, and were declared witness with legal assistance ("témoin assisté") regarding the laundering of proceeds of tax fraud and of banking and financial solicitation by unauthorized persons. In June 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, and a provision in that amount is reflected on UBS's balance sheet at 31 December 2013. In Germany, several authorities have been conducting investigations against UBS Deutschland AG, UBS AG, and against certain employees of these entities concerning certain matters relating to the cross-border business. UBS is cooperating with these authorities within the limits of financial privacy obligations under Swiss and other applicable laws. Settlement discussions have commenced with respect to the German investigations."

**In the section headed "XI. Legal and Arbitration Proceedings" (starting on page 28 of the Registration Document) the paragraph headed "Loan repurchase demands related to sales of mortgages and RMBS" (page 31 of the Registration Document) is replaced by the following text:**

"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 and insurers 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 below summarizes repurchase demands received by UBS and UBS's repurchase activity from 2006 through 5 March 2014. In the table, repurchase demands characterized as Demands resolved in litigation and Demands rescinded by counterparty are considered to be finally resolved. 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, through 5 March	Total
<b>Resolved demands</b>								
Actual or agreed loan repurchases / make whole payments by UBS	12	1						13
Demands rescinded by counterparty	110	104	19	304	237			774
Demands resolved in litigation	1	21						21
<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	128	99		351
<b>Demands in dispute</b>								
Demands in litigation			346	732	1,041			2,118
Demands in review by UBS				2	2	3		8
Demands rebutted by UBS but not yet rescinded by counterparty		1	2	1	17	515	3	540

<b>Total</b>	122	205	368	1,084	1,424	618	3	3,825
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<sup>1</sup> Loans submitted by multiple counterparties are counted only once.

Payments that UBS has made or agreed to make 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 or agreed to make to date have related to so-called "Option ARM" loans; severity rates may vary for other types of loans or for Option ARMs with different characteristics. Actual losses upon repurchase will 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. It is not possible to predict future losses upon repurchase for reasons including timing and market uncertainties.

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.

UBS cannot reliably estimate the level of future repurchase demands, and does not know whether its rebuttals of such demands will be a good predictor of future rates of rebuttal. UBS also cannot reliably estimate the timing of any such demands."

**In the section headed "XI. Legal and Arbitration Proceedings" (starting on page 28 of the Registration Document) the table plus the paragraph above the table (on page 33 of the Registration Document) in the section headed "Lawsuits related to contractual representations and warranties concerning mortgages and RMBS" are replaced by the following text:**

"UBS has received requests 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 US Department of Justice, Criminal Division, Fraud Section) and the SEC for information relating to its practices in connection with purchases and sales of mortgage-backed securities. UBS is cooperating with the authorities in these matters, which are in an early stage. Numerous other banks reportedly have received similar requests.

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

<i>USD million</i>	31.12.13	31.12.12
Balance at the beginning of the year	658	104
Increase in provision recognized in the income statement	1,359	554
Release of provision recognized in the income statement	(1)	0
Provision used in conformity with designated purpose	(1,208)	0
<b>Balance at the end of the year</b>	<b>807</b>	<b>658</b>

"

**In the section headed "XI. Legal and Arbitration Proceedings" (starting on page 28 of the Registration Document) in the paragraph headed "Transactions with Italian public sector entities" (page 34 of the Registration Document) the first subparagraph is replaced by the following text:**

"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 against UBS Limited, which are not effective until appeals are exhausted, are 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 has previously provided for this potential exposure in the amount of EUR 18.5 million. UBS Limited and the individuals appealed that judgment, and in March 2014, the Milan Court of Appeal handed down its judgment in short form. It overturned all findings of liability against UBS Limited and convictions of the UBS individuals and acquitted them, stating that the conduct did not occur. The court indicated that it would issue a full judgment within 90 days."

