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| <p><b>Supplement No. 1 pursuant to § 16 (1) of the German Securities Prospectus Act</b></p> <p>dated 23 February 2017 to the Registration Document of UBS AG dated 19 December 2016</p>  |
| <p><b>Supplement No. 5 pursuant to § 16 (1) of the German Securities Prospectus Act</b></p> <p>dated 23 February 2017 to the already published Base Prospectus dated 30 May 2016 for the issue of Securities</p>   |
| <p><b>Supplement No. 5 pursuant to § 16 (1) of the German Securities Prospectus Act</b></p> <p>dated 23 February 2017 to the already published Base Prospectus dated 30 June 2016 for the Issuance of Fixed Income Securities (Cash)</p>   |
| <p><b>Supplement No. 5 pursuant to § 16 (1) of the German Securities Prospectus Act</b></p> <p>dated 23 February 2017 to the already published tripartite Prospectus comprising the Summary and Securities Note dated 6 July 2016 and the Registration Document of UBS AG dated 19 December 2016 for the issuance of Gelfarth Select Strategy Certificates (ISIN CH0326223960)</p>               |
| <p><b>Supplement No. 5 pursuant to § 16 (1) of the German Securities Prospectus Act</b></p> <p>dated 23 February 2017 to the already published Base Prospectus dated 21 July 2016 for the issue of Warrants</p>  |
| <p><b>Supplement No. 4 pursuant to § 16 (1) of the German Securities Prospectus Act</b></p> <p>dated 23 February 2017 to the already published tripartite Prospectus comprising the Summary and Securities Note dated 5 September 2016 and the Registration Document of UBS AG dated 19 December 2016 for the issuance of LGT Equity Top Picks Basket Certificates (EUR) (ISIN DE000UW1A1L0)</p> |
| <p><b>Supplement No. 4 pursuant to § 16 (1) of the German Securities Prospectus Act</b></p> <p>dated 23 February 2017 to the already published tripartite Prospectus comprising the Summary and Securities Note dated 5 September 2016 and the Registration Document of UBS AG dated 19 December 2016 for the issuance of LGT Equity Top Picks Basket Certificates (CHF) (ISIN DE000UW0KYB4)</p> |
| <p><b>Supplement No. 4 pursuant to § 16 (1) of the German Securities Prospectus Act</b></p> <p>dated 23 February 2017 to the already published tripartite Prospectus comprising the Summary and Securities Note dated 5 September 2016 and the Registration Document of UBS AG dated 19 December 2016 for the issuance of LGT Equity Top Picks Basket Certificates (USD) (ISIN DE000UW0TGCO)</p> |
| <p><b>Supplement No. 4 pursuant to § 16 (1) of the German Securities Prospectus Act</b></p> <p>dated 23 February 2017 to the already published Base Prospectus dated 8 September 2016 for the issue of Securities</p>  |
| <p><b>Supplement No. 1 pursuant to § 16 (1) of the German Securities Prospectus Act</b></p> <p>dated 23 February 2017 to the already published Base Prospectus dated 27 January 2017 for the issue of Warrants</p>   |

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

The publication of the fourth quarter report as per 31 December 2016 of UBS Group on 27 January 2017 which also contains the UBS AG interim consolidated financial information.

UBS AG has also taken the occasion to update in this Supplement certain sections included in the Registration Document which have been updated after the date of the Registration Document, the Base Prospectuses and the Prospectuses, as mentioned above.

The following table shows the updated information that has become available after the date of the Registration Document, Base Prospectuses and Prospectuses, as mentioned above, and the revisions that have been made as a result thereof.

| <b>Updated information</b>  | <b>Revisions</b>   |
|---|--|
| Certain information regarding UBS AG have been updated.                             | The information in the Elements B.4b, B.5 and B.12 of the Summary as well as the relevant sections/paragraphs of the Registration Document have been updated pursuant to the fourth quarter 2016 report.   |
| Certain information regarding UBS AG in the Registration Document have been updated | The sections headed "Information about UBS AG", "Organisational Structure of UBS AG", "Business Overview", "Administrative, Management and Supervisory Bodies of UBS AG", "Financial Information concerning the Issuer's Assets and Liabilities, Financial Position and Profits and Losses", "Litigation, Regulatory and Similar Matters", "Significant Changes in the Financial or Trading Position; Material Adverse Changes in Prospects" and "Documents on Display" have been updated pursuant to the fourth quarter report. Furthermore, the Registration Document dated 19 December 2016 has been updated regarding the above mentioned fourth quarter 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 § 16 (3) of the German Securities Prospectus Act, 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. 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 on introductory on page 1 the following adjustments have been made:**

**In the section headed "IV. Information about UBS AG" (page 23 of the Registration Document) the second and third subparagraphs have been completely replaced as follows:**

"On 31 December 2016, UBS Group's common equity tier 1 ("CET1") capital ratio<sup>1</sup> was 13.8% on a fully applied basis and 16.8% on a phase-in basis, invested assets stood at CHF 2,821 billion, equity attributable to UBS Group AG shareholders was CHF 53,723 million and market capitalization was CHF 61,420 million. On the same date, UBS employed 59,387 people<sup>2</sup>. This information has been extracted from the UBS Group fourth quarter 2016 report published on 27 January 2017 (the "Fourth Quarter 2016 Report") and it is subject to completion of year-end procedures. Refer to section 7.3 "Interim Financial Information" for more information.

On 31 December 2016, UBS AG (consolidated) CET1 capital ratio<sup>1</sup> was 14.8% on a fully applied basis and 17.7% on a phase-in basis, invested assets stood at CHF 2,821 billion and equity attributable to UBS AG shareholders was CHF 53,764 million. On the same date, UBS AG Group employed 56,208 people<sup>2</sup>. This information has been extracted from the Fourth Quarter 2016 Report, it is subject to completion of year-end procedures and to an adjustment as indicated in section 7.3 "Interim Financial Information".

**Furthermore, in the section headed "IV. Information about UBS AG" (page 23 of the Registration Document) the footnotes have been completely replaced as follows:**

<sup>1</sup> Based on the Basel III framework as applicable to Swiss systemically relevant banks. The common equity tier 1 capital ratio is the ratio of common equity tier 1 capital to risk-weighted assets. The Basel III framework includes prudential filters for the calculation of capital. As these filters are being phased in between 2014 and 2018, their effects are gradually factored into the calculations capital, RWA and capital ratios on a phase-in basis and are entirely reflected in the capital, RWA and capital ratios on a fully applied basis. For information as to how UBS Group AG (consolidated) common equity tier 1 capital is calculated, refer to the table "Reconciliation IFRS equity to Swiss SRB common equity tier 1 capital" in the section "Capital management" of the Fourth Quarter 2016 Report.

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

**All paragraphs of the section headed "V. Organisational Structure of UBS AG " (starting on page 26 of the Registration Document) are completely replaced by the following text:**

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

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

In December 2014, UBS Group AG completed an exchange offer for the shares of UBS AG and became the holding company for the UBS Group. Subsequently, during 2015, UBS Group AG filed and completed a procedure under the Swiss Stock Exchange and Securities Trading Act to squeeze out minority shareholders of UBS AG, as a result of which UBS Group AG acquired all of the outstanding shares of UBS AG.

During 2015, UBS AG transferred its Retail & Corporate (now Personal & Corporate Banking) and Wealth Management business booked in Switzerland to UBS Switzerland AG, a banking subsidiary of UBS AG in Switzerland. UBS also completed the implementation of a more self-sufficient business and operating model for UBS Limited, UBS's investment banking subsidiary in the UK, under which UBS Limited bears and retains a larger proportion of the risk and reward in its business activities. Also in 2015, UBS established a new subsidiary of UBS AG, UBS Asset Management AG, into which the majority of the operating subsidiaries of Asset Management have been transferred during 2016. UBS continues to consider further changes to the legal entities used by Asset Management, including the transfer of operations conducted by UBS AG in Switzerland into a subsidiary of UBS Asset Management AG.

UBS Business Solutions AG was established in 2015 as a direct subsidiary of UBS Group AG to act as the Group service company. UBS will transfer the ownership of the majority of its existing service subsidiaries to this entity. UBS expects that the transfer of shared service and support functions into the service company structure will be implemented in a staged approach through 2018, with the transfer of the shared services functions in Switzerland and in the UK from UBS AG to UBS Business Solutions AG expected to happen during 2017. As of 1 January 2017, UBS completed the transfer of remaining shared services employees in the US to the US service company, UBS Business Solutions US LLC, a subsidiary of UBS AG. The purpose of the service company structure is to improve the resolvability of the Group by enabling UBS to maintain operational continuity of critical services should a recovery or resolution event occur.

In the second quarter of 2016, UBS Americas Holding LLC, a subsidiary of UBS AG, has been designated as the intermediate holding company for UBS's US subsidiaries as required under the enhanced prudential standards regulations pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act ("**Dodd-Frank**"). UBS Americas Holding LLC holds all of UBS's US subsidiaries and is subject to US capital requirements, governance requirements and other prudential regulation.

During the fourth quarter of 2016, UBS Deutschland AG and UBS Wealth Management subsidiaries in Germany, Italy, Luxembourg (including its branches in Austria, Denmark and Sweden), the Netherlands and Spain were merged into a new European legal entity, UBS Europe SE, which is headquartered in Frankfurt, Germany, and regulated by BaFin, the German Federal Financial Supervisory Authority.

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

UBS Group AG's interests in subsidiaries and other entities as of 31 December 2015, including interests in significant subsidiaries, are discussed in the Annual Report 2015, in the English language, published on 18 March, (the "**Annual Report 2015**", attached to this Registration Document as **Appendix 2**), on pages G-543-552 (inclusive).

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

UBS AG is the parent company of the UBS AG Group. As such, to a certain extent, it is dependent on certain of its subsidiaries.

**In the section headed "VI. Business Overview" (starting on page 27 of the Registration Document) the subsection headed "Recent Developments" is completely replaced by the following text:**

**"Recent Developments**

1. *UBS AG (consolidated) key figures*

UBS AG took the selected consolidated financial information included in the table below for the years ended 31 December 2015, 2014 and 2013, except where indicated, from the Annual Report 2015, which contains the audited consolidated financial statements of UBS AG, as well as additional unaudited consolidated financial information, for the year ended 31 December 2015 and comparative figures for the years ended 31 December 2014 and 2013. The selected consolidated financial information included in the table below for the year ended 31 December 2016 was derived from the Fourth Quarter 2016 Report, which contains UBS AG interim consolidated financial information (unaudited) for the year ended 31 December 2016. The consolidated financial statements for the years ended on 31 December 2015, 31 December 2014 and 31 December 2013 were prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and are stated in Swiss francs ("CHF"). In preparing the UBS AG financial information included in the Fourth Quarter 2016 Report, the same accounting policies and methods of computation have been applied as described in the UBS AG consolidated financial statements within the Annual Report 2015, except for the changes described in "Note 1 Basis of accounting" in the "Consolidated financial statements" sections of UBS AG's first, second and third quarter 2016 reports. UBS AG has not finalized its Annual Report 2016 and its independent registered public accounting firm has not completed its audit of the consolidated financial statements for the period. Accordingly, the UBS AG financial information contained in Fourth Quarter 2016 Report is subject to completion of year-end procedures, which may result in changes to that information. Moreover, subsequent to the publication of the Fourth Quarter 2016 Report, management has determined that it intends to propose the distribution of a higher dividend from UBS AG to its shareholder, UBS Group AG. This will determine a reduction of CHF 450 million in CET1 capital and resulting changes to regulatory capital-related information as of 31 December 2016, which will be reflected in the annual report 2016. Information for the years ended 31 December 2015, 2014 and 2013 which is indicated as being unaudited in the table below was included in the Annual Report 2015 but has not been audited on the basis that the respective disclosures are not required under IFRS, and therefore are not part of the audited financial statements. The Annual Report 2015 and the Fourth Quarter 2016 Report are attached hereto. Prospective investors should read the whole of this document and the documents attached hereto and should not rely solely on the summarized information set out below:

|  | As of or for the<br>year ended | As of or for the year ended            |          |          |
|--|--------------------------------|--|----------|----------|
| <i>CHF million, except where indicated</i>       | 31.12.16                       | 31.12.15                               | 31.12.14 | 31.12.13 |
|  | <i>unaudited</i>               | <i>audited, except where indicated</i> |          |          |
| <b>Results</b>                                   |                                |  |          |          |
| Operating income                                 | 28,421                         | 30,605                                 | 28,026   | 27,732   |
| Operating expenses                               | 24,250                         | 25,198                                 | 25,557   | 24,461   |
| Operating profit / (loss) before tax             | 4,171                          | 5,407                                  | 2,469    | 3,272    |
| Net profit / (loss) attributable to shareholders | 3,309                          | 6,235                                  | 3,502    | 3,172    |
| <b>Key performance indicators</b>                |                                |  |          |          |
| <b>Profitability</b>                             |                                |  |          |          |
| Return on tangible equity (%) <sup>1</sup>       | 7.1                            | 13.5*                                  | 8.2*     | 8.0*     |
| Return on assets, gross (%) <sup>2</sup>         | 3.0                            | 3.1*                                   | 2.8*     | 2.5*     |
| Cost / income ratio (%) <sup>3</sup>             | 85.2                           | 82.0*                                  | 90.9*    | 88.0*    |

| <b>Growth</b>   |         |          |           |            |
|---|---------|----------|-----------|------------|
| Net profit growth (%) <sup>4</sup>  | (46.9)  | 78.0*    | 10.4*     | -          |
| Net new money growth for combined wealth management businesses (%) <sup>5</sup> | 2.1     | 2.2*     | 2.5*      | 3.4*       |
| <b>Resources</b>  |         |          |           |            |
| Common equity tier 1 capital ratio (fully applied, %) <sup>6,7</sup>            | 14.8    | 15.4*    | 14.2*     | 12.8*      |
| Going concern leverage ratio (phase-in, %) <sup>8,9</sup>                       | 5.9     |          |           |            |
| <b>Additional information</b>   |         |          |           |            |
| <b>Profitability</b>  |         |          |           |            |
| Return on equity (RoE) (%)  | 6.1     | 11.7*    | 7.0*      | 6.7*       |
| Return on risk-weighted assets, gross (%) <sup>10</sup>                         | 13.2    | 14.3*    | 12.6*     | 11.6*      |
| <b>Resources</b>  |         |          |           |            |
| Total assets  | 935,353 | 943,256  | 1,062,327 | 1,013,355  |
| Equity attributable to shareholders   | 53,764  | 55,248   | 52,108    | 48,002     |
| Common equity tier 1 capital (fully applied) <sup>7</sup>                       | 33,054  | 32,042   | 30,805    | 28,908     |
| Common equity tier 1 capital (phase-in) <sup>7</sup>                            | 40,059  | 41,516   | 44,090    | 42,179     |
| Risk-weighted assets (fully applied) <sup>7</sup>                               | 223,232 | 208,186* | 217,158*  | 225,153*   |
| Common equity tier 1 capital ratio (phase-in, %) <sup>6,7</sup>                 | 17.7    | 19.5*    | 19.9*     | 18.5*      |
| Going concern capital ratio (fully applied, %) <sup>9</sup>                     | 16.5    |          |           |            |
| Going concern capital ratio (phase-in, %) <sup>9</sup>                          | 22.9    |          |           |            |
| Common equity tier 1 leverage ratio (fully applied, %) <sup>11</sup>            | 3.8     | 3.6*     | 3.1*      | 2.8*       |
| Going concern leverage ratio (fully applied, %) <sup>8,9</sup>                  | 4.2     |          |           |            |
| Leverage ratio denominator (fully applied) <sup>11</sup>                        | 870,987 | 898,251* | 999,124*  | 1,015,306* |
| <b>Other</b>  |         |          |           |            |
| Invested assets (CHF billion) <sup>12</sup>                                     | 2,821   | 2,689    | 2,734     | 2,390      |
| Personnel (full-time equivalents)   | 56,208  | 58,131*  | 60,155*   | 60,205*    |

\* unaudited

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

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

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

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

<sup>5</sup> Net new money growth for combined wealth management businesses is calculated as the aggregate of the net new money for the period (annualized as applicable) of the business divisions Wealth Management and Wealth Management Americas / aggregate invested assets at the beginning of the period of the business divisions Wealth Management and Wealth Management Americas. Net new money and invested assets are each derived from the "Wealth Management" and "Wealth Management Americas" sections of the management report contained in the UBS Group Fourth Quarter 2016 Report, under "UBS business divisions and Corporate Center", and in the Annual Report 2015, under "Financial and operating performance", respectively. Net new money growth for combined wealth management businesses is based on adjusted net new money, which excludes the negative effect on net new money (third quarter of 2015: CHF 3.3 billion; second quarter of 2015: CHF 6.6 billion) in Wealth Management from UBS's balance sheet and capital optimization program.

<sup>6</sup> Common equity tier 1 capital / risk-weighted assets.

<sup>7</sup> Based on the Basel III framework as applicable to Swiss systemically relevant banks.

<sup>8</sup> Going concern capital / leverage ratio denominator.

<sup>9</sup> Based on the revised Swiss SRB framework that became applicable on 1 July 2016. Figures for prior periods are not available.

<sup>10</sup> Based on fully-applied risk-weighted assets for all periods presented. This unaudited consolidated financial information was derived from the UBS Group Fourth Quarter 2016 Report and UBS AG Group's accounting records. Figures as of and for the years ended 31 December 2015, 31 December 2014 and 31 December 2013 do not correspond to the figures contained in the Annual Report 2015 or the Annual Report 2014, which were based on phase-in risk-weighted assets.

<sup>11</sup> Calculated in accordance with Swiss SRB rules. From 31 December 2015 onward, the leverage ratio denominator calculation is aligned with the Basel III rules. Figures for periods prior to 31 December 2015 are calculated in accordance with former Swiss SRB rules and are therefore not fully comparable.

<sup>12</sup> Includes invested assets for Personal & Corporate Banking.

## 2. Switzerland begins automatic exchange of information

Automatic exchange of information in tax matters ("**AEI**") between Switzerland and all EU member states and a number of other countries took effect on 1 January 2017. The first exchange of information between Switzerland and tax authorities in these countries will begin in 2018 based on 2017 data. The Swiss Federal Department of Finance has initiated consultations to extend the standard to additional countries. UBS has experienced outflows of cross-border client assets as a result of changes in local tax regimes or their enforcement.

## 3. EC proposes implementation rules for MREL and Basel III reforms

The European Commission ("**EC**") published proposals to implement the Financial Stability Board ("**FSB**") total loss-absorbing capacity ("**TLAC**") standard into the EU Minimum Requirement for own funds and Eligible Liabilities ("**MREL**") regime, as well as the remaining elements of the Basel III reforms into EU law. The proposals envisage that global systemically important institutions ("**G-SIIs**") would be subject to MREL requirements calculated at 16% of risk-weighted assets and 6% of the leverage exposure measure as of 1 January 2019, increasing to 18% and 6.75%, respectively, as of 1 January 2022. Additionally, banks would be subject to a 3% tier 1 leverage ratio requirement as part of the aforementioned 6% leverage exposure requirement, with the possibility of a G-SII add-on, and a minimum net stable funding ratio of 100%. The proposed rules would also (i) introduce an internal MREL requirement for material EU subsidiaries of non-EU G-SIIs; (ii) require non-EU G-SIIs with two or more EU entities to establish an EU-domiciled holding company; and (iii) create a new asset class of non-preferred senior debt, which would rank below other senior debt in insolvency. Internal MREL is the loss-absorbing capacity that a G-SII commits to material subsidiaries. These proposals would apply to UBS's legal entities in all EU member states, including UBS Limited and UBS Europe SE, and their precise impact on UBS will depend on the final rules and their implementation at a national level.



#### 4. Further developments on TLAC and MREL requirements

The FSB issued a consultative document on guiding principles on the internal TLAC of global systemically important banks ("**G-SIBs**") to support authorities and crisis management groups ("**CMGs**") in the implementation of TLAC requirements in their jurisdictions. The principles define, among other things, (i) the roles and responsibilities of host and home regulators and that of the CMGs in the identification of material sub-groups that would be subject to TLAC requirements; (ii) the way in which the size and location of internal TLAC within a material sub-group of a G-SIB is determined; and (iii) the FSB's expectations with regard to the cooperation and coordination between home and host authorities when internal TLAC is triggered. The core features of internal TLAC in relation to size, triggers and eligibility of instruments remain unchanged compared with the requirements detailed in the FSB's TLAC Principles and Term Sheet published in November 2015.

The US Federal Reserve Board issued a final rule that will apply TLAC requirements, minimum long-term debt requirements, and clean holding company requirements to all US G-SIBs and to foreign G-SIBs' US intermediate holding companies ("**covered IHCs**") such as UBS Americas Holding LLC. The final rule reflects only minor changes from the initial proposal and will require covered IHCs to maintain debt to the parent G-SIB qualifying as TLAC ("internal TLAC") of at least the greatest of 16% of risk-weighted assets, plus any capital conservation buffer, 6% of leverage exposure, if the leverage ratio applies, or 8% of average total consolidated assets, including eligible long-term debt of at least the greatest of 6% of risk-weighted assets, 2.5% of leverage exposure or 3.5% of average total consolidated assets. The clean holding company requirement prohibits covered IHCs from having liabilities to unrelated third parties that exceed 5% of its total TLAC unless all of its TLAC is contractually subordinated to third-party liabilities. It further prohibits a covered IHC from incurring short-term debt, entering into derivatives with unaffiliated parties and issuing certain guarantees. The rule becomes effective as of 1 January 2019.

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

**The paragraph in the section headed "VII. Trend Information" (starting on page 30 of the Registration Document) is completely replaced by the following text:**

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

**The section headed "VIII. Administrative, Management and Supervisory Bodies of UBS AG" (starting on page 30 of the Registration Document) is completely replaced by the following text:**

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

UBS AG operates under a strict dual board structure, as mandated by Swiss banking law. The Board of Directors ("**BoD**") exercises the ultimate supervision over management, whereas the Executive Board ("**EB**"), headed by the President of the Executive Board ("**President of the EB**"),

has executive management responsibility. The functions of Chairman of the BoD and President of the EB are assigned to two different people, ensuring a separation of power. This structure establishes checks and balances and preserves the institutional independence of the BoD from the day-to-day management of UBS AG, for which responsibility is delegated to the EB under the leadership of the President of the EB.

No member of one board may simultaneously be a member of the other. The supervision and control of the EB remains with the BoD. The Articles of Association and the Organization Regulations of UBS AG with their annexes govern the authorities and responsibilities of the two bodies.

## Board of Directors

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

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

## Members of the Board of Directors

| Member and business address  | Title                           | Term of office | Current principal positions outside UBS AG   |
|--|---------------------------------|----------------|--|
| Axel A. Weber<br><br>UBS AG,<br>Bahnhofstrasse 45,<br>CH-8001 Zurich                         | Chairman                        | 2017           | Chairman of the board of directors of UBS Group AG; board member of the Swiss Bankers Association; member of the board of trustees of Avenir Suisse; advisory board member of Zukunft Finanzplatz; board member of the Swiss Finance Council; chairman of the Institute of International Finance; president of the International Monetary Conference; member of the European Financial Services Round Table; member of the European Banking Group; member of the International Advisory Panel, Monetary Authority of Singapore; member of the Group of Thirty, Washington, D.C.; chairman of the DIW Berlin board of trustees; advisory board member of the Department of Economics at the University of Zurich. |
| Michel Demaré<br><br>Syngenta<br>International AG,<br>Schwarzwaldallee 215,<br>CH-4058 Basel | Independent<br>Vice<br>Chairman | 2017           | Independent Vice Chairman of the board of directors of UBS Group AG; chairman of the board of Syngenta; board member of Louis-Dreyfus Commodities Holdings BV; supervisory board member of IMD, Lausanne; chairman of the Syngenta Foundation for Sustainable Agriculture; advisory board member of the Department of Banking and Finance, University of Zurich; advisory board member of Zukunft Finanzplatz.   |
| David Sidwell<br><br>UBS AG,<br>Bahnhofstrasse 45,<br>CH-8001 Zurich                         | Member                          | 2017           | Senior Independent Director of the Board of Directors of UBS Group AG. Senior Advisor at Oliver Wyman, New York; board member of Chubb Limited; board member of GAVI Alliance; chairman of the Board of Village Care, New York; Director of the National Council on Aging, Washington D.C.   |
| Reto Francioni<br><br>UBS AG,<br>Bahnhofstrasse 45,<br>CH-8001 Zurich                        | Member                          | 2017           | Member of the board of directors of UBS Group AG; professor, University of Basel; board member of Coca-Cola HBC AG; board member of Coca-Cola HBC AG; chairman of the board of Swiss International Air Lines; board member of Francioni AG; board member of MedTech Innovation Partners AG.  |
| Ann F. Godbehare<br><br>UBS AG,<br>Bahnhofstrasse 45,<br>CH-8001 Zurich                      | Member                          | 2017           | Member of the board of directors of UBS Group AG; board member of Prudential plc (chairman of the audit committee); board member of Rio Tinto plc (chairman of the audit committee); board member of Rio Tinto Limited (chairman of the audit committee); board member of British American Tobacco plc.  |
| William G. Parrett   | Member                          | 2017           | Member of the board of directors of UBS Group AG; board member of the Eastman Kodak Company (chairman of audit and finance committee); board member of the Blackstone Group LP (chairman of audit committee and chairman of the conflicts committee); board member of Thermo Fisher  |

|   |        |      |  |
|---|--------|------|--|
| UBS AG,<br>Bahnhofstrasse 45,<br>CH-8001 Zurich |        |      | Scientific Inc. (chairman of audit committee); board member of Conduent Inc; member of the Committee on Capital Markets Regulation; member of the Carnegie Hall Board of Trustees; Past Chairman of the board of the United States Council for International Business; Past Chairman of United Way Worldwide.  |
| Isabelle Romy                                   | Member | 2017 | Member of the board of directors of UBS Group AG; partner at Froriep Legal AG, Zurich; associate professor at the University of Fribourg and at the Federal Institute of Technology, Lausanne; vice chairman of the Sanction Commission of SIX Swiss Exchange; member of the Fundraising Committee of the Swiss National Committee for UNICEF.   |
| Robert W. Scully                                | Member | 2017 | Member of the board of directors of UBS Group AG; board member of Chubb Limited; board member of Zoetis Inc.; board member of KKR & Co LP; board member of the Dean's Advisors of Harvard Business School.   |
| Beatrice Weder di Mauro                         | Member | 2017 | Member of the board of directors of UBS Group AG; Supervisory Board member of Robert Bosch GmbH, Stuttgart; board member of Bombardier Inc.; member of the ETH Zurich Foundation Board of Trustees; Economic Advisory Board member of Fraport AG; Advisory Board member of Deloitte Germany; Deputy Chairman of the University Council of the University of Mainz; member of the Senate of the Max Planck Society.   |
| Dieter Wemmer                                   | Member | 2017 | Member of the board of directors of UBS Group AG; Chief Financial Officer at Allianz SE; Administrative Board member of Allianz Asset Management AG and Allianz Investment Management SE; member of the CFO Forum; member of the Systemic Risk Working Group of the European Central Bank and the Bank for International Settlements; chairman of the Economic & Finance Committee of Insurance Europe; member of the Berlin Center of Corporate Governance. |
| Joseph Yam                                      | Member | 2017 | Member of the board of directors of UBS Group AG; Executive Vice President of the China Society for Finance and Banking; board member of Johnson Electric Holdings Limited; board member of UnionPay International Co., Ltd.; International Advisory Council member of China Investment Corporation; Distinguished Research Fellow at the Institute of Global Economics and Finance at the Chinese University of Hong Kong.                                  |

### Organizational principles and structure

Following each AGM, the BoD meets to appoint one or more Vice Chairmen, BoD committee members, and their respective Chairpersons. At the same meeting, the BoD appoints a Company Secretary, who acts as secretary to the BoD and its committees.

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

### Audit Committee

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

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

The function of the AC is to serve as an independent and objective body with oversight of the following: (i) UBS AG's accounting policies, financial reporting and disclosure controls and procedures, (ii) the quality, adequacy and scope of external audit, (iii) UBS AG's compliance with financial reporting requirements, (iv) senior management's approach to internal controls with

respect to the production and integrity of the financial statements and disclosure of the financial performance, and (v) the performance of Internal Audit in conjunction with the Chairman of the BoD.

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

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

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

### Executive Board

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

### Members of the Executive Board

| Member and business address   | Function                         | Current principal positions outside UBS AG  |
|---|----------------------------------|---|
| Sergio P. Ermotti<br><br>UBS AG,<br>Bahnhofstrasse 45,<br>CH-8001 Zurich  | President of the Executive Board | Member of the Group Executive Board and Group Chief Executive Officer of UBS Group AG; chairman of the board of directors of UBS Switzerland AG; chairman of the board of directors of UBS Business Solutions AG; chairman of the UBS Optimus Foundation board; chairman of the Fondazione Ermotti, Lugano; chairman and president of the board of the Swiss-American Chamber of Commerce; board member of the Fondazione Lugano per il Polo Culturale, Lugano; board member of Global Apprenticeship Network; member of the Institut International D'Etudes Bancaires. |
| Christian Bluhm<br>UBS AG,<br>Bahnhofstrasse 45,<br>CH-8001 Zurich        | Chief Risk Officer               | Member of the Group Executive Board and Group Chief Risk Officer of UBS Group AG; board member of UBS Business Solutions AG; board member of UBS Switzerland AG;  |
| Markus U. Diethelm<br><br>UBS AG,<br>Bahnhofstrasse 45,<br>CH-8001 Zurich | General Counsel                  | Member of the Group Executive Board and Group General Counsel of UBS Group AG; board member of UBS Business Solutions AG; chairman of the Swiss-American Chamber of Commerce's legal committee; member of the Swiss Advisory Council of the American Swiss Foundation; member of the Foundation Council of the UBS International Center of Economics in Society; member of the Conseil de Fondation du Musée International de la Croix-Rouge et du Croissant-Rouge; member of the Professional Ethics Commission of the Association of Swiss Corporate Lawyers.         |
| Kirt Gardner<br>UBS AG,<br>Bahnhofstrasse 45,<br>CH-8001 Zurich           | Chief Financial Officer          | Member of the Group Executive Board and Group Chief Financial Officer of UBS Group AG; board member of UBS Business Solutions AG.   |
| Sabine Keller-Busse<br>UBS AG,<br>Bahnhofstrasse 45,<br>CH-8001 Zurich    | Head Human Resources             | Member of the Group Executive Board and Group Head Human Resources of UBS Group AG; board member of SIX Group (chairman of risk committee); Foundation Board member of the UBS Pension Fund; and Foundation Board member of the Universitätsspital Zurich.  |

|   |  |   |
|---|--|---|
| <p>Ulrich Körner</p> <p>UBS AG,<br/>Bahnhofstrasse 45,<br/>CH-8001 Zurich</p>   | <p>President Asset Management and President UBS Europe, Middle East and Africa</p> | <p>Member of the Group Executive Board and President Asset Management and President Europe, Middle East and Africa of UBS Group AG; member of the Supervisory Board of UBS Europe SE; chairman of the Foundation Board of the UBS Pension Fund; chairman of the Widder Hotel in Zurich; vice president of the board of Lyceum Alpinum Zuoz; member of the Financial Service Chapter Board of the Swiss-American Chamber of Commerce; Advisory Board member of the Department of Banking and Finance at the University of Zurich; member of the business advisory council of the Laureus Foundation Switzerland.</p> |
| <p>Axel P. Lehmann</p> <p>UBS AG,<br/>Bahnhofstrasse 45,<br/>CH-8001 Zurich</p>   | <p>Chief Operating Officer</p>   | <p>Member of the Group Executive Board and Group Chief Operating Officer of UBS Group AG; board member of UBS Business Solutions AG; Co-Chair of the Global Future Council of the Future of Financial and Monetary Systems of WEF; Chairman of the Board of the Institute of Insurance Economics at the University of St. Gallen; Member of the International and Alumni Advisory Board at the University of St. Gallen; Member of the Swiss-American Chamber of Commerce Chapter Doing Business in USA.</p>  |
| <p>Tom Naratil</p> <p>UBS AG,<br/>1200 Harbor Boulevard,<br/>Weehawken,<br/>NJ 07086 USA</p>                                | <p>President Wealth Management Americas and President UBS Americas</p>             | <p>Member of the Group Executive Board and President Wealth Management Americas and President UBS Americas of UBS Group AG; chairman of UBS Americas Holding LLC; board member of the American Swiss Foundation; board member of the Clearing House Supervisory Board; board of consultants for the College of Nursing at Villanova University.</p>   |
| <p>Andrea Orcel</p> <p>UBS AG,<br/>Bahnhofstrasse 45,<br/>CH-8001 Zurich</p>  | <p>President Investment Bank</p>   | <p>Member of the Group Executive Board and President Investment Bank of UBS Group AG; board member of UBS Limited; board member of UBS Americas Holding LLC.</p>  |
| <p>Kathryn Shih</p> <p>UBS AG,<br/>2 International Finance<br/>Centre,<br/>8 Finance Street,<br/>Central,<br/>Hong Kong</p> | <p>President UBS Asia Pacific</p>  | <p>Member of the Group Executive Board and President UBS Asia Pacific of UBS Group AG; board member of Kenford International Ltd.; board member of Shih Co Charitable Foundation Ltd.; board member of Zygate Group Ltd.; member of the Hong Kong Trade Development Council (Financial Services Advisory Committee).</p>  |
| <p>Jürg Zeltner</p> <p>UBS AG,<br/>Bahnhofstrasse 45,<br/>CH-8001 Zurich</p>  | <p>President Wealth Management</p>   | <p>Member of the Group Executive Board and President Wealth Management of UBS Group AG; board member of the German-Swiss Chamber of Commerce; member of the IMD foundation board, Lausanne.</p>   |

### Potential Conflicts of Interest

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

**In the section headed "X. Financial Information concerning the Issuer's Assets and Liabilities, Financial Position and Profits and Losses" (starting on page 34 of the Registration Document) the section headed "Interim Financial Information" (page 35 of the Registration Document) is completely replaced by the following text:**

**"Interim Financial Information**

Reference is also made to (i) the UBS Group first quarter 2016 report and the UBS AG first quarter 2016 report, which contain information on the financial condition and results of operations, including the consolidated financial statements, of UBS Group AG (consolidated) and UBS AG (consolidated) respectively, as of and for the period ended 31 March 2016; (ii) the UBS Group second quarter 2016 report and the UBS AG second quarter 2016 report, which contain information on the financial condition and results of operations, including the consolidated financial statements, of UBS Group AG (consolidated) and UBS AG (consolidated) respectively, as of and for the period ended 30 June 2016, (iii) the UBS Group third quarter 2016 Report and the UBS AG third quarter 2016 report, which contain information on the financial condition and results of operations, including the consolidated financial statements, of UBS Group AG (consolidated) and UBS AG (consolidated) respectively, as of and for the period ended 30 September 2016, and (iv) the Fourth Quarter 2016 Report, which contains information on the financial condition and results of operations of UBS Group AG and of UBS AG, as of and for the quarter and the year ended 31 December 2016.

The interim consolidated financial statements of UBS Group AG and UBS AG, contained in the first, second and third quarter 2016 financial reports of UBS Group AG and UBS AG, respectively, and the interim consolidated financial information contained in the Fourth Quarter 2016 Report are not audited. UBS Group has not finalized its annual report 2016 and its independent registered public accounting firm has not completed its audit of the consolidated financial statements for the period. Accordingly, the financial information contained in the Fourth Quarter 2016 Report is subject to completion of year-end procedures, which may result in changes to that information. Moreover, subsequent to the publication of the Fourth Quarter 2016 Report, management has determined that it intends to propose the distribution of a higher dividend from UBS AG to its shareholder, UBS Group AG. This will determine a reduction of CHF 450 million in CET1 capital and resulting changes to regulatory capital-related information as of 31 December 2016, which will be reflected in the annual report 2016."

**The section headed "XI. Litigation, Regulatory and Similar Matters" (starting on page 35 et seq., of the Registration Document) is completely replaced by the following:**

**"XI. Litigation, Regulatory and Similar Matters**

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

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

estimated, a liability exists that is not recognized even if an outflow of resources is probable. Accordingly, no provision is established even if the potential outflow of resources with respect to select matters could be significant.