**In the section headed "XI. Legal and Arbitration Proceedings" (starting on page 28 of the Registration Document) in the paragraph headed "Kommunale Wasserwerke Leipzig GmbH ("KWL")" (page 34 of the Registration Document) the first and the second subparagraph are replaced by the following text:**

"In 2006 and 2007, KWL entered into a series of Credit Default Swap ("CDS") transactions with bank swap counterparties, including UBS. UBS entered into back-to-back CDS transactions with the other counterparties, Depfa Bank plc ("Depfa") and Landesbank Baden-Württemberg ("LBBW"), in relation to their respective swaps with KWL. As a result of the KWL CDS transactions and the back-to-back CDS transactions with Depfa and LBBW, UBS and UBS Limited are owed a total amount of approximately USD 319.8 million, plus interest, which remains unpaid. Specifically, under the CDS contracts between KWL and UBS, the last of which were terminated by UBS in 2010, a net sum of approximately USD 137.6 million, plus interest, has fallen due from KWL but not been paid. Earlier in 2010, UBS issued proceedings in the English High Court against KWL seeking various declarations from the English court, in order to establish that the swap transaction between KWL and UBS is valid, binding and enforceable as against KWL. The English court ruled in 2010 that it has jurisdiction and will hear the proceedings and UBS issued a further claim seeking declarations concerning the validity of its early termination of the remaining CDS transactions with KWL. KWL withdrew its appeal from that decision and the civil dispute is now proceeding before the English court. UBS has added its monetary claim to the proceedings. KWL is defending against UBS's claims and has served a counterclaim which also joins UBS Limited and Depfa to the proceedings. As part of its assertions, KWL claims damages of at least USD 68 million in respect of UBS's termination of some of the CDS contracts, whilst disputing that any monies are owed to UBS pursuant to another CDS contract. UBS, UBS Limited and Depfa are defending against KWL's counterclaims, and Depfa has asserted additional claims against UBS and UBS Limited. Both KWL and Depfa have mutually exclusive claims for payment of USD 32.6 million which has previously been paid by Depfa to UBS Limited. The trial is due to start in April 2014.

In 2010, KWL issued proceedings in Leipzig, Germany against UBS, Depfa and LBBW, claiming that the swap transactions are void and not binding on the basis of KWL's allegation that KWL did

not have the capacity or the necessary internal authorization to enter into the transactions and that the banks knew this. Upon and as a consequence of KWL withdrawing its appeal on jurisdiction in England, KWL also withdrew its civil claims against UBS and Depfa in the German courts, and no civil claim will proceed against either of them in Germany. The proceedings brought by KWL against LBBW have continued in Leipzig, and in June 2013, the court in Leipzig ruled in LBBW's favor. KWL has filed an appeal against that ruling. A hearing is fixed for late March 2014. The Leipzig court has also ruled that it is for the London court and not the Leipzig court to determine the validity and effect of a third party notice served by LBBW on UBS in the Leipzig proceedings."

**In the section headed "XI. Legal and Arbitration Proceedings" (starting on page 28 of the Registration Document) the paragraph headed "Puerto Rico" (page 35 of the Registration Document) is replaced by the following text:**

"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 Financial Services Inc. of Puerto Rico ("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 March 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. That dismissal was overturned by the Puerto Rico Court of Appeals in September 2013. In February 2014, UBS's petition for appeal was denied by the Supreme Court of Puerto Rico, and UBS is filing motions for reconsideration. Also, in October 2013, an SEC Administrative Law Judge dismissed a case brought by the SEC against two UBS executives following a hearing that took place in late 2012, 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 May 2012. Additionally, declines in Puerto Rico municipal bond and closed-end fund prices since August 2013 have led to multiple regulatory inquiries, customer complaints and arbitrations filed by clients in Puerto Rico who own those securities. A shareholder derivative action also was filed in February 2014 against various UBS entities and current and certain former directors of the closed-end funds, alleging hundreds of millions in losses in the funds. An internal review also disclosed that certain clients, many of whom acted at the recommendation of one financial advisor, invested proceeds of non-purpose loans in closed-end fund securities in contravention of their loan agreements.

UBS's balance sheet at 31 December 2013 reflected a provision with respect to matters described in this item 8 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."

**In the section headed "XI. Legal and Arbitration Proceedings" (starting on page 28 of the Registration Document) in the paragraph headed "LIBOR, foreign exchange, and benchmark rates" the first subparagraph in the section headed "LIBOR and other benchmark-related civil litigation", as supplemented by Supplement No. 3 dated 4 March 2014, is replaced by the following text:**

"A number of putative class actions and other actions are pending in the federal courts in New York against UBS and numerous other banks on behalf of parties who transacted in certain interest rate benchmark-based derivatives linked directly or indirectly to US dollar LIBOR, Yen LIBOR, Euroyen TIBOR and EURIBOR. Also pending are actions asserting losses related to various

products whose interest rate was linked to US dollar 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 or EURIBOR rates and seek unspecified compensatory and other damages, including treble and punitive damages, under varying legal theories that include violations of the US Commodity Exchange Act, the federal racketeering statute, federal and state antitrust and securities laws and other state laws. In March 2013, a federal court in New York dismissed the federal antitrust and racketeering claims of certain US dollar LIBOR plaintiffs and a portion of their claims brought under the Commodity Exchange Act ("CEA") and state common law. In August 2013, the same court denied the parties' requests for reconsideration and plaintiffs' motion for interlocutory appeal and to amend the complaints to include additional antitrust and Commodity Exchange Act allegations. It granted certain plaintiffs permission to assert claims for unjust enrichment and breach of contract. Motions to dismiss these unjust enrichment and breach of contract claims are pending, as is a renewed motion to dismiss by UBS and other defendants that seeks dismissal of further CEA claims. Certain plaintiffs have also appealed the dismissal of their antitrust claims, but in October 2013 the appellate court denied these appeals as premature, without prejudice to bringing the appeals again after final disposition of the LIBOR actions. UBS and other defendants in other lawsuits including the one related to Euroyen TIBOR have filed motions to dismiss."



**In the section headed "XI. Legal and Arbitration Proceedings" (starting on page 28 of the Registration Document) in the paragraph headed "LIBOR, foreign exchange, and benchmark rates" the subparagraph headed "Foreign exchange-related regulatory matters" and the subparagraph headed "Foreign exchange-related civil litigation", as supplemented by Supplement No. 3 dated 4 March 2014, is replaced by the following text:**

"Foreign exchange-related regulatory matters: Following an initial media report in June 2013 of widespread irregularities in the foreign exchange markets, UBS immediately commenced an internal review of its foreign exchange business, which includes UBS's precious metal business. Since then, various authorities reportedly have commenced investigations concerning possible manipulation of foreign exchange markets, including FINMA, WEKO, the DOJ, the CFTC, and the FCA. UBS and other financial institutions have received requests from various authorities relating to their foreign exchange businesses, and UBS is cooperating with the authorities. A number of authorities also are reportedly investigating potential manipulation of precious metal prices. UBS has taken and will take appropriate action with respect to certain personnel as a result of its ongoing review."

"Foreign exchange-related civil litigation: Several putative class actions have been filed since November 2013 in US federal courts against UBS and other banks. These actions are on behalf of putative classes of persons who engaged in foreign currency transactions. They allege collusion by the defendants and assert claims under the antitrust laws and for unjust enrichment. The defendants (including UBS) have not yet filed responsive pleadings."

**In the section headed "XI. Legal and Arbitration Proceedings" (starting on page 28 of the Registration Document), the paragraph headed "Matters relating to the CDS market", as supplemented by Supplement No. 3 dated 4 March 2014, is replaced by the following text:**

"In July 2013 the EC issued a Statement of Objections against thirteen 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 EU antitrust rules by colluding to prevent exchanges from entering the credit derivatives market between 2006 and 2009. UBS has submitted its response to the Statement of Objections. 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. Between May 2013 and November 2013, several putative class action complaints were filed against twelve dealers, including UBS, as well as Markit and ISDA, alleging violations of the US Sherman Antitrust Act. In January 2014, after the cases were consolidated for pretrial purposes in the Southern District of New York, plaintiffs filed a consolidated amended complaint. Plaintiffs allege that the defendants, Markit and ISDA 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 under the Sherman Act and common law on behalf of all purchasers and sellers of CDS that transacted directly with any of the dealer defendants since January 1, 2008 and seek unspecified trebled compensatory damages and other relief."

**In the section headed "XII. Significant Changes in the Financial or Trading Position; Material Adverse Change in Prospects" (page 38 of the Registration Document) the second sentence is replaced by the following text:**

"There has been no material adverse change in the prospects of UBS AG or UBS Group since 31 December 2013."