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

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

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

The aggregate amount provisioned for litigation, regulatory and similar matters as a class is disclosed in the "Provisions" table of the unaudited consolidated financial information included in the Fourth Quarter 2016 Report. It is not practicable to provide an aggregate estimate of liability for UBS's litigation, regulatory and similar matters as a class of contingent liabilities. Doing so would require UBS to provide speculative legal assessments as to claims and proceedings that involve unique fact patterns or novel legal theories, 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 it therefore cannot provide a numerical estimate of the future losses that could arise from litigation, regulatory and similar matters, UBS believes that the aggregate amount of possible future losses from this class that are more than remote substantially exceeds the level of current provisions. Litigation, regulatory and similar matters may also result in non-monetary penalties and consequences. For example, the Non-Prosecution Agreement ("**NPA**") described in item 5 of this section, which UBS entered into with the US Department of Justice ("**DOJ**"), Criminal Division, Fraud Section in connection with its submissions of benchmark interest rates, including, among others, the British Bankers' Association London Interbank Offered Rate ("**LIBOR**"), was terminated by the DOJ based on its determination that UBS had committed a US crime in relation to foreign exchange matters. As a consequence, UBS AG pleaded guilty to one count of wire fraud for conduct in the LIBOR matter, paid a USD 203 million fine and is subject to a three-year term of probation. A guilty plea to, or conviction of, a crime (including as a result of termination of the NPA) could have material consequences for UBS. Resolution of regulatory proceedings may require UBS to obtain waivers of regulatory disqualifications to maintain certain operations, may entitle regulatory authorities to limit, suspend or terminate licenses and regulatory authorizations and may permit financial market utilities to limit, suspend or terminate UBS's participation in such utilities. Failure to obtain such waivers, or any limitation, suspension or termination of licenses, authorizations or participations, could have material consequences for UBS.

The risk of loss associated with litigation, regulatory and similar matters is a component of operational risk for purposes of determining UBS's capital requirements. Information concerning its capital requirements and the calculation of operational risk for this purpose is included in the "Capital management" section of the Fourth Quarter 2016 Report.

| <b>Provisions for litigation, regulatory and similar matters by business division and Corporate Center unit<sup>1</sup></b>   |                   |                            |                              |                  |                 |               |                |                                    |              |
|---|-------------------|----------------------------|------------------------------|------------------|-----------------|---------------|----------------|------------------------------------|--------------|
| <i>CHF million</i>  | Wealth Management | Wealth Management Americas | Personal & Corporate Banking | Asset Management | Investment Bank | CC – Services | CC – Group ALM | CC – Non-core and Legacy Portfolio | <b>UBS</b>   |
| <b>Balance as of 31 December 2015</b>   | 245               | 459                        | 83                           | 16               | 585             | 310           | 0              | 1,284                              | <b>2,983</b> |
| <b>Balance as of 30 September 2016</b>  | 234               | 386                        | 72                           | 9                | 584             | 261           | 0              | 1,429                              | <b>2,976</b> |
| Increase in provisions recognised in the income statement   | 62                | 56                         | 7                            | 1                | 14              | 0             | 0              | 42                                 | <b>183</b>   |
| Release of provisions recognised in the income statement  | 0                 | (2)                        | 0                            | 0                | 0               | (2)           | 0              | (7)                                | <b>(11)</b>  |
| Provisions used in conformity with designated purpose   | (3)               | (35)                       | (1)                          | (6)              | (6)             | (1)           | 0              | (45)                               | <b>(96)</b>  |
| Foreign currency translation / unwind of discount   | (2)               | 20                         | 0                            | 1                | 24              | 1             | 0              | 65                                 | <b>108</b>   |
| <b>Balance as of 31 December 2016</b>   | 292               | 425                        | 78                           | 5                | 616             | 259           | 0              | 1,483                              | <b>3,159</b> |
| <sup>1</sup> Provisions, if any, for the matters described in this section are recorded in Wealth Management (item 3), Wealth Management Americas (item 4), the Investment Bank (item 8), CC – Services (item 7) and CC – Non-core and Legacy Portfolio (item 2). Provisions, if any, for the matters described in this section in items 1 and 6 are allocated between Wealth Management and Personal & Corporate Banking, and provisions, if any, for the matters described in this section in item 5 are allocated between the Investment Bank, CC – Services and CC – Non-core and Legacy Portfolio. |                   |                            |                              |                  |                 |               |                |                                    |              |

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

Tax and regulatory authorities in a number of countries have made inquiries, served requests for information or examined employees located in their respective jurisdictions relating to the cross-border wealth management services provided by UBS and other financial institutions. It is possible that implementation of automatic tax information exchange and other measures relating to cross-border provision of financial services could give rise to further inquiries in the future. UBS has received disclosure orders from the Swiss Federal Tax Administration (“**FTA**”) to transfer information based on requests for international administrative assistance in tax matters. The requests concern a number of UBS account numbers pertaining to current and former clients and are based on data from 2006 and 2008. UBS has taken steps to inform affected clients about the administrative assistance proceedings and their procedural rights, including the right to appeal. The requests are based on data received from the German authorities, who seized certain data related to UBS clients booked in Switzerland during their investigations and have apparently shared this data with other European countries. UBS expects additional countries to file similar requests. In addition, the Swiss Federal Supreme Court ruled in September 2016 that the double taxation agreement between the Netherlands and Switzerland provides a sufficient legal basis for an administrative assistance group request without specifying the names of the targeted taxpayers, which makes it more likely that similar requests for administrative assistance will be granted by the FTA.

As a result of investigations in France, in 2013, UBS (France) S.A. and UBS AG were put under formal examination (“*mise en examen*”) for complicity in having illicitly solicited clients on French territory, and were declared witness with legal assistance (“*témoign assisté*”) regarding the laundering of proceeds of tax fraud and of banking and financial solicitation by unauthorized persons. In 2014, UBS AG was placed under formal examination with respect to the potential charges of laundering of proceeds of tax fraud, and the investigating judges ordered UBS AG to provide bail (“*caution*”) of EUR 1.1 billion. UBS AG appealed the determination of the bail



amount, but both the appeal court ("Cour d'Appel") and the French Supreme Court ("Cour de Cassation") upheld the bail amount and rejected the appeal in full in late 2014. UBS AG filed an application to the European Court of Human Rights (ECHR) to challenge various aspects of the French court's decision. In January 2017, the ECHR denied UBS's application. The Swiss Federal Administrative Court ruled in October 2016 that in the administrative assistance proceedings related to the French bulk request, UBS has the right to appeal all final FTA client data disclosure orders. In September 2015, the former CEO of UBS Wealth Management was placed under formal examination in connection with these proceedings. In addition, the investigating judges have sought to issue arrest warrants against three Swiss-based former employees of UBS AG who did not appear when summoned by the investigating judge.

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

In February 2016, the investigating judge notified UBS AG and UBS (France) S.A. that he has closed his investigation. In July 2016, UBS AG and UBS (France) S.A. received the National Financial Prosecutor's recommendation ("réquisitoire"). As permitted, the parties have commented on the recommendation. The next procedural step will be for the judge to issue his final decree ("ordonnance de renvoi en correctionnelle") which would set out any charges for which UBS AG and UBS (France) S.A. will be tried, both legally and factually, and transfer the case to court.

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

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

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

UBS's balance sheet at 31 December 2016 reflected provisions with respect to matters described in this item 1 in an amount that UBS believes to be appropriate under the applicable accounting standard. As in the case of other matters for which UBS has established provisions, the future outflow of resources in respect of such matters cannot be determined with certainty based on currently available information, and accordingly may ultimately prove to be substantially greater (or may be less) than the provision that UBS has recognized.

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

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

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

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

*RMBS-related lawsuits concerning disclosures:* UBS is named as a defendant relating to its role as underwriter and issuer of RMBS in lawsuits related to approximately USD 2.5 billion in original face amount of RMBS underwritten or issued by UBS. Of the USD 2.5 billion in original face amount of RMBS that remains at issue in these cases, approximately USD 1.2 billion was issued in offerings in which a UBS subsidiary transferred underlying loans (the majority of which were purchased from third-party originators) into a securitization trust and made representations and warranties about those loans ("**UBS-sponsored RMBS**"). The remaining USD 1.3 billion of RMBS to which these cases relate was issued by third parties in securitizations in which UBS acted as underwriter ("**third-party RMBS**").

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

UBS is a defendant in a lawsuit brought by the National Credit Union Administration ("**NCUA**"), as conservator for certain failed credit unions, asserting misstatements and omissions in the offering documents for RMBS purchased by the credit unions. The lawsuit was filed in the US District Court for the District of Kansas. The original principal balance at issue in the case is approximately USD 1.15 billion. Motions for summary judgment were fully submitted in December 2016. In the second quarter of 2016, UBS resolved a similar case brought by the NCUA in the US District Court for the Southern District of New York ("**SDNY**") relating to RMBS with an original principal balance of approximately USD 400 million, for a total of approximately USD 69.8 million, in addition to reasonable attorneys' fees incurred by NCUA.

*Lawsuits related to contractual representations and warranties concerning mortgages and RMBS:* When UBS acted as an RMBS sponsor or mortgage seller, it generally made certain representations relating to the characteristics of the underlying loans. In the event of a material breach of these representations, UBS was in certain circumstances contractually obligated to repurchase the loans to which the representations related or to indemnify certain parties against losses. UBS has received demands to repurchase US residential mortgage loans as to which UBS made certain representations at the time the loans were transferred to the securitization trust aggregating approximately USD 4.1 billion in original principal balance. Of this amount, UBS considers claims relating to approximately USD 2 billion in original principal balance to be resolved, including claims barred by the statute of limitations. Substantially all of the remaining claims are in litigation, including the matters described in the next paragraph. UBS believes that new demands to repurchase US residential mortgage loans are time-barred under a decision rendered by the New York Court of Appeals.

In 2012, certain RMBS trusts filed an action ("**Trustee Suit**") in the SDNY seeking to enforce UBS RESI's obligation to repurchase loans in the collateral pools for three RMBS securitizations with an original principal balance of approximately USD 2 billion, for which Assured Guaranty Municipal Corp., a financial guaranty insurance company, had previously demanded repurchase. A bench trial in the SDNY adjourned in May 2016. Approximately 9,000 loans were at issue in the trial. In September 2016, the court issued an order ruling on numerous legal and factual issues and applying those rulings to 20 exemplar loans. The court further ordered that a lead master be appointed to apply the court's rulings to the loans that remain at issue following the trial. With respect to the loans subject to the Trustee Suit that were originated by institutions still in existence, UBS intends to enforce its indemnity rights against those institutions.

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

*Mortgage-related regulatory matters:* In 2014, UBS received a subpoena from the US Attorney's Office for the Eastern District of New York issued pursuant to the Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("**FIRREA**"), which seeks documents and information related to UBS's RMBS business from 2005 through 2007. In 2015, the Eastern District of New York identified a number of transactions that are the focus of their inquiry, and has subsequently

provided a revised list of transactions. UBS has provided and continues to provide information. UBS continues to respond to the FIRREA subpoena and to subpoenas from the New York State Attorney General and other state attorneys general relating to its RMBS business. In addition, UBS has also been responding to inquiries from both the Special Inspector General for the Troubled Asset Relief Program (“SIGTARP”) (who is working in conjunction with the US Attorney’s Office for Connecticut and the DOJ) and the SEC relating to trading practices in connection with purchases and sales of mortgage-backed securities in the secondary market from 2009 through 2014. UBS is cooperating with the authorities in these matters.

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

| <i>USD million</i>                                       | <b>Total</b> |
|--|--------------|
| <b>Balance as of 31 December 2015</b>                    | <b>1,218</b> |
| <b>Balance as of 30 September 2016</b>                   | <b>1,405</b> |
| Increase in provision recognized in the income statement | <b>40</b>    |
| Release of provision recognized in the income statement  | <b>0</b>     |
| Provision used in conformity with designated purpose     | <b>(44)</b>  |
| <b>Balance as of 31 December 2016</b>                    | <b>1,400</b> |

As reflected in the table “Provision for claims related to sales of residential mortgage-backed securities and mortgages,” UBS’s balance sheet at 31 December 2016 reflected a provision of USD 1,400 million with respect to matters described in this item 2. As in the case of other matters for which UBS has established provisions, the future outflow of resources in respect of this matter cannot be determined with certainty based on currently available information, and accordingly may ultimately prove to be substantially greater (or may be less) than the provision that UBS has recognized.

3. Madoff

In relation to the Bernard L. Madoff Investment Securities LLC (“**BMIS**”) investment fraud, UBS AG, UBS (Luxembourg) SA and certain other UBS subsidiaries have been subject to inquiries by a number of regulators, including FINMA and the Luxembourg Commission de Surveillance du Secteur Financier (“**CSSF**”). Those inquiries concerned two third-party funds established under Luxembourg law, substantially all assets of which were with BMIS, as well as certain funds established in offshore jurisdictions with either direct or indirect exposure to BMIS. These funds now face severe losses, and the Luxembourg funds are in liquidation. The last reported net asset value of the two Luxembourg funds before revelation of the Madoff scheme was approximately USD 1.7 billion in the aggregate, although that figure likely includes fictitious profit reported by BMIS. The documentation establishing both funds identifies UBS entities in various roles, including custodian, administrator, manager, distributor and promoter, and indicates that UBS employees serve as board members. UBS (Luxembourg) SA and certain other UBS subsidiaries are responding to inquiries by Luxembourg investigating authorities, without, however, being named as parties in those investigations. In 2009 and 2010, the liquidators of the two Luxembourg funds filed claims on behalf of the funds against UBS entities, non-UBS entities and certain individuals, including current and former UBS employees. The amounts claimed are approximately EUR 890 million and EUR 305 million, respectively. The liquidators have filed supplementary claims for amounts that the funds may possibly be held liable to pay the BMIS Trustee. These amounts claimed by the liquidator are approximately EUR 564 million and EUR 370 million, respectively. In addition, a large number of alleged beneficiaries have filed claims against UBS entities (and non-UBS entities) for purported losses relating to the Madoff scheme. The majority of these cases are pending in Luxembourg, where appeals were filed by the claimants against the 2010 decisions of the court in which the claims in a number of test cases were held to be inadmissible. In 2014, the Luxembourg Court of Appeal dismissed one test case appeal in its entirety, which decision was appealed by the investor. In 2015, the Luxembourg Supreme Court found in favor of UBS and dismissed the investor's appeal. In June 2016, the Luxembourg Court of Appeal dismissed the remaining test cases in their entirety. In the US, the BMIS Trustee filed claims in 2010 against UBS entities, among others, in relation to the two Luxembourg funds and one of the offshore funds. The total amount claimed against all defendants in these actions was not less than USD 2 billion.

Following a motion by UBS, in 2011, the SDNY dismissed all of the BMIS Trustee's claims other than claims for recovery of fraudulent conveyances and preference payments that were allegedly transferred to UBS on the ground that the BMIS Trustee lacks standing to bring such claims. In 2013, the Second Circuit affirmed the District Court's decision and, in 2014, the US Supreme Court denied the BMIS Trustee's petition seeking review of the Second Circuit ruling. In November 2016, the bankruptcy court issued an opinion dismissing the remaining claims for recovery of subsequent transfers of fraudulent conveyances and preference payments on the ground that the US Bankruptcy Code does not apply to transfers that occurred outside the US. The BMIS Trustee has indicated that he will appeal. In 2014, several claims, including a purported class action, were filed in the US by BMIS customers against UBS entities, asserting claims similar to the ones made by the BMIS Trustee, seeking unspecified damages. One claim was voluntarily withdrawn by the plaintiff. In 2015, following a motion by UBS, the SDNY dismissed the two remaining claims on the basis that the New York courts did not have jurisdiction to hear the claims against the UBS entities. The plaintiff in one of those claims has appealed the dismissal. In Germany, certain clients of UBS are exposed to Madoff-managed positions through third-party funds and funds administered by UBS entities in Germany. A small number of claims have been filed with respect to such funds. In 2015, a court of appeal ordered UBS to pay EUR 49 million, plus interest of approximately EUR 15.3 million.

#### 4. Puerto Rico

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

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

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

In 2011, a purported derivative action was filed on behalf of the Employee Retirement System of the Commonwealth of Puerto Rico ("**System**") against over 40 defendants, including UBS PR,

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

Also, in 2013, an SEC Administrative Law Judge dismissed a case brought by the SEC against two UBS executives, finding no violations. The charges had stemmed from the SEC's investigation of UBS's sale of closed-end funds in 2008 and 2009, which UBS settled in 2012. Beginning in 2012, two federal class action complaints, which were subsequently consolidated, were filed against various UBS entities, certain of the funds, and certain members of UBS PR senior management, seeking damages for investor losses in the funds during the period from January 2008 through May 2012 based on allegations similar to those in the SEC action. In September 2016, the court denied plaintiffs' motion for class certification. In October 2016, plaintiffs filed a petition with the US Court of Appeals for the First Circuit seeking permission to bring an interlocutory appeal challenging the denial of their motion for class certification. Defendants have filed an opposition to plaintiffs' petition.

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

UBS's balance sheet at 31 December 2016 reflected provisions with respect to matters described in this item 4 in amounts that UBS believes to be appropriate under the applicable accounting standard. As in the case of other matters for which UBS has established provisions, the future outflow of resources in respect of such matters cannot be determined with certainty based on currently available information, and accordingly may ultimately prove to be substantially greater (or may be less) than the provisions that UBS has recognized.

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

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

In 2014, UBS reached settlements with the FCA and the CFTC in connection with their foreign exchange investigations, and FINMA issued an order concluding its formal proceedings with respect to UBS relating to its foreign exchange and precious metals businesses. UBS has paid a

total of approximately CHF 774 million to these authorities, including GBP 234 million in fines to the FCA, USD 290 million in fines to the CFTC, and CHF 134 million to FINMA representing confiscation of costs avoided and profits. In 2015, the Federal Reserve Board and the Connecticut Department of Banking issued an Order to Cease and Desist and Order of Assessment of a Civil Monetary Penalty Issued upon Consent ("**Federal Reserve Order**") to UBS AG. As part of the Federal Reserve Order, UBS AG paid a USD 342 million civil monetary penalty.

In 2015, the DOJ's Criminal Division ("**Criminal Division**") terminated the December 2012 Non-Prosecution Agreement ("NPA") with UBS AG related to UBS's submissions of benchmark interest rates. As a result, UBS AG entered into a plea agreement with the Criminal Division pursuant to which UBS AG pleaded guilty to a one-count criminal information filed in the US District Court for the District of Connecticut charging UBS AG with one count of wire fraud in violation of 18 USC Sections 1343 and 2. Sentencing occurred on 5 January 2017. Under the plea agreement, UBS AG has paid a USD 203 million fine and is subject to a three-year term of probation starting on the sentencing date. The criminal information charges that, between approximately 2001 and 2010, UBS AG engaged in a scheme to defraud counterparties to interest rate derivatives transactions by manipulating benchmark interest rates, including Yen LIBOR. The Criminal Division terminated the NPA based on its determination, in its sole discretion, that certain UBS AG employees committed criminal conduct that violated the NPA, including fraudulent and deceptive currency trading and sales practices in conducting certain foreign exchange market transactions with clients and collusion with other participants in certain foreign exchange markets.

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

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

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

*Foreign exchange-related civil litigation:* Putative class actions have been filed since November 2013 in US federal courts and in other jurisdictions against UBS and other banks on behalf of putative classes of persons who engaged in foreign currency transactions with any of the defendant banks. They allege collusion by the defendants and assert claims under the antitrust laws and for unjust enrichment. In 2015, additional putative class actions were filed in federal court in New York against UBS and other banks on behalf of a putative class of persons who entered into or held any foreign exchange futures contracts and options on foreign exchange futures contracts since 1 January 2003. The complaints assert claims under the Commodity Exchange Act ("**CEA**") and the US antitrust laws. In 2015, a consolidated complaint was filed on behalf of both putative classes of persons covered by the US federal court class actions described above. UBS has entered into a settlement agreement that would resolve all of these US federal court class actions. The agreement, which has been preliminarily approved by the court and is subject to final court approval, requires, among other things, that UBS pay an aggregate of USD 141 million and provide cooperation to the settlement classes.

A putative class action has been filed in federal court in New York against UBS and other banks on behalf of participants, beneficiaries, and named fiduciaries of plans qualified under the Employee Retirement Income Security Act of 1974 (“**ERISA**”) for whom a defendant bank provided foreign currency exchange transactional services, exercised discretionary authority or discretionary control over management of such ERISA plan, or authorized or permitted the execution of any foreign currency exchange transactional services involving such plan’s assets. The complaint asserts claims under ERISA. The parties filed a stipulation to dismiss the case with prejudice. The plaintiffs have appealed the dismissal.

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

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

In 2015, UBS was added to putative class actions pending against other banks in federal court in New York and other jurisdictions on behalf of putative classes of persons who had bought or sold physical precious metals and various precious metal products and derivatives. The complaints in these lawsuits assert claims under the antitrust laws and the CEA, and other claims. In October 2016, the court in New York granted UBS's motions to dismiss the putative class actions relating to gold and silver. Plaintiffs in those cases are seeking to amend their complaints to add new allegations about UBS. UBS's motion to dismiss the putative class action relating to platinum and palladium remains pending.

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

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

In 2014, UBS reached a settlement with the European Commission (“**EC**”) regarding its investigation of bid-ask spreads in connection with Swiss franc interest rate derivatives and paid a EUR 12.7 million fine, which was reduced to this level based in part on UBS’s cooperation with the EC. In December 2016, UBS reached a settlement with WEKO regarding its investigation of

bid-ask spreads in connection with Swiss franc interest rate derivatives and received full immunity from fines. The MAS, HKMA and the Japan Financial Services Agency have also resolved investigations of UBS (and in some cases, other banks). UBS has ongoing obligations to cooperate with the authorities with whom UBS has reached resolutions and to undertake certain remediation with respect to benchmark interest rate submissions.

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

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

*LIBOR and other benchmark-related civil litigation:* A number of putative class actions and other actions are pending in the federal courts in New York against UBS and numerous other banks on behalf of parties who transacted in certain interest rate benchmark-based derivatives. Also pending in the US and in other jurisdictions are actions asserting losses related to various products whose interest rates were linked to LIBOR and other benchmarks, including adjustable rate mortgages, preferred and debt securities, bonds pledged as collateral, loans, depository accounts, investments and other interest-bearing instruments. All of the complaints allege manipulation, through various means, of various benchmark interest rates, including USD LIBOR, Euroyen TIBOR, Yen LIBOR, EURIBOR, CHF LIBOR, GBP LIBOR, USD ISDAFIX rates and other benchmark rates, and seek unspecified compensatory and other damages under varying legal theories. In 2013, the US district court in the USD LIBOR action dismissed the federal antitrust and racketeering claims of certain USD LIBOR plaintiffs and a portion of their claims brought under the CEA and state common law. Certain plaintiffs appealed the decision to the Second Circuit, which, in May 2016, vacated the district court's ruling finding no antitrust injury and remanded the case back to the district court for a further determination on whether plaintiffs have antitrust standing. In December 2016, the district court again dismissed plaintiffs' antitrust claims, this time for lack of personal jurisdiction over UBS and other foreign banks. In 2014, the court in one of the Euroyen TIBOR lawsuits dismissed certain of the plaintiff's claims, including federal antitrust claims. In 2015, the same court dismissed plaintiff's federal racketeering claims and affirmed its previous dismissal of plaintiff's antitrust claims. UBS and other defendants in other lawsuits, including those related to EURIBOR, CHF LIBOR, GBP LIBOR, and SIBOR have filed motions to dismiss. UBS has entered into an agreement with representatives of a class of bondholders to settle their USD LIBOR class action. The agreement is subject to court approval.

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



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

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

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

#### 6. Swiss retrocessions

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

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

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

UBS's balance sheet at 31 December 2016 reflected a provision with respect to matters described in this item 6 in an amount that UBS believes to be appropriate under the applicable accounting standard. The ultimate exposure will depend on client requests and the resolution thereof, factors that are difficult to predict and assess. Hence, as in the case of other matters for which UBS has established provisions, the future outflow of resources in respect of such matters cannot be determined with certainty based on currently available information, and accordingly may ultimately prove to be substantially greater (or may be less) than the provision that UBS has recognized.

#### 7. Banco UBS Pactual tax indemnity

Pursuant to the 2009 sale of Banco UBS Pactual S.A. ("**Pactual**") by UBS to BTG Investments, LP ("**BTG**"), BTG has submitted contractual indemnification claims that UBS estimates amount to approximately BRL 2.6 billion, including interest and penalties, which is net of liabilities retained by BTG. The claims pertain principally to several tax assessments issued by the Brazilian tax authorities against Pactual relating to the period from December 2006 through March 2009, when UBS owned Pactual. These assessments are being challenged in administrative and judicial proceedings. The majority of these assessments relate to the deductibility of goodwill amortization in connection with UBS's 2006 acquisition of Pactual and payments made to Pactual employees through various profit-sharing plans. In 2015, an intermediate administrative court issued a decision that was largely in favor of the tax authority with respect to the goodwill

amortization assessment. In May 2016, the highest level of the administrative court agreed to review this decision on a number of the significant issues.

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

The Hong Kong Securities and Futures Commission ("**SFC**") has been conducting investigations into UBS's role as a sponsor of certain initial public offerings listed on the Hong Kong Stock Exchange. In October 2016, the SFC informed UBS that it intends to commence action against UBS and certain UBS employees with respect to sponsorship work in those offerings. If such action is taken, there may be financial ramifications for UBS, including fines, obligations to pay investor compensation and suspension of UBS's ability to provide corporate finance advisory services in Hong Kong for a period of time. On 16 January 2017, a writ was filed by the SFC with Hong Kong's High Court in which UBS is named as one of six defendants from whom the SFC is seeking compensation in an unspecified amount for losses incurred by certain shareholders of China Forestry Holding Company Limited, for whom UBS acted as a sponsor in connection with their 2009 listing application.

The specific litigation, regulatory and other matters described above include all such matters that management considers to be material and others that management believes to be of significance due to potential financial, reputational and other effects as described under the heading "Provisions and contingent liabilities" in the unaudited consolidated financial information section of the Fourth Quarter 2016 Report. The proceedings indicated below are matters that have recently been considered material, but are not currently considered material, by UBS. Besides the proceedings described above and those described below, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened, of which UBS AG is aware) which may have, or have had in the recent past, significant effects on UBS AG Group's and/or UBS AG's financial position or profitability and are or have been pending during the last twelve months until the date of this document.

#### *Matters relating to the CDS market*

In 2013, the EC issued a Statement of Objections against 13 credit default swap (CDS) dealers including UBS, as well as data service provider Markit and the International Swaps and Derivatives Association (ISDA). The Statement of Objections broadly alleges that the dealers infringed European Union antitrust rules by colluding to prevent exchanges from entering the credit derivatives market between 2006 and 2009. In 2015, the EC issued a statement that it had decided to close its investigation against all 13 dealers, including UBS. In July 2016, the EC issued a statement that it had resolved its investigation regarding Markit and ISDA. Starting in 2009, the Antitrust Division of the DOJ investigated whether multiple dealers, including UBS, conspired with each other and with Markit to restrain competition in the markets for CDS trading, clearing and other services. In September 2016, DOJ advised that it had closed its investigation. In 2014, putative class action plaintiffs filed consolidated amended complaints in the SDNY against 12 dealers, including UBS, as well as Markit and ISDA, alleging violations of the US Sherman Antitrust Act and common law. Plaintiffs allege that the defendants unlawfully conspired to restrain competition in and / or monopolize the market for CDS trading in the US in order to protect the dealers' profits from trading CDS in the over-the-counter market. In 2015, UBS and the other defendants entered into settlement agreements to resolve the litigation, pursuant to which UBS has paid USD 75 million out of a total settlement amount paid by all defendants of approximately USD 1.865 billion. The agreements have received final court approval.

Except as disclosed in this Registration Document, there is no litigation of which the Issuer is aware, which may have, or has had during the 12 months prior to the date of this prospectus, a major impact on the financial position of UBS AG and its subsidiaries taken as a whole. "

**In the section headed "XII. Significant Changes in the Financial or Trading Position; Material Adverse Change in Prospects" (page 46 of the Registration Document) the first paragraph is completely replaced as follows:**

"There has been no significant change in the financial or trading position of UBS AG or UBS AG Group since 31 December 2016, which is the end of the last financial period for which interim financial information has been published."

**In the section headed "XIV. Documents on Display" (starting on page 47 of the Registration Document) the bullet point before the last bullet point "the Articles of Association of UBS AG" is replaced as follows:**

"

- The UBS Group Third quarter 2016 report and the UBS AG Third quarter 2016 report;
- The UBS Group Fourth quarter 2016 report; and"

The Fourth quarter report contained in Appendix I (Fourth quarter 2016 report of UBS Group) hereto is added as Appendix 9 to the Registration Document.

## **2) Summary English Language**

**(i)** in relation to the Base Prospectus dated 30 May 2016 for the issue of Securities in the section  
"Summary of the Prospectus (in the English Language)" in the section headed  
"Section B – Issuer"

**(ii)** in relation to the Base Prospectus dated 30 June 2016 for the Issuance of Fixed Income Securities (Cash) in the section  
"Summary of the Prospectus (in the English Language)" in the section headed  
"Section B – Issuer"

**(iii)** in relation to the Prospectus dated 6 July 2016 for the issuance of Gelfarth Select Strategy Certificates (ISIN CH0326223960) in the section  
"Summary of the Prospectus (in the English Language)" in the section headed  
"Section B – Issuer"

**(iv)** in relation to the Base Prospectus dated 21 July 2016 for the issue of Warrants in the section  
"Summary of the Prospectus (in the English Language)" in the section headed  
"Section B – Issuer"

**(v)** in relation to the prospectus comprising the Summary and Securities Note dated 5 September 2016 for the issuance of LGT Equity Top Picks Basket Certificates (EUR) (ISIN DE000UW1A1L0) in the section  
"Summary of the Prospectus (in the English Language)" in the section headed  
"Section B – Issuer"

**(vi)** in relation to the prospectus comprising the Summary and Securities Note dated 5 September 2016 for the issuance of LGT Equity Top Picks Basket Certificates (CHF) (ISIN DE000UW0KYB4) in the section  
"Summary of the Prospectus (in the English Language)" in the section headed  
"Section B – Issuer"

**(vii)** in relation to the prospectus comprising the Summary and Securities Note dated 5 September 2016 for the issuance of LGT Equity Top Picks Basket Certificates (USD) (ISIN DE000UW0TGCO) in the section  
"Summary of the Prospectus (in the English Language)" in the section headed  
"Section B – Issuer"

**(viii)** in relation to the Base Prospectus dated 8 September 2016 for the issuance of Securities in the section  
"Summary of the Prospectus (in the English Language)" in the section headed  
"Section B – Issuer"

(ix) in relation to the Base Prospectus dated 27 Januar 2017 for the issuance of Warrants in the section "Summary of the Prospectus (in the English Language)" in the section headed "Section B – Issuer"

**the Elements B.4b, B.5 and B.12 are completely replaced as follows:**

|             |  |  |
|-------------|--|--|
| <b>B.4b</b> | A description of any known trends affecting the issuer or the industries in which it operates. | <p>Trend Information</p> <p>As indicated in the UBS Group fourth quarter 2016 report, although macroeconomic uncertainty, geopolitical tensions and divisive politics continue to affect client sentiment and transaction volumes, UBS has begun to observe improved investor confidence, primarily in the US, which may benefit its wealth management businesses. Lower than expected and negative interest rates, particularly in Switzerland and the eurozone, continue to present headwinds to net interest margins, which may be offset by the effect of higher US dollar interest rates. Implementing Switzerland's new bank capital standards and the proposed further changes to the international regulatory framework for banks will result in increasing capital requirements and costs. UBS will continue to execute its strategy with discipline, positioning it to mitigate these challenges and to benefit from any further improvement in market conditions.</p>   |
| <b>B.5</b>  | Description of the group and the issuer's position within the group                            | <p>UBS AG is a Swiss bank and the parent company of the UBS AG Group. It is 100% owned by UBS Group AG, which is the holding company of the UBS Group. UBS operates as a group with five business divisions (Wealth Management, Wealth Management Americas, Personal &amp; Corporate Banking, Asset Management and the Investment Bank) and a Corporate Center.</p> <p>Over the past two years, UBS has undertaken a series of measures to improve the resolvability of the Group in response to too big to fail ("<b>TBTF</b>") requirements in Switzerland and other countries in which the Group operates.</p> <p>In December 2014, UBS Group AG completed an exchange offer for the shares of UBS AG and became the holding company for the UBS Group. Subsequently, during 2015, UBS Group AG filed and completed a procedure under the Swiss Stock Exchange and Securities Trading Act to squeeze out minority shareholders of UBS AG, as a result of which UBS Group AG acquired all of the outstanding shares of UBS AG.</p> <p>During 2015, UBS AG transferred its Retail &amp; Corporate (now Personal &amp; Corporate Banking) and Wealth Management business booked in Switzerland to UBS Switzerland AG, a banking subsidiary of UBS AG in Switzerland. UBS also completed the implementation of a more self-sufficient business and operating model for UBS Limited, UBS's investment banking subsidiary in the UK, under which UBS Limited bears and retains a larger proportion of the risk and reward in its business activities. Also in 2015, UBS established a new subsidiary of UBS AG, UBS Asset Management AG, into which the majority of the operating subsidiaries of Asset Management have been transferred during 2016. UBS continues to consider further changes to the legal entities used by Asset Management, including the transfer of operations conducted by UBS AG in Switzerland into a subsidiary of UBS Asset Management AG.</p> |

|             |  |  |
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|             |  | <p>UBS Business Solutions AG was established in 2015 as a direct subsidiary of UBS Group AG to act as the Group service company. UBS will transfer the ownership of the majority of its existing service subsidiaries to this entity. UBS expects that the transfer of shared service and support functions into the service company structure will be implemented in a staged approach through 2018, with the transfer of the shared services functions in Switzerland and in the UK from UBS AG to UBS Business Solutions AG expected to happen during 2017. As of 1 January 2017, UBS completed the transfer of remaining shared services employees in the US to the US service company, UBS Business Solutions US LLC, a subsidiary of UBS AG. The purpose of the service company structure is to improve the resolvability of the Group by enabling UBS to maintain operational continuity of critical services should a recovery or resolution event occur.</p> <p>In the second quarter of 2016, UBS Americas Holding LLC, a subsidiary of UBS AG, has been designated as the intermediate holding company for UBS's US subsidiaries as required under the enhanced prudential standards regulations pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act ("<b>Dodd-Frank</b>"). UBS Americas Holding LLC holds all of UBS's US subsidiaries and is subject to US capital requirements, governance requirements and other prudential regulation.</p> <p>During the fourth quarter of 2016, UBS Deutschland AG and UBS Wealth Management subsidiaries in Germany, Italy, Luxembourg (including its branches in Austria, Denmark and Sweden), the Netherlands and Spain were merged into a new European legal entity, UBS Europe SE, which is headquartered in Frankfurt am Main, Germany, and regulated by BaFin, the German Federal Financial Supervisory Authority.</p> <p>UBS continues to consider further changes to the Group's legal structure in response to capital and other regulatory requirements, and in order to obtain any rebate in total loss-absorbing capacity requirements for which the Group may be eligible. Such changes may include the transfer of operating subsidiaries of UBS AG to become direct subsidiaries of UBS Group AG, and adjustments to the booking entity or location of products and services. These structural changes are being discussed on an ongoing basis with the Swiss Financial Market Supervisory Authority FINMA ("<b>FINMA</b>") and other regulatory authorities, and remain subject to a number of uncertainties that may affect their feasibility, scope or timing.</p> |
| <b>B.12</b> | Selected historical key financial information. | <p>UBS AG took the selected consolidated financial information included in the table below for the years ended 31 December 2015, 2014 and 2013, except where indicated, from the UBS Group AG and UBS AG annual report 2015, which contains the audited consolidated financial statements of UBS AG, as well as additional unaudited consolidated financial information, for the year ended 31 December 2015 and comparative figures for the years ended 31 December 2014 and 2013. The selected consolidated financial information included in the table below for the year ended 31 December 2016 was taken from the Fourth Quarter 2016 Report, which contains UBS AG interim consolidated financial information (unaudited) for the year ended 31 December 2016.</p> <p>UBS AG has not finalized its Annual Report 2016 and its</p>  |

|   |           |   |                             |           |  |
|---|-----------|---|-----------------------------|-----------|--|
|   |           | <p>independent registered public accounting firm has not completed its audit of the consolidated financial statements for the period. Accordingly, the UBS AG financial information contained in Fourth Quarter 2016 Report is subject to completion of year-end procedures, which may result in changes to that information. Moreover, subsequent to the publication of the Fourth Quarter 2016 Report, management has determined that it intends to propose the distribution of a higher dividend from UBS AG to its shareholder, UBS Group AG. This will determine a reduction of CHF 450 million in CET1 capital and resulting changes to regulatory capital-related information as of 31 December 2016, which will be reflected in the annual report 2016.</p> <p>Information for the years ended 31 December 2015, 2014 and 2013 which is indicated as being unaudited in the table below was included in the Annual Report 2015 but has not been audited on the basis that the respective disclosures are not required under IFRS, and therefore are not part of the audited financial statements.</p> |                             |           |  |
|   |           | As of or for the year ended   | As of or for the year ended |           |  |
| CHF million, except where indicated   | 31.12.16  | 31.12.15  | 31.12.14                    | 31.12.13  |  |
|   | unaudited | audited, except where indicated   |                             |           |  |
| <b>Results</b>  |           |   |                             |           |  |
| Operating income  | 28,421    | 30,605  | 28,026                      | 27,732    |  |
| Operating expenses  | 24,250    | 25,198  | 25,557                      | 24,461    |  |
| Operating profit / (loss) before tax  | 4,171     | 5,407   | 2,469                       | 3,272     |  |
| Net profit / (loss) attributable to shareholders                                | 3,309     | 6,235   | 3,502                       | 3,172     |  |
| <b>Key performance indicators</b>   |           |   |                             |           |  |
| <b>Profitability</b>  |           |   |                             |           |  |
| Return on tangible equity (%) <sup>1</sup>                                      | 7.1       | 13.5*   | 8.2*                        | 8.0*      |  |
| Return on assets, gross (%) <sup>2</sup>  | 3.0       | 3.1*  | 2.8*                        | 2.5*      |  |
| Cost / income ratio (%) <sup>3</sup>  | 85.2      | 82.0*   | 90.9*                       | 88.0*     |  |
| <b>Growth</b>   |           |   |                             |           |  |
| Net profit growth (%) <sup>4</sup>  | (46.9)    | 78.0*   | 10.4*                       | -         |  |
| Net new money growth for combined wealth management businesses (%) <sup>5</sup> | 2.1       | 2.2*  | 2.5*                        | 3.4*      |  |
| <b>Resources</b>  |           |   |                             |           |  |
| Common equity tier 1 capital ratio (fully applied, %) <sup>6,7</sup>            | 14.8      | 15.4*   | 14.2*                       | 12.8*     |  |
| Going concern leverage ratio (phase-in, %) <sup>8,9</sup>                       | 5.9       |   |                             |           |  |
| <b>Additional information</b>   |           |   |                             |           |  |
| <b>Profitability</b>  |           |   |                             |           |  |
| Return on equity (RoE) (%)  | 6.1       | 11.7*   | 7.0*                        | 6.7*      |  |
| Return on risk-weighted assets, gross (%) <sup>10</sup>                         | 13.2      | 14.3*   | 12.6*                       | 11.6*     |  |
| <b>Resources</b>  |           |   |                             |           |  |
| Total assets  | 935,353   | 943,256   | 1,062,327                   | 1,013,355 |  |
| Equity attributable to shareholders   | 53,764    | 55,248  | 52,108                      | 48,002    |  |

|   |   |   |          |            |
|---|---|---|----------|------------|
| Common equity tier 1 capital (fully applied) <sup>7</sup>   | 33,054  | 32,042  | 30,805   | 28,908     |
| Common equity tier 1 capital (phase-in) <sup>7</sup>  | 40,059  | 41,516  | 44,090   | 42,179     |
| Risk-weighted assets (fully applied) <sup>7</sup>   | 223,232   | 208,186*  | 217,158* | 225,153*   |
| Common equity tier 1 capital ratio (phase-in, %) <sup>6,7</sup>   | 17.7  | 19.5*   | 19.9*    | 18.5*      |
| Going concern capital ratio (fully applied, %) <sup>9</sup>   | 16.5  |   |          |            |
| Going concern capital ratio (phase-in, %) <sup>9</sup>  | 22.9  |   |          |            |
| Common equity tier 1 leverage ratio (fully applied, %) <sup>11</sup>  | 3.8   | 3.6*  | 3.1*     | 2.8*       |
| Going concern leverage ratio (fully applied, %) <sup>8,9</sup>  | 4.2   |   |          |            |
| Leverage ratio denominator (fully applied) <sup>11</sup>  | 870,987   | 898,251*  | 999,124* | 1,015,306* |
| <b>Other</b>  |   |   |          |            |
| Invested assets (CHF billion) <sup>12</sup>   | 2,821   | 2,689   | 2,734    | 2,390      |
| Personnel (full-time equivalents)   | 56,208  | 58,131*   | 60,155*  | 60,205*    |
| * unaudited   |   |   |          |            |
| <p><sup>1</sup> Net profit attributable to shareholders before amortization and impairment of goodwill and intangible assets (annualized as applicable) / average equity attributable to shareholders less average goodwill and intangible assets.</p> <p><sup>2</sup> Operating income before credit loss (expense) or recovery (annualized as applicable) / average total assets.</p> <p><sup>3</sup> Operating expenses / operating income before credit loss (expense) or recovery.</p> <p><sup>4</sup> Change in net profit attributable to shareholders from continuing operations between current and comparison periods / net profit attributable to shareholders from continuing operations of comparison period. Not meaningful and not included if either the reporting period or the comparison period is a loss period.</p> <p><sup>5</sup> Net new money growth for combined wealth management businesses is calculated as the aggregate of the net new money for the period (annualized as applicable) of the business divisions Wealth Management and Wealth Management Americas / aggregate invested assets at the beginning of the period of the business divisions Wealth Management and Wealth Management Americas. Net new money and invested assets are each derived from the "Wealth Management" and "Wealth Management Americas" sections of the management report contained in the UBS Group Fourth Quarter 2016 Report, under "UBS business divisions and Corporate Center", and in the Annual Report 2015, under "Financial and operating performance", respectively. Net new money growth for combined wealth management businesses is based on adjusted net new money, which excludes the negative effect on net new money (third quarter of 2015: CHF 3.3 billion; second quarter of 2015: CHF 6.6 billion) in Wealth Management from UBS's balance sheet and capital optimization program.</p> <p><sup>6</sup> Common equity tier 1 capital / risk-weighted assets.</p> <p><sup>7</sup> Based on the Basel III framework as applicable to Swiss systemically relevant banks.</p> <p><sup>8</sup> Going concern capital / leverage ratio denominator.</p> <p><sup>9</sup> Based on the revised Swiss SRB framework that became applicable on 1 July 2016. Figures for prior periods are not available.</p> <p><sup>10</sup> Based on fully-applied risk-weighted assets for all periods presented. This unaudited consolidated financial information was derived from the UBS Group Fourth Quarter 2016 Report and UBS AG Group's accounting records. Figures as of and for the years ended 31 December 2015, 31 December 2014 and 31 December 2013 do not correspond to the figures contained in the Annual Report 2015 or the Annual Report 2014, which were based on phase-in risk-weighted assets.</p> <p><sup>11</sup> Calculated in accordance with Swiss SRB rules. From 31 December 2015 onward, the leverage ratio denominator calculation is aligned with the Basel III rules. Figures for periods prior to 31 December 2015 are calculated in accordance with former Swiss SRB rules and are therefore not fully comparable.</p> <p><sup>12</sup> Includes invested assets for Personal &amp; Corporate Banking.</p> |   |   |          |            |
|   | Material adverse change statement.                        | There has been no material adverse change in the prospects of UBS AG or UBS AG Group since 31 December 2015.  |          |            |
|   | Significant changes in the financial and trading position | Not applicable, there has been no significant change in the financial or trading position of UBS AG or UBS AG Group since 31 December 2016, which is the end of the last financial period for which interim financial information has been published. |          |            |



### **3) Summary German Language**

**(i)** in relation to the Base Prospectus dated 30 May 2016 for the issue of Securities in the section  
"Summary of the Prospectus (in the German Language)" in the section headed  
"Abschnitt B – Emittentin"

**(ii)** in relation to the Base Prospectus dated 30 June 2016 for the Issuance of Fixed Income Securities (Cash) in the section  
"Summary of the Prospectus (in the German Language)" in the section headed  
"Abschnitt B – Emittentin"

**(iii)** in relation to the Prospectus dated 6 July 2016 for the issuance of Gelfarth Select Strategy Certificates (ISIN CH0326223960) in the section  
"Summary of the Prospectus (in the German Language)" in the section headed  
"Abschnitt B – Emittentin"

**(iv)** in relation to the Base Prospectus dated 21 July 2016 for the issue of Warrants in the section  
"Summary of the Prospectus (in the German Language)" in the section headed  
"Abschnitt B – Emittentin"

**(v)** in relation to the prospectus comprising the Summary and Securities Note dated 5 September 2016 for the issuance of LGT Equity Top Picks Basket Certificates (EUR) (ISIN DE000UW1A1L0) in the section  
"Summary of the Prospectus (in the German Language)" in the section headed  
"Abschnitt B – Emittentin"

**(vi)** in relation to the prospectus comprising the Summary and Securities Note dated 5 September 2016 for the issuance of LGT Equity Top Picks Basket Certificates (CHF) (ISIN DE000UW0KYB4) in the section  
"Summary of the Prospectus (in the German Language)" in the section headed  
"Abschnitt B – Emittentin"

**(vii)** in relation to the prospectus comprising the Summary and Securities Note dated 5 September 2016 for the issuance of LGT Equity Top Picks Basket Certificates (USD) (ISIN DE000UW0TGCO) in the section  
"Summary of the Prospectus (in the German Language)" in the section headed  
"Abschnitt B – Emittentin"

**(viii)** in relation to the Base Prospectus dated 8 September 2016 for the issuance of Securities in the section  
"Summary of the Prospectus (in the German Language)" in the section headed  
"Abschnitt B – Emittentin"

(ix) in relation to the Base Prospectus dated 27 January 2017 for the issuance of Warrants in the section "Summary of the Prospectus (in the German Language)" in the section headed "Abschnitt B – Emittentin"

**the Elements B.4b, B.5 and B.12 are completely replaced as follows:**

|             |   |   |
|-------------|---|---|
| <b>B.4b</b> | Alle bereits bekannten Trends, die sich auf die Emittentin und die Branchen, in denen sie tätig ist, auswirken. | Trend Informationen<br>Wie in dem Quartalsbericht der UBS Gruppe für das vierte Quartal 2016 angegeben, sind Kundenstimmung und Transaktionsvolumen weiterhin durch makroökonomische Unsicherheiten, geopolitische Spannungen und divergierende politische Stossrichtungen beeinträchtigt. Dennoch beobachtet UBS, vor allem in den USA, erste Anzeichen eines wachsenden Anlegervertrauens, was möglicherweise ihrem Wealth-Management-Geschäft zugutekommen könnte. Tiefer als erwartete und negative Zinsen, insbesondere in der Schweiz und der Eurozone, setzen die Nettozinsmarge weiterhin unter Druck. Höhere US-Dollar-Zinsen könnten möglicherweise kompensierend wirken. Die Umsetzung der neuen Bankkapitalstandards in der Schweiz sowie die angekündigten weiteren Anpassungen des internationalen regulatorischen Rahmens für Banken werden steigende Kapitalanforderungen und Kosten zur Folge haben. UBS wird ihre Strategie weiterhin diszipliniert umsetzen, um diesen Herausforderungen entgegenzuwirken und von jeder weiteren Verbesserung des Marktumfelds zu profitieren.   |
| <b>B.5</b>  | Beschreibung der Gruppe und der Stellung der Emittenten innerhalb dieser Gruppe                                 | <p>UBS AG ist eine Schweizer Bank und die Holding-Gesellschaft der UBS AG Gruppe. Die UBS Group AG ist die Holding-Gesellschaft der UBS Gruppe und zu 100 Prozent Eigentümerin der UBS AG. Die UBS Gruppe ist als Gruppe mit fünf Unternehmensbereichen (Wealth Management, Wealth Management Americas, Personal &amp; Corporate Banking, Asset Management und die Investment Bank) und einem Corporate Center tätig.</p> <p>Während der letzten zwei Jahren hat UBS eine Reihe von Maßnahmen ergriffen, um die Abwicklungsfähigkeit der Gruppe als Reaktion auf die sog. "Too Big To Fail" ("<b>TBTF</b>") Anforderungen in der Schweiz und anderen Ländern, in denen die Gruppe tätig ist, zu verbessern.</p> <p>Im Dezember 2014 schloss die UBS Group AG ein Umtauschangebot für die Aktien der UBS AG ab, und die UBS Group AG wurde Holdinggesellschaft der UBS Gruppe. Anschliessend strengte die UBS Group AG im Jahr 2015 ein Verfahren gemäß des Bundesgesetzes über die Börsen und den Effektenhandel an, der zum "Squeeze out" von Minderheitsaktionären der UBS AG führte, mit dem Ergebnis, dass die UBS Group AG nun sämtliche der ausgegebenen Aktien der UBS AG erworben hat.</p> <p>Während des Jahres 2015 hat UBS AG ihr Retail &amp; Corporate (nunmehr, Personal &amp; Corporate Banking) and Wealth Management Geschäft in der Schweiz an die UBS Switzerland AG, eine Bankgeschäftstochter der UBS AG in der Schweiz, übertragen. UBS schloss zudem die Umsetzung eines eigenständigen Geschäfts- und Betriebsmodells für UBS Limited, der Tochtergesellschaft für das Investment Banking im Vereinigten Königreich, ab, nach dem UBS Limited einen</p> |

|  |  |  |
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|  |  | <p>grösseren Anteil des Risikos und des Ertrags ihrer Geschäftsaktivitäten trägt bzw. behält. Zusätzlich gründete UBS 2015 eine neue Tochtergesellschaft der UBS AG, die UBS Asset Management AG, an die sie im Jahresverlauf 2016 die meisten operativen Tochtergesellschaften von Asset Management übertrug. UBS erwägt weiterhin zusätzliche Änderungen an den rechtlichen Einheiten, die von der Asset Management verwendet werden, einschließlich der Übertragung der Aktivitäten, die von der UBS AG in der Schweiz durchgeführt werden, auf eine Tochtergesellschaft der UBS Asset Management AG.</p> <p>Die UBS Business Solutions AG wurde als direkte Tochtergesellschaft der UBS Group AG im Jahr 2015 gegründet, die als Dienstleistungsunternehmen innerhalb der Gruppe fungiert. UBS wird die Rechte an der Mehrheit der jeweils als Tochtergesellschaften bestehenden Dienstleistungsunternehmen auf diese Gesellschaft übertragen. UBS erwartet, dass die Übertragung der gemeinsamen Dienstleistungs- und Support-Funktionen auf die Struktur des Dienstleistungsunternehmens in einem gestaffelten Prozess während des Jahres 2018 umgesetzt wird, mit der für das Jahr 2017 erwarteten Übertragung der gemeinsamen Dienstleistungs- und Support-Funktionen in der Schweiz und in Grossbritannien von der UBS AG auf die UBS Business Solutions AG. Per 1. Januar 2017 hat die UBS die Überführung der Mitarbeiter der gemeinsamen Dienstleistungs- und Support-Funktionen in den USA auf das US amerikanische Dienstleistungsunternehmen, die UBS Business Solutions US LLC, eine Tochtergesellschaft der UBS AG, abgeschlossen. Der Zweck dieser Struktur ist es, die Abwicklungsfähigkeit der Gruppe zu verbessern indem es UBS ermöglicht wird, die operative Kontinuität der notwendige Dienste aufrecht zu erhalten sollte ein Sanierungs- oder Abwicklungsfall eintreten.</p> <p>Im zweiten Quartal 2016 wurde die UBS Americas Holding LLC, eine Tochtergesellschaft der UBS AG, als die dazwischengeschaltete Holding-Gesellschaft für die U.S. Tochtergesellschaften der UBS eingesetzt, wie gemäß den erweiterten aufsichtsrechtlichen Vorschriften gemäß dem Dodd-Frank Act verlangt. Die UBS Americas Holding LLC hält sämtliche US Tochtergesellschaften der UBS und unterliegt den Kapitalanforderungen, Grundsätzen der Unternehmensführung und anderen aufsichtsrechtlichen Vorschriften der Vereinigten Staaten von Amerika.</p> <p>Im vierten Quartal 2016 fusionierten die UBS Deutschland AG und die Tochtergesellschaften von UBS Wealth Management in Deutschland, Italien, Luxemburg (einschliesslich der Niederlassungen in Dänemark, Österreich und Schweden), den Niederlanden und Spanien zu einer neuen europäischen Rechtseinheit, der UBS Europe SE, mit Hauptsitz in Frankfurt am Main, Deutschland, und von der Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) beaufsichtigt.</p> <p>UBS wird auch weiterhin zusätzliche Änderungen an der rechtlichen Struktur der Gruppe erwägen, um so auf Kapital- oder aufsichtsrechtliche Anforderungen reagieren zu können und eine für die Gruppe mögliche Verringerung der Anforderungen in Bezug auf die Verlustabsorptionsfähigkeit zu erreichen. Solche Änderungen können die Übertragung der operativen Tochtergesellschaften der UBS AG zu direkten Tochtergesellschaften der UBS Group AG und Anpassungen</p> |
|--|--|--|

|             |   |  |
|-------------|---|--|
|             |   | <p>der bilanzierenden Einheiten oder der geographischen Ausrichtung von Produkten und Dienstleistungen beinhalten. Diese strukturellen Änderungen werden fortlaufend mit der Eidgenössischen Finanzmarktaufsicht ("<b>FINMA</b>") und anderen Aufsichtsbehörden diskutiert und bleiben Gegenstand von Unwägbarkeiten, die die Durchführbarkeit, den Umfang und den zeitlichen Rahmen beeinträchtigen können.</p>   |
| <b>B.12</b> | Ausgewählte wesentliche historische Finanzinformationen | <p>Ausser wenn anders angegeben, stammen die unten aufgeführten ausgewählten konsolidierten Finanzinformationen für die zum 31. Dezember 2015, 2014 und 2013 (Ausnahmen sind angezeigt) endenden Geschäftsjahre aus dem Geschäftsbericht 2015 der UBS Group AG und UBS AG, welcher den geprüften konsolidierten Jahresabschluss der UBS AG sowie zusätzliche ungeprüfte konsolidierte Finanzinformationen für das Jahr mit Stand 31. Dezember 2015 und vergleichbare Zahlen für die Jahre mit Stand 31. Dezember 2014 und 2013 enthält. Die ausgewählten konsolidierten Finanzinformationen in der folgenden Tabelle für das am 31. Dezember 2016 endende Jahr stammen aus dem vierten Quartalsbericht 2016, welcher die ungeprüfte konsolidierte Zwischenfinanzinformation der UBS AG für das am 31. Dezember 2016 endende Jahr enthält.</p> <p>UBS AG hat ihren Geschäftsbericht 2016 noch nicht finalisiert und ihre unabhängige registrierte Wirtschaftsprüfungsgesellschaft hat die Prüfung des konsolidierten Jahresabschlusses für diesen Zeitraum noch nicht abgeschlossen. Folglich gelten die im vierten Quartalbericht 2016 enthaltenen Finanzinformationen vorbehaltlich des Abschluss der Jahresendverfahren, was dazu führen könnte, dass diese Informationen noch Änderungen unterliegen. Zudem hat das Management im Anschluss an die Veröffentlichung des vierten Quartalsbericht 2016 kundgetan, dass beabsichtigt wird, eine höhere Dividendenausschüttung an den Aktionär der UBS AG, die UBS Group AG, vorzuschlagen. Das würde eine Reduzierung von CHF 450 Millionen im CET 1 Kapital verursachen und zu Veränderungen der regulatorischen Kapital-bezogenen Informationen per 31. Dezember 2016, wie im Geschäftsbericht 2016 reflektiert, führen.</p> <p>Die Informationen für die Geschäftsjahre endend am 31. Dezember 2015, 2014 und 2013, welche in der untenstehenden Tabelle mit „nicht geprüft“ gekennzeichnet sind, waren im Jahresabschluss 2015 enthalten, wurden aber nicht geprüft, da die entsprechenden Offenlegungen unter IFRS nicht erforderlich und deshalb nicht Bestandteil des geprüften Jahresabschlusses sind.</p> |

|   | Für das Geschäftsjahr<br>endend am oder per | Für das Geschäftsjahr endend am oder per |           |            |
|---|---|--|-----------|------------|
| Mio. CHF (Ausnahmen sind angegeben)   | 31.12.16                                    | 31.12.15                                 | 31.12.14  | 31.12.13   |
|   | ungeprüft                                   | geprüft (Ausnahmen sind angegeben)       |           |            |
| <b>Ergebnisse</b>   |   |  |           |            |
| Geschäftsertrag   | 28.421                                      | 30.605                                   | 28.026    | 27.732     |
| Geschäftsaufwand  | 24.250                                      | 25.198                                   | 25.557    | 24.461     |
| Ergebnis vor Steuern  | 4.171                                       | 5.407                                    | 2.469     | 3.272      |
| Den Aktionären zurechenbares Ergebnis   | 3.309                                       | 6.235                                    | 3.502     | 3.172      |
| <b>Kennzahlen zur Leistungsmessung</b>  |   |  |           |            |
| <b>Profitabilität</b>   |   |  |           |            |
| Rendite auf Eigenkapital abzüglich<br>Goodwill und anderer immaterieller<br>Vermögenswerte (%) <sup>1</sup> | 7,1   | 13,5*                                    | 8,2*      | 8,0*       |
| Rendite auf Aktiven, brutto (%) <sup>2</sup>  | 3,0   | 3,1*                                     | 2,8*      | 2,5*       |
| Verhältnis von Geschäftsaufwand /<br>Geschäftsertrag (%) <sup>3</sup>                                       | 85,2  | 82,0*                                    | 90,9*     | 88,0*      |
| <b>Wachstum</b>   |   |  |           |            |
| Wachstum des Ergebnisses (%) <sup>4</sup>   | (46,9)                                      | 78,0*                                    | 10,4*     | -          |
| Wachstum der Nettoneugelder für die<br>kombinierten Wealth-Management-<br>Einheiten (%) <sup>5</sup>        | 2,1   | 2,2*                                     | 2,5*      | 3,4*       |
| <b>Ressourcen</b>   |   |  |           |            |
| Harte Kernkapitalquote (CET1)<br>(vollständig umgesetzt, %) <sup>6,7</sup>                                  | 14,8  | 15,4*                                    | 14,2*     | 12,8*      |
| Going Concern Leverage Ratio<br>(stufenweise umgesetzt, %) <sup>8,9</sup>                                   | 5,9   |  |           |            |
| <b>Zusätzliche Informationen</b>  |   |  |           |            |
| <b>Profitabilität</b>   |   |  |           |            |
| Rendite auf Eigenkapital (RoE) (%)  | 6,1   | 11,7*                                    | 7,0*      | 6,7*       |
| Rendite auf risikogewichteten Aktiven,<br>brutto (%) <sup>10</sup>  | 13,2  | 14,3*                                    | 12,6*     | 11,6*      |
| <b>Ressourcen</b>   |   |  |           |            |
| Total Aktiven   | 935.353                                     | 943.256                                  | 1.062.327 | 1.013.355  |
| Den Aktionären<br>zurechenbares Eigenkapital  | 53.764                                      | 55.248                                   | 52.108    | 48.002     |
| Hartes Kernkapital (CET1)<br>(vollständig umgesetzt) <sup>7</sup>   | 33.054                                      | 32.042                                   | 30.805    | 28.908     |
| Hartes Kernkapital (CET1)<br>(stufenweise umgesetzt) <sup>7</sup>   | 40.059                                      | 41.516                                   | 44.090    | 42.179     |
| Risikogewichtige Aktiven<br>(vollständig umgesetzt) <sup>7</sup>  | 223.232                                     | 208.186*                                 | 217.158*  | 225.153*   |
| Harte Kernkapitalquote (CET1)<br>(stufenweise umgesetzt, %) <sup>6,7</sup>                                  | 17,7  | 19,5*                                    | 19,9*     | 18,5*      |
| Going Concern Kapitalquote<br>(vollständig umgesetzt, %) <sup>9</sup>                                       | 16,5  |  |           |            |
| Going Concern Kapitalquote<br>(stufenweise umgesetzt, %) <sup>9</sup>                                       | 22,9  |  |           |            |
| Harte Kernkapital (CET1) Leverage Ratio<br>(vollständig umgesetzt, %) <sup>11</sup>                         | 3,8   | 3,6*                                     | 3,1*      | 2,8*       |
| Going Concern Leverage Ratio<br>(vollständig umgesetzt, %) <sup>8,9</sup>                                   | 4,2   |  |           |            |
| Leverage Ratio Denominator<br>(vollständig umgesetzt) <sup>11</sup>   | 870.987                                     | 898.251*                                 | 999.124*  | 1.015.306* |
| <b>Andere</b>   |   |  |           |            |
| Verwaltete Vermögen (Mrd. CHF) <sup>12</sup>  | 2.821                                       | 2.689                                    | 2.734     | 2.390      |
| Personal (auf Vollzeitbasis)  | 56.208                                      | 58.131*                                  | 60.155*   | 60.205*    |

|  |  |   |
|--|--|---|
|  | <p>*ungeprüft.</p> <p><sup>1</sup> Das den Aktionären zurechenbare Konzernergebnis vor Abschreibungen und Wertminderung auf Goodwill und immaterielle Vermögenswerte (gegebenenfalls annualisiert) / Das den Aktionären zurechenbare durchschnittliche Eigenkapital abzüglich durchschnittlichen Goodwillwerts und der immateriellen Vermögenswerte der UBS AG.</p> <p><sup>2</sup> Geschäftsertrag vor Wertberichtigungen für Kreditrisiken (gegebenenfalls annualisiert) / Total durchschnittliche Aktiven.</p> <p><sup>3</sup> Geschäftsaufwand / Geschäftsertrag vor Wertberichtigungen für Kreditrisiken.</p> <p><sup>4</sup> Veränderung des aktuellen den Aktionären zurechenbaren Konzernergebnisses aus fortzuführenden Geschäftsbereichen in der laufenden Periode im Vergleich zur Referenzperiode / Das den Aktionären zurechenbare Konzernergebnis aus fortzuführenden Geschäftsbereichen in der Referenzperiode. Besitzt keine Aussagekraft und wird nicht ausgewiesen, falls für die laufende Periode oder die Referenzperiode ein Verlust verzeichnet wird.</p> <p><sup>5</sup> Das Nettoneugeldwachstum für die kombinierten Wealth-Management-Einheiten berechnet sich als Total des Nettoneugelds der Unternehmensbereiche Wealth Management und Wealth Management Americas für die Periode (gegebenenfalls annualisiert) / Gesamte verwaltete Vermögen der Unternehmensbereiche Wealth Management und Wealth Management Americas zum Periodenbeginn. Die Angaben über das Nettoneugeld und die verwalteten Vermögen beruhen auf den Abschnitten "Wealth Management" und "Wealth Management Americas" des Management Reports im Bericht zum vierten Quartal 2016 der UBS Gruppe unter "UBS-Unternehmensbereiche und Corporate Center" bzw. aus dem Abschnitt "Financial and operating Performance" aus dem Geschäftsbericht 2015. Das Nettoneugeld für die kombinierten Wealth-Management-Einheiten basiert auf dem berichtigten Nettoneugeld, das die negative Auswirkung auf das Nettoneugeld (drittes Quartal von 2015: CHF 3,3 Milliarden; zweites Quartal von 2015: CHF 6,6 Milliarden) von Wealth Management aus dem Bilanz- und Kapitaloptimierungsprogramm nicht berücksichtigt.</p> <p><sup>6</sup> Hartes Kernkapital (CET1) / Risikogewichtete Aktiven.</p> <p><sup>7</sup> Basiert auf den Basel-III-Richtlinien, soweit auf schweizer systemrelevante Banken ("SRB") anwendbar.</p> <p><sup>8</sup> Eigenmittel zur ordentlichen Weiterführung (Going Concern) / Leverage Ratio Denominator.</p> <p><sup>9</sup> Basiert auf den revidierten Regeln für Schweizer systemrelevante Banken (SRB), die am 1. Juli 2016 in Kraft traten. Zahlen für frühere Perioden sind nicht verfügbar.</p> <p><sup>10</sup> Basiert auf den vollständig umgesetzten risikogewichteten Aktiven für alle dargestellten Vergleichsperioden. Diese ungeprüften Finanzinformationen wurden dem Bericht zum vierten Quartal 2016 der UBS AG und den Buchführungsunterlagen der UBS AG Gruppe entnommen. Die ausgewiesenen Kennzahlen per 31. Dezember 2015, 31. Dezember 2014 und 31. Dezember 2013 entsprechen nicht den im Geschäftsbericht 2015, die auf den stufenweise umgesetzten risikogewichteten Aktiven beruhen.</p> <p><sup>11</sup> Die Berechnung erfolgt nach den Regeln für Schweizer SRB. Ab 31. Dezember 2015 wurde die Berechnung des Leverage Ratio Denominators (LRD) an die Basel-III-Regeln angepasst. Die Zahlen für Vergleichsperioden vor dem 31. Dezember 2015 wurden gemäss den früheren Bestimmungen für Schweizer SRB berechnet und sind daher nicht vollständig vergleichbar.</p> <p><sup>12</sup> Enthält Vermögen unter der Verwaltung von Personal &amp; Corporate Banking.</p> |   |
|  | Erklärung hinsichtlich wesentlicher Verschlechterung.  | Seit dem 31. Dezember 2015 sind keine wesentlichen nachteiligen Veränderungen in den Aussichten der UBS AG oder der UBS AG Gruppe eingetreten.  |
|  | Wesentliche Veränderungen in der Finanzlage oder der Handelsposition.  | Entfällt; seit dem 31. Dezember 2016, als Ende des letzten Finanzzeitraums zu dem Finanzinformationen veröffentlicht wurden, sind keine wesentlichen Veränderungen der Finanzlage oder der Handelsposition der UBS AG bzw. UBS AG Gruppe eingetreten. |

#### 4) Risk Factors

- (i) in relation to the Base Prospectus dated 30 May 2016 for the issue of Securities
- (ii) and in relation to the Prospectus dated 6 July 2016 for the issuance of Gelfarth Select strategy certificates (ISIN CH0326223960)
- (iii) in relation to the Base Prospectus dated 21 July 2016 for the issue of Warrants in the section
- (iv) in relation to the prospectus comprising the Summary and Securities Note dated 5 September 2016 for the issuance of LGT Equity Top Picks Basket Certificates (EUR) (ISIN DE000UW1A1L0)
- (v) in relation to the prospectus comprising the Summary and Securities Note dated 5 September 2016 for the issuance of LGT Equity Top Picks Basket Certificates (CHF) (ISIN DE000UWOKYB4)
- (vi) in relation to the prospectus comprising the Summary and Securities Note dated 5 September 2016 for the issuance of LGT Equity Top Picks Basket Certificates (USD) (ISIN DE000UWOTGCO)
- (vii) in relation to the Base Prospectus dated 8 September 2016 for the issuance of Securities
- (viii) in relation to the Base Prospectus dated 27 January 2017 for the issuance of Warrants

**in the section headed "Risk Factors (in the english language)" in the section headed "Security specific Risks", the risk factor headed "UBS has announced its intention to make certain structural changes in light of regulatory trends and requirements and the Conditions of the Securities do not contain any restrictions on the Issuer's or UBS ability to restructure its business"**

**is completely replaced as follows:**

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

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

In December 2014, UBS Group AG completed an exchange offer for the shares of UBS AG and became the holding company for the UBS Group. Subsequently, during 2015, UBS Group AG filed and completed a procedure under the Swiss Stock Exchange and Securities Trading Act to squeeze out minority shareholders of UBS AG, as a result of which UBS Group AG acquired all of the outstanding shares of UBS AG.

During 2015, UBS AG transferred its Retail & Corporate (now Personal & Corporate Banking) and Wealth Management business booked in Switzerland to UBS Switzerland AG, a banking subsidiary of UBS AG in Switzerland. UBS also completed the implementation of a more self-sufficient business and operating model for UBS Limited, UBS's investment banking subsidiary in the UK, under which UBS Limited bears and retains a larger proportion of the risk and reward in its business activities. Also in 2015, UBS established a new subsidiary of UBS AG, UBS Asset Management AG, into which the majority of the operating subsidiaries of Asset Management have been transferred during 2016. UBS continues to consider further changes to the legal

entities used by Asset Management, including the transfer of operations conducted by UBS AG in Switzerland into a subsidiary of UBS Asset Management AG.

UBS Business Solutions AG was established in 2015 as a direct subsidiary of UBS Group AG to act as the Group service company. UBS will transfer the ownership of the majority of its existing service subsidiaries to this entity. UBS expects that the transfer of shared service and support functions into the service company structure will be implemented in a staged approach through 2018, with the transfer of the shared services functions in Switzerland and in the UK from UBS AG to UBS Business Solutions AG expected to happen during 2017. As of 1 January 2017, UBS completed the transfer of remaining shared services employees in the US to the US service company, UBS Business Solutions US LLC, a subsidiary of UBS AG. The purpose of the service company structure is to improve the resolvability of the Group by enabling UBS to maintain operational continuity of critical services should a recovery or resolution event occur.

In the second quarter of 2016, UBS Americas Holding LLC, a subsidiary of UBS AG, has been designated as the intermediate holding company for UBS's US subsidiaries as required under the enhanced prudential standards regulations pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act ("**Dodd-Frank**"). UBS Americas Holding LLC holds all of UBS's US subsidiaries and is subject to US capital requirements, governance requirements and other prudential regulation.

During the fourth quarter of 2016, UBS Deutschland AG and UBS Wealth Management subsidiaries in Germany, Italy, Luxembourg (including its branches in Austria, Denmark and Sweden), the Netherlands and Spain were merged into a new European legal entity, UBS Europe SE, which is headquartered in Frankfurt am Main, Germany, and regulated by BaFin, the German Federal Financial Supervisory Authority.

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

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



- (i) in relation to the Base Prospectus dated 30 May 2016 for the issue of Securities
- (ii) in relation to the Base Prospectus dated 21 July 2016 for the issue of Warrants in the section
- (iii) in relation to the Base Prospectus dated 8 September 2016 for the issuance of Securities
- (iv) in relation to the Base Prospectus dated 27 January 2017 for the issuance of Warrants

**in the section headed "Risk Factors (in the german language)" in the section headed "Security specific Risks", the risk factor headed "Angesichts regulatorischer Entwicklungen und Anforderungen hat die UBS ihre Absicht bestimmte strukturelle Änderungen vorzunehmen bekannt gemacht und die Bedingungen der Wertpapiere enthalten keine Beschränkungen der Fähigkeit der Emittentin oder von UBS, ihr Geschäft neu zu strukturieren" is completely replaces as follows:**

**"Angesichts regulatorischer Entwicklungen und Anforderungen hat die UBS ihre Absicht bestimmte strukturelle Änderungen vorzunehmen bekannt gemacht und die Bedingungen der Wertpapiere enthalten keine Beschränkungen der Fähigkeit der Emittentin oder von UBS, ihr Geschäft neu zu strukturieren"**

Während der letzten zwei Jahren hat UBS eine Reihe von Maßnahmen ergriffen, um die Abwicklungsfähigkeit der Gruppe als Reaktion auf die sog. "Too Big To Fail" ("TBTF") Anforderungen in der Schweiz und anderen Ländern, in denen die Gruppe tätig ist, zu verbessern.

Im Dezember 2014 schloss die UBS Group AG ein Umtauschangebot für die Aktien der UBS AG ab, und die UBS Group AG wurde Holdinggesellschaft der UBS Group. Anschliessend strengte die UBS Group AG im Jahr 2015 ein Verfahren gemäß des Bundesgesetzes über die Börsen und den Effektenhandel an, der zum "Squeeze out" von Minderheitsaktionären der UBS AG führte, mit dem Ergebnis, dass die UBS Group AG nun sämtliche der ausgegebenen Aktien der UBS AG erworben hat.

Während des Jahres 2015 hat UBS AG ihr Retail & Corporate (nunmehr, Personal & Corporate Banking) and Wealth Management Geschäft in der Schweiz an die UBS Switzerland AG, eine Bankgeschäftstochter der UBS AG in der Schweiz, übertragen.