**In the section headed "XIV. Documents on Display" (page 38 of the Registration Document) the text regarding the first bullet point has been deleted and the text for the third bullet point is replaced by the following text:**

"The Annual Report of UBS AG as of 31 December 2013, comprising the sections (1) Operating environment and strategy, (2) Financial and operating performance, (3) Risk, treasury and capital management, (4) Corporate governance, responsibility and compensation, (5) Financial information (including the "Report of the statutory auditor and the independent registered public accounting firm on the consolidated financial statements" and the "Report of the statutory auditor on the financial statements"); and"

2) In relation to

- (i) the Base Prospectus for Certificates, Notes or Warrants of UBS AG, [London] [Jersey] [Branch] dated 16 August 2013 in the section "I. Summary of the Base Prospectus" in the section headed "A. Summary of the Base Prospectus (in the English language)" in the section headed "Section B – Issuer",

Element B.12 is completely replaced as follows:

Element	Section B – Issuer																																																																																																							
<b>B.12</b>	Selected historical key financial information.	<p>UBS AG derived the following selected consolidated financial data from its annual report 2013, containing the audited consolidated financial statements of UBS Group, as well as additional unaudited consolidated financial data for the year ended 31 December 2013 (including comparative figures for the years ended 31 December 2012 and 2011). 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).</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th colspan="3" style="text-align: center;">As of or for the year ended</th> </tr> <tr> <th style="text-align: left;"><i>CHF million, except where indicated</i></th> <th style="text-align: center;">31.12.13</th> <th style="text-align: center;">31.12.12</th> <th style="text-align: center;">31.12.11</th> </tr> <tr> <th></th> <th colspan="3" style="text-align: center;"><i>audited, except where indicated</i></th> </tr> </thead> <tbody> <tr> <td colspan="4"><b>Group results</b></td> </tr> <tr> <td>Operating income</td> <td style="text-align: right;">27,732</td> <td style="text-align: right;">25,423</td> <td style="text-align: right;">27,788</td> </tr> <tr> <td>Operating 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indicated</i>	31.12.13	31.12.12	31.12.11		<i>audited, except where indicated</i>			<b>Group results</b>				Operating income	27,732	25,423	27,788	Operating expenses	24,461	27,216	22,482	Operating profit / (loss) before tax	3,272	(1,794)	5,307	Net profit / (loss) attributable to UBS shareholders	3,172	(2,480)	4,138	Diluted earnings per share (CHF)	0.83	(0.66)	1.08	<b>Key performance indicators, balance sheet and capital management, and additional information</b>				<b>Performance</b>				Return on equity (RoE) (%) <sup>1</sup>	6.7*	(5.1)*	9.1*	Return on tangible equity (%) <sup>2</sup>	8.0*	1.6*	11.9*	Return on risk-weighted assets, gross (%) <sup>3</sup>	11.4*	12.0*	13.7*	Return on assets, gross (%) <sup>4</sup>	2.5*	1.9*	2.1*	<b>Growth</b>				Net profit growth (%) <sup>5</sup>			(44.5)*	Net new money growth (%) <sup>6</sup>	1.4*	1.6*	1.9*	<b>Efficiency</b>				Cost / income ratio (%) <sup>7</sup>	88.0*	106.6*	80.7*	<b>Capital strength</b>				Common equity tier 1 capital ratio (% 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		Total assets	1,009,860	1,259,797	1,416,962
		Equity attributable to UBS shareholders	48,002	45,949	48,530
		Total book value per share (CHF)	12.74*	12.26*	12.95*
		Tangible book value per share (CHF)	11.07*	10.54*	10.36*
		Common equity tier 1 capital (phase-in) <sup>9</sup>	42,179	40,032*	
		Common equity tier 1 capital (fully applied) <sup>9</sup>	28,908	25,182*	
		Risk-weighted assets (phase-in) <sup>9</sup>	228,557*	261,800*	
		Risk-weighted assets (fully applied) <sup>9</sup>	225,153*	258,113*	
		Total capital ratio (% phase-in) <sup>9</sup>	22.2*	18.9*	
		Total capital ratio (% fully applied) <sup>9</sup>	15.4*	11.4*	
		<b>Additional information</b>			
		Invested assets (CHF billion) <sup>11</sup>	2,390	2,230	2,088
		Personnel (full-time equivalents)	60,205*	62,628*	64,820*
		Market capitalization	65,007*	54,729*	42,843*
		* unaudited			
		<p><sup>1</sup> Net profit / loss attributable to UBS shareholders (annualized as applicable) / average equity attributable to UBS shareholders. <sup>2</sup> Net profit / loss attributable to UBS shareholders before amortization and impairment of goodwill and intangible assets (annualized as applicable) / average equity attributable to UBS shareholders less average goodwill and intangible assets. <sup>3</sup> Operating income before credit loss (expense) or recovery (annualized as applicable) / average risk-weighted assets. Based on Basel III risk-weighted assets (phase-in) for 2013, on Basel 2.5 risk-weighted assets for 2012 and on Basel II risk-weighted assets for 2011. <sup>4</sup> Operating income before credit loss (expense) or recovery (annualized as applicable) / average total assets. <sup>5</sup> Change in net profit attributable to UBS shareholders from continuing operations between current and comparison periods / net profit attributable to UBS 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>6</sup> Net new money for the period (annualized as applicable) / invested assets at the beginning of the period. Group net new money includes net new money for Retail &amp; Corporate and excludes interest and dividend income. <sup>7</sup> Operating expenses / operating income before credit loss (expense) or recovery. <sup>8</sup> Common equity tier 1 capital / risk-weighted assets. <sup>9</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 on a pro-forma basis. <sup>10</sup> Swiss SRB Basel III common equity tier 1 capital and loss-absorbing capital / total adjusted exposure (leverage ratio denominator). The Swiss SRB leverage ratio came into force on 1 January 2013. Numbers for 31 December 2012 are on a pro-forma basis. <sup>11</sup> Group invested assets includes invested assets for Retail &amp; Corporate.</p>			
	Material adverse change statement.	There has been no material adverse change in the prospects of UBS AG or UBS Group since 31 December 2013.			
	Significant changes statement.	There has been no significant change in the financial or trading position of UBS Group or of UBS AG since 31 December 2013.			