UBS schloss zudem die Umsetzung eines eigenständigen Geschäfts- und Betriebsmodells für UBS Limited, der Tochtergesellschaft für das Investment Banking im Vereinigten Königreich, ab, nach dem UBS Limited einen grösseren Anteil des Risikos und des Ertrags ihrer Geschäftsaktivitäten trägt bzw. behält. Zusätzlich gründete UBS 2015 eine neue Tochtergesellschaft der UBS AG, die UBS Asset Management AG, an die sie im Jahresverlauf 2016 die meisten operativen Tochtergesellschaften von Asset Management übertrug. UBS erwägt weiterhin zusätzliche Änderungen an den rechtlichen Einheiten, die von der Asset Management verwendet werden, einschliesslich der Übertragung der Aktivitäten, die von der UBS AG in der Schweiz durchgeführt werden, auf eine Tochtergesellschaft der UBS Asset Management AG.

Die UBS Business Solutions AG wurde als direkte Tochtergesellschaft der UBS Group AG im Jahr 2015 gegründet, die als Dienstleistungsunternehmen innerhalb der Gruppe fungiert. UBS wird die Rechte an der Mehrheit der jeweils als Tochtergesellschaften bestehenden Dienstleistungsunternehmen auf diese Gesellschaft übertragen. UBS erwartet, dass die Übertragung der gemeinsamen Dienstleistungs- und Support-Funktionen auf die Struktur des Dienstleistungsunternehmens in einem gestaffelten Prozess während des Jahres 2018 umgesetzt wird, mit der für das Jahr 2017 erwarteten Übertragung der gemeinsamen Dienstleistungs- und Support-Funktionen in der Schweiz und in Grossbritannien von der UBS AG auf die UBS Business Solutions AG. Per 1. Januar 2017 hat die UBS die Überführung der Mitarbeiter der gemeinsamen Dienstleistungs- und Support-Funktionen in den USA auf das US amerikanische Dienstleistungsunternehmen, die UBS Business Solutions US LLC, eine Tochtergesellschaft der UBS AG, abgeschlossen. Der Zweck dieser Struktur ist es, die

Abwicklungsfähigkeit der Gruppe zu verbessern indem es UBS ermöglicht wird, die operative Kontinuität der notwendigen Dienste aufrecht zu erhalten sollte ein Sanierungs- oder Abwicklungsfall eintreten.

Im zweiten Quartal 2016 wurde die UBS Americas Holding LLC, eine Tochtergesellschaft der UBS AG, als die dazwischengeschaltete Holding-Gesellschaft für die U.S. Tochtergesellschaften der UBS eingesetzt, wie gemäß den erweiterten aufsichtsrechtlichen Vorschriften gemäß dem Dodd-Frank Act verlangt. Die UBS Americas Holding LLC hält sämtliche US Tochtergesellschaften der UBS und unterliegt den Kapitalanforderungen, Grundsätzen der Unternehmensführung und anderen aufsichtsrechtlichen Vorschriften der Vereinigten Staaten von Amerika.

Im vierten Quartal 2016 fusionierten die UBS Deutschland AG und die Tochtergesellschaften von UBS Wealth Management in Deutschland, Italien, Luxemburg (einschliesslich der Niederlassungen in Dänemark, Österreich und Schweden), den Niederlanden und Spanien zu einer neuen europäischen Rechtseinheit, der UBS Europe SE, mit Hauptsitz in Frankfurt am Main, Deutschland, und von der Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) beaufsichtigt.

UBS wird auch weiterhin zusätzliche Änderungen an der rechtlichen Struktur der Gruppe erwägen, um so auf Kapital- oder aufsichtsrechtliche Anforderungen reagieren zu können und eine für die Gruppe mögliche Verringerung der Anforderungen in Bezug auf die Verlustabsorptionsfähigkeit zu erreichen. Solche Änderungen können die Übertragung der operativen Tochtergesellschaften der UBS AG zu direkten Tochtergesellschaften der UBS Group AG und Anpassungen der bilanzierenden Einheiten oder der geographischen Ausrichtung von Produkten und Dienstleistungen beinhalten. Diese strukturellen Änderungen werden fortlaufend mit der Eidgenössischen Finanzmarktaufsicht ("**FINMA**") und anderen Aufsichtsbehörden diskutiert und bleiben Gegenstand von Unwägbarkeiten, die die Durchführbarkeit, den Umfang und den zeitlichen Rahmen beeinträchtigen können.

Die Bedingungen der Wertpapiere enthalten keine Beschränkungen zu Kontrollwechseln oder strukturellen Änderungen, wie gesellschaftsrechtliche Konsolidierung oder Verschmelzung oder Abspaltung der Emittentin oder Verkauf, Abtretung, Ausgliederung, Beteiligung, Ausschüttung, Übertragung oder Veräußerung von Teilen oder der Gesamtheit des Eigentums oder der Vermögenswerte der Emittentin oder eines mit ihr verbundenen Unternehmens im Zusammenhang mit angekündigten Änderungen ihrer rechtlichen Struktur oder Ähnlichem und aufgrund solcher Änderungen wird kein Kündigungsgrund, kein Erfordernis zum Rückkauf der Wertpapiere oder kein sonstiges Ereignis unter den Bedingungen der Wertpapiere ausgelöst. Es kann keine Gewähr dafür übernommen werden, dass solche Änderungen, sollten sie eintreten, das Rating der Emittentin nicht nachteilig beeinträchtigen und/oder die Wahrscheinlichkeit des Eintritts eine Nichterfüllung ihrer Verpflichtungen erhöhen. Es kann keine Gewähr dafür übernommen werden, dass solche Änderungen, sollten sie eintreten, das Rating der Emittentin nicht nachteilig beeinträchtigen und/oder ihre Fähigkeiten ihren Verpflichtungen unter den Wertpapieren nachzukommen, beeinflussen. Solche Änderungen, sollten sie eintreten, könnten die Fähigkeit der Emittentin zur Rückzahlung bzw. zur Zinszahlung auf die Wertpapiere negativ beeinflussen und/oder zu Umständen führen, in denen sich die Emittint entschliessen könnte Zinszahlung zu streichen (falls anwendbar)."

**5) Miscellaneous**

**(i)** in relation to the Base Prospectus dated 30 May 2016 for the issuance of Securities

(a) On page 124 in the section headed "I. Issuer specific Risks" the second paragraph shall be replaced as follows:

"In order to assess the risks related to the Issuer of the Securities, potential investors should consider the risk factors described in the section "Risk Factors" in the Registration Document of UBS AG dated 19 December 2016, as supplemented by Supplement No. 1 dated 23 February 2017, which is incorporated by reference into this Base Prospectus."

(b) On page 586 in the section headed "K. Description of the Issuer" the first subparagraph shall be replaced as follows:

"A description of UBS AG is set out in the Registration Document of UBS AG dated 19 December 2016, as supplemented by Supplement No. 1 dated 23 February 2017, is incorporated by reference into, and forms part of this Base Prospectus."

(c) On page 589 in the section headed "6. Documents and Information incorporated by Reference" the first bullet point shall be replaced as follows:

"(1) the Registration Document of UBS AG dated 19 December 2016, as supplemented by Supplement No. 1 dated 23 February 2017;"

(d) On page 589 in the section headed "7. Availability of the Base Prospectus and other documents" the second bullet point shall be replaced as follows:

"(b) a copy of the Registration Document of UBS AG dated 19 December 2016, as supplemented by Supplement No. 1 dated 23 February 2017;"

**(ii)** in relation to the Base Prospectus dated 30 June 2016 for the issue of Fixed Income Securities (Cash)

(a) On page 62 in the section headed "A. Risk Factors Relating to the Issuer" the second paragraph shall be replaced as follows:

"In order to assess the risks related to the Issuer of the Securities, potential investors should consider the risk factors described in the section "III. Risk Factors" in the Registration Document of UBS AG dated 19 December 2016, as supplemented by Supplement No. 1 dated 23 February 2017 (and as further supplemented from time to time), as incorporated by reference into this Base Prospectus."

(b) On page 225 in the section headed "Incorporation by Reference" the first row of the table shall be replaced by the following:

| <b>Document</b>   | <b>Referred to in</b>   | <b>Information</b>  | <b>Place of Publication</b>   |
|---|---|---|---|
| Registration Document dated 19 December 2016, as supplemented by Supplement No. 1 dated 23 February 2017 (the " <b>Registration Document</b> ") | - Risk Factors relating to the Issuer, page 62<br><br>- Description of UBS AG, page 224 | - II. Statutory Auditors to Appendix 1 - Annual Report 2014 as at 31 December 2014 (pages 4 (including) to F-1 (excluding)) | <a href="http://keyinvest-de.ubs.com/basisprospekte">http://keyinvest-de.ubs.com/basisprospekte</a> |

- (c) furthermore, on page 225 the following column is added below the column referring to Registration Document dated 19 December 2016: "Registration Document dated 19 December 2016, as supplemented by Supplement No. 1 dated 23 February 2017 (the "**Registration Document**)":

|  |   |   |   |
|--|---|---|---|
| Supplement No. 1 to the Registration Document dated 23 February 2017 | - Risk Factors relating to the Issuer, page 62<br><br>- Description of UBS AG, page 224 | - 1) Registration Document to Appendix I – Appendix 9 to the Registration Document: Fourth quarter 2016 report of UBS Group | <a href="http://keyinvest-de.ubs.com/basisprospekte">http://keyinvest-de.ubs.com/basisprospekte</a> |
|--|---|---|---|

- (iii) in relation to the Prospectus comprising the Summary and Securities Note dated 6 Juli 2016 for the issuance of Gelfarth Select Strategy Certificates (ISIN CH0326223960)
- (a) On page 1 the first sentence in the first paragraph below the securities identification number shall be replaced by the following wording:
- "This document comprises a securities note (the "**Securities Note**") and a summary (the "**Summary**") and, together with the registration document of UBS AG dated 19 December 2016, as supplemented by Supplement No. 1 dated 23 February 2017 (the "**Registration Document**"), constitutes a prospectus (the "**Prospectus**") according to Art. 5 (3) of the Prospectus Directive (Directive 2003/71/EC, as amended), as implemented by the relevant provisions of the EU member states, in connection with Regulation 809/2004 of the European Commission, as amended."
- (b) On page 111 in the section headed "H. General Information" the wording in the subsection headed "1. Form of Document" shall be replaced by the following wording:
- "This document comprises a securities note (the "**Securities Note**") and a summary (the "**Summary**") and, together with the registration document of UBS AG dated 19 December 2016, as supplemented by Supplement No. 1 dated 23 February 2017 (the "**Registration Document**"), constitutes a prospectus (the "**Prospectus**") according to Art. 5 (3) of the Prospectus Directive (Directive 2003/71/EC, as amended), as implemented by the relevant provisions of the EU member states, in connection with Regulation 809/2004 of the European Commission, as amended."
- (c) On page 111 in the section headed "6. Availability of the Prospectus and other documents" the second bullet point shall be replaced by the following wording:
- "(b) a copy of the Registration Document of UBS AG dated 19 December 2016, as supplemented by Supplement No. 1 dated 23 February 2017;"
- (iv) in relation to the Base Prospectus dated 21 Juli 2016 for the issuance of Warrants
- (a) On page 84 in the section headed "I. Issuer specific Risks" the second paragraph shall be replaced as follows:
- "In order to assess the risks related to the Issuer of the Securities, potential investors should consider the risk factors described in the section "Risk Factors" in the Registration Document of UBS AG dated 19 December 2016, as supplemented by Supplement No. 1 dated 23 February 2017, which is incorporated by reference into this Base Prospectus."

- (b) On page 509 in the section headed "K. Description of the Issuer" the first subparagraph shall be replaced as follows:
- "A description of UBS AG is set out in the Registration Document of UBS AG dated 19 December 2016, as supplemented by Supplement No. 1 dated 23 February 2017, is incorporated by reference into, and forms part of this Base Prospectus."
- (c) On page 512 in the section headed "6. Documents and Information incorporated by Reference" the first bullet point shall be replaced as follows:
- "(1) the Registration Document of UBS AG dated 19 December 2016, as supplemented by Supplement No. 1 dated 23 February 2017;"
- (d) On page 512 in the section headed "7. Availability of the Base Prospectus and other documents" the second bullet point shall be replaced as follows:
- "(b) a copy of the Registration Document of UBS AG dated 19 December 2016, as supplemented by Supplement No. 1 dated 23 February 2017;"
- (v) in relation to the prospectus comprising the Summary and Securities Note dated 5 September 2016 for the issuance of LGT Equity Top Picks Basket Certificates (EUR) (ISIN DE000UW1A1L0)
- (a) On page 1 the first sentence in the first paragraph below the securities identification number shall be replaced by the following wording:
- "This document comprises a securities note (the "**Securities Note**") and a summary (the "**Summary**") and, together with the registration document of UBS AG dated 19 December 2016, as supplemented by Supplement No. 1 dated 23 February 2017 (the "**Registration Document**"), constitutes a prospectus (the "**Prospectus**") according to Art. 5 (3) of the Prospectus Directive (Directive 2003/71/EC, as amended), as implemented by the relevant provisions of the EU member states, in connection with Regulation 809/2004 of the European Commission, as amended."
- (b) On page 114 in the section headed "H. General Information" the wording in the subsection headed "1. Form of Document" shall be replaced by the following wording:
- "This document comprises a securities note (the "**Securities Note**") and a summary (the "**Summary**") and, together with the registration document of UBS AG dated 19 December 2016, as supplemented by Supplement No. 1 dated 23 February 2017 (the "**Registration Document**"), constitutes a prospectus (the "**Prospectus**") according to Art. 5 (3) of the Prospectus Directive (Directive 2003/71/EC, as amended), as implemented by the relevant provisions of the EU member states, in connection with Regulation 809/2004 of the European Commission, as amended."
- (c) On page 114 in the section headed "6. Availability of the Prospectus and other documents" the second bullet point shall be replaced by the following wording:
- "(b) a copy of the Registration Document of UBS AG dated 19 December 2016, as supplemented by Supplement No. 1 dated 23 February 2017;"

(vi) in relation to the prospectus comprising the Summary and Securities Note dated 5 September 2016 for the issuance of LGT Equity Top Picks Basket Certificates (CHF) (ISIN DE000UWOKYB4)

(a) On page 1 the first sentence in the first paragraph below the securities identification number shall be replaced by the following wording:

"This document comprises a securities note (the "**Securities Note**") and a summary (the "**Summary**") and, together with the registration document of UBS AG dated 19 December 2016, as supplemented by Supplement No. 1 dated 23 February 2017 (the "**Registration Document**"), constitutes a prospectus (the "**Prospectus**") according to Art. 5 (3) of the Prospectus Directive (Directive 2003/71/EC, as amended), as implemented by the relevant provisions of the EU member states, in connection with Regulation 809/2004 of the European Commission, as amended."

(b) On page 114 in the section headed "H. General Information" the wording in the subsection headed "1. Form of Document" shall be replaced by the following wording:

"This document comprises a securities note (the "**Securities Note**") and a summary (the "**Summary**") and, together with the registration document of UBS AG dated 19 December 2016, as supplemented by Supplement No. 1 dated 23 February 2017 (the "**Registration Document**"), constitutes a prospectus (the "**Prospectus**") according to Art. 5 (3) of the Prospectus Directive (Directive 2003/71/EC, as amended), as implemented by the relevant provisions of the EU member states, in connection with Regulation 809/2004 of the European Commission, as amended."

(c) On page 114 in the section headed "6. Availability of the Prospectus and other documents" the second bullet point shall be replaced by the following wording:

"(b) a copy of the Registration Document of UBS AG dated 19 December 2016, as supplemented by Supplement No. 1 dated 23 February 2017;"

(vii) in relation to the prospectus comprising the Summary and Securities Note dated 5 September 2016 for the issuance of LGT Equity Top Picks Basket Certificates (USD) (ISIN DE000UWOTGCO)

(a) On page 1 the first sentence in the first paragraph below the securities identification number shall be replaced by the following wording:

"This document comprises a securities note (the "**Securities Note**") and a summary (the "**Summary**") and, together with the registration document of UBS AG dated 19 December 2016, as supplemented by Supplement No. 1 dated 23 February 2017 (the "**Registration Document**"), constitutes a prospectus (the "**Prospectus**") according to Art. 5 (3) of the Prospectus Directive (Directive 2003/71/EC, as amended), as implemented by the relevant provisions of the EU member states, in connection with Regulation 809/2004 of the European Commission, as amended."

(b) On page 114 in the section headed "H. General Information" the wording in the subsection headed "1. Form of Document" shall be replaced by the following wording:

"This document comprises a securities note (the "**Securities Note**") and a summary (the "**Summary**") and, together with the registration document of UBS AG dated 19 December 2016, as supplemented by Supplement No. 1 dated 23 February 2017 (the "**Registration Document**"), constitutes a prospectus (the "**Prospectus**") according to Art. 5 (3) of the Prospectus Directive (Directive 2003/71/EC, as amended), as implemented by the relevant provisions of the

EU member states, in connection with Regulation 809/2004 of the European Commission, as amended."

- (c) On page 114 in the section headed "6. Availability of the Prospectus and other documents" the second bullet point shall be replaced by the following wording:

"(b) a copy of the Registration Document of UBS AG dated 19 December 2016, as supplemented by Supplement No. 1 dated 23 February 2017;"

**(viii)** in relation to the Base Prospectus dated 8 September 2016 for the issuance of Securities

- (a) On page 193 in the section headed "I. Issuer specific Risks" the second paragraph shall be replaced as follows:

"In order to assess the risks related to the Issuer of the Securities, potential investors should consider the risk factors described in the section "Risk Factors" in the Registration Document of UBS AG dated 19 December 2016, as supplemented by Supplement No. 1 dated 23 February 2017, which is incorporated by reference into this Base Prospectus."

- (b) On page 873 in the section headed "K. Description of the Issuer" the first subparagraph shall be replaced as follows:

"A description of UBS AG is set out in the Registration Document of UBS AG dated 19 December 2016, as supplemented by Supplement No. 1 dated 23 February 2017, is incorporated by reference into, and forms part of this Base Prospectus."

- (c) On page 876 in the section headed "6. Documents and Information incorporated by Reference" the first bullet point shall be replaced as follows:

"(1) the Registration Document of UBS AG dated 19 December 2016, as supplemented by Supplement No. 1 dated 23 February 2017;"

- (d) On page 877 in the section headed "7. Availability of the Base Prospectus and other documents" the second bullet point shall be replaced as follows:

"(b) a copy of the Registration Document of UBS AG dated 19 December 2016, as supplemented by Supplement No. 1 dated 23 February 2017;"

**(ix)** in relation to the Base Prospectus dated 27 January 2017 for the issuance of Warrants

- (a) On page 84 in the section headed "I. Issuer specific Risks" the second paragraph shall be replaced as follows:

"In order to assess the risks related to the Issuer of the Securities, potential investors should consider the risk factors described in the section "Risk Factors" in the Registration Document of UBS AG dated 19 December 2016, as supplemented by Supplement No. 1 dated 23 February 2017, which is incorporated by reference into this Base Prospectus."

- (b) On page 500 in the section headed "K. Description of the Issuer" the first subparagraph shall be replaced as follows:

"A description of UBS AG is set out in the Registration Document of UBS AG dated 19 December 2016, as supplemented by Supplement No. 1 dated 23 February 2017, is incorporated by reference into, and forms part of this Base Prospectus."

- (c) On page 503 in the section headed "7. Documents and Information incorporated by Reference" the first bullet point shall be replaced as follows:

"(1) the Registration Document of UBS AG dated 19 December 2016, as supplemented by Supplement No. 1 dated 23 February 2017;"

- (d) On page 504 in the section headed "8. Availability of the Base Prospectus and other Documents" the second bullet point shall be replaced as follows:

"(b) a copy of the Registration Document of UBS AG dated 19 December 2016, as supplemented by Supplement No. 1 dated 23 February 2017;"



## ADDRESS LIST

### ISSUER

#### Registered head Office

UBS AG  
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8001 Zurich  
Switzerland

#### **Executive Office of UBS AG, Jersey Branch**

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Aeschenvorstadt 1  
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#### **Executive Office of UBS AG, London Branch**

UBS AG, London Branch  
5 Broadgate  
London EC2M 2QS  
United Kingdom

The Registration Document dated 19 December 2016,  
the Base Prospectus dated 30 May 2016 for the issue of Securities,  
the Base Prospectus dated 30 June 2016 for the Issuance of Fixed Income Securities (Cash),  
the tripartite Prospectus comprising the Summary and Securities Note dated 6 July 2016 and the Registration Document of UBS AG dated 24 February 2016 for the issuance of Gelfarth Select Strategy Certificates (ISIN CH0326223960),  
the Base Prospectus dated 21 July 2016 for the issue of Warrants,  
the tripartite Prospectus comprising the Summary and Securities Note dated 5 September 2016 and the Registration Document of UBS AG dated 24 February 2016 for the issuance of LGT Equity Top Picks Basket Certificates (EUR) (ISIN DE000UW1A1L0),  
the tripartite Prospectus comprising the Summary and Securities Note dated 5 September 2016 and the Registration Document of UBS AG dated 24 February 2016 for the issuance of LGT Equity Top Picks Basket Certificates (CHF) (ISIN DE000UW0KYB4),  
the tripartite Prospectus comprising the Summary and Securities Note dated 5 September 2016 and the Registration Document of UBS AG dated 24 February 2016 for the issuance of LGT Equity Top Picks Basket Certificates (USD) (ISIN DE000UW0TGC0),  
the Base Prospectus dated 8 September 2016 for the issue of Securities,  
the Base Prospectus dated 27 January 2017 for the issue of Warrants,  
and all supplements thereto, shall be maintained in printed format, for free distribution, at the offices of the Issuer for a period of twelve months after the publication of this document and are published on the website <http://keyinvest-de.ubs.com/basisprospekte> or any successor address notified by the Issuer to the Securityholders for this purpose by way of publication on <http://keyinvest-de.ubs.com/bekanntmachungen>.

In addition, the annual and quarterly financial reports of UBS AG and UBS Group AG are published on UBS's website, at [www.ubs.com/investors](http://www.ubs.com/investors) or any successor address notified by the Issuer to the Securityholders for this purpose by way of publication on <http://keyinvest-de.ubs.com/bekanntmachungen>.

**APPENDIX I**

**APPENDIX 9 to the Registration Document  
Fourth quarter 2016 report of UBS Group as at 31 December 2016**



# Our financial results

**Fourth** quarter 2016 report

## Corporate calendar UBS Group AG\*

|  |                         |
|--|-------------------------|
| Publication of the Annual Report 2016:         | Friday, 10 March 2017   |
| Publication of the first quarter 2017 report:  | Friday, 28 April 2017   |
| Annual General Meeting 2017:                   | Thursday, 4 May 2017    |
| Publication of the second quarter 2017 report: | Friday, 28 July 2017    |
| Publication of the third quarter 2017 report:  | Friday, 27 October 2017 |

## Corporate calendar UBS AG\*

|  |                       |
|--|-----------------------|
| Publication of the Annual Report 2016: | Friday, 10 March 2017 |
|--|-----------------------|

\* Refer to the corporate calendar at [www.ubs.com/investors](http://www.ubs.com/investors) for more information

## Contacts

### Switchboards

For all general inquiries.

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### Investor Relations

UBS's Investor Relations team supports institutional, professional and retail investors from our offices in Zurich, London, New York and Hong Kong.

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### Media Relations

UBS's Media Relations team supports global media and journalists from our offices in Zurich, London, New York and Hong Kong.

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### Office of the Group Company Secretary

The Group Company Secretary receives inquiries on compensation and related issues addressed to members of the Board of Directors.

UBS Group AG, Office of the Group Company Secretary  
P.O. Box, CH-8098 Zurich, Switzerland

[sh-company-secretary@ubs.com](mailto:sh-company-secretary@ubs.com)

Hotline +41-44-235 6652  
Fax +41-44-235 8220

### Shareholder Services

UBS's Shareholder Services team, a unit of the Group Company Secretary Office, is responsible for the registration of the global registered shares.

UBS Group AG, Shareholder Services  
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[sh-shareholder-services@ubs.com](mailto:sh-shareholder-services@ubs.com)

Hotline +41-44-235 6652  
Fax +41-44-235 8220

### US Transfer Agent

For global registered share-related inquiries in the US.

Computershare Trust Company NA  
P.O. Box 30170  
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TX 77842-3170, USA

Shareholder online inquiries:  
<https://www-us.computershare.com/investor/Contact>

Shareholder website:  
[www.computershare.com/investor](http://www.computershare.com/investor)

Calls from the US +1-866-305-9566  
Calls from outside the US +1-781-575-2623  
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TDD for foreign shareholders +1-201-680-6610

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# UBS Group key figures

| CHF million, except where indicated   | As of or for the quarter ended |         |          | As of or for the year ended |          |
|---|--------------------------------|---------|----------|-----------------------------|----------|
|   | 31.12.16                       | 30.9.16 | 31.12.15 | 31.12.16                    | 31.12.15 |
| <b>Group results</b>  |                                |         |          |                             |          |
| Operating income  | 7,055                          | 7,029   | 6,775    | 28,320                      | 30,605   |
| Operating expenses  | 6,206                          | 6,152   | 6,541    | 24,128                      | 25,116   |
| Operating profit / (loss) before tax  | 848                            | 877     | 234      | 4,192                       | 5,489    |
| Net profit / (loss) attributable to shareholders                                | 738                            | 827     | 949      | 3,306                       | 6,203    |
| Diluted earnings per share (CHF) <sup>1</sup>                                   | 0.19                           | 0.22    | 0.25     | 0.86                        | 1.64     |
| <b>Key performance indicators<sup>2</sup></b>                                   |                                |         |          |                             |          |
| <b>Profitability</b>  |                                |         |          |                             |          |
| Return on tangible equity (%)   | 6.5                            | 7.3     | 8.1      | 7.2                         | 13.7     |
| Return on assets, gross (%)   | 3.0                            | 2.9     | 2.8      | 3.0                         | 3.1      |
| Cost / income ratio (%)   | 87.7                           | 87.5    | 95.7     | 85.1                        | 81.8     |
| <b>Growth</b>   |                                |         |          |                             |          |
| Net profit growth (%)   | (22.2)                         | (60.0)  | 10.6     | (46.7)                      | 79.0     |
| Net new money growth for combined wealth management businesses (%) <sup>3</sup> | (1.1)                          | 2.1     | 2.9      | 2.1                         | 2.2      |
| <b>Resources</b>  |                                |         |          |                             |          |
| Common equity tier 1 capital ratio (fully applied, %) <sup>4</sup>              | 13.8                           | 14.0    | 14.5     | 13.8                        | 14.5     |
| Going concern leverage ratio (phase-in, %) <sup>5</sup>                         | 6.4                            | 6.2     |          | 6.4                         |          |
| <b>Additional information</b>   |                                |         |          |                             |          |
| <b>Profitability</b>  |                                |         |          |                             |          |
| Return on equity (RoE) (%)  | 5.5                            | 6.2     | 6.9      | 6.1                         | 11.8     |
| Return on risk-weighted assets, gross (%) <sup>6</sup>                          | 12.9                           | 13.1    | 12.9     | 13.2                        | 14.4     |
| <b>Resources</b>  |                                |         |          |                             |          |
| Total assets  | 935,016                        | 935,206 | 942,819  | 935,016                     | 942,819  |
| Equity attributable to shareholders   | 53,723                         | 53,300  | 55,313   | 53,723                      | 55,313   |
| Common equity tier 1 capital (fully applied) <sup>4</sup>                       | 30,693                         | 30,254  | 30,044   | 30,693                      | 30,044   |
| Common equity tier 1 capital (phase-in) <sup>4</sup>                            | 37,788                         | 37,207  | 40,378   | 37,788                      | 40,378   |
| Risk-weighted assets (fully applied) <sup>4</sup>                               | 222,677                        | 216,830 | 207,530  | 222,677                     | 207,530  |
| Common equity tier 1 capital ratio (phase-in, %) <sup>4</sup>                   | 16.8                           | 16.9    | 19.0     | 16.8                        | 19.0     |
| Going concern capital ratio (fully applied, %) <sup>5</sup>                     | 17.9                           | 18.0    |          | 17.9                        |          |
| Going concern capital ratio (phase-in, %) <sup>5</sup>                          | 24.7                           | 24.8    |          | 24.7                        |          |
| Common equity tier 1 leverage ratio (fully applied, %) <sup>7</sup>             | 3.5                            | 3.4     | 3.3      | 3.5                         | 3.3      |
| Going concern leverage ratio (fully applied, %) <sup>7</sup>                    | 4.6                            | 4.4     |          | 4.6                         |          |
| Leverage ratio denominator (fully applied) <sup>7</sup>                         | 870,470                        | 877,313 | 897,607  | 870,470                     | 897,607  |
| Liquidity coverage ratio (%) <sup>8</sup>                                       | 132                            | 124     | 124      | 132                         | 124      |
| <b>Other</b>  |                                |         |          |                             |          |
| Invested assets (CHF billion) <sup>9</sup>                                      | 2,821                          | 2,747   | 2,689    | 2,821                       | 2,689    |
| Personnel (full-time equivalents)   | 59,387                         | 59,946  | 60,099   | 59,387                      | 60,099   |
| Market capitalization   | 61,420                         | 50,941  | 75,147   | 61,420                      | 75,147   |
| Total book value per share (CHF)  | 14.47                          | 14.37   | 14.75    | 14.47                       | 14.75    |
| Tangible book value per share (CHF)   | 12.71                          | 12.66   | 13.00    | 12.71                       | 13.00    |

<sup>1</sup> Weighted average shares outstanding for diluted earnings per share were 3,828 million shares in the fourth quarter of 2016 (third quarter of 2016: 3,812 million shares; fourth quarter of 2015: 3,852 million shares) and 3,824 million shares for the year ended 31 December 2016 (year ended 31 December 2015: 3,781 million shares). <sup>2</sup> Refer to the "Measurement of performance" section of our Annual Report 2015. <sup>3</sup> Based on adjusted net new money, which excludes the negative effect on net new money (third quarter of 2015: CHF 3.3 billion, second quarter of 2015: CHF 6.6 billion) in Wealth Management from our balance sheet and capital optimization program. <sup>4</sup> Based on the Basel III framework as applicable for Swiss systemically relevant banks (SRBs). Refer to the "Capital management" section of this report for more information. <sup>5</sup> Based on the revised Swiss SRB framework that became effective on 1 July 2016. <sup>6</sup> Based on fully applied risk-weighted assets. <sup>7</sup> Calculated in accordance with Swiss SRB rules. Refer to the "Capital management" section of this report for more information. <sup>8</sup> Refer to the "Balance sheet, liquidity and funding management" section of this report for more information. Figures represent a 3-month average. <sup>9</sup> Includes invested assets for Personal & Corporate Banking.

# UBS Group

## Management report

### Terms used in this report, unless the context requires otherwise

|   |  |
|---|--|
| "UBS," "UBS Group," "UBS Group AG (consolidated)," "Group," "the Group," "we," "us" and "our" | UBS Group AG and its consolidated subsidiaries |
| "UBS AG (consolidated)"   | UBS AG and its consolidated subsidiaries       |
| "UBS Group AG" and "UBS Group AG (standalone)"  | UBS Group AG on a standalone basis             |
| "UBS AG" and "UBS AG (standalone)"  | UBS AG on a standalone basis                   |
| "UBS Limited"   | UBS Limited on a standalone basis              |

# Recent developments

## Key financial reporting changes

### Change in equity attribution framework

In the first quarter of 2017, we have revised our equity attribution framework to reflect the revision in 2016 of the too big to fail provisions applicable to Swiss systematically relevant banks.

Effective 1 January 2017, the weighting used for the attribution of tangible equity has been changed from an equal driver weighting of one-third each for average fully applied risk-weighted assets (RWA), average fully applied leverage ratio denominator (LRD) and average risk-based capital (RBC) to 50% each for RWA and LRD. Average fully applied RWA and LRD continue to be converted to their common equity tier 1 (CET1) capital equivalents based on capital ratios of 11% and 3.75%, respectively, which are above future regulatory requirements. If the tangible attributed equity calculated under the weighted driver approach is less than the CET1 capital equivalent of RBC for any business division, the CET1 capital equivalent of RBC will be used as a floor for that business division.

In addition to tangible equity, we continue to allocate equity to our businesses to support goodwill and intangible assets. However, we now also attribute to the business divisions equity for goodwill and intangible assets resulting from the acquisition of Paine Webber that was held centrally in Group items within Corporate Center – Services under the previous framework.

Also, we attribute all Basel III capital deduction items within Group items. These deduction items include deferred tax assets, unrealized gains from cash flow hedges, and compensation- and own share-related components. Previously, Group items only included an amount of attributed equity for certain capital deduction items. In addition, the total amount of attributed equity equals average shareholders' equity with any residual difference reported within Group items, whereas such difference was previously reported separately.

Corporate Center – Group Asset and Liability Management (Group ALM) attributes to the business divisions and other Corporate Center units equity pertaining to LRD and RWA directly associated with activity that Group ALM manages centrally on their behalf. This attribution is primarily based on

the level of high-quality liquid assets that is required to meet the Group's minimum liquidity coverage ratio requirement of 110%. Group ALM continues to retain attributed equity related to liquidity and funding surpluses, i.e., at levels above regulatory requirements, together with that related to its own activities.

→ Refer to **"Equity attribution and return on attributed equity"** in the **"Capital management"** section of this report for more information

## Regulatory and legal developments

### Changes to our legal structure

During the fourth quarter, we merged UBS Deutschland AG and our Wealth Management subsidiaries in Germany, Italy, Luxembourg (including its branches in Austria, Denmark and Sweden), the Netherlands and Spain into our new European legal entity, UBS Europe SE, which is headquartered in Frankfurt, Germany, and regulated by BaFin, the German Federal Financial Supervisory Authority.

As of 1 January 2017, we completed the transfer of remaining shared services employees in the US to our US service company, UBS Business Solutions US LLC. During 2017, we expect to transfer shared services functions in Switzerland and in the UK from UBS AG to UBS Business Solutions AG.

→ Refer to **"Disclosure for legal entities"** at [www.ubs.com/investors](http://www.ubs.com/investors) for an overview on our legal structure

We continue to consider further changes to the Group's legal structure in response to capital and other regulatory requirements.

### Switzerland begins automatic exchange of information

Automatic exchange of information in tax matters (AEI) between Switzerland and all EU member states and a number of other countries took effect on 1 January 2017. The first exchange of information between Switzerland and tax authorities in these countries will begin in 2018 based on 2017 data. The Swiss Federal Department of Finance has initiated consultations to extend the standard to additional countries.

We have experienced outflows of cross-border client assets as a result of changes in local tax regimes or their enforcement.



### EC proposes implementation rules for MREL and Basel III reforms

The European Commission (EC) published proposals to implement the Financial Stability Board (FSB) total loss-absorbing capacity (TLAC) standard into the EU Minimum Requirement for own funds and Eligible Liabilities (MREL) regime, as well as the remaining elements of the Basel III reforms into EU law. The proposals envisage that global systemically important institutions (G-SIIs) would be subject to MREL requirements calculated at 16% of risk-weighted assets and 6% of the leverage exposure measure as of 1 January 2019, increasing to 18% and 6.75%, respectively, as of 1 January 2022. Additionally, banks would be subject to a 3% tier 1 leverage ratio requirement as part of the aforementioned 6% leverage exposure requirement, with the possibility of a G-SII add-on, and a minimum net stable funding ratio of 100%. The proposed rules would also (i) introduce an internal MREL requirement for material EU subsidiaries of non-EU G-SIIs; (ii) require non-EU G-SIIs with two or more EU entities to establish an EU-domiciled holding company; and (iii) create a new asset class of non-preferred senior debt, which would rank below other senior debt in insolvency. Internal MREL is the loss-absorbing capacity that a G-SII commits to material subsidiaries. These proposals would apply to UBS's legal entities in all EU member states, including UBS Limited and UBS Europe SE, and their precise impact on UBS will depend on the final rules and their implementation at a national level.

### Further developments on TLAC and MREL requirements

The FSB issued a consultative document on guiding principles on the internal TLAC of global systemically important banks (G-SIBs) to support authorities and crisis management groups (CMGs) in the implementation of TLAC requirements in their jurisdictions. The principles define, among other things, (i) the roles and responsibilities of host and home regulators and that of the CMGs in the identification of material sub-groups that would be subject to TLAC requirements; (ii) the way in which the size and location of internal TLAC within a material sub-group of a G-SIB is determined; and (iii) the FSB's expectations with regard to the

cooperation and coordination between home and host authorities when internal TLAC is triggered. The core features of internal TLAC in relation to size, triggers and eligibility of instruments remain unchanged compared with the requirements detailed in the FSB's TLAC Principles and Term Sheet published in November 2015.

The US Federal Reserve Board issued a final rule that will apply TLAC requirements, minimum long-term debt requirements, and clean holding company requirements to all US G-SIBs and to foreign G-SIBs' US intermediate holding companies (covered IHCs) such as UBS Americas Holding LLC. The final rule reflects only minor changes from the initial proposal and will require covered IHCs to maintain debt to the parent G-SIB qualifying as TLAC (internal TLAC) of at least the greatest of 16% of risk-weighted assets, plus any capital conservation buffer, 6% of leverage exposure, if the leverage ratio applies, or 8% of average total consolidated assets, including eligible long-term debt of at least the greatest of 6% of risk-weighted assets, 2.5% of leverage exposure or 3.5% of average total consolidated assets. The clean holding company requirement prohibits covered IHCs from having liabilities to unrelated third parties that exceed 5% of its total TLAC unless all of its TLAC is contractually subordinated to third-party liabilities. It further prohibits a covered IHC from incurring short-term debt, entering into derivatives with unaffiliated parties and issuing certain guarantees. The rule becomes effective as of 1 January 2019.

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

# Group performance

## Income statement

| CHF million   | For the quarter ended |            |            | % change from |             | For the year ended |              |
|---|-----------------------|------------|------------|---------------|-------------|--------------------|--------------|
|   | 31.12.16              | 30.9.16    | 31.12.15   | 3Q16          | 4Q15        | 31.12.16           | 31.12.15     |
| Net interest income   | 1,762                 | 1,775      | 1,759      | (1)           | 0           | 6,413              | 6,732        |
| Credit loss (expense) / recovery  | (24)                  | (4)        | (59)       | 500           | (59)        | (37)               | (117)        |
| Net interest income after credit loss expense                                 | 1,738                 | 1,771      | 1,700      | (2)           | 2           | 6,376              | 6,615        |
| Net fee and commission income   | 4,161                 | 4,056      | 4,218      | 3             | (1)         | 16,397             | 17,140       |
| Net trading income  | 946                   | 1,098      | 898        | (14)          | 5           | 4,948              | 5,742        |
| <i>of which: net trading income excluding own credit</i>                      | 946                   | 1,098      | 863        | (14)          | 10          | 4,948              | 5,190        |
| <i>of which: own credit on financial liabilities designated at fair value</i> |                       |            | 35         |               |             |                    | 553          |
| Other income  | 209                   | 104        | (41)       | 101           |             | 599                | 1,107        |
| Total operating income  | 7,055                 | 7,029      | 6,775      | 0             | 4           | 28,320             | 30,605       |
| <i>of which: net interest and trading income</i>                              | 2,708                 | 2,873      | 2,657      | (6)           | 2           | 11,361             | 12,474       |
| Personnel expenses  | 3,868                 | 3,942      | 3,843      | (2)           | 1           | 15,720             | 15,981       |
| General and administrative expenses   | 2,063                 | 1,939      | 2,413      | 6             | (15)        | 7,332              | 8,107        |
| Depreciation and impairment of property, equipment and software               | 255                   | 248        | 260        | 3             | (2)         | 985                | 920          |
| Amortization and impairment of intangible assets                              | 21                    | 23         | 24         | (9)           | (13)        | 91                 | 107          |
| Total operating expenses  | 6,206                 | 6,152      | 6,541      | 1             | (5)         | 24,128             | 25,116       |
| Operating profit / (loss) before tax  | 848                   | 877        | 234        | (3)           | 262         | 4,192              | 5,489        |
| Tax expense / (benefit)   | 109                   | 49         | (715)      | 122           |             | 805                | (898)        |
| Net profit / (loss)   | 739                   | 829        | 950        | (11)          | (22)        | 3,388              | 6,386        |
| Net profit / (loss) attributable to non-controlling interests                 | 1                     | 1          | 1          | 0             | 0           | 82                 | 183          |
| <b>Net profit / (loss) attributable to shareholders</b>                       | <b>738</b>            | <b>827</b> | <b>949</b> | <b>(11)</b>   | <b>(22)</b> | <b>3,306</b>       | <b>6,203</b> |

## Comprehensive income

|  |            |            |              |          |             |              |              |
|--|------------|------------|--------------|----------|-------------|--------------|--------------|
| Total comprehensive income   | 173        | 191        | 1,164        | (9)      | (85)        | 2,272        | 5,781        |
| Total comprehensive income attributable to non-controlling interests | (12)       | 7          | 38           |          |             | 352          | 83           |
| <b>Total comprehensive income attributable to shareholders</b>       | <b>185</b> | <b>184</b> | <b>1,126</b> | <b>1</b> | <b>(84)</b> | <b>1,919</b> | <b>5,698</b> |

## Performance by business division and Corporate Center unit – reported and adjusted<sup>1,2</sup>

|   | For the quarter ended 31.12.16 |                            |                              |                  |                 |                            |                |                                    |              |
|---|--------------------------------|----------------------------|------------------------------|------------------|-----------------|----------------------------|----------------|------------------------------------|--------------|
| <i>CHF million</i>  | Wealth Management              | Wealth Management Americas | Personal & Corporate Banking | Asset Management | Investment Bank | CC – Services <sup>3</sup> | CC – Group ALM | CC – Non-core and Legacy Portfolio | UBS          |
| Operating income as reported  | 1,782                          | 2,076                      | 941                          | 499              | 2,014           | (59)                       | (144)          | (53)                               | 7,055        |
| <i>of which: gains on sale of financial assets available for sale<sup>4</sup></i>       |                                | 10                         |                              |                  | 78              |                            |                |                                    | 88           |
| <i>of which: net foreign currency translation gains<sup>5</sup></i>                     |                                |                            |                              |                  |                 |                            | 27             |                                    | 27           |
| Operating income (adjusted)   | 1,782                          | 2,066                      | 941                          | 499              | 1,936           | (59)                       | (171)          | (53)                               | 6,940        |
| Operating expenses as reported  | 1,413                          | 1,737                      | 567                          | 356              | 1,708           | 256                        | 0              | 170                                | 6,206        |
| <i>of which: personnel-related restructuring expenses</i>                               | 15                             | 1                          | 2                            | 1                | 40              | 114                        | 0              | 0                                  | 174          |
| <i>of which: non-personnel-related restructuring expenses</i>                           | 25                             | 0                          | 0                            | 5                | 5               | 163                        | 0              | 0                                  | 197          |
| <i>of which: restructuring expenses allocated from CC – Services</i>                    | 103                            | 30                         | 19                           | 5                | 72              | (237)                      | 0              | 8                                  | 0            |
| Operating expenses (adjusted)   | 1,270                          | 1,706                      | 546                          | 344              | 1,592           | 216                        | 0              | 162                                | 5,834        |
| <i>of which: expenses for provisions for litigation, regulatory and similar matters</i> | 62                             | 53                         | 7                            | 1                | 14              | (2)                        | 0              | 27                                 | 162          |
| <b>Operating profit / (loss) before tax as reported</b>                                 | <b>368</b>                     | <b>339</b>                 | <b>374</b>                   | <b>144</b>       | <b>306</b>      | <b>(315)</b>               | <b>(144)</b>   | <b>(223)</b>                       | <b>848</b>   |
| <b>Operating profit / (loss) before tax (adjusted)</b>                                  | <b>511</b>                     | <b>360</b>                 | <b>395</b>                   | <b>156</b>       | <b>344</b>      | <b>(275)</b>               | <b>(171)</b>   | <b>(215)</b>                       | <b>1,105</b> |
|   | For the quarter ended 30.9.16  |                            |                              |                  |                 |                            |                |                                    |              |
| <i>CHF million</i>  | Wealth Management              | Wealth Management Americas | Personal & Corporate Banking | Asset Management | Investment Bank | CC – Services <sup>3</sup> | CC – Group ALM | CC – Non-core and Legacy Portfolio | UBS          |
| Operating income as reported  | 1,809                          | 1,938                      | 995                          | 481              | 1,796           | (66)                       | 30             | 46                                 | 7,029        |
| <i>of which: gains related to investments in associates</i>                             |                                |                            | 21                           |                  |                 |                            |                |                                    | 21           |
| Operating income (adjusted)   | 1,809                          | 1,938                      | 974                          | 481              | 1,796           | (66)                       | 30             | 46                                 | 7,008        |
| Operating expenses as reported  | 1,305                          | 1,618                      | 542                          | 377              | 1,635           | 152                        | 0              | 523                                | 6,152        |
| <i>of which: personnel-related restructuring expenses</i>                               | 28                             | 1                          | 0                            | 9                | 60              | 159                        | 0              | 0                                  | 257          |
| <i>of which: non-personnel-related restructuring expenses</i>                           | 10                             | 0                          | 0                            | 2                | 3               | 173                        | 0              | 0                                  | 187          |
| <i>of which: restructuring expenses allocated from CC – Services</i>                    | 101                            | 37                         | 40                           | 24               | 118             | (327)                      | 0              | 7                                  | 0            |
| Operating expenses (adjusted)   | 1,166                          | 1,580                      | 501                          | 343              | 1,454           | 148                        | 0              | 516                                | 5,708        |
| <i>of which: expenses for provisions for litigation, regulatory and similar matters</i> | (2)                            | 9                          | (3)                          | 2                | 2               | 2                          | 0              | 408                                | 419          |
| <b>Operating profit / (loss) before tax as reported</b>                                 | <b>504</b>                     | <b>320</b>                 | <b>453</b>                   | <b>104</b>       | <b>161</b>      | <b>(218)</b>               | <b>30</b>      | <b>(477)</b>                       | <b>877</b>   |
| <b>Operating profit / (loss) before tax (adjusted)</b>                                  | <b>643</b>                     | <b>358</b>                 | <b>473</b>                   | <b>138</b>       | <b>342</b>      | <b>(214)</b>               | <b>30</b>      | <b>(470)</b>                       | <b>1,300</b> |

**Performance by business division and Corporate Center unit – reported and adjusted<sup>1,2</sup> (continued)**

|   | For the quarter ended 31.12.15 |                            |                              |                  |                 |                            |                |                                    |            |
|---|--------------------------------|----------------------------|------------------------------|------------------|-----------------|----------------------------|----------------|------------------------------------|------------|
| <i>CHF million</i>  | Wealth Management              | Wealth Management Americas | Personal & Corporate Banking | Asset Management | Investment Bank | CC – Services <sup>3</sup> | CC – Group ALM | CC – Non-core and Legacy Portfolio | UBS        |
| Operating income as reported  | 1,869                          | 1,885                      | 915                          | 568              | 1,721           | (54)                       | (59)           | (71)                               | 6,775      |
| <i>of which: net foreign currency translation gains<sup>5</sup></i>                     |                                |                            |                              |                  |                 |                            | 115            |                                    | 115        |
| <i>of which: own credit on financial liabilities designated at fair value</i>           |                                |                            |                              |                  |                 |                            | 35             |                                    | 35         |
| <i>of which: gains / (losses) on sale of subsidiaries and businesses</i>                | (28)                           |                            |                              | 56               |                 |                            |                |                                    | 28         |
| <i>of which: net losses related to the buyback of debt</i>                              |                                |                            |                              |                  |                 |                            | (257)          |                                    | (257)      |
| Operating income (adjusted)   | 1,897                          | 1,885                      | 915                          | 512              | 1,721           | (54)                       | 48             | (71)                               | 6,854      |
| Operating expenses as reported  | 1,526                          | 1,871                      | 560                          | 397              | 1,641           | 291                        | (3)            | 258                                | 6,541      |
| <i>of which: personnel-related restructuring expenses</i>                               | 3                              | 0                          | 0                            | 3                | 12              | 144                        | 0              | 1                                  | 164        |
| <i>of which: non-personnel-related restructuring expenses</i>                           | 14                             | 0                          | 0                            | 8                | 2               | 252                        | 0              | 0                                  | 276        |
| <i>of which: restructuring expenses allocated from CC – Services</i>                    | 116                            | 50                         | 41                           | 27               | 129             | (377)                      | 0              | 15                                 | 0          |
| Operating expenses (adjusted)   | 1,393                          | 1,821                      | 519                          | 359              | 1,498           | 272                        | (3)            | 241                                | 6,100      |
| <i>of which: expenses for provisions for litigation, regulatory and similar matters</i> | 79                             | 233                        | 0                            | (3)              | 4               | 1                          | 0              | 51                                 | 365        |
| <b>Operating profit / (loss) before tax as reported</b>                                 | <b>344</b>                     | <b>14</b>                  | <b>355</b>                   | <b>171</b>       | <b>80</b>       | <b>(345)</b>               | <b>(56)</b>    | <b>(329)</b>                       | <b>234</b> |
| <b>Operating profit / (loss) before tax (adjusted)</b>                                  | <b>505</b>                     | <b>64</b>                  | <b>396</b>                   | <b>153</b>       | <b>223</b>      | <b>(326)</b>               | <b>51</b>      | <b>(312)</b>                       | <b>754</b> |

<sup>1</sup> Adjusted results are non-GAAP financial measures as defined by SEC regulations. <sup>2</sup> Comparative figures in this table may differ from those originally published in quarterly and annual reports due to adjustments following organizational changes, restatements due to the retrospective adoption of new accounting standards or changes in accounting policies, and events after the reporting period. <sup>3</sup> CC – Services operating expenses presented in this table are after service allocations to business divisions and other Corporate Center units. <sup>4</sup> Includes a gain on the partial sale of our investment in Markit in the Investment Bank. <sup>5</sup> Related to the disposal of foreign subsidiaries and branches.

## Performance by business division and Corporate Center unit – reported and adjusted<sup>1,2</sup>

|   | For the year ended 31.12.16 |                            |                              |                  |                 |                            |                |                                    |              |
|---|-----------------------------|----------------------------|------------------------------|------------------|-----------------|----------------------------|----------------|------------------------------------|--------------|
| <i>CHF million</i>  | Wealth Management           | Wealth Management Americas | Personal & Corporate Banking | Asset Management | Investment Bank | CC – Services <sup>3</sup> | CC – Group ALM | CC – Non-core and Legacy Portfolio | UBS          |
| Operating income as reported  | 7,291                       | 7,782                      | 3,984                        | 1,931            | 7,688           | (102)                      | (219)          | (36)                               | 28,320       |
| <i>of which: gains on sale of financial assets available for sale<sup>4</sup></i>       | 21                          | 10                         | 102                          |                  | 78              |                            |                |                                    | 211          |
| <i>of which: gains on sales of real estate</i>  |                             |                            |                              |                  |                 | 120                        |                |                                    | 120          |
| <i>of which: gains related to investments in associates</i>                             |                             |                            | 21                           |                  |                 |                            |                |                                    | 21           |
| <i>of which: net foreign currency translation losses<sup>5</sup></i>                    |                             |                            |                              |                  |                 |                            | (122)          |                                    | (122)        |
| <i>of which: losses on sales of subsidiaries and businesses</i>                         | (23)                        |                            |                              |                  |                 |                            |                |                                    | (23)         |
| Operating income (adjusted)   | 7,293                       | 7,772                      | 3,861                        | 1,931            | 7,610           | (222)                      | (97)           | (36)                               | 28,113       |
| Operating expenses as reported  | 5,343                       | 6,675                      | 2,224                        | 1,479            | 6,684           | 747                        | (1)            | 976                                | 24,128       |
| <i>of which: personnel-related restructuring expenses</i>                               | 53                          | 7                          | 4                            | 15               | 154             | 518                        | 0              | 1                                  | 751          |
| <i>of which: non-personnel-related restructuring expenses</i>                           | 55                          | 0                          | 0                            | 15               | 14              | 623                        | 0              | 0                                  | 706          |
| <i>of which: restructuring expenses allocated from CC – Services</i>                    | 339                         | 132                        | 113                          | 70               | 410             | (1,084)                    | 0              | 21                                 | 0            |
| Operating expenses (adjusted)   | 4,896                       | 6,536                      | 2,107                        | 1,379            | 6,107           | 690                        | (1)            | 955                                | 22,670       |
| <i>of which: expenses for provisions for litigation, regulatory and similar matters</i> | 69                          | 96                         | 3                            | (2)              | 42              | 2                          | 0              | 482                                | 693          |
| <b>Operating profit / (loss) before tax as reported</b>                                 | <b>1,948</b>                | <b>1,107</b>               | <b>1,760</b>                 | <b>452</b>       | <b>1,004</b>    | <b>(849)</b>               | <b>(218)</b>   | <b>(1,012)</b>                     | <b>4,192</b> |
| <b>Operating profit / (loss) before tax (adjusted)</b>                                  | <b>2,397</b>                | <b>1,236</b>               | <b>1,754</b>                 | <b>552</b>       | <b>1,503</b>    | <b>(912)</b>               | <b>(96)</b>    | <b>(991)</b>                       | <b>5,443</b> |

|   | For the year ended 31.12.15 |                            |                              |                  |                 |                            |                |                                    |              |
|---|-----------------------------|----------------------------|------------------------------|------------------|-----------------|----------------------------|----------------|------------------------------------|--------------|
| <i>CHF million</i>  | Wealth Management           | Wealth Management Americas | Personal & Corporate Banking | Asset Management | Investment Bank | CC – Services <sup>3</sup> | CC – Group ALM | CC – Non-core and Legacy Portfolio | UBS          |
| Operating income as reported  | 8,155                       | 7,381                      | 3,877                        | 2,057            | 8,821           | 241                        | 277            | (203)                              | 30,605       |
| <i>of which: own credit on financial liabilities designated at fair value</i>           |                             |                            |                              |                  |                 |                            | 553            |                                    | 553          |
| <i>of which: gains on sales of real estate</i>  |                             |                            |                              |                  |                 | 378                        |                |                                    | 378          |
| <i>of which: gains on sales of subsidiaries and businesses</i>                          | 169                         |                            |                              | 56               |                 |                            |                |                                    | 225          |
| <i>of which: net foreign currency translation gains<sup>5</sup></i>                     |                             |                            |                              |                  |                 |                            | 88             |                                    | 88           |
| <i>of which: gains related to investments in associates</i>                             | 15                          |                            | 66                           |                  |                 |                            |                |                                    | 81           |
| <i>of which: gains on sale of financial assets available for sale<sup>4</sup></i>       |                             |                            |                              |                  | 11              |                            |                |                                    | 11           |
| <i>of which: net losses related to the buyback of debt</i>                              |                             |                            |                              |                  |                 |                            | (257)          |                                    | (257)        |
| Operating income (adjusted)   | 7,971                       | 7,381                      | 3,811                        | 2,001            | 8,810           | (137)                      | (107)          | (203)                              | 29,526       |
| Operating expenses as reported  | 5,465                       | 6,663                      | 2,231                        | 1,474            | 6,929           | 1,059                      | (5)            | 1,301                              | 25,116       |
| <i>of which: personnel-related restructuring expenses</i>                               | 20                          | 0                          | 2                            | 4                | 14              | 406                        | 0              | 14                                 | 460          |
| <i>of which: non-personnel-related restructuring expenses</i>                           | 38                          | 0                          | 0                            | 11               | 7               | 719                        | 0              | 0                                  | 775          |
| <i>of which: restructuring expenses allocated from CC – Services</i>                    | 265                         | 137                        | 99                           | 68               | 376             | (986)                      | 0              | 43                                 | 0            |
| <i>of which: gain related to a change to retiree benefit plans in the US</i>            |                             | (21)                       |                              |                  |                 |                            |                |                                    | (21)         |
| <i>of which: impairment of an intangible asset</i>                                      |                             |                            |                              |                  | 11              |                            |                |                                    | 11           |
| Operating expenses (adjusted)   | 5,142                       | 6,547                      | 2,130                        | 1,392            | 6,522           | 919                        | (5)            | 1,245                              | 23,891       |
| <i>of which: expenses for provisions for litigation, regulatory and similar matters</i> | 104                         | 351                        | (2)                          | (3)              | 2               | 15                         | 0              | 620                                | 1,087        |
| <b>Operating profit / (loss) before tax as reported</b>                                 | <b>2,689</b>                | <b>718</b>                 | <b>1,646</b>                 | <b>584</b>       | <b>1,892</b>    | <b>(818)</b>               | <b>282</b>     | <b>(1,503)</b>                     | <b>5,489</b> |
| <b>Operating profit / (loss) before tax (adjusted)</b>                                  | <b>2,828</b>                | <b>834</b>                 | <b>1,681</b>                 | <b>610</b>       | <b>2,288</b>    | <b>(1,056)</b>             | <b>(102)</b>   | <b>(1,447)</b>                     | <b>5,635</b> |

<sup>1</sup> Adjusted results are non-GAAP financial measures as defined by SEC regulations. <sup>2</sup> Comparative figures in this table may differ from those originally published in quarterly and annual reports due to adjustments following organizational changes, restatements due to the retrospective adoption of new accounting standards or changes in accounting policies, and events after the reporting period. <sup>3</sup> CC – Services operating expenses presented in this table are after service allocations to business divisions and other Corporate Center units. <sup>4</sup> Includes gains on partial sales of our investment in Markit in 2016 and 2015 in the Investment Bank as well as a gain on the sale of our investment in Visa Europe in 2016 in Wealth Management and Personal & Corporate Banking. <sup>5</sup> Related to the disposal of foreign subsidiaries and branches.

### Results: 2016

We recorded net profit attributable to shareholders of CHF 3,306 million in 2016, which included a net tax expense of CHF 805 million. In 2015, net profit attributable to shareholders was CHF 6,203 million, which included a net tax benefit of CHF 898 million.

Profit before tax was CHF 4,192 million in 2016 compared with CHF 5,489 million in 2015 and adjusted profit before tax was CHF 5,443 million compared with CHF 5,635 million.

As of 31 December 2016, the Group achieved CHF 1.6 billion of annualized net cost savings, an improvement from CHF 1.1 billion at year-end 2015, and is on track to achieve its CHF 2.1 billion target by the end of 2017.

UBS's Board of Directors intends to propose a dividend of CHF 0.60 per share to shareholders for the financial year 2016. Subject to shareholder approval, the dividend will be paid out of capital contribution reserves on 10 May 2017 to shareholders of record as of 9 May 2017. The ex-dividend date will be 8 May 2017.

### Results: 4Q16 vs 4Q15

We recorded a profit before tax of CHF 848 million compared with CHF 234 million. Operating income increased by CHF 280 million or 4%, mainly reflecting a CHF 250 million increase in other income and CHF 51 million higher combined net interest and trading income. Operating expenses decreased by CHF 335 million or 5% due to CHF 350 million lower general and administrative expenses, primarily reflecting CHF 203 million lower net expenses for provisions for litigation, regulatory and similar matters. This was partly offset by CHF 25 million higher personnel expenses.

In addition to reporting our results in accordance with International Financial Reporting Standards (IFRS), we report adjusted results that exclude items that management believes are not representative of the underlying performance of our businesses. Such adjusted results are non-GAAP financial measures as defined by SEC regulations. For the purpose of determining adjusted results for the fourth quarter of 2016, we excluded gains of CHF 88 million on sale of financial assets available for sale, net foreign currency translation gains of CHF 27 million and net restructuring expenses of CHF 372 million. For the fourth quarter of 2015, we excluded net foreign currency translation gains of CHF 115 million, an own credit gain of CHF 35 million, net gains of CHF 28 million on the sale of subsidiaries and businesses, as well as net losses of CHF 257 million related to the buyback of debt in a tender offer and net restructuring expenses of CHF 441 million.

On this adjusted basis, profit before tax was CHF 1,105 million compared with CHF 754 million, reflecting CHF 266 million lower operating expenses and CHF 86 million higher operating income.

### Operating income: 4Q16 vs 4Q15

Total operating income was CHF 7,055 million compared with CHF 6,775 million. On an adjusted basis, total operating income increased by CHF 86 million or 1% to CHF 6,940 million.

#### Net interest and trading income

Total combined net interest and trading income increased by CHF 51 million to CHF 2,708 million. Excluding the own credit gain of CHF 35 million in the fourth quarter of 2015, adjusted net interest and trading income increased by CHF 86 million, primarily reflecting increases in the Investment Bank and Wealth Management Americas, partly offset by a decrease in Corporate Center – Group ALM.

#### Net fee and commission income

Net fee and commission income was CHF 4,161 million compared with CHF 4,218 million, primarily reflecting declines in investment fund and equity underwriting fees and lower net brokerage fees, partly offset by higher portfolio management and advisory fees.

#### Credit loss expense / recovery

Total net credit loss expenses were CHF 24 million compared with CHF 59 million, mainly reflecting lower expenses related to the energy sector in the Investment Bank.

→ Refer to the "Risk management and control" section of this report for more information

#### Other income

Other income was positive CHF 209 million compared with negative CHF 41 million. The fourth quarter of 2016 included gains of CHF 88 million on sale of financial assets available for sale and net foreign currency translation gains of CHF 27 million, while the same quarter a year earlier included net foreign currency translation gains of CHF 115 million, net gains of CHF 28 million on the sale of subsidiaries and businesses as well as net losses of CHF 257 million related to the buyback of debt in a tender offer. Excluding these items, adjusted other income increased by CHF 21 million to CHF 94 million.

### Operating expenses: 4Q16 vs 4Q15

Total operating expenses decreased by CHF 335 million or 5% to CHF 6,206 million. Net restructuring expenses decreased to CHF 372 million from CHF 441 million, mainly related to lower expenses for outsourcing of IT and other services.

Excluding net restructuring expenses, adjusted total operating expenses decreased by CHF 266 million or 4% to CHF 5,834 million, primarily reflecting CHF 203 million lower net expenses for provisions for litigation, regulatory and similar matters.

### Personnel expenses

Personnel expenses increased by CHF 25 million to CHF 3,868 million. On an adjusted basis, personnel expenses increased by CHF 15 million to CHF 3,694 million, mainly reflecting higher expenses for variable compensation, primarily as expenses for accruals for variable compensation in the Investment Bank were more evenly spread across the year in 2016 compared with 2015. This was largely offset by lower salary expenses resulting from our cost reduction programs and lower pension costs for our Swiss pension plan, reflecting the effect of changes to demographic and financial assumptions.

### General and administrative expenses

General and administrative expenses decreased by CHF 350 million to CHF 2,063 million and by CHF 261 million to CHF 1,876 million on an adjusted basis, mainly reflecting CHF 203 million lower net expenses for provisions for litigation, regulatory and similar matters, as well as a decrease in professional fees and travel and entertainment expenses. In addition, the expense for the annual UK bank levy decreased to CHF 132 million from CHF 166 million, primarily due to currency effects.

At this point in time, we believe that the industry continues to operate in an environment in which expenses associated with litigation, regulatory and similar matters will remain elevated for the foreseeable future and we continue to be exposed to a number of significant claims and regulatory matters. The outcome of many of these matters, the timing of a resolution, and the potential effects of resolutions on our future business, financial results or financial condition, are extremely difficult to predict.

→ Refer to **“Provisions and contingent liabilities” in the “Consolidated financial information” section of this report and to “Material legal and regulatory risks arise in the conduct of our business” in the “Risk factors” section of our Annual Report 2015 for more information on litigation, regulatory and similar matters**

### Depreciation, impairment and amortization

Depreciation and impairment of property, equipment and software was CHF 255 million compared with CHF 260 million. In the fourth quarter of 2016 and after performing an analysis to assess the average lifespan of software placed into service as part of our recent transformation efforts, we extended the estimated useful life for certain software from five to seven years, resulting in CHF 26 million lower depreciation expenses. The decrease in depreciation expenses was partly offset by higher impairment expenses, primarily related to property.

### Tax: 4Q16 vs 4Q15

We recognized a net income tax expense of CHF 109 million compared with a net income tax benefit of CHF 715 million.

The fourth quarter 2016 net income tax expense included a tax benefit in respect of a net upward revaluation of deferred tax assets of CHF 166 million, following the completion of our business planning process. This net benefit reflected an increase in US deferred tax assets of CHF 136 million, an increase in Swiss deferred tax assets of CHF 82 million as well as other increases of CHF 19 million, partly offset by a decrease of CHF 71 million in respect of UK deferred tax assets. The net income tax expense in the quarter also included tax expenses of CHF 275 million in respect of taxable profits arising in 2016. This reflected current tax expenses of CHF 203 million and deferred tax expenses of CHF 72 million, with the latter primarily representing amortization of prior-year Swiss temporary difference deferred tax assets.

The tax benefit for the fourth quarter of 2015 included an upward revaluation of US deferred tax assets in relation to the extension of the forecast period for US taxable profits to seven years from six. In 2016, there was no extension of the forecast period.

For 2017, we forecast a full-year tax rate of approximately 25%, excluding the effects on the tax rate of any change in the level of deferred tax assets resulting from their reassessment or any statutory tax rate changes.

### Total comprehensive income attributable to shareholders: 4Q16 vs 4Q15

Total comprehensive income attributable to shareholders was CHF 185 million compared with CHF 1,126 million. Net profit attributable to shareholders was CHF 738 million compared with CHF 949 million and other comprehensive income (OCI) attributable to shareholders was negative CHF 553 million compared with positive CHF 177 million.

In the fourth quarter of 2016, OCI related to cash flow hedges was negative CHF 1,033 million, mainly reflecting a decrease in unrealized gains on hedging derivatives that resulted from increases in long-term interest rates. In the fourth quarter of 2015, OCI related to cash flow hedges was negative CHF 419 million.

Defined benefit plan OCI was negative CHF 234 million compared with positive CHF 202 million. We recorded net pre-tax OCI losses of CHF 390 million related to our Swiss pension plan, reflecting OCI gains of CHF 1,134 million from a decrease in the defined benefit obligation (DBO) and CHF 222 million from an increase in the fair value of the underlying plan assets, more than offset by OCI losses of CHF 1,746 million related to the excess of the pension surplus over the estimated future economic benefit. The OCI gains of CHF 1,134 million from the decrease in DBO primarily reflected gains of CHF 1,125 million due to a significant increase in the applicable discount rate from 0.4% as of 30 September 2016 to 0.7% as of 31 December 2016. This increase in discount rate included the effect of changes in yield curve construction, which had a negative effect on OCI of CHF 408 million. In addition, changes in estimate related to the life expectancy assumption resulted in OCI gains of CHF 701 million. The aforementioned OCI gains were partly offset by an OCI experience loss of CHF 438 million, reflecting the effects of differences between the previous actuarial assumptions and what actually occurred, and OCI losses of CHF 255 million following an increase in the assumed rate of interest credit on retirement savings.

Net pre-tax OCI related to the non-Swiss pension plans was positive CHF 89 million, primarily in the UK, mainly due to net reductions in defined benefit obligations resulting from increases in applicable discount rates, partly offset by losses resulting from decreases in the fair value of underlying plan assets.

OCI associated with financial assets available for sale was negative CHF 145 million compared with negative CHF 59 million and mainly reflected net unrealized losses following increases in long-term interest rates as well as the reclassification of net gains from OCI to the income statement upon sale of certain investments, predominantly a further partial sale of our investment in Markit.

Foreign currency translation OCI was CHF 845 million, which primarily resulted from the strengthening of the US dollar against the Swiss franc. OCI related to foreign currency translation in the same quarter last year was CHF 452 million.

OCI related to own credit on financial liabilities designated at fair value was CHF 15 million in the fourth quarter of 2016.

- Refer to the **“Statement of comprehensive income” in the “Consolidated financial information” section of this report for more information**
- Refer to **“Note 28 Pension and other post-employment benefit plans” in the “Consolidated financial statements” section of our Annual Report 2015 for more information on other comprehensive income related to defined benefit plans**

### Sensitivity to interest rate movements

As of 31 December 2016, we estimate that a parallel shift in yield curves by +100 basis points could lead to a combined increase in annual net interest income of approximately CHF 0.7 billion in Wealth Management, Wealth Management Americas and Personal & Corporate Banking. Of this increase,

approximately CHF 0.4 billion would result from changes in US dollar interest rates. Including the estimated impact related to pension fund assets and liabilities, the immediate effect of such a shift on shareholders' equity would be a decrease of approximately CHF 1.6 billion recognized in OCI, of which approximately CHF 1.3 billion would result from changes in US dollar interest rates. Since the majority of this negative OCI impact on shareholders' equity is related to cash flow hedges, which is not recognized for the purposes of calculating regulatory capital, the immediate impact on regulatory capital would be an increase of approximately CHF 0.3 billion. The aforementioned estimates are based on an immediate increase in interest rates, equal across all currencies and relative to implied forward rates applied to our banking book and available-for-sale portfolios.

We estimate that if interest rates implied by forward rates at the end of 2016 were to materialize over the next three years, our net interest income in Wealth Management, Wealth Management Americas and Personal & Corporate Banking would increase compared with current levels by around CHF 0.2 billion in 2017 and by around CHF 1.1 billion cumulatively over the next three years. This increase would primarily be driven by Wealth Management and Wealth Management Americas, which would benefit most from an increase in US dollar interest rates, and would more than offset a decline in Personal & Corporate Banking, whose net interest income is mostly generated in Swiss francs and where forward rates imply continued negative interest rates.

Should interest rates remain constant at the levels prevailing at the end of 2016, the corresponding cumulative increase in net interest income over the next three years compared with current levels would be around CHF 0.2 billion.

The above estimates further assume no change to balance sheet size and structure, constant foreign exchange rates and no management action.

### Net profit attributable to non-controlling interests: 4Q16 vs 4Q15

Net profit attributable to non-controlling interests was unchanged at CHF 1 million.

For 2017, we currently expect to attribute approximately CHF 70 million of net profit to non-controlling interests, of which CHF 45 million in the first quarter and CHF 25 million in the fourth quarter. From 2018, we expect to attribute less than CHF 10 million per year.

### Key figures and personnel

#### Cost / income ratio: 4Q16 vs 4Q15

The cost / income ratio was 87.7% compared with 95.7%. On an adjusted basis, the cost / income ratio was 83.8% compared with 88.2%.



### Return on tangible equity: 4Q16 vs 4Q15

The annualized return on tangible equity (RoTE) was 6.5% compared with 8.1%. On an adjusted basis, the annualized RoTE was 8.2% compared with 11.4%.

### Common equity tier 1 capital ratio: 4Q16 vs 3Q16

Our fully applied CET1 capital ratio decreased 0.2 percentage points to 13.8%, mainly resulting from a CHF 6 billion increase in risk-weighted assets (RWA).

→ Refer to the “Capital management” section of this report for more information

### Risk-weighted assets: 4Q16 vs 3Q16

RWA increased by CHF 6 billion to CHF 223 billion on a fully applied basis. This increase was mainly due to CHF 7 billion higher market risk RWA, primarily due to higher average stressed and regulatory value-at-risk (VaR) levels during the quarter, primarily driven by various factors across our Equities and Foreign Exchange, Rates and Credit businesses, including option expiries and stronger client flows.

→ Refer to the “Capital management” section of this report for more information

### Leverage ratio denominator: 4Q16 vs 3Q16

The Swiss SRB leverage ratio denominator (LRD) decreased by CHF 7 billion to CHF 870 billion on a fully applied basis, mainly reflecting effective resource management.

→ Refer to the “Capital management” section of this report for more information

### Net new money and invested assets

Management’s discussion and analysis on net new money and invested assets is provided in the “UBS business divisions and Corporate Center” section of this report.

### Personnel: 4Q16 vs 3Q16

We employed 59,387 personnel as of 31 December 2016, a net decrease of 559 compared with 30 September 2016, mainly reflecting reductions of 197, 183 and 107 in Wealth Management, the Investment Bank and Corporate Center – Services, respectively. These reductions related primarily to our cost reduction programs.

### Outlook

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

## Return on equity

| CHF million, except where indicated              | As of or for the quarter ended |         |          | As of or for the year ended |          |
|--|--------------------------------|---------|----------|-----------------------------|----------|
|  | 31.12.16                       | 30.9.16 | 31.12.15 | 31.12.16                    | 31.12.15 |
| <b>Net profit</b>                                |                                |         |          |                             |          |
| Net profit attributable to shareholders          | 738                            | 827     | 949      | 3,306                       | 6,203    |
| Amortization and impairment of intangible assets | 21                             | 23      | 24       | 91                          | 107      |
| Pre-tax adjusting items <sup>1,2</sup>           | 257                            | 423     | 520      | 1,251                       | 135      |
| Tax effect on adjusting items <sup>3</sup>       | (57)                           | (93)    | (121)    | (275)                       | (140)    |
| Adjusted net profit attributable to shareholders | 959                            | 1,180   | 1,372    | 4,373                       | 6,305    |
| <b>Equity</b>                                    |                                |         |          |                             |          |
| Equity attributable to shareholders              | 53,723                         | 53,300  | 55,313   | 53,723                      | 55,313   |
| Less: goodwill and intangible assets             | 6,556                          | 6,345   | 6,568    | 6,556                       | 6,568    |
| Tangible equity attributable to shareholders     | 47,167                         | 46,955  | 48,745   | 47,167                      | 48,745   |
| <b>Return on equity</b>                          |                                |         |          |                             |          |
| Return on equity (%)                             | 5.5                            | 6.2     | 6.9      | 6.1                         | 11.8     |
| Return on tangible equity (%)                    | 6.5                            | 7.3     | 8.1      | 7.2                         | 13.7     |
| Adjusted return on tangible equity (%)           | 8.2                            | 10.1    | 11.4     | 9.2                         | 13.7     |

<sup>1</sup> Adjusted results are non-GAAP financial measures as defined by SEC regulations. <sup>2</sup> Refer to the “Performance by business division and Corporate Center unit – reported and adjusted” table in this section for more information. <sup>3</sup> Generally reflects an indicative tax rate of 22% on pre-tax adjusting items.