3) In relation to

- (i) the Base Prospectus for Certificates, Notes or Warrants of UBS AG, [London] [Jersey] [Branch] dated 16 August 2013 in the section "I. Summary of the Base Prospectus" in the section headed "A. Summary of the Base Prospectus (in the Swedish language)" in the section headed "Avsnitt B – Emittenten",

Element B.12 is completely replaced as follows:

Element	Avsnitt B – Emittenten																																																																																																			
<b>B.12</b>	Utvald central finansiell information.	<p>UBS AG har valt ut och tagit fram följande konsoliderade finansiella information på basis av dess årsredovisning för 2013, innehållande reviderad koncernredovisning från UBS-koncernen samt ytterligare oreviderad konsoliderad finansiell information för räkenskapsåret som slutade den 31 december 2013 (inklusive jämförande siffror för räkenskapsåren som slutade den 31 december 2012 and 2011). Koncernredovisningen har tagits fram i enlighet med internationella redovisningsstandarder (<i>International Financial Reporting Standards (IFRS)</i>), utfärdade av International Accounting Standards Board (IASB) och anges i schweiziska franc (CHF).</p>																																																																																																		
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<b>Balansräkning och kapitalstruktur</b>				
Totala tillgångar	1,009,860	1,259,797	1,416,962	
Eget kapital hänförligt till UBSs aktieägare	48,002	45,949	48,530	
Totalt bokfört värde per aktie (CHF)	12.74*	12.26*	12.95*	
Reellt bokfört värde per aktie (CHF)	11.07*	10.54*	10.36*	
Kärnprimärkapital, tier 1 capital (infasning) <sup>9</sup>	42,179	40,032*		
Kärnprimärkapital, tier 1 capital (fullt tillämpad) <sup>9</sup>	28,908	25,182*		
Riskvägda tillgångar (infasning) <sup>9</sup>	228,557*	261,800*		
Riskvägda tillgångar (fullt tillämpad) <sup>9</sup>	225,153*	258,113*		
Kapitaltäckningsgrad (%; infasning) <sup>9</sup>	22.2*	18.9*		
Kapitaltäckningsgrad (%; fullt tillämpad) <sup>9</sup>	15.4*	11.4*		
<b>Ytterligare information</b>				
Investerade tillgångar (CHF miljarder) <sup>11</sup>	2,390	2,230	2,088	
Personal (motsvarande heltidstjänster)	60,205*	62,628*	64,820*	
Börsvärde	65,007*	54,729*	42,843*	
* oreviderade				
<p><sup>1</sup> Nettoresultat hänförligt till UBS:s aktieägare (periodiserat där tillämpligt) / genomsnittligt eget kapital hänförligt till UBS:s aktieägare. <sup>2</sup> Nettoresultat hänförligt till UBS:s aktieägare före avskrivningar eller värdeminskning av goodwill och immateriella tillgångar (periodiserat där tillämpligt) / genomsnittligt eget kapital hänförligt till UBS:s aktieägare med avdrag för goodwill och immateriella tillgångar. <sup>3</sup> Rörelseintäkter före kreditförlust (kostnad) eller återvinning (periodiserat där tillämpligt) / genomsnittliga riskvägda tillgångar. Baserat på Basel III riskvägda tillgångar (infasning) för 2013, på Basel 2.5 riskvägda tillgångar för 2012 och på Basel II riskvägda tillgångar för 2011. <sup>4</sup> Rörelseintäkt före kreditförlust (kostnad) eller återvinning (periodiserat där tillämpligt) / genomsnittliga totala tillgångar. <sup>5</sup> Förändring i nettoresultat hänförligt till UBS:s aktieägare från fortsatt löpande verksamhet mellan nuvarande och jämförelseperioder / nettovinst som kan hänföras till UBS:s aktieägare från fortsatt löpande verksamhet under en jämförelseperiod. Icke meningsfullt och inte inkluderat om antingen rapporteringsperioden eller jämförelseperioden är en förlustperiod. <sup>6</sup> Nya nettomedel för perioden (periodiserat såsom tillämpligt) / investerade tillgångar vid början av perioden. Koncernens nya nettomedel inkluderar nya nettomedel för Detaljhandeln &amp; Bolag och exkluderar inkomst för ränta och utdelning. <sup>7</sup> Rörelsekostnader / rörelseintäkter före kreditförlust (kostnad) eller återvinning. <sup>8</sup> Common equity tier 1 capital / riskvägda tillgångar. <sup>9</sup> Baserat på de Basel III-ramar som gäller för schweiziska systemrelevanta banker (SRB), som trädde i kraft i Schweiz den 1 januari 2013. Den information som tillhandahålls på full basis återspeglar helt effekterna av de nya kapitalavdragen och utfasningen av icke-kvalificerade kapitalinstrument. Den information som tillhandahålls på infasningsbasis speglar gradvis dessa effekter under övergångsperioden. Siffrorna avseende den 31 december 2012 anges proforma.<sup>10</sup> Swiss SRB Basel III common equity tier 1 capital och förlustabsorberande kapital / sammanlagd justerad exponering (skuldsättningsgradens nämnare). Schweiziska SRB skuldsättningsgrad trädde i kraft den 1 januari 2013. Siffror avseende den 31 december 2012 anges proforma.<sup>11</sup> Koncernens investerade medel inkluderar investerade medel avseende Detaljhandeln &amp; Bolag.</p>				
Uttalande om väsentliga negativa förändringar.	Det har inte skett någon väsentlig negativ förändring i prospekten för ABS AG eller UBS-koncernen sedan den 31 december 2013.			
Uttalande om betydande förändringar.	Det har inte skett någon betydande förändring av UBS-koncernens eller ABS AG:s finansiella ställning eller ställning på marknaden sedan den 31 december 2013.			

#### 4) Documents incorporated by reference

The documents set out below are incorporated in, and form part of, this Base Prospectus, save that any statement contained in a document which is incorporated by reference herein is modified or superseded for the purpose of this Base Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded does not, except as so modified or superseded, constitute a part of this Base Prospectus.

The following documents shall be deemed to be incorporated in, and to form part of, this Base Prospectus.

##### **UBS AG Annual Report 2013**

Report of independent registered public accounting firm	p. 346-349
Income statement	p. 350
Balance sheet	p. 353
Statement of cash flows	p. 357-358

## ADDRESS LIST

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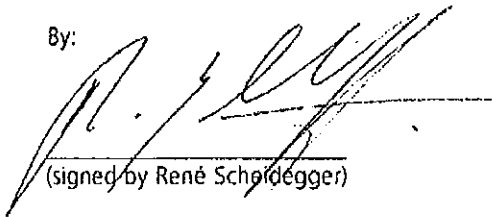
The tripartite Base Prospectus for Certificates, Notes or Warrants of UBS AG, [London] [Jersey] [Branch] dated 16 August 2013 and the Registration Document dated 16 August 2013 and all supplements thereto, shall be maintained in printed format, for free distribution, at the offices of the Issuer for 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' website, at [www.ubs.com/investors](http://www.ubs.com/investors) or a successor address.

Zurich, ~~30~~ April 2014

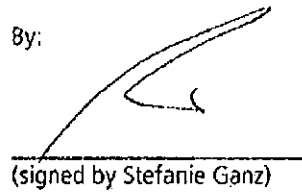
**UBS AG**

By:



(signed by René Scholdégger)

By:



(signed by Stefanie Ganz)