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# UBS business divisions and Corporate Center

Management report

# Wealth Management

## Wealth Management<sup>1</sup>

| CHF million, except where indicated   | As of or for the quarter ended |              |              | % change from |            | For the year ended |              |
|---|--------------------------------|--------------|--------------|---------------|------------|--------------------|--------------|
|   | 31.12.16                       | 30.9.16      | 31.12.15     | 3Q16          | 4Q15       | 31.12.16           | 31.12.15     |
| <b>Results</b>  |                                |              |              |               |            |                    |              |
| Net interest income   | 588                            | 582          | 598          | 1             | (2)        | 2,331              | 2,326        |
| Recurring net fee income <sup>2</sup>   | 874                            | 891          | 935          | (2)           | (7)        | 3,548              | 3,820        |
| Transaction-based income <sup>2</sup>   | 314                            | 334          | 364          | (6)           | (14)       | 1,397              | 1,778        |
| Other income  | 7                              | 6            | (28)         | 17            |            | 20                 | 231          |
| Income  | 1,782                          | 1,812        | 1,869        | (2)           | (5)        | 7,296              | 8,155        |
| Credit loss (expense) / recovery  | (1)                            | (3)          | 0            | (67)          |            | (5)                | 0            |
| <b>Total operating income</b>   | <b>1,782</b>                   | <b>1,809</b> | <b>1,869</b> | <b>(1)</b>    | <b>(5)</b> | <b>7,291</b>       | <b>8,155</b> |
| Personnel expenses  | 543                            | 600          | 609          | (10)          | (11)       | 2,349              | 2,532        |
| General and administrative expenses   | 248                            | 124          | 263          | 100           | (6)        | 640                | 637          |
| Services (to) / from Corporate Center and other business divisions                | 621                            | 579          | 652          | 7             | (5)        | 2,348              | 2,289        |
| <i>of which: services from CC – Services</i>                                      | <i>592</i>                     | <i>557</i>   | <i>627</i>   | <i>6</i>      | <i>(6)</i> | <i>2,256</i>       | <i>2,209</i> |
| Depreciation and impairment of property, equipment and software                   | 1                              | 0            | 1            |               | 0          | 2                  | 5            |
| Amortization and impairment of intangible assets                                  | 1                              | 1            | 1            | 0             | 0          | 4                  | 3            |
| <b>Total operating expenses</b>   | <b>1,413</b>                   | <b>1,305</b> | <b>1,526</b> | <b>8</b>      | <b>(7)</b> | <b>5,343</b>       | <b>5,465</b> |
| <b>Business division operating profit / (loss) before tax</b>                     | <b>368</b>                     | <b>504</b>   | <b>344</b>   | <b>(27)</b>   | <b>7</b>   | <b>1,948</b>       | <b>2,689</b> |
| <b>Adjusted results<sup>3</sup></b>   |                                |              |              |               |            |                    |              |
| <b>Total operating income as reported</b>   | <b>1,782</b>                   | <b>1,809</b> | <b>1,869</b> | <b>(1)</b>    | <b>(5)</b> | <b>7,291</b>       | <b>8,155</b> |
| <i>of which: gains / (losses) on sales of subsidiaries and businesses</i>         |                                |              | <i>(28)</i>  |               |            | <i>(23)</i>        | <i>169</i>   |
| <i>of which: gains related to investments in associates</i>                       |                                |              |              |               |            |                    | <i>15</i>    |
| <i>of which: gains on sale of financial assets available for sale<sup>4</sup></i> |                                |              |              |               |            | <i>21</i>          |              |
| <b>Total operating income (adjusted)</b>  | <b>1,782</b>                   | <b>1,809</b> | <b>1,897</b> | <b>(1)</b>    | <b>(6)</b> | <b>7,293</b>       | <b>7,971</b> |
| <b>Total operating expenses as reported</b>                                       | <b>1,413</b>                   | <b>1,305</b> | <b>1,526</b> | <b>8</b>      | <b>(7)</b> | <b>5,343</b>       | <b>5,465</b> |
| <i>of which: personnel-related restructuring expenses</i>                         | <i>15</i>                      | <i>28</i>    | <i>3</i>     |               |            | <i>53</i>          | <i>20</i>    |
| <i>of which: non-personnel-related restructuring expenses</i>                     | <i>25</i>                      | <i>10</i>    | <i>14</i>    |               |            | <i>55</i>          | <i>38</i>    |
| <i>of which: restructuring expenses allocated from CC – Services</i>              | <i>103</i>                     | <i>101</i>   | <i>116</i>   |               |            | <i>339</i>         | <i>265</i>   |
| <b>Total operating expenses (adjusted)</b>  | <b>1,270</b>                   | <b>1,166</b> | <b>1,393</b> | <b>9</b>      | <b>(9)</b> | <b>4,896</b>       | <b>5,142</b> |
| <b>Business division operating profit / (loss) before tax as reported</b>         | <b>368</b>                     | <b>504</b>   | <b>344</b>   | <b>(27)</b>   | <b>7</b>   | <b>1,948</b>       | <b>2,689</b> |
| <b>Business division operating profit / (loss) before tax (adjusted)</b>          | <b>511</b>                     | <b>643</b>   | <b>505</b>   | <b>(21)</b>   | <b>1</b>   | <b>2,397</b>       | <b>2,828</b> |
| <b>Key performance indicators<sup>5</sup></b>                                     |                                |              |              |               |            |                    |              |
| Pre-tax profit growth (%)   | 7.0                            | (21.1)       | (46.7)       |               |            | (27.6)             | 15.6         |
| Cost / income ratio (%)   | 79.3                           | 72.0         | 81.6         |               |            | 73.2               | 67.0         |
| Net new money growth (%)  | (1.7)                          | 4.0          | (1.5)        |               |            | 2.8                | 1.3          |
| Gross margin on invested assets (bps)   | 73                             | 76           | 80           | (4)           | (9)        | 77                 | 86           |
| Net margin on invested assets (bps)   | 15                             | 21           | 15           | (29)          | 0          | 21                 | 28           |
| <b>Adjusted key performance indicators<sup>5</sup></b>                            |                                |              |              |               |            |                    |              |
| Pre-tax profit growth (%)   | 1.2                            | (7.9)        | (27.2)       |               |            | (15.2)             | 12.6         |
| Cost / income ratio (%)   | 71.3                           | 64.3         | 73.4         |               |            | 67.1               | 64.5         |
| Net new money growth (%)  | (1.7)                          | 4.0          | (1.5)        |               |            | 2.8                | 2.3          |
| Gross margin on invested assets (bps)   | 73                             | 76           | 81           | (4)           | (10)       | 77                 | 84           |
| Net margin on invested assets (bps)   | 21                             | 27           | 22           | (22)          | (5)        | 25                 | 30           |

## Wealth Management<sup>1</sup> (continued)

| CHF million, except where indicated                                   | As of or for the quarter ended |         |          | % change from |      | For the year ended |          |
|---|--------------------------------|---------|----------|---------------|------|--------------------|----------|
|   | 31.12.16                       | 30.9.16 | 31.12.15 | 3Q16          | 4Q15 | 31.12.16           | 31.12.15 |
| <b>Additional information</b>   |                                |         |          |               |      |                    |          |
| Recurring income <sup>6</sup>   | 1,461                          | 1,473   | 1,533    | (1)           | (5)  | 5,880              | 6,146    |
| Recurring income as a percentage of income (%)                        | 82.0                           | 81.3    | 82.0     |               |      | 80.6               | 75.4     |
| Average attributed equity (CHF billion) <sup>7</sup>                  | 3.4                            | 3.5     | 3.4      | (3)           | 0    | 3.5                | 3.5      |
| Return on attributed equity (%)                                       | 43.3                           | 57.6    | 40.5     |               |      | 56.1               | 77.4     |
| Risk-weighted assets (fully applied, CHF billion) <sup>8</sup>        | 25.8                           | 26.1    | 25.3     | (1)           | 2    | 25.8               | 25.3     |
| Return on risk-weighted assets, gross (%) <sup>9</sup>                | 27.5                           | 27.8    | 29.1     |               |      | 28.1               | 31.7     |
| Leverage ratio denominator (fully applied, CHF billion) <sup>10</sup> | 115.5                          | 117.9   | 119.0    | (2)           | (3)  | 115.5              | 119.0    |
| Goodwill and intangible assets (CHF billion)                          | 1.3                            | 1.3     | 1.3      | 0             | 0    | 1.3                | 1.3      |
| Net new money (CHF billion)   | (4.1)                          | 9.4     | (3.4)    |               |      | 26.8               | 12.9     |
| Net new money adjusted (CHF billion) <sup>11</sup>                    | (4.1)                          | 9.4     | (3.4)    |               |      | 26.8               | 22.8     |
| Invested assets (CHF billion)   | 977                            | 967     | 947      | 1             | 3    | 977                | 947      |
| Client assets (CHF billion)   | 1,157                          | 1,144   | 1,122    | 1             | 3    | 1,157              | 1,122    |
| Loans, gross (CHF billion)  | 101.9                          | 102.6   | 105.2    | (1)           | (3)  | 101.9              | 105.2    |
| Due to customers (CHF billion)  | 192.3                          | 190.7   | 172.3    | 1             | 12   | 192.3              | 172.3    |
| Personnel (full-time equivalents)                                     | 9,721                          | 9,918   | 10,239   | (2)           | (5)  | 9,721              | 10,239   |
| Client advisors (full-time equivalents)                               | 3,859                          | 3,924   | 4,019    | (2)           | (4)  | 3,859              | 4,019    |

<sup>1</sup> Comparative figures in this table may differ from those originally published in quarterly and annual reports due to adjustments following organizational changes, restatements due to the retrospective adoption of new accounting standards or changes in accounting policies, and events after the reporting period. <sup>2</sup> Refer to "Operating income" in the "Group performance" section of our Annual Report 2015 for the definitions of recurring net fee income and transaction-based income. <sup>3</sup> Adjusted results are non-GAAP financial measures as defined by SEC regulations. <sup>4</sup> Reflects a gain on the sale of our investment in Visa Europe. <sup>5</sup> Refer to the "Measurement of performance" section of our Annual Report 2015 for the definitions of our key performance indicators. <sup>6</sup> Recurring income consists of net interest income and recurring net fee income. <sup>7</sup> Refer to the "Capital management" section of this report for more information. <sup>8</sup> Based on the Basel III framework as applicable for Swiss systemically relevant banks (SRBs). Refer to the "Capital management" section of this report for more information. <sup>9</sup> Based on fully applied RWA. <sup>10</sup> Calculated in accordance with Swiss SRB rules. Refer to the "Capital management" section of this report for more information. <sup>11</sup> Adjusted net new money excludes the negative effect on net new money (third quarter of 2015: CHF 3.3 billion, second quarter of 2015: CHF 6.6 billion) from our balance sheet and capital optimization program.

## Regional breakdown of key figures<sup>1,2</sup>

| As of or for the quarter ended 31.12.16 | Europe | Asia Pacific | Switzerland | Emerging markets | of which: ultra high net worth | of which: Global Family Office <sup>3</sup> |
|---|--------|--------------|-------------|------------------|--------------------------------|---|
| Net new money (CHF billion)             | (0.7)  | 0.1          | 0.8         | (4.5)            | 2.6                            | 1.9   |
| Net new money growth (%)                | (0.8)  | 0.1          | 1.8         | (12.2)           | 1.9                            | 9.0   |
| Invested assets (CHF billion)           | 353    | 292          | 180         | 149              | 552                            | 94  |
| Gross margin on invested assets (bps)   | 66     | 65           | 84          | 95               | 49                             | 49 <sup>4</sup>                             |
| Client advisors (full-time equivalents) | 1,317  | 1,016        | 744         | 681              | 805 <sup>5</sup>               |   |

<sup>1</sup> Refer to the "Measurement of performance" section of our Annual Report 2015 for the definitions of our key performance indicators. <sup>2</sup> Based on the Wealth Management business area structure, and excluding minor functions with 101 client advisors, CHF 3 billion of invested assets, and CHF 0.2 billion of net new money inflows in the fourth quarter of 2016. <sup>3</sup> Joint venture between Wealth Management and the Investment Bank. Global Family Office is reported as a sub-segment of ultra high net worth and is included in the ultra high net worth figures. <sup>4</sup> Gross margin includes income booked in the Investment Bank. Gross margin only based on income booked in Wealth Management is 29 basis points. <sup>5</sup> Represents client advisors who exclusively serve ultra high net worth clients. In addition to these, other client advisors may also serve certain ultra high net worth clients, but not exclusively.

## Results: 4Q16 vs 4Q15

Profit before tax increased by CHF 24 million or 7% to CHF 368 million and adjusted profit before tax increased by CHF 6 million or 1 % to CHF 511 million, reflecting lower operating expenses, largely offset by decreased operating income.

### Operating income

Total operating income decreased by CHF 87 million or 5% to CHF 1,782 million. Excluding losses of CHF 28 million on the sale of subsidiaries and businesses in the fourth quarter of 2015, adjusted operating income decreased by CHF 115 million or 6%, mainly due to lower recurring net fee income and transaction-based income.

Net interest income decreased by CHF 10 million to CHF 588 million, mainly due to lower treasury-related income from Corporate Center – Group Asset and Liability Management (Group ALM), partly offset by higher deposit revenues.

→ Refer to the “Corporate Center – Group Asset and Liability Management” section of this report for more information

Recurring net fee income decreased by CHF 61 million to CHF 874 million due to a decrease in investment fund fees and custody revenues reflecting the effects of shifts to retrocession-free products, changes in clients' asset allocation, as well as the effects of cross-border outflows. These were partly offset by increases in average invested assets, discretionary and advisory mandate penetration and the effect of pricing measures.

Transaction-based income decreased by CHF 50 million to CHF 314 million, mainly as the fourth quarter of 2015 included a fee of CHF 45 million received from Personal & Corporate Banking for the shift of clients, as a result of a detailed client segmentation review.

Other income increased by CHF 35 million to CHF 7 million, mainly due to the aforementioned losses on the sale of subsidiaries and businesses in the fourth quarter of 2015.

### Operating expenses

Total operating expenses decreased by CHF 113 million or 7% to CHF 1,413 million and adjusted operating expenses decreased by CHF 123 million or 9% to CHF 1,270 million. Personnel expenses decreased by CHF 66 million to CHF 543 million and adjusted personnel expenses decreased by CHF 78 million to CHF 528 million, driven by a decrease in staff levels and lower pension costs for our Swiss pension plan reflecting the effect of changes to demographic and financial assumptions, as well as lower variable compensation expenses.

General and administrative expenses decreased by CHF 15 million to CHF 248 million and adjusted general and administrative expenses decreased by CHF 26 million to CHF 223 million. This was mainly driven by a CHF 17 million decrease in net expenses for provisions for litigation, regulatory and similar matters and lower expenses for marketing and public relations. Net expenses for services from Corporate Center and other business divisions decreased by CHF 31 million to CHF 621 million and adjusted net expenses for services decreased by CHF 18 million to CHF 518 million, mainly reflecting lower net expenses from Group Technology, partly offset by higher occupancy expenses from Group Corporate Services.

### Net new money

Net new money outflows were CHF 4.1 billion compared with CHF 3.4 billion in the same quarter of the prior year. The annualized net new money growth rate was negative 1.7% compared with negative 1.5%. Net new money outflows in emerging markets and Europe were partly offset by inflows in Switzerland and Asia Pacific. Total cross-border outflows were CHF 7.4 billion compared with CHF 4.5 billion, mainly driven by outflows in emerging markets and Asia Pacific. Net new money from ultra high net worth clients was CHF 2.6 billion on a global basis compared with CHF 2.2 billion.

In the third quarter of 2016, net new money was CHF 9.4 billion, driven by net inflows in all regions, except emerging markets where cross-border outflows outweighed inflows.

### Invested assets: 4Q16 vs 3Q16

Invested assets increased by CHF 10 billion to CHF 977 billion due to positive foreign currency translation effects of CHF 16 billion, partly offset by net new money outflows of CHF 4 billion and a net decrease of CHF 1 billion related to the sale and acquisition of subsidiaries and businesses that did not affect net new money. Discretionary and advisory mandate penetration decreased to 26.9% compared with 27.1%, reflecting seasonally lower net mandate sales as well as cross-border outflows. Compared with the fourth quarter of 2015, discretionary and advisory mandate penetration increased by 0.5 percentage points.

# Wealth Management Americas

## Wealth Management Americas – in US dollars<sup>1</sup>

| <i>USD million, except where indicated</i>                                   | As of or for the quarter ended |              |              | % change from |            | For the year ended |              |
|--|--------------------------------|--------------|--------------|---------------|------------|--------------------|--------------|
|  | 31.12.16                       | 30.9.16      | 31.12.15     | 3Q16          | 4Q15       | 31.12.16           | 31.12.15     |
| <b>Results</b>   |                                |              |              |               |            |                    |              |
| Net interest income  | 405                            | 370          | 326          | 9             | 24         | 1,484              | 1,215        |
| Recurring net fee income <sup>2</sup>  | 1,267                          | 1,241        | 1,160        | 2             | 9          | 4,880              | 4,795        |
| Transaction-based income <sup>2</sup>  | 372                            | 372          | 376          | 0             | (1)        | 1,474              | 1,614        |
| Other income   | 16                             | 5            | 12           | 220           | 33         | 35                 | 32           |
| Income   | 2,060                          | 1,989        | 1,874        | 4             | 10         | 7,873              | 7,657        |
| Credit loss (expense) / recovery   | 0                              | 0            | 0            |               |            | (3)                | (4)          |
| <b>Total operating income</b>  | <b>2,059</b>                   | <b>1,988</b> | <b>1,874</b> | <b>4</b>      | <b>10</b>  | <b>7,871</b>       | <b>7,653</b> |
| Personnel expenses   | 1,237                          | 1,205        | 1,185        | 3             | 4          | 4,874              | 4,746        |
| Financial advisor compensation <sup>3</sup>                                  | 757                            | 736          | 713          | 3             | 6          | 2,931              | 2,921        |
| Compensation commitments with recruited financial advisors <sup>4</sup>      | 199                            | 201          | 198          | (1)           | 1          | 808                | 761          |
| Salaries and other personnel costs   | 281                            | 268          | 274          | 5             | 3          | 1,135              | 1,064        |
| General and administrative expenses  | 166                            | 128          | 348          | 30            | (52)       | 576                | 845          |
| Services (to) / from Corporate Center and other business divisions           | 309                            | 313          | 313          | (1)           | (1)        | 1,250              | 1,252        |
| <i>of which: services from CC – Services</i>                                 | <i>306</i>                     | <i>310</i>   | <i>309</i>   | <i>(1)</i>    | <i>(1)</i> | <i>1,236</i>       | <i>1,236</i> |
| Depreciation and impairment of property, equipment and software              | 0                              | 0            | 0            |               |            | 2                  | 3            |
| Amortization and impairment of intangible assets                             | 10                             | 13           | 13           | (23)          | (23)       | 50                 | 53           |
| <b>Total operating expenses</b>  | <b>1,723</b>                   | <b>1,660</b> | <b>1,860</b> | <b>4</b>      | <b>(7)</b> | <b>6,752</b>       | <b>6,899</b> |
| <b>Business division operating profit / (loss) before tax</b>                | <b>337</b>                     | <b>328</b>   | <b>13</b>    | <b>3</b>      |            | <b>1,118</b>       | <b>754</b>   |
| <b>Adjusted results<sup>5</sup></b>  |                                |              |              |               |            |                    |              |
| Total operating income as reported   | 2,059                          | 1,988        | 1,874        | 4             | 10         | 7,871              | 7,653        |
| <i>of which: gains on sale of financial assets available for sale</i>        | <i>10</i>                      |              |              |               |            | <i>10</i>          |              |
| <b>Total operating income (adjusted)</b>                                     | <b>2,049</b>                   | <b>1,988</b> | <b>1,874</b> | <b>3</b>      | <b>9</b>   | <b>7,861</b>       | <b>7,653</b> |
| Total operating expenses as reported   | 1,723                          | 1,660        | 1,860        | 4             | (7)        | 6,752              | 6,899        |
| <i>of which: personnel-related restructuring expenses</i>                    | <i>1</i>                       | <i>1</i>     | <i>0</i>     |               |            | <i>7</i>           | <i>0</i>     |
| <i>of which: non-personnel-related restructuring expenses</i>                | <i>0</i>                       | <i>0</i>     | <i>0</i>     |               |            | <i>0</i>           | <i>0</i>     |
| <i>of which: restructuring expenses allocated from CC – Services</i>         | <i>29</i>                      | <i>38</i>    | <i>50</i>    |               |            | <i>134</i>         | <i>141</i>   |
| <i>of which: gain related to a change to retiree benefit plans in the US</i> |                                |              |              |               |            |                    | <i>(21)</i>  |
| <b>Total operating expenses (adjusted)</b>                                   | <b>1,692</b>                   | <b>1,621</b> | <b>1,810</b> | <b>4</b>      | <b>(7)</b> | <b>6,610</b>       | <b>6,779</b> |
| <b>Business division operating profit / (loss) before tax as reported</b>    | <b>337</b>                     | <b>328</b>   | <b>13</b>    | <b>3</b>      |            | <b>1,118</b>       | <b>754</b>   |
| <b>Business division operating profit / (loss) before tax (adjusted)</b>     | <b>358</b>                     | <b>367</b>   | <b>63</b>    | <b>(2)</b>    | <b>468</b> | <b>1,250</b>       | <b>874</b>   |
| <b>Key performance indicators<sup>6</sup></b>                                |                                |              |              |               |            |                    |              |
| Pre-tax profit growth (%)  |                                | 22.4         | (94.0)       |               |            | 48.3               | (23.1)       |
| Cost / income ratio (%)  | 83.6                           | 83.5         | 99.3         |               |            | 85.8               | 90.1         |
| Net new money growth (%)   | (0.5)                          | 0.3          | 6.8          |               |            | 1.5                | 2.1          |
| Gross margin on invested assets (bps)  | 74                             | 73           | 74           | 1             | 0          | 73                 | 74           |
| Net margin on invested assets (bps)  | 12                             | 12           | 1            | 0             |            | 10                 | 7            |
| <b>Adjusted key performance indicators<sup>6</sup></b>                       |                                |              |              |               |            |                    |              |
| Pre-tax profit growth (%)  | 468.3                          | 27.9         | (73.0)       |               |            | 43.0               | (15.1)       |
| Cost / income ratio (%)  | 82.5                           | 81.5         | 96.6         |               |            | 84.1               | 88.5         |
| Net new money growth (%)   | (0.5)                          | 0.3          | 6.8          |               |            | 1.5                | 2.1          |
| Gross margin on invested assets (bps)  | 74                             | 73           | 74           | 1             | 0          | 73                 | 74           |
| Net margin on invested assets (bps)  | 13                             | 13           | 2            | 0             | 550        | 12                 | 8            |

**Wealth Management Americas – in US dollars<sup>1</sup> (continued)**

| <i>USD million, except where indicated</i>                                       | As of or for the quarter ended |         |          | % change from |      | For the year ended |          |
|--|--------------------------------|---------|----------|---------------|------|--------------------|----------|
|  | 31.12.16                       | 30.9.16 | 31.12.15 | 3Q16          | 4Q15 | 31.12.16           | 31.12.15 |
| <b>Additional information</b>  |                                |         |          |               |      |                    |          |
| Recurring income <sup>7</sup>  | 1,672                          | 1,611   | 1,486    | 4             | 13   | 6,364              | 6,010    |
| Recurring income as a percentage of income (%)                                   | 81.2                           | 81.0    | 79.3     |               |      | 80.8               | 78.5     |
| Average attributed equity (USD billion) <sup>8</sup>                             | 2.6                            | 2.7     | 2.5      | (4)           | 4    | 2.6                | 2.6      |
| Return on attributed equity (%)  | 51.8                           | 48.6    | 2.1      |               |      | 43.0               | 29.3     |
| Risk-weighted assets (fully applied, USD billion) <sup>9</sup>                   | 23.4                           | 24.0    | 21.9     | (3)           | 7    | 23.4               | 21.9     |
| Return on risk-weighted assets, gross (%) <sup>10</sup>                          | 34.8                           | 33.7    | 33.5     |               |      | 33.9               | 34.0     |
| Leverage ratio denominator (fully applied, USD billion) <sup>11</sup>            | 66.9                           | 66.4    | 62.8     | 1             | 7    | 66.9               | 62.8     |
| Goodwill and intangible assets (USD billion)                                     | 3.7                            | 3.7     | 3.7      | 0             | 0    | 3.7                | 3.7      |
| Net new money (USD billion)  | (1.3)                          | 0.8     | 16.8     |               |      | 15.4               | 21.4     |
| Net new money including interest and dividend income (USD billion) <sup>12</sup> | 6.6                            | 6.7     | 26.2     |               |      | 40.8               | 47.8     |
| Invested assets (USD billion)  | 1,111                          | 1,106   | 1,033    | 0             | 8    | 1,111              | 1,033    |
| Client assets (USD billion)  | 1,160                          | 1,155   | 1,084    | 0             | 7    | 1,160              | 1,084    |
| Loans, gross (USD billion)   | 51.6                           | 50.9    | 48.7     | 1             | 6    | 51.6               | 48.7     |
| Due to customers (USD billion)   | 89.2                           | 86.7    | 83.1     | 3             | 7    | 89.2               | 83.1     |
| Recruitment loans to financial advisors  | 3,033                          | 3,184   | 3,179    | (5)           | (5)  | 3,033              | 3,179    |
| Other loans to financial advisors  | 462                            | 483     | 418      | (4)           | 11   | 462                | 418      |
| Personnel (full-time equivalents)  | 13,526                         | 13,574  | 13,611   | 0             | (1)  | 13,526             | 13,611   |
| Financial advisors (full-time equivalents)                                       | 7,025                          | 7,087   | 7,140    | (1)           | (2)  | 7,025              | 7,140    |

<sup>1</sup> Comparative figures in this table may differ from those originally published in quarterly and annual reports due to adjustments following organizational changes, restatements due to the retrospective adoption of new accounting standards or changes in accounting policies, and events after the reporting period. <sup>2</sup> Refer to "Operating income" in the "Group performance" section of our Annual Report 2015 for the definitions of recurring net fee income and transaction-based income. <sup>3</sup> Financial advisor compensation consists of grid-based compensation based directly on compensable revenues generated by financial advisors and supplemental compensation calculated on the basis of financial advisor productivity, firm tenure, assets and other variables. <sup>4</sup> Compensation commitments with recruited financial advisors represents expenses related to compensation commitments granted to financial advisors at the time of recruitment which are subject to vesting requirements. <sup>5</sup> Adjusted results are non-GAAP financial measures as defined by SEC regulations. <sup>6</sup> Refer to the "Measurement of performance" section of our Annual Report 2015 for the definitions of our key performance indicators. <sup>7</sup> Recurring income consists of net interest income and recurring net fee income. <sup>8</sup> Refer to the "Capital management" section of this report for more information. <sup>9</sup> Based on the Basel III framework as applicable for Swiss systemically relevant banks (SRBs). Refer to the "Capital management" section of this report for more information. <sup>10</sup> Based on fully applied RWA. <sup>11</sup> Calculated in accordance with Swiss SRB rules. Refer to the "Capital management" section of this report for more information. <sup>12</sup> Presented in line with historical reporting practice in the US market.

**Results: 4Q16 vs 4Q15**

Profit before tax increased by USD 324 million to USD 337 million and adjusted profit before tax increased by USD 295 million to USD 358 million due to higher operating income and lower operating expenses.

**Operating income**

Total operating income increased by USD 185 million or 10% to USD 2,059 million, and adjusted operating income increased by USD 175 million or 9% to USD 2,049 million mainly due to higher recurring net fee income and higher net interest income.

Net interest income increased by USD 79 million to USD 405 million due to higher short-term interest rates and growth in loan and deposit balances. The average mortgage portfolio balance increased 20% and the average securities-backed lending portfolio balance increased 5%.

Recurring net fee income increased by USD 107 million to USD 1,267 million, mainly due to higher managed account fees following an increase in invested assets.

Transaction-based income decreased by USD 4 million to USD 372 million.

**Operating expenses**

Total operating expenses decreased by USD 137 million or 7% to USD 1,723 million and adjusted operating expenses decreased by USD 118 million or 7% to USD 1,692 million, mainly due to USD 181 million lower net expenses for provisions for litigation, regulatory and similar matters. This was partly offset by USD 51 million higher adjusted personnel expenses, mainly due to higher financial advisor compensation reflecting higher compensable revenue, and USD 17 million higher adjusted expenses from Corporate Center and other business divisions.

**Net new money**

Net new money outflows were USD 1.3 billion compared with net inflows of USD 16.8 billion in the same quarter of the prior year, primarily due to net outflows from net recruiting as well as lower net inflows from financial advisors employed with UBS for more than one year. The annualized net new money growth rate was negative 0.5% compared with positive 6.8%.

In the third quarter of 2016, net new money was USD 0.8 billion, predominantly related to inflows from financial advisors employed with UBS for more than one year.



## Invested assets: 4Q16 vs 3Q16

Invested assets increased by USD 5 billion to USD 1,111 billion, reflecting positive market performance of USD 7 billion, partly offset by net new money outflows of USD 1 billion. Managed

account assets increased by USD 1 billion to USD 386 billion and comprised 34.7% of total invested assets, compared with 34.8% in the prior quarter.

## Wealth Management Americas – in Swiss francs<sup>1</sup>

| CHF million, except where indicated                                       | As of or for the quarter ended |              |              | % change from |            | For the year ended |              |
|---|--------------------------------|--------------|--------------|---------------|------------|--------------------|--------------|
|   | 31.12.16                       | 30.9.16      | 31.12.15     | 3Q16          | 4Q15       | 31.12.16           | 31.12.15     |
| <b>Results</b>  |                                |              |              |               |            |                    |              |
| Net interest income   | 409                            | 361          | 328          | 13            | 25         | 1,467              | 1,174        |
| Recurring net fee income <sup>2</sup>                                     | 1,277                          | 1,209        | 1,167        | 6             | 9          | 4,825              | 4,623        |
| Transaction-based income <sup>2</sup>                                     | 375                            | 363          | 379          | 3             | (1)        | 1,458              | 1,555        |
| Other income  | 16                             | 5            | 12           | 220           | 33         | 35                 | 31           |
| Income  | 2,076                          | 1,938        | 1,885        | 7             | 10         | 7,785              | 7,384        |
| Credit loss (expense) / recovery  | 0                              | 0            | 0            |               |            | (3)                | (4)          |
| <b>Total operating income</b>   | <b>2,076</b>                   | <b>1,938</b> | <b>1,885</b> | <b>7</b>      | <b>10</b>  | <b>7,782</b>       | <b>7,381</b> |
| Personnel expenses  | 1,247                          | 1,174        | 1,192        | 6             | 5          | 4,819              | 4,579        |
| Financial advisor compensation <sup>3</sup>                               | 763                            | 717          | 718          | 6             | 6          | 2,898              | 2,817        |
| Compensation commitments with recruited financial advisors <sup>4</sup>   | 201                            | 196          | 199          | 3             | 1          | 799                | 735          |
| Salaries and other personnel costs  | 283                            | 262          | 275          | 8             | 3          | 1,122              | 1,027        |
| General and administrative expenses                                       | 168                            | 125          | 350          | 34            | (52)       | 570                | 822          |
| Services (to) / from Corporate Center and other business divisions        | 312                            | 305          | 316          | 2             | (1)        | 1,235              | 1,209        |
| of which: services from CC – Services                                     | 308                            | 302          | 311          | 2             | (1)        | 1,221              | 1,193        |
| Depreciation and impairment of property, equipment and software           | 0                              | 0            | 0            |               |            | 2                  | 3            |
| Amortization and impairment of intangible assets                          | 10                             | 13           | 13           | (23)          | (23)       | 50                 | 51           |
| <b>Total operating expenses</b>   | <b>1,737</b>                   | <b>1,618</b> | <b>1,871</b> | <b>7</b>      | <b>(7)</b> | <b>6,675</b>       | <b>6,663</b> |
| <b>Business division operating profit / (loss) before tax</b>             | <b>339</b>                     | <b>320</b>   | <b>14</b>    | <b>6</b>      |            | <b>1,107</b>       | <b>718</b>   |
| <b>Adjusted results<sup>5</sup></b>                                       |                                |              |              |               |            |                    |              |
| <b>Total operating income as reported</b>                                 | <b>2,076</b>                   | <b>1,938</b> | <b>1,885</b> | <b>7</b>      | <b>10</b>  | <b>7,782</b>       | <b>7,381</b> |
| of which: gains on sale of financial assets available for sale            | 10                             |              |              |               |            | 10                 |              |
| <b>Total operating income (adjusted)</b>                                  | <b>2,066</b>                   | <b>1,938</b> | <b>1,885</b> | <b>7</b>      | <b>10</b>  | <b>7,772</b>       | <b>7,381</b> |
| <b>Total operating expenses as reported</b>                               | <b>1,737</b>                   | <b>1,618</b> | <b>1,871</b> | <b>7</b>      | <b>(7)</b> | <b>6,675</b>       | <b>6,663</b> |
| of which: personnel-related restructuring expenses                        | 1                              | 1            | 0            |               |            | 7                  | 0            |
| of which: non-personnel-related restructuring expenses                    | 0                              | 0            | 0            |               |            | 0                  | 0            |
| of which: restructuring expenses allocated from CC – Services             | 30                             | 37           | 50           |               |            | 132                | 137          |
| of which: gain related to a change to retiree benefit plans in the US     |                                |              |              |               |            |                    | (21)         |
| <b>Total operating expenses (adjusted)</b>                                | <b>1,706</b>                   | <b>1,580</b> | <b>1,821</b> | <b>8</b>      | <b>(6)</b> | <b>6,536</b>       | <b>6,547</b> |
| <b>Business division operating profit / (loss) before tax as reported</b> | <b>339</b>                     | <b>320</b>   | <b>14</b>    | <b>6</b>      |            | <b>1,107</b>       | <b>718</b>   |
| <b>Business division operating profit / (loss) before tax (adjusted)</b>  | <b>360</b>                     | <b>358</b>   | <b>64</b>    | <b>1</b>      | <b>463</b> | <b>1,236</b>       | <b>834</b>   |
| <b>Key performance indicators<sup>6</sup></b>                             |                                |              |              |               |            |                    |              |
| Pre-tax profit growth (%)   |                                | 23.6         | (93.4)       |               |            | 54.2               | (20.2)       |
| Cost / income ratio (%)   | 83.7                           | 83.5         | 99.3         |               |            | 85.7               | 90.2         |
| Net new money growth (%)  | (0.5)                          | 0.3          | 7.0          |               |            | 1.5                | 2.1          |
| Gross margin on invested assets (bps)                                     | 75                             | 73           | 75           | 3             | 0          | 74                 | 74           |
| Net margin on invested assets (bps)                                       | 12                             | 12           | 1            | 0             |            | 10                 | 7            |
| <b>Adjusted key performance indicators<sup>6</sup></b>                    |                                |              |              |               |            |                    |              |
| Pre-tax profit growth (%)   | 462.5                          | 29.2         | (71.8)       |               |            | 48.2               | (11.8)       |
| Cost / income ratio (%)   | 82.6                           | 81.5         | 96.6         |               |            | 84.1               | 88.7         |
| Net new money growth (%)  | (0.5)                          | 0.3          | 7.0          |               |            | 1.5                | 2.1          |
| Gross margin on invested assets (bps)                                     | 75                             | 73           | 75           | 3             | 0          | 74                 | 74           |
| Net margin on invested assets (bps)                                       | 13                             | 13           | 3            | 0             | 333        | 12                 | 8            |

**Wealth Management Americas – in Swiss francs<sup>1</sup> (continued)**

| <i>CHF million, except where indicated</i>                                       | As of or for the quarter ended |         |          | % change from |      | For the year ended |          |
|--|--------------------------------|---------|----------|---------------|------|--------------------|----------|
|  | <b>31.12.16</b>                | 30.9.16 | 31.12.15 | 3Q16          | 4Q15 | 31.12.16           | 31.12.15 |
| <b>Additional information</b>  |                                |         |          |               |      |                    |          |
| Recurring income <sup>7</sup>  | <b>1,685</b>                   | 1,570   | 1,495    | 7             | 13   | 6,292              | 5,798    |
| Recurring income as a percentage of income (%)                                   | <b>81.2</b>                    | 81.0    | 79.3     |               |      | 80.8               | 78.5     |
| Average attributed equity (CHF billion) <sup>8</sup>                             | <b>2.6</b>                     | 2.6     | 2.5      | 0             | 4    | 2.6                | 2.5      |
| Return on attributed equity (%)  | <b>52.2</b>                    | 49.2    | 2.2      |               |      | 43.4               | 29.0     |
| Risk-weighted assets (fully applied, CHF billion) <sup>9</sup>                   | <b>23.8</b>                    | 23.3    | 21.9     | 2             | 9    | 23.8               | 21.9     |
| Return on risk-weighted assets, gross (%) <sup>10</sup>                          | <b>35.3</b>                    | 33.8    | 34.1     |               |      | 34.3               | 33.8     |
| Leverage ratio denominator (fully applied, CHF billion) <sup>11</sup>            | <b>68.1</b>                    | 64.4    | 62.9     | 6             | 8    | 68.1               | 62.9     |
| Goodwill and intangible assets (CHF billion)                                     | <b>3.7</b>                     | 3.6     | 3.7      | 3             | 0    | 3.7                | 3.7      |
| Net new money (CHF billion)  | <b>(1.3)</b>                   | 0.8     | 16.9     |               |      | 15.4               | 21.3     |
| Net new money including interest and dividend income (CHF billion) <sup>12</sup> | <b>6.7</b>                     | 6.5     | 26.3     |               |      | 40.5               | 46.9     |
| Invested assets (CHF billion)  | <b>1,131</b>                   | 1,074   | 1,035    | 5             | 9    | 1,131              | 1,035    |
| Client assets (CHF billion)  | <b>1,181</b>                   | 1,121   | 1,085    | 5             | 9    | 1,181              | 1,085    |
| Loans, gross (CHF billion)   | <b>52.5</b>                    | 49.5    | 48.8     | 6             | 8    | 52.5               | 48.8     |
| Due to customers (CHF billion)   | <b>90.8</b>                    | 84.1    | 83.2     | 8             | 9    | 90.8               | 83.2     |
| Recruitment loans to financial advisors  | <b>3,087</b>                   | 3,092   | 3,184    | 0             | (3)  | 3,087              | 3,184    |
| Other loans to financial advisors  | <b>471</b>                     | 469     | 418      | 0             | 13   | 471                | 418      |
| Personnel (full-time equivalents)  | <b>13,526</b>                  | 13,574  | 13,611   | 0             | (1)  | 13,526             | 13,611   |
| Financial advisors (full-time equivalents)                                       | <b>7,025</b>                   | 7,087   | 7,140    | (1)           | (2)  | 7,025              | 7,140    |

<sup>1</sup> Comparative figures in this table may differ from those originally published in quarterly and annual reports due to adjustments following organizational changes, restatements due to the retrospective adoption of new accounting standards or changes in accounting policies, and events after the reporting period. <sup>2</sup> Refer to "Operating income" in the "Group performance" section of our Annual Report 2015 for the definitions of recurring net fee income and transaction-based income. <sup>3</sup> Financial advisor compensation consists of grid-based compensation based directly on compensable revenues generated by financial advisors and supplemental compensation calculated on the basis of financial advisor productivity, firm tenure, assets and other variables. <sup>4</sup> Compensation commitments with recruited financial advisors represents expenses related to compensation commitments granted to financial advisors at the time of recruitment which are subject to vesting requirements. <sup>5</sup> Adjusted results are non-GAAP financial measures as defined by SEC regulations. <sup>6</sup> Refer to the "Measurement of performance" section of our Annual Report 2015 for the definitions of our key performance indicators. <sup>7</sup> Recurring income consists of net interest income and recurring net fee income. <sup>8</sup> Refer to the "Capital management" section of this report for more information. <sup>9</sup> Based on the Basel III framework as applicable for Swiss systemically relevant banks (SRBs). Refer to the "Capital management" section of this report for more information. <sup>10</sup> Based on fully applied RWA. <sup>11</sup> Calculated in accordance with Swiss SRB rules. Refer to the "Capital management" section of this report for more information. <sup>12</sup> Presented in line with historical reporting practice in the US market.

# Personal & Corporate Banking

## Personal & Corporate Banking<sup>1</sup>

| CHF million, except where indicated   | As of or for the quarter ended |            |            | % change from |            | For the year ended |              |
|---|--------------------------------|------------|------------|---------------|------------|--------------------|--------------|
|   | 31.12.16                       | 30.9.16    | 31.12.15   | 3Q16          | 4Q15       | 31.12.16           | 31.12.15     |
| <b>Results</b>  |                                |            |            |               |            |                    |              |
| Net interest income   | 540                            | 541        | 576        | 0             | (6)        | 2,199              | 2,270        |
| Recurring net fee income <sup>3</sup>   | 130                            | 144        | 139        | (10)          | (6)        | 553                | 544          |
| Transaction-based income <sup>2</sup>   | 256                            | 274        | 196        | (7)           | 31         | 1,028              | 959          |
| Other income  | 23                             | 38         | 15         | (39)          | 53         | 211                | 140          |
| Income  | 949                            | 996        | 926        | (5)           | 2          | 3,990              | 3,913        |
| Credit loss (expense) / recovery  | (8)                            | 0          | (11)       |               | (27)       | (6)                | (37)         |
| <b>Total operating income</b>   | <b>941</b>                     | <b>995</b> | <b>915</b> | <b>(5)</b>    | <b>3</b>   | <b>3,984</b>       | <b>3,877</b> |
| Personnel expenses  | 208                            | 211        | 211        | (1)           | (1)        | 845                | 873          |
| General and administrative expenses   | 100                            | 63         | 71         | 59            | 41         | 285                | 264          |
| Services (to) / from Corporate Center and other business divisions                | 255                            | 264        | 275        | (3)           | (7)        | 1,080              | 1,077        |
| <i>of which: services from CC – Services</i>                                      | <i>284</i>                     | <i>294</i> | <i>298</i> | <i>(3)</i>    | <i>(5)</i> | <i>1,186</i>       | <i>1,180</i> |
| Depreciation and impairment of property, equipment and software                   | 4                              | 3          | 3          | 33            | 33         | 15                 | 17           |
| Amortization and impairment of intangible assets                                  | 0                              | 0          | 0          |               |            | 0                  | 0            |
| <b>Total operating expenses</b>   | <b>567</b>                     | <b>542</b> | <b>560</b> | <b>5</b>      | <b>1</b>   | <b>2,224</b>       | <b>2,231</b> |
| <b>Business division operating profit / (loss) before tax</b>                     | <b>374</b>                     | <b>453</b> | <b>355</b> | <b>(17)</b>   | <b>5</b>   | <b>1,760</b>       | <b>1,646</b> |
| <b>Adjusted results<sup>3</sup></b>   |                                |            |            |               |            |                    |              |
| <b>Total operating income as reported</b>   | <b>941</b>                     | <b>995</b> | <b>915</b> | <b>(5)</b>    | <b>3</b>   | <b>3,984</b>       | <b>3,877</b> |
| <i>of which: gains related to investments in associates</i>                       |                                | <i>21</i>  |            |               |            | <i>21</i>          | <i>66</i>    |
| <i>of which: gains on sale of financial assets available for sale<sup>4</sup></i> |                                |            |            |               |            | <i>102</i>         |              |
| <b>Total operating income (adjusted)</b>  | <b>941</b>                     | <b>974</b> | <b>915</b> | <b>(3)</b>    | <b>3</b>   | <b>3,861</b>       | <b>3,811</b> |
| <b>Total operating expenses as reported</b>                                       | <b>567</b>                     | <b>542</b> | <b>560</b> | <b>5</b>      | <b>1</b>   | <b>2,224</b>       | <b>2,231</b> |
| <i>of which: personnel-related restructuring expenses</i>                         | <i>2</i>                       | <i>0</i>   | <i>0</i>   |               |            | <i>4</i>           | <i>2</i>     |
| <i>of which: non-personnel-related restructuring expenses</i>                     | <i>0</i>                       | <i>0</i>   | <i>0</i>   |               |            | <i>0</i>           | <i>0</i>     |
| <i>of which: restructuring expenses allocated from CC – Services</i>              | <i>19</i>                      | <i>40</i>  | <i>41</i>  |               |            | <i>113</i>         | <i>99</i>    |
| <b>Total operating expenses (adjusted)</b>  | <b>546</b>                     | <b>501</b> | <b>519</b> | <b>9</b>      | <b>5</b>   | <b>2,107</b>       | <b>2,130</b> |
| <b>Business division operating profit / (loss) before tax as reported</b>         | <b>374</b>                     | <b>453</b> | <b>355</b> | <b>(17)</b>   | <b>5</b>   | <b>1,760</b>       | <b>1,646</b> |
| <b>Business division operating profit / (loss) before tax (adjusted)</b>          | <b>395</b>                     | <b>473</b> | <b>396</b> | <b>(16)</b>   | <b>0</b>   | <b>1,754</b>       | <b>1,681</b> |
| <b>Key performance indicators<sup>5</sup></b>                                     |                                |            |            |               |            |                    |              |
| Pre-tax profit growth (%)   | 5.4                            | (2.8)      | 4.4        |               |            | 6.9                | 9.3          |
| Cost / income ratio (%)   | 59.7                           | 54.4       | 60.5       |               |            | 55.7               | 57.0         |
| Net interest margin (bps)   | 161                            | 161        | 170        | 0             | (5)        | 163                | 167          |
| Net new business volume growth for personal banking (%)                           | 1.1                            | 3.5        | 0.6        |               |            | 3.1                | 2.4          |
| <b>Adjusted key performance indicators<sup>5</sup></b>                            |                                |            |            |               |            |                    |              |
| Pre-tax profit growth (%)   | (0.3)                          | 10.5       | 11.2       |               |            | 4.3                | 7.1          |
| Cost / income ratio (%)   | 57.5                           | 51.4       | 56.0       |               |            | 54.5               | 55.4         |
| Net interest margin (bps)   | 161                            | 161        | 170        | 0             | (5)        | 163                | 167          |
| Net new business volume growth for personal banking (%)                           | 1.1                            | 3.5        | 0.6        |               |            | 3.1                | 2.4          |

**Personal & Corporate Banking<sup>1</sup> (continued)**

| <i>CHF million, except where indicated</i>   | As of or for the quarter ended |         |          | % change from |      | For the year ended |          |
|--|--------------------------------|---------|----------|---------------|------|--------------------|----------|
|  | 31.12.16                       | 30.9.16 | 31.12.15 | 3Q16          | 4Q15 | 31.12.16           | 31.12.15 |
| <b>Additional information</b>  |                                |         |          |               |      |                    |          |
| Average attributed equity (CHF billion) <sup>6</sup>                                     | 4.1                            | 4.1     | 3.9      | 0             | 5    | 4.1                | 3.9      |
| Return on attributed equity (%)  | 36.5                           | 44.2    | 36.4     |               |      | 43.2               | 41.9     |
| Risk-weighted assets (fully applied, CHF billion) <sup>7</sup>                           | 41.6                           | 41.3    | 34.6     | 1             | 20   | 41.6               | 34.6     |
| Return on risk-weighted assets, gross (%) <sup>8</sup>                                   | 9.2                            | 10.2    | 10.7     |               |      | 10.4               | 11.3     |
| Leverage ratio denominator (fully applied, CHF billion) <sup>9</sup>                     | 152.2                          | 151.0   | 153.8    | 1             | (1)  | 152.2              | 153.8    |
| Goodwill and intangible assets (CHF billion)   | 0.0                            | 0.0     | 0.0      |               |      | 0.0                | 0.0      |
| Business volume for personal banking (CHF billion)                                       | 149                            | 149     | 148      | 0             | 1    | 149                | 148      |
| Net new business volume for personal banking (CHF billion)                               | 0.4                            | 1.3     | 0.2      |               |      | 4.6                | 3.4      |
| Client assets (CHF billion)  | 466                            | 449     | 444      | 4             | 5    | 466                | 444      |
| Due to customers (CHF billion)   | 135.9                          | 133.2   | 132.4    | 2             | 3    | 135.9              | 132.4    |
| Loans, gross (CHF billion)   | 133.9                          | 134.4   | 135.6    | 0             | (1)  | 133.9              | 135.6    |
| Secured loan portfolio as a percentage of total loan portfolio, gross (%)                | 92.9                           | 92.6    | 93.9     |               |      | 92.9               | 93.9     |
| Impaired loan portfolio as a percentage of total loan portfolio, gross (%) <sup>10</sup> | 0.6                            | 0.6     | 0.6      |               |      | 0.6                | 0.6      |
| Personnel (full-time equivalents)  | 5,143                          | 5,152   | 5,058    | 0             | 2    | 5,143              | 5,058    |

<sup>1</sup> Comparative figures in this table may differ from those originally published in quarterly and annual reports due to adjustments following organizational changes, restatements due to the retrospective adoption of new accounting standards or changes in accounting policies, and events after the reporting period. <sup>2</sup> Refer to "Operating income" in the "Group performance" section of our Annual Report 2015 for the definitions of recurring net fee income and transaction-based income. <sup>3</sup> Adjusted results are non-GAAP financial measures as defined by SEC regulations. <sup>4</sup> Reflects a gain on the sale of our investment in Visa Europe. <sup>5</sup> Refer to the "Measurement of performance" section of our Annual Report 2015 for the definitions of our key performance indicators. <sup>6</sup> Refer to the "Capital management" section of this report for more information. <sup>7</sup> Based on the Basel III framework as applicable for Swiss systemically relevant banks (SRBs). Refer to the "Capital management" section of this report for more information. <sup>8</sup> Based on fully applied RWA. <sup>9</sup> Calculated in accordance with Swiss SRB rules. Refer to the "Capital management" section of this report for more information. <sup>10</sup> Refer to the "Risk management and control" section of this report for more information on impaired loan exposures.

**Results: 4Q16 vs 4Q15**

Profit before tax increased by CHF 19 million or 5% to CHF 374 million. Adjusted profit before tax decreased by CHF 1 million to CHF 395 million, as higher operating expenses were largely offset by higher operating income.

**Operating income**

Total operating income increased by CHF 26 million or 3% to CHF 941 million, mainly due to higher transaction-based income, partly offset by lower net interest income.

Net interest income decreased by CHF 36 million to CHF 540 million, primarily due to lower treasury-related income from Corporate Center – Group Asset and Liability Management (Group ALM).

→ Refer to the "Corporate Center – Group Asset and Liability Management" section of this report for more information

Recurring net fee income decreased by CHF 9 million to CHF 130 million.

Transaction-based income increased by CHF 60 million to CHF 256 million, mainly as the fourth quarter of 2015 included a fee of CHF 45 million paid to Wealth Management for the shift of clients, as a result of a detailed client segmentation review.

The net credit loss expense decreased by CHF 3 million to CHF 8 million, mainly due to higher net recoveries on existing impaired positions.

**Operating expenses**

Total operating expenses increased by CHF 7 million or 1% to CHF 567 million and adjusted operating expenses increased by CHF 27 million or 5% to CHF 546 million. The increase in adjusted operating expenses was mainly due to CHF 29 million higher general and administrative expenses, driven by higher capital-related levies in Switzerland, CHF 6 million higher net expenses for provisions for litigation, regulatory and similar matters, and higher marketing costs.

**Net new business volume growth for personal banking: 4Q16 vs 4Q15**

The annualized net new business volume growth rate for our personal banking business was 1.1% compared with 0.6%. Net new client assets were positive while net new loans were slightly negative, consistent with historic seasonal patterns.

# Asset Management

## Asset Management<sup>1</sup>

| CHF million, except where indicated                                       | As of or for the quarter ended |            |            | % change from |             | For the year ended |              |
|---|--------------------------------|------------|------------|---------------|-------------|--------------------|--------------|
|   | 31.12.16                       | 30.9.16    | 31.12.15   | 3Q16          | 4Q15        | 31.12.16           | 31.12.15     |
| <b>Results</b>  |                                |            |            |               |             |                    |              |
| Net management fees <sup>2</sup>  | 468                            | 437        | 524        | 7             | (11)        | 1,810              | 1,903        |
| Performance fees  | 31                             | 44         | 44         | (30)          | (30)        | 122                | 154          |
| <b>Total operating income</b>   | <b>499</b>                     | <b>481</b> | <b>568</b> | <b>4</b>      | <b>(12)</b> | <b>1,931</b>       | <b>2,057</b> |
| Personnel expenses  | 164                            | 196        | 199        | (16)          | (18)        | 727                | 729          |
| General and administrative expenses                                       | 71                             | 56         | 66         | 27            | 8           | 241                | 232          |
| Services (to) / from Corporate Center and other business divisions        | 120                            | 124        | 131        | (3)           | (8)         | 506                | 502          |
| <i>of which: services from CC – Services</i>                              | <i>126</i>                     | <i>130</i> | <i>139</i> | <i>(3)</i>    | <i>(9)</i>  | <i>530</i>         | <i>523</i>   |
| Depreciation and impairment of property, equipment and software           | 0                              | 0          | 1          |               | (100)       | 1                  | 2            |
| Amortization and impairment of intangible assets                          | 1                              | 1          | 1          | 0             | 0           | 4                  | 8            |
| <b>Total operating expenses</b>   | <b>356</b>                     | <b>377</b> | <b>397</b> | <b>(6)</b>    | <b>(10)</b> | <b>1,479</b>       | <b>1,474</b> |
| <b>Business division operating profit / (loss) before tax</b>             | <b>144</b>                     | <b>104</b> | <b>171</b> | <b>38</b>     | <b>(16)</b> | <b>452</b>         | <b>584</b>   |
| <b>Adjusted results<sup>3</sup></b>                                       |                                |            |            |               |             |                    |              |
| <b>Total operating income as reported</b>                                 | <b>499</b>                     | <b>481</b> | <b>568</b> | <b>4</b>      | <b>(12)</b> | <b>1,931</b>       | <b>2,057</b> |
| <i>of which: gains / (losses) on sales of subsidiaries and businesses</i> |                                |            | <i>56</i>  |               |             |                    | <i>56</i>    |
| <b>Total operating income (adjusted)</b>                                  | <b>499</b>                     | <b>481</b> | <b>512</b> | <b>4</b>      | <b>(3)</b>  | <b>1,931</b>       | <b>2,001</b> |
| <b>Total operating expenses as reported</b>                               | <b>356</b>                     | <b>377</b> | <b>397</b> | <b>(6)</b>    | <b>(10)</b> | <b>1,479</b>       | <b>1,474</b> |
| <i>of which: personnel-related restructuring expenses</i>                 | <i>1</i>                       | <i>9</i>   | <i>3</i>   |               |             | <i>15</i>          | <i>4</i>     |
| <i>of which: non-personnel-related restructuring expenses</i>             | <i>5</i>                       | <i>2</i>   | <i>8</i>   |               |             | <i>15</i>          | <i>11</i>    |
| <i>of which: restructuring expenses allocated from CC – Services</i>      | <i>5</i>                       | <i>24</i>  | <i>27</i>  |               |             | <i>70</i>          | <i>68</i>    |
| <b>Total operating expenses (adjusted)</b>                                | <b>344</b>                     | <b>343</b> | <b>359</b> | <b>0</b>      | <b>(4)</b>  | <b>1,379</b>       | <b>1,392</b> |
| <b>Business division operating profit / (loss) before tax as reported</b> | <b>144</b>                     | <b>104</b> | <b>171</b> | <b>38</b>     | <b>(16)</b> | <b>452</b>         | <b>584</b>   |
| <b>Business division operating profit / (loss) before tax (adjusted)</b>  | <b>156</b>                     | <b>138</b> | <b>153</b> | <b>13</b>     | <b>2</b>    | <b>552</b>         | <b>610</b>   |
| <b>Key performance indicators<sup>4</sup></b>                             |                                |            |            |               |             |                    |              |
| Pre-tax profit growth (%)   | (15.8)                         | (8.8)      | 101.2      |               |             | (22.6)             | 25.1         |
| Cost / income ratio (%)   | 71.3                           | 78.4       | 69.9       |               |             | 76.6               | 71.7         |
| Net new money growth excluding money market flows (%)                     | (6.7)                          | 1.4        | (6.2)      |               |             | (3.8)              | (0.1)        |
| Gross margin on invested assets (bps)                                     | 31                             | 30         | 35         | 3             | (11)        | 30                 | 32           |
| Net margin on invested assets (bps)                                       | 9                              | 6          | 11         | 50            | (18)        | 7                  | 9            |
| <b>Adjusted key performance indicators<sup>4</sup></b>                    |                                |            |            |               |             |                    |              |
| Pre-tax profit growth (%)   | 2.0                            | 0.7        | 23.4       |               |             | (9.5)              | 19.8         |
| Cost / income ratio (%)   | 68.9                           | 71.3       | 70.1       |               |             | 71.4               | 69.6         |
| Net new money growth excluding money market flows (%)                     | (6.7)                          | 1.4        | (6.2)      |               |             | (3.8)              | (0.1)        |
| Gross margin on invested assets (bps)                                     | 31                             | 30         | 32         | 3             | (3)         | 30                 | 31           |
| Net margin on invested assets (bps)                                       | 10                             | 9          | 10         | 11            | 0           | 9                  | 9            |
| <b>Information by business line</b>                                       |                                |            |            |               |             |                    |              |
| <b>Operating income</b>   |                                |            |            |               |             |                    |              |
| Equities, Multi Asset & O'Connor  | 222                            | 225        | 232        | (1)           | (4)         | 888                | 921          |
| Fixed Income  | 75                             | 76         | 73         | (1)           | 3           | 297                | 292          |
| Global Real Estate  | 116                            | 106        | 115        | 9             | 1           | 444                | 403          |
| Infrastructure and Private Equity   | 20                             | 16         | 13         | 25            | 54          | 66                 | 57           |
| Solutions   | 33                             | 27         | 30         | 22            | 10          | 109                | 128          |
| Fund Services   | 34                             | 32         | 105        | 6             | (68)        | 127                | 257          |
| <b>Total operating income</b>   | <b>499</b>                     | <b>481</b> | <b>568</b> | <b>4</b>      | <b>(12)</b> | <b>1,931</b>       | <b>2,057</b> |

Asset Management<sup>1</sup> (continued)

| CHF million, except where indicated                                   | As of or for the quarter ended |            |               | % change from |             | For the year ended |              |
|---|--------------------------------|------------|---------------|---------------|-------------|--------------------|--------------|
|   | 31.12.16                       | 30.9.16    | 31.12.15      | 3Q16          | 4Q15        | 31.12.16           | 31.12.15     |
| <b>Gross margin on invested assets (bps)</b>                          |                                |            |               |               |             |                    |              |
| Equities, Multi Asset & O'Connor                                      | 27                             | 28         | 29            | (4)           | (7)         | 28                 | 28           |
| Fixed Income  | 14                             | 15         | 14            | (7)           | 0           | 14                 | 14           |
| Global Real Estate  | 83                             | 78         | 90            | 6             | (8)         | 82                 | 84           |
| Infrastructure and Private Equity                                     | 89                             | 71         | 55            | 25            | 62          | 72                 | 62           |
| Solutions   | 25                             | 21         | 23            | 19            | 9           | 21                 | 26           |
| <b>Total gross margin</b>   | <b>31</b>                      | <b>30</b>  | <b>35</b>     | <b>3</b>      | <b>(11)</b> | <b>30</b>          | <b>32</b>    |
| <b>Net new money (CHF billion)</b>                                    |                                |            |               |               |             |                    |              |
| Equities, Multi Asset & O'Connor                                      | (6.7)                          | (3.5)      | (9.1)         |               |             | (13.7)             | (11.9)       |
| Fixed Income  | (0.5)                          | 5.6        | (2.4)         |               |             | (3.1)              | (3.2)        |
| Global Real Estate  | 0.6                            | 0.6        | 1.0           |               |             | 2.4                | 3.4          |
| Infrastructure and Private Equity                                     | (0.1)                          | 0.0        | 0.0           |               |             | (0.6)              | (0.2)        |
| Solutions   | (0.6)                          | (0.2)      | (0.6)         |               |             | (0.5)              | 6.4          |
| <b>Total net new money</b>  | <b>(7.4)</b>                   | <b>2.5</b> | <b>(11.0)</b> |               |             | <b>(15.5)</b>      | <b>(5.4)</b> |
| Net new money excluding money market flows                            | (9.8)                          | 2.0        | (8.9)         |               |             | (22.5)             | (0.7)        |
| of which: from third parties  | (3.9)                          | 1.9        | (7.6)         |               |             | (12.5)             | (7.7)        |
| of which: from UBS's wealth management businesses                     | (5.9)                          | 0.2        | (1.3)         |               |             | (10.0)             | 7.0          |
| Money market flows  | 2.4                            | 0.4        | (2.1)         |               |             | 7.0                | (4.7)        |
| of which: from third parties  | 0.9                            | (1.5)      | (1.8)         |               |             | 3.4                | (3.4)        |
| of which: from UBS's wealth management businesses                     | 1.5                            | 2.0        | (0.3)         |               |             | 3.5                | (1.3)        |
| <b>Invested assets (CHF billion)</b>                                  |                                |            |               |               |             |                    |              |
| Equities, Multi Asset & O'Connor                                      | 326                            | 323        | 327           | 1             | 0           | 326                | 327          |
| Fixed Income  | 210                            | 211        | 208           | 0             | 1           | 210                | 208          |
| Global Real Estate  | 57                             | 55         | 52            | 4             | 10          | 57                 | 52           |
| Infrastructure and Private Equity                                     | 9                              | 9          | 10            | 0             | (10)        | 9                  | 10           |
| Solutions   | 54                             | 53         | 53            | 2             | 2           | 54                 | 53           |
| <b>Total invested assets</b>  | <b>656</b>                     | <b>650</b> | <b>650</b>    | <b>1</b>      | <b>1</b>    | <b>656</b>         | <b>650</b>   |
| of which: excluding money market funds                                | <b>591</b>                     | <b>588</b> | <b>592</b>    | <b>1</b>      | <b>0</b>    | <b>591</b>         | <b>592</b>   |
| of which: money market funds  | <b>66</b>                      | <b>62</b>  | <b>58</b>     | <b>6</b>      | <b>14</b>   | <b>66</b>          | <b>58</b>    |
| <b>Assets under administration by Fund Services</b>                   |                                |            |               |               |             |                    |              |
| Assets under administration (CHF billion) <sup>5</sup>                | 420                            | 424        | 407           | (1)           | 3           | 420                | 407          |
| Net new assets under administration (CHF billion) <sup>6</sup>        | (7.6)                          | (2.4)      | (0.1)         |               |             | 0.3                | 24.0         |
| Gross margin on assets under administration (bps)                     | 3                              | 3          | 9             | 0             | (67)        | 3                  | 5            |
| <b>Additional information</b>   |                                |            |               |               |             |                    |              |
| Average attributed equity (CHF billion) <sup>7</sup>                  | 1.4                            | 1.4        | 1.5           | 0             | (7)         | 1.4                | 1.6          |
| Return on attributed equity (%)                                       | 41.1                           | 29.7       | 45.6          |               |             | 32.3               | 36.5         |
| Risk-weighted assets (fully applied, CHF billion) <sup>8</sup>        | 3.9                            | 3.7        | 2.6           | 5             | 50          | 3.9                | 2.6          |
| Return on risk-weighted assets, gross (%) <sup>9</sup>                | 52.5                           | 63.1       | 79.7          |               |             | 65.7               | 62.3         |
| Leverage ratio denominator (fully applied, CHF billion) <sup>10</sup> | 2.7                            | 2.5        | 2.7           | 8             | 0           | 2.7                | 2.7          |
| Goodwill and intangible assets (CHF billion)                          | 1.4                            | 1.4        | 1.4           | 0             | 0           | 1.4                | 1.4          |
| Personnel (full-time equivalents)                                     | 2,308                          | 2,326      | 2,277         | (1)           | 1           | 2,308              | 2,277        |

<sup>1</sup> Comparative figures in this table may differ from those originally published in quarterly and annual reports due to adjustments following organizational changes, restatements due to the retrospective adoption of new accounting standards or changes in accounting policies, and events after the reporting period. <sup>2</sup> Net management fees include transaction fees, fund administration revenues (including net interest and trading income from lending activities and foreign exchange hedging as part of the fund services offering), gains or losses from seed money and co-investments, funding costs, gains and losses on the sale of subsidiaries and businesses and other items that are not performance fees. <sup>3</sup> Adjusted results are non-GAAP financial measures as defined by SEC regulations. <sup>4</sup> Refer to the "Measurement of performance" section of our Annual Report 2015 for the definitions of our key performance indicators. <sup>5</sup> Includes UBS and third-party fund assets, for which the fund services unit provides professional services, including fund setup, accounting and reporting for traditional investment funds and alternative funds. <sup>6</sup> Inflows of assets under administration from new and existing funds less outflows from existing funds or fund exits. <sup>7</sup> Refer to the "Capital management" section of this report for more information. <sup>8</sup> Based on the Basel III framework as applicable for Swiss systemically relevant banks (SRBs). Refer to the "Capital management" section of this report for more information. <sup>9</sup> Based on fully applied RWA. <sup>10</sup> Calculated in accordance with Swiss SRB rules. Refer to the "Capital management" section of this report for more information.

### Results: 4Q16 vs 4Q15

Profit before tax decreased by CHF 27 million or 16% to CHF 144 million, mainly as the fourth quarter of 2015 included a gain of CHF 56 million on the sale of our Alternative Fund Services (AFS) business. Adjusted profit before tax increased by CHF 3 million or 2% to CHF 156 million.

### Operating income

Total operating income decreased by CHF 69 million or 12% to CHF 499 million. Excluding the aforementioned gain on sale of our AFS business, adjusted operating income decreased by CHF 13 million or 3%. Adjusted net management fees were unchanged at CHF 468 million. The positive effects of fee true-ups of CHF 17 million as well as favorable market and currency movements were largely offset by lower revenues following the sale of AFS and a decrease in fees related to net new money outflows. Performance fees decreased by CHF 13 million, mainly in Equities, Multi Asset & O'Connor.

As of 31 December 2016, approximately 43% of performance fee-eligible assets within our hedge fund businesses exceeded high-water marks compared with 38% in the prior quarter. These assets are reported within Equities, Multi Asset & O'Connor and Solutions.

### Operating expenses

Total operating expenses decreased by CHF 41 million or 10% to CHF 356 million. Adjusted operating expenses decreased by CHF 15 million or 4% to CHF 344 million, mainly as a result of lower expenses for variable compensation, as well as lower salary expenses primarily due to the aforementioned sale of our AFS business. These decreases were partly offset by higher expenses for services from Corporate Center and other business divisions.

### Net new money

Excluding money market flows, net new money outflows were CHF 9.8 billion compared with CHF 8.9 billion in the same quarter of the prior year, and the annualized net new money growth rate was negative 6.7% compared with negative 6.2%. By client segment, net outflows from third parties were CHF 3.9 billion compared with CHF 7.6 billion. Net outflows from clients of UBS's wealth management businesses were CHF 5.9 billion compared with CHF 1.3 billion, largely driven by changes in asset allocation.

Money market net inflows were CHF 2.4 billion compared with net outflows of CHF 2.1 billion in the same quarter of the prior year.

In the third quarter of 2016, net new money was CHF 2.0 billion excluding money market flows and included a single inflow of CHF 3.9 billion into a fixed income short-duration segregated mandate.

### Invested assets: 4Q16 vs 3Q16

Invested assets increased to CHF 656 billion from CHF 650 billion due to positive foreign currency translation effects of CHF 9 billion and positive market performance of CHF 5 billion, partly offset by net new money outflows of CHF 7 billion.

As of 31 December 2016, CHF 385 billion or 59% of invested assets were managed in active, non-money market strategies. CHF 206 billion or 31% of invested assets were managed in indexed strategies, and CHF 66 billion or 10% were managed in money market assets. On a regional basis, 34% of invested assets related to clients serviced from Switzerland, 24% from the Americas, 22% from Europe, Middle East and Africa, and 20% from Asia Pacific.

### Assets under administration: 4Q16 vs 3Q16

Total assets under administration decreased to CHF 420 billion from CHF 424 billion, reflecting net new assets under administration outflows of CHF 8 billion, partly offset by positive foreign currency translation effects of CHF 3 billion and positive market performance of CHF 2 billion.

# Investment Bank

## Investment Bank<sup>1</sup>

| CHF million, except where indicated   | As of or for the quarter ended |            |            | % change from |            | For the year ended |              |
|---|--------------------------------|------------|------------|---------------|------------|--------------------|--------------|
|   | 31.12.16                       | 30.9.16    | 31.12.15   | 3Q16          | 4Q15       | 31.12.16           | 31.12.15     |
| <b>Results</b>  |                                |            |            |               |            |                    |              |
| <b>Corporate Client Solutions</b>   | <b>708</b>                     | 532        | 650        | 33            | 9          | 2,382              | 2,960        |
| Advisory  | 244                            | 149        | 227        | 64            | 7          | 691                | 709          |
| Equity Capital Markets  | 204                            | 122        | 197        | 67            | 4          | 674                | 1,047        |
| Debt Capital Markets  | 171                            | 188        | 114        | (9)           | 50         | 740                | 691          |
| Financing Solutions   | 103                            | 98         | 109        | 5             | (6)        | 360                | 441          |
| Risk Management   | (14)                           | (25)       | 2          | (44)          |            | (84)               | 73           |
| <b>Investor Client Services</b>   | <b>1,311</b>                   | 1,265      | 1,121      | 4             | 17         | 5,318              | 5,929        |
| Equities  | 891                            | 797        | 733        | 12            | 22         | 3,486              | 3,962        |
| Foreign Exchange, Rates and Credit  | 419                            | 469        | 388        | (11)          | 8          | 1,831              | 1,967        |
| Income  | 2,019                          | 1,797      | 1,771      | 12            | 14         | 7,699              | 8,889        |
| Credit loss (expense) / recovery  | (5)                            | (1)        | (50)       | 400           | (90)       | (11)               | (68)         |
| <b>Total operating income</b>   | <b>2,014</b>                   | 1,796      | 1,721      | 12            | 17         | 7,688              | 8,821        |
| Personnel expenses  | 742                            | 784        | 574        | (5)           | 29         | 3,082              | 3,220        |
| General and administrative expenses   | 272                            | 170        | 318        | 60            | (14)       | 805                | 841          |
| Services (to) / from Corporate Center and other business divisions                | 687                            | 672        | 740        | 2             | (7)        | 2,765              | 2,817        |
| <i>of which: services from CC – Services</i>                                      | <i>661</i>                     | <i>662</i> | <i>715</i> | <i>0</i>      | <i>(8)</i> | <i>2,675</i>       | <i>2,731</i> |
| Depreciation and impairment of property, equipment and software                   | 3                              | 6          | 7          | (50)          | (57)       | 21                 | 26           |
| Amortization and impairment of intangible assets                                  | 3                              | 3          | 3          | 0             | 0          | 12                 | 24           |
| <b>Total operating expenses</b>   | <b>1,708</b>                   | 1,635      | 1,641      | 4             | 4          | 6,684              | 6,929        |
| <b>Business division operating profit / (loss) before tax</b>                     | <b>306</b>                     | 161        | 80         | 90            | 283        | 1,004              | 1,892        |
| <b>Adjusted results<sup>2</sup></b>   |                                |            |            |               |            |                    |              |
| <b>Total operating income as reported</b>   | <b>2,014</b>                   | 1,796      | 1,721      | 12            | 17         | 7,688              | 8,821        |
| <i>of which: gains on sale of financial assets available for sale<sup>3</sup></i> | <i>78</i>                      |            |            |               |            | <i>78</i>          | <i>11</i>    |
| <b>Total operating income (adjusted)</b>  | <b>1,936</b>                   | 1,796      | 1,721      | 8             | 12         | 7,610              | 8,810        |
| <b>Total operating expenses as reported</b>                                       | <b>1,708</b>                   | 1,635      | 1,641      | 4             | 4          | 6,684              | 6,929        |
| <i>of which: personnel-related restructuring expenses</i>                         | <i>40</i>                      | <i>60</i>  | <i>12</i>  |               |            | <i>154</i>         | <i>14</i>    |
| <i>of which: non-personnel-related restructuring expenses</i>                     | <i>5</i>                       | <i>3</i>   | <i>2</i>   |               |            | <i>14</i>          | <i>7</i>     |
| <i>of which: restructuring expenses allocated from CC – Services</i>              | <i>72</i>                      | <i>118</i> | <i>129</i> |               |            | <i>410</i>         | <i>376</i>   |
| <i>of which: impairment of an intangible asset</i>                                |                                |            |            |               |            |                    | <i>11</i>    |
| <b>Total operating expenses (adjusted)</b>  | <b>1,592</b>                   | 1,454      | 1,498      | 9             | 6          | 6,107              | 6,522        |
| <b>Business division operating profit / (loss) before tax as reported</b>         | <b>306</b>                     | 161        | 80         | 90            | 283        | 1,004              | 1,892        |
| <b>Business division operating profit / (loss) before tax (adjusted)</b>          | <b>344</b>                     | 342        | 223        | 1             | 54         | 1,503              | 2,288        |
| <b>Key performance indicators<sup>4</sup></b>                                     |                                |            |            |               |            |                    |              |
| Pre-tax profit growth (%)   | 282.5                          | (67.5)     | (63.1)     |               |            | (46.9)             |              |
| Cost / income ratio (%)   | 84.6                           | 91.0       | 92.7       |               |            | 86.8               | 78.0         |
| Return on attributed equity (%) <sup>5</sup>                                      | 16.1                           | 8.5        | 4.4        |               |            | 13.1               | 25.9         |
| Return on assets, gross (%)   | 3.4                            | 2.8        | 2.7        |               |            | 3.0                | 3.2          |
| Average VaR (1-day, 95% confidence, 5 years of historical data)                   | 10                             | 8          | 12         | 25            | (17)       | 9                  | 12           |
| <b>Adjusted key performance indicators<sup>4</sup></b>                            |                                |            |            |               |            |                    |              |
| Pre-tax profit growth (%)   | 54.3                           | (44.3)     | (19.2)     |               |            | (34.3)             |              |
| Cost / income ratio (%)   | 82.0                           | 80.9       | 84.6       |               |            | 80.1               | 73.5         |
| Return on attributed equity (%) <sup>5</sup>                                      | 18.1                           | 18.0       | 12.2       |               |            | 19.6               | 31.3         |
| Return on assets, gross (%)   | 3.2                            | 2.8        | 2.7        |               |            | 3.0                | 3.2          |
| Average VaR (1-day, 95% confidence, 5 years of historical data)                   | 10                             | 8          | 12         | 25            | (17)       | 9                  | 12           |



## Investment Bank<sup>1</sup> (continued)

| CHF million, except where indicated  | As of or for the quarter ended |         |          | % change from |      | For the year ended |          |
|--|--------------------------------|---------|----------|---------------|------|--------------------|----------|
|  | 31.12.16                       | 30.9.16 | 31.12.15 | 3Q16          | 4Q15 | 31.12.16           | 31.12.15 |
| <b>Additional information</b>  |                                |         |          |               |      |                    |          |
| Total assets (CHF billion) <sup>6</sup>  | 242.3                          | 237.8   | 253.5    | 2             | (4)  | 242.3              | 253.5    |
| Average attributed equity (CHF billion) <sup>5</sup>                                     | 7.6                            | 7.6     | 7.3      | 0             | 4    | 7.7                | 7.3      |
| Risk-weighted assets (fully applied, CHF billion) <sup>7</sup>                           | 70.4                           | 64.9    | 62.9     | 8             | 12   | 70.4               | 62.9     |
| Return on risk-weighted assets, gross (%) <sup>8</sup>                                   | 11.9                           | 11.2    | 10.8     |               |      | 11.9               | 13.7     |
| Leverage ratio denominator (fully applied, CHF billion) <sup>9</sup>                     | 231.2                          | 246.4   | 268.0    | (6)           | (14) | 231.2              | 268.0    |
| Goodwill and intangible assets (CHF billion)   | 0.1                            | 0.1     | 0.1      | 0             | 0    | 0.1                | 0.1      |
| Compensation ratio (%)   | 36.8                           | 43.6    | 32.4     |               |      | 40.0               | 36.2     |
| Impaired loan portfolio as a percentage of total loan portfolio, gross (%) <sup>10</sup> | 0.9                            | 0.8     | 1.5      |               |      | 0.9                | 1.5      |
| Personnel (full-time equivalents)  | 4,734                          | 4,917   | 5,243    | (4)           | (10) | 4,734              | 5,243    |

<sup>1</sup> Comparative figures in this table may differ from those originally published in quarterly and annual reports due to adjustments following organizational changes, restatements due to retrospective adoption of new accounting standards or changes in accounting policies, and events after the reporting period. <sup>2</sup> Adjusted results are non-GAAP financial measures as defined by SEC regulations. <sup>3</sup> Reflects gains on partial sales of our investment in Markit. <sup>4</sup> Refer to the "Measurement of performance" section of our Annual Report 2015 for the definitions of our key performance indicators. <sup>5</sup> Refer to the "Capital management" section of this report for more information. <sup>6</sup> Based on third-party view, i.e., without intercompany balances. <sup>7</sup> Based on the Basel III framework as applicable for Swiss systemically relevant banks (SRBs). Refer to the "Capital management" section of this report for more information. <sup>8</sup> Based on fully applied RWA. <sup>9</sup> Calculated in accordance with Swiss SRB rules. Refer to the "Capital management" section of this report for more information. <sup>10</sup> Refer to the "Risk management and control" section of this report for more information on impaired loan exposures.

### Results: 4Q16 vs 4Q15

Profit before tax increased by CHF 226 million to CHF 306 million and adjusted profit before tax increased by CHF 121 million or 54% to CHF 344 million.

#### Operating income

Total operating income increased by CHF 293 million or 17% to CHF 2,014 million. Excluding a gain of CHF 78 million from a further partial sale of our investment in Markit, adjusted operating income increased by CHF 215 million or 12% to CHF 1,936 million, mainly as a result of higher revenues in our Equities business and in our Debt Capital Markets business. Furthermore, net credit loss expenses were CHF 5 million compared with CHF 50 million, reflecting lower expenses related to the energy sector. In US dollar terms, adjusted operating income increased 13%.

#### Operating income by business unit:

##### Corporate Client Solutions

Corporate Client Solutions revenues increased by CHF 58 million or 9% to CHF 708 million, mainly due to CHF 57 million higher revenues in Debt Capital Markets. In US dollar terms, revenues also increased 9%.

Advisory revenues increased by CHF 17 million to CHF 244 million, reflecting higher revenues from merger and acquisition transactions despite a broadly unchanged fee pool, partly offset by lower revenues from private transactions.

Equity Capital Markets revenues increased to CHF 204 million from CHF 197 million, driven by higher revenues from private transactions.

Debt Capital Markets revenues increased to CHF 171 million from CHF 114 million, due to higher leveraged finance revenues compared with a weak prior-year quarter.

Financing Solutions revenues decreased by CHF 6 million to CHF 103 million, primarily reflecting lower client activity in structured financing, largely offset by increases in the real estate finance business.

Risk Management revenues were negative CHF 14 million compared with positive CHF 2 million, reflecting tightening credit spreads on portfolio hedges.

##### Investor Client Services

Investor Client Services revenues increased by CHF 190 million or 17% to CHF 1,311 million. Excluding the aforementioned gain of CHF 78 million, Investor Client Services revenues increased by CHF 112 million or 10% to CHF 1,233 million due to CHF 158 million higher revenues in Equities, partly offset by CHF 47 million lower revenues in Foreign Exchange, Rates and Credit. In US dollar terms, adjusted revenues also increased 10%.

### Equities

Equities revenues increased to CHF 891 million from CHF 733 million with higher revenues across all products.

Cash revenues increased to CHF 294 million from CHF 281 million, mainly due to higher client activity.

Derivatives revenues increased to CHF 196 million from CHF 95 million, reflecting improved trading performance.

Financing Services revenues increased to CHF 397 million from CHF 359 million, driven by higher prime brokerage revenues, as a result of increased client activity.

### Foreign Exchange, Rates and Credit

Foreign Exchange, Rates and Credit revenues increased to CHF 419 million from CHF 388 million. Excluding the aforementioned gain of CHF 78 million, adjusted revenues decreased to CHF 341 million from CHF 388 million, primarily in emerging markets products and in foreign exchange and interest rate options amid a period of higher market volatility. The decrease was partly offset by continued growth in client activity across all the product sectors.

### Operating expenses

Total operating expenses increased by CHF 67 million or 4% to CHF 1,708 million, and adjusted operating expenses increased by CHF 94 million or 6% to CHF 1,592 million.

Personnel expenses increased to CHF 742 million from CHF 574 million and adjusted personnel expenses increased to CHF 702 million from CHF 562 million, largely as expenses for accruals for variable compensation in 2016 were more evenly spread across the year than in 2015. The increase in variable compensation in the fourth quarter of 2016 was partly offset by lower salary expenses, primarily as a result of our cost reduction programs.

General and administrative expenses decreased by CHF 46 million to CHF 272 million and on an adjusted basis decreased by CHF 49 million to CHF 267 million, mainly as the expense for the UK bank levy decreased from CHF 98 million to CHF 85 million as well as due to reduced travel and entertainment expenses.

Net expenses for services from Corporate Center and other business divisions decreased to CHF 687 million from CHF 740 million and adjusted net expenses increased to CHF 615 million from CHF 611 million.

### Risk-weighted assets and leverage ratio denominator: 4Q16 vs 3Q16

#### Risk-weighted assets

Fully applied risk-weighted assets increased by CHF 5 billion to CHF 70 billion as of 31 December 2016, mainly due to an increase in market risk RWA.

→ Refer to the "Capital management" section of this report for more information

#### Leverage ratio denominator

The fully applied leverage ratio denominator decreased by CHF 15 billion to CHF 231 billion as of 31 December 2016, primarily in our Equities and Foreign Exchange, Rates and Credit businesses, mainly reflecting effective resource management.

→ Refer to the "Capital management" and "Balance sheet, liquidity and funding management" sections of this report for more information

# Corporate Center

## Corporate Center<sup>1</sup>

| CHF million, except where indicated  | As of or for the quarter ended |         |          | % change from |      | For the year ended |          |
|--|--------------------------------|---------|----------|---------------|------|--------------------|----------|
|  | 31.12.16                       | 30.9.16 | 31.12.15 | 3Q16          | 4Q15 | 31.12.16           | 31.12.15 |
| <b>Results</b>   |                                |         |          |               |      |                    |          |
| <b>Total operating income</b>  | <b>(256)</b>                   | 10      | (183)    |               | 40   | (357)              | 315      |
| Personnel expenses   | 964                            | 976     | 1,059    | (1)           | (9)  | 3,899              | 4,049    |
| General and administrative expenses  | 1,204                          | 1,400   | 1,346    | (14)          | (11) | 4,791              | 5,311    |
| Services (to) / from business divisions  | (1,994)                        | (1,943) | (2,113)  | 3             | (6)  | (7,933)            | (7,894)  |
| Depreciation and impairment of property, equipment and software                | 247                            | 237     | 248      | 4             | 0    | 944                | 868      |
| Amortization and impairment of intangible assets                               | 5                              | 5       | 5        | 0             | 0    | 21                 | 21       |
| <b>Total operating expenses</b>  | <b>426</b>                     | 675     | 546      | (37)          | (22) | 1,722              | 2,354    |
| <b>Operating profit / (loss) before tax</b>                                    | <b>(682)</b>                   | (665)   | (729)    | 3             | (6)  | (2,079)            | (2,040)  |
| <b>Adjusted results<sup>2</sup></b>  |                                |         |          |               |      |                    |          |
| <b>Total operating income as reported</b>                                      | <b>(256)</b>                   | 10      | (183)    |               | 40   | (357)              | 315      |
| <i>of which: own credit on financial liabilities designated at fair value</i>  |                                |         | 35       |               |      |                    | 553      |
| <i>of which: gains on sales of real estate</i>                                 |                                |         |          |               |      | 120                | 378      |
| <i>of which: net gains / (losses) related to the buyback of debt</i>           |                                |         | (257)    |               |      |                    | (257)    |
| <i>of which: net foreign currency translation gains / (losses)<sup>3</sup></i> | 27                             |         | 115      |               |      | (122)              | 88       |
| <b>Total operating income (adjusted)</b>                                       | <b>(283)</b>                   | 10      | (76)     |               | 272  | (355)              | (447)    |
| <b>Total operating expenses as reported</b>                                    | <b>426</b>                     | 675     | 546      | (37)          | (22) | 1,722              | 2,354    |
| <i>of which: personnel-related restructuring expenses</i>                      | 114                            | 159     | 146      |               |      | 519                | 420      |
| <i>of which: non-personnel-related restructuring expenses</i>                  | 163                            | 173     | 252      |               |      | 623                | 719      |
| <i>of which: restructuring expenses allocated from CC – Services</i>           | (230)                          | (320)   | (362)    |               |      | (1,064)            | (943)    |
| <b>Total operating expenses (adjusted)</b>                                     | <b>379</b>                     | 664     | 510      | (43)          | (26) | 1,644              | 2,158    |
| <b>Operating profit / (loss) before tax as reported</b>                        | <b>(682)</b>                   | (665)   | (729)    | 3             | (6)  | (2,079)            | (2,040)  |
| <b>Operating profit / (loss) before tax (adjusted)</b>                         | <b>(662)</b>                   | (654)   | (586)    | 1             | 13   | (1,999)            | (2,606)  |
| <b>Additional information</b>  |                                |         |          |               |      |                    |          |
| Average attributed equity (CHF billion) <sup>4</sup>                           | 29.0                           | 28.9    | 24.7     | 0             | 17   | 29.1               | 25.8     |
| Total assets (CHF billion) <sup>5</sup>  | 359.4                          | 365.8   | 354.5    | (2)           | 1    | 359.4              | 354.5    |
| Risk-weighted assets (fully applied, CHF billion) <sup>6</sup>                 | 57.1                           | 57.5    | 60.2     | (1)           | (5)  | 57.1               | 60.2     |
| Leverage ratio denominator (fully applied, CHF billion) <sup>7</sup>           | 300.7                          | 295.2   | 291.2    | 2             | 3    | 300.7              | 291.2    |
| Personnel (full-time equivalents)  | 23,955                         | 24,059  | 23,671   | 0             | 1    | 23,955             | 23,671   |

<sup>1</sup> Comparative figures in this table may differ from those originally published in quarterly and annual reports due to adjustments following organizational changes, restatements due to the retrospective adoption of new accounting standards or changes in accounting policies, and events after the reporting period. <sup>2</sup> Adjusted results are non-GAAP financial measures as defined by SEC regulations. <sup>3</sup> Related to the disposal of foreign subsidiaries and branches. <sup>4</sup> Refer to the "Capital management" section of this report for more information. <sup>5</sup> Based on third-party view, i.e., without intercompany balances. <sup>6</sup> Based on the Basel III framework as applicable for Swiss systemically relevant banks (SRBs). Refer to the "Capital management" section of this report for more information. <sup>7</sup> Calculated in accordance with Swiss SRB rules. Refer to the "Capital management" section of this report for more information.

## Corporate Center – Services

Corporate Center – Services<sup>1</sup>

| CHF million, except where indicated  | As of or for the quarter ended |              |              | % change from |             | For the year ended |                |
|--|--------------------------------|--------------|--------------|---------------|-------------|--------------------|----------------|
|  | 31.12.16                       | 30.9.16      | 31.12.15     | 3Q16          | 4Q15        | 31.12.16           | 31.12.15       |
| <b>Results</b>   |                                |              |              |               |             |                    |                |
| <b>Total operating income</b>  | <b>(59)</b>                    | (66)         | (54)         | (11)          | 9           | (102)              | 241            |
| Personnel expenses   | 940                            | 946          | 1,033        | (1)           | (9)         | 3,801              | 3,903          |
| General and administrative expenses  | 1,114                          | 974          | 1,195        | 14            | (7)         | 4,145              | 4,483          |
| Depreciation and impairment of property, equipment and software              | 247                            | 237          | 248          | 4             | 0           | 944                | 868            |
| Amortization and impairment of intangible assets                             | 5                              | 5            | 5            | 0             | 0           | 21                 | 21             |
| <b>Total operating expenses before allocations to BDs and other CC units</b> | <b>2,305</b>                   | 2,162        | 2,481        | 7             | (7)         | 8,911              | 9,274          |
| Services (to) / from business divisions and other CC units                   | (2,049)                        | (2,010)      | (2,191)      | 2             | (6)         | (8,164)            | (8,215)        |
| <i>of which: services to Wealth Management</i>                               | <i>(592)</i>                   | <i>(557)</i> | <i>(627)</i> | <i>6</i>      | <i>(6)</i>  | <i>(2,256)</i>     | <i>(2,209)</i> |
| <i>of which: services to Wealth Management Americas</i>                      | <i>(308)</i>                   | <i>(302)</i> | <i>(311)</i> | <i>2</i>      | <i>(1)</i>  | <i>(1,221)</i>     | <i>(1,193)</i> |
| <i>of which: services to Personal &amp; Corporate Banking</i>                | <i>(284)</i>                   | <i>(294)</i> | <i>(298)</i> | <i>(3)</i>    | <i>(5)</i>  | <i>(1,186)</i>     | <i>(1,180)</i> |
| <i>of which: services to Asset Management</i>                                | <i>(126)</i>                   | <i>(130)</i> | <i>(139)</i> | <i>(3)</i>    | <i>(9)</i>  | <i>(530)</i>       | <i>(523)</i>   |
| <i>of which: services to Investment Bank</i>                                 | <i>(661)</i>                   | <i>(662)</i> | <i>(715)</i> | <i>0</i>      | <i>(8)</i>  | <i>(2,675)</i>     | <i>(2,731)</i> |
| <i>of which: services to CC – Group ALM</i>                                  | <i>(31)</i>                    | <i>(25)</i>  | <i>(23)</i>  | <i>24</i>     | <i>35</i>   | <i>(110)</i>       | <i>(96)</i>    |
| <i>of which: services to CC – Non-core and Legacy Portfolio</i>              | <i>(58)</i>                    | <i>(57)</i>  | <i>(81)</i>  | <i>2</i>      | <i>(28)</i> | <i>(225)</i>       | <i>(313)</i>   |
| <b>Total operating expenses</b>  | <b>256</b>                     | 152          | 291          | 68            | (12)        | 747                | 1,059          |
| <b>Operating profit / (loss) before tax</b>                                  | <b>(315)</b>                   | (218)        | (345)        | 44            | (9)         | (849)              | (818)          |
| <b>Adjusted results<sup>2</sup></b>  |                                |              |              |               |             |                    |                |
| <b>Total operating income as reported</b>                                    | <b>(59)</b>                    | (66)         | (54)         | (11)          | 9           | (102)              | 241            |
| <i>of which: gains on sales of real estate</i>                               |                                |              |              |               |             | 120                | 378            |
| <b>Total operating income (adjusted)</b>                                     | <b>(59)</b>                    | (66)         | (54)         | (11)          | 9           | (222)              | (137)          |
| <b>Total operating expenses as reported before allocations</b>               | <b>2,305</b>                   | 2,162        | 2,481        | 7             | (7)         | 8,911              | 9,274          |
| <i>of which: personnel-related restructuring expenses</i>                    | <i>114</i>                     | <i>159</i>   | <i>144</i>   |               |             | <i>518</i>         | <i>406</i>     |
| <i>of which: non-personnel-related restructuring expenses</i>                | <i>163</i>                     | <i>173</i>   | <i>252</i>   |               |             | <i>623</i>         | <i>719</i>     |
| <b>Total operating expenses (adjusted) before allocations</b>                | <b>2,028</b>                   | 1,830        | 2,085        | 11            | (3)         | 7,770              | 8,151          |
| Services (to) / from BDs and other CC units                                  | (2,049)                        | (2,010)      | (2,191)      | 2             | (6)         | (8,164)            | (8,215)        |
| <i>of which: restructuring expenses allocated to BDs and other CC units</i>  | <i>(237)</i>                   | <i>(327)</i> | <i>(377)</i> |               |             | <i>(1,084)</i>     | <i>(986)</i>   |
| <b>Total operating expenses as reported after allocations</b>                | <b>256</b>                     | 152          | 291          | 68            | (12)        | 747                | 1,059          |
| <b>Total operating expenses (adjusted) after allocations</b>                 | <b>216</b>                     | 148          | 272          | 46            | (21)        | 690                | 919            |
| <b>Operating profit / (loss) before tax as reported</b>                      | <b>(315)</b>                   | (218)        | (345)        | 44            | (9)         | (849)              | (818)          |
| <b>Operating profit / (loss) before tax (adjusted)</b>                       | <b>(275)</b>                   | (214)        | (326)        | 29            | (16)        | (912)              | (1,056)        |
| <b>Additional information</b>  |                                |              |              |               |             |                    |                |
| Average attributed equity (CHF billion) <sup>3</sup>                         | 22.8                           | 22.8         | 18.8         | 0             | 21          | 22.8               | 19.6           |
| Total assets (CHF billion) <sup>4</sup>                                      | 23.7                           | 24.0         | 22.6         | (1)           | 5           | 23.7               | 22.6           |
| Risk-weighted assets (fully applied, CHF billion) <sup>5</sup>               | 27.6                           | 27.6         | 23.6         | 0             | 17          | 27.6               | 23.6           |
| Leverage ratio denominator (fully applied, CHF billion) <sup>6</sup>         | 5.8                            | 6.5          | 4.8          | (11)          | 21          | 5.8                | 4.8            |
| Personnel (full-time equivalents)  | 23,750                         | 23,857       | 23,470       | 0             | 1           | 23,750             | 23,470         |

<sup>1</sup> Comparative figures in this table may differ from those originally published in quarterly and annual reports due to adjustments following organizational changes, restatements due to retrospective adoption of new accounting standards or changes in accounting policies, and events after the reporting period. <sup>2</sup> Adjusted results are non-GAAP financial measures as defined by SEC regulations. <sup>3</sup> Refer to the "Capital management" section of this report for more information. <sup>4</sup> Based on third-party view, i.e., without intercompany balances. <sup>5</sup> Based on the Basel III framework as applicable for Swiss systemically relevant banks (SRBs). Refer to the "Capital management" section of this report for more information. <sup>6</sup> Calculated in accordance with Swiss SRB rules. Refer to the "Capital management" section of this report for more information.

## Results: 4Q16 vs 4Q15

Corporate Center – Services recorded a loss before tax of CHF 315 million compared with CHF 345 million, and CHF 275 million on an adjusted basis compared with CHF 326 million.

### Operating income

Operating income was negative CHF 59 million compared with negative CHF 54 million, mainly due to lower income from the investment of the Group's equity allocated from Corporate Center – Group Asset and Liability Management.

### Operating expenses

#### *Operating expenses before service allocations to business divisions and other Corporate Center units*

Before allocations to business divisions and other Corporate Center units, total operating expenses decreased by CHF 176 million or 7% to CHF 2,305 million and adjusted operating expenses before allocations decreased by CHF 57 million or 3% to CHF 2,028 million.

Personnel expenses decreased by CHF 93 million to CHF 940 million and by CHF 63 million to CHF 826 million on an adjusted basis. The decrease in adjusted personnel expenses was mainly a result of lower pension costs for our Swiss pension plan, reflecting the effect of changes to demographic and financial assumptions, decreased expenses for variable compensation, as well as a release of accruals for untaken vacation compared with an expense.

General and administrative expenses decreased by CHF 81 million to CHF 1,114 million and adjusted general and administrative expenses increased by CHF 19 million, mainly reflecting higher expenses for occupancy and marketing.

Depreciation expenses decreased to CHF 247 million from CHF 248 million, and by CHF 11 million to CHF 237 million on an adjusted basis.

→ **Refer to the "Group performance" section of this report for more information on the estimated useful life of certain software**

#### *Services to / from business divisions and other Corporate Center units*

Corporate Center – Services allocated expenses of CHF 2,049 million to the business divisions and other Corporate Center units compared with CHF 2,191 million. Adjusted net allocated expenses for services to business divisions and other Corporate Center units were CHF 1,812 million compared with CHF 1,814 million.

#### *Operating expenses after service allocations to / from business divisions and other Corporate Center units*

Corporate Center – Services retains costs related to Group governance functions and other corporate activities, certain strategic and regulatory projects and certain restructuring expenses. Total operating expenses remaining in Corporate Center – Services after allocations decreased to CHF 256 million from CHF 291 million and to CHF 216 million from CHF 272 million on an adjusted basis.

## Corporate Center – Group Asset and Liability Management

Corporate Center – Group ALM<sup>1</sup>

| CHF million, except where indicated                                  | As of or for the quarter ended |             |             | % change from |              | For the year ended |              |
|--|--------------------------------|-------------|-------------|---------------|--------------|--------------------|--------------|
|  | 31.12.16                       | 30.9.16     | 31.12.15    | 3Q16          | 4Q15         | 31.12.16           | 31.12.15     |
| <b>Results</b>   |                                |             |             |               |              |                    |              |
| Business division-aligned risk management net income                 | 210                            | 202         | 239         | 4             | (12)         | 847                | 878          |
| Capital investment and issuance net income                           | (6)                            | (5)         | 39          | 20            |              | 45                 | 272          |
| Group structural risk management net income                          | (163)                          | (141)       | (174)       | 16            | (6)          | (547)              | (647)        |
| <b>Total risk management net income before allocations</b>           | <b>41</b>                      | <b>56</b>   | <b>103</b>  | <b>(27)</b>   | <b>(60)</b>  | <b>345</b>         | <b>503</b>   |
| Allocations to business divisions and other CC units                 | (98)                           | (95)        | (180)       | 3             | (46)         | (512)              | (832)        |
| <i>of which: Wealth Management</i>                                   | (87)                           | (95)        | (118)       | (8)           | (26)         | (389)              | (471)        |
| <i>of which: Wealth Management Americas</i>                          | (48)                           | (26)        | (27)        | 85            | 78           | (118)              | (104)        |
| <i>of which: Personal &amp; Corporate Banking</i>                    | (71)                           | (81)        | (111)       | (12)          | (36)         | (332)              | (421)        |
| <i>of which: Asset Management</i>                                    | (1)                            | (1)         | (3)         | 0             | (67)         | (7)                | (15)         |
| <i>of which: Investment Bank</i>                                     | 78                             | 66          | 69          | 18            | 13           | 260                | 211          |
| <i>of which: CC – Services</i>                                       | 0                              | 0           | (24)        |               | (100)        | (36)               | (145)        |
| <i>of which: CC – Non-core and Legacy Portfolio</i>                  | 31                             | 42          | 34          | (26)          | (9)          | 110                | 114          |
| <b>Total risk management net income after allocations</b>            | <b>(57)</b>                    | <b>(39)</b> | <b>(75)</b> | <b>46</b>     | <b>(24)</b>  | <b>(167)</b>       | <b>(329)</b> |
| Accounting asymmetries related to economic hedges                    | (40)                           | 95          | 102         |               |              | 27                 | (66)         |
| Hedge accounting ineffectiveness <sup>2</sup>                        | (20)                           | (23)        | (21)        | (13)          | (5)          | 7                  | 156          |
| Net foreign currency translation gains / (losses) <sup>3</sup>       | 27                             |             | 115         |               |              | (122)              | 88           |
| Net gains / (losses) related to the buyback of debt                  |                                |             | (257)       |               |              |                    | (257)        |
| Own credit on financial liabilities designated at fair value         |                                |             | 35          |               |              |                    | 553          |
| Other  | (53)                           | (3)         | 45          |               |              | 37                 | 133          |
| <b>Total operating income as reported</b>                            | <b>(144)</b>                   | <b>30</b>   | <b>(59)</b> |               | <b>144</b>   | <b>(219)</b>       | <b>277</b>   |
| <b>Total operating income (adjusted)<sup>4,5</sup></b>               | <b>(171)</b>                   | <b>30</b>   | <b>48</b>   |               |              | <b>(97)</b>        | <b>(107)</b> |
| Personnel expenses   | 8                              | 8           | 7           | 0             | 14           | 31                 | 30           |
| General and administrative expenses                                  | 7                              | 2           | 9           | 250           | (22)         | 17                 | 22           |
| Depreciation and impairment of property, equipment and software      | 0                              | 0           | 0           |               |              | 0                  | 0            |
| Amortization and impairment of intangible assets                     | 0                              | 0           | 0           |               |              | 0                  | 0            |
| Services (to) / from business divisions and other CC units           | (16)                           | (9)         | (20)        | 78            | (20)         | (49)               | (57)         |
| <b>Total operating expenses</b>                                      | <b>0</b>                       | <b>0</b>    | <b>(3)</b>  |               | <b>(100)</b> | <b>(1)</b>         | <b>(5)</b>   |
| <b>Operating profit / (loss) before tax as reported</b>              | <b>(144)</b>                   | <b>30</b>   | <b>(56)</b> |               | <b>157</b>   | <b>(218)</b>       | <b>282</b>   |
| <b>Operating profit / (loss) before tax (adjusted)<sup>4</sup></b>   | <b>(171)</b>                   | <b>30</b>   | <b>51</b>   |               |              | <b>(96)</b>        | <b>(102)</b> |
| <b>Additional information</b>  |                                |             |             |               |              |                    |              |
| Average attributed equity (CHF billion) <sup>6</sup>                 | 4.4                            | 4.3         | 3.2         | 2             | 38           | 4.3                | 3.3          |
| Total assets (CHF billion) <sup>7</sup>                              | 267.2                          | 258.3       | 237.5       | 3             | 13           | 267.2              | 237.5        |
| Risk-weighted assets (fully applied, CHF billion) <sup>8</sup>       | 10.6                           | 11.1        | 6.0         | (5)           | 77           | 10.6               | 6.0          |
| Leverage ratio denominator (fully applied, CHF billion) <sup>9</sup> | 272.4                          | 263.4       | 247.9       | 3             | 10           | 272.4              | 247.9        |
| Personnel (full-time equivalents)                                    | 142                            | 137         | 125         | 4             | 14           | 142                | 125          |

<sup>1</sup> Comparative figures in this table may differ from those originally published in quarterly and annual reports due to adjustments following organizational changes, restatements due to retrospective adoption of new accounting standards or changes in accounting policies, and events after the reporting period. <sup>2</sup> Does not include ineffectiveness of hedges of net investments in foreign operations. <sup>3</sup> Related to the disposal of foreign subsidiaries and branches. <sup>4</sup> Adjusted results are non-GAAP financial measures as defined by SEC regulations. <sup>5</sup> Adjusted total operating income excludes foreign currency translation gains or losses, net gains or losses related to the buyback of debt and own credit on financial liabilities designated at fair value. <sup>6</sup> Refer to the "Capital management" section of this report for more information. <sup>7</sup> Based on third-party view, i.e., without intercompany balances. <sup>8</sup> Based on the Basel III framework as applicable for Swiss systemically relevant banks (SRBs). Refer to the "Capital management" section of this report for more information. <sup>9</sup> Calculated in accordance with Swiss SRB rules. Refer to the "Capital management" section of this report for more information.

## Results: 4Q16 vs 4Q15

Corporate Center – Group Asset and Liability Management (Group ALM) recorded a loss before tax of CHF 144 million compared with CHF 56 million and an adjusted loss before tax of CHF 171 million compared with an adjusted profit before tax of CHF 51 million, driven by accounting asymmetries related to economic hedges and negative other net income.

### Operating income

Total operating income was negative CHF 144 million compared with negative CHF 59 million. On an adjusted basis, total operating income was negative CHF 171 million compared with positive CHF 48 million.

### Business division-aligned risk management net income

Net income from business division-aligned risk management activities was CHF 210 million compared with CHF 239 million, mainly reflecting reduced interest rate risk management revenues in the banking book for Wealth Management and Personal & Corporate Banking. This decrease was mainly due to lower penalty fees received from clients from the early termination of loans and lower interest income from managing euro-denominated deposits in the current negative interest rate environment.

### Capital investment and issuance net income

Net income from capital investment and issuance activities was negative CHF 6 million compared with positive CHF 39 million. This was mainly due to higher net interest expenses as a result of an increase in total outstanding long-term debt that is eligible for total loss-absorbing capital. Additionally, interest income from the investment of the Group's equity decreased due to lower interest rates.

### Group structural risk management net income

Net income from Group structural risk management activities was negative CHF 163 million compared with negative CHF 174 million. An increase in income of CHF 178 million from the management of the Group's high-quality liquid assets (HQLA), mainly due to wider spreads between certain HQLA and internal funding liabilities, was largely offset by an increase in net interest expense of CHF 167 million due to issuances of long-term debt during 2016.

### Allocations to business divisions and other Corporate Center units

Combined net income allocations from risk management activities to business divisions and other Corporate Center units were CHF 98 million compared with CHF 180 million. This decrease primarily reflects the aforementioned lower net income from business division-aligned risk management and capital investment and issuance activities, which are fully allocated to the business divisions and other Corporate Center units.

### Total risk management net income after allocations

Group ALM retained negative CHF 57 million from its risk management activities after allocations compared with negative CHF 75 million.

Retained income from risk management activities is entirely related to Group structural risk management and is mainly the net result of costs from buffers that are maintained by Group ALM at levels above the total consumption of the business divisions and the revenues generated by Group ALM from the management of the Group's HQLA portfolio relative to the benchmark rates used to allocate the costs. Retained income from risk management activities can vary significantly quarter on quarter. However, under current market conditions, we expect it to average around negative CHF 50 million per quarter.

### Accounting asymmetries related to economic hedges

Net income retained by Group ALM due to accounting asymmetries related to economic hedges was negative CHF 40 million compared with positive CHF 102 million, primarily as gains related to HQLA classified as available for sale decreased to CHF 19 million from CHF 173 million. The lower magnitude of this asymmetrical result reflects the change applied since the first quarter of 2016 to classify the majority of newly purchased HQLA debt securities as financial assets designated at fair value through profit or loss, instead of classifying them as financial assets available for sale. In addition, Group ALM retained a loss of CHF 105 million compared with CHF 20 million on derivatives that economically hedge the currency and interest rate risk in its long-term debt portfolio.

### Hedge accounting ineffectiveness

Net income related to hedge accounting ineffectiveness was largely unchanged at negative CHF 20 million compared with negative CHF 21 million. This ineffectiveness primarily arises from changes in the spread between LIBOR and the overnight index swap rate due to differences in the way these impact the valuation of the hedged items and hedging instruments through either the benchmark rate determining cash flows or the discount rate.

### Other

Other net income was negative CHF 53 million compared with positive CHF 45 million, reflecting negative income related to own-bond market-making activity in the Investment Bank, lower interest income retained by Group ALM on behalf of non-controlling interests and losses recorded in the fourth quarter of 2016 from the Group ALM-managed monthly conversion of non-Swiss franc profit.

**Balance sheet, risk-weighted assets, leverage ratio denominator: 4Q16 vs 3Q16**

**Balance sheet assets**

Balance sheet assets increased by CHF 9 billion to CHF 267 billion, mainly reflecting an increase in the net funds transferred to Group ALM by the business divisions.

→ **Refer to the “Balance sheet, liquidity and funding management” section of this report for more information**

**Risk-weighted assets**

Fully applied risk-weighted assets were stable at CHF 11 billion as of 31 December 2016.

→ **Refer to the “Capital management” section of this report for more information**

**Leverage ratio denominator**

The fully applied leverage ratio denominator increased to CHF 272 billion from CHF 263 billion, consistent with the increase in balance sheet assets.

→ **Refer to the “Capital management” section of this report for more information**



# Corporate Center – Non-core and Legacy Portfolio

## Corporate Center – Non-core and Legacy Portfolio<sup>1</sup>

| CHF million, except where indicated                                  | As of or for the quarter ended |              |              | % change from |             | For the year ended |                |
|--|--------------------------------|--------------|--------------|---------------|-------------|--------------------|----------------|
|  | 31.12.16                       | 30.9.16      | 31.12.15     | 3Q16          | 4Q15        | 31.12.16           | 31.12.15       |
| <b>Results</b>   |                                |              |              |               |             |                    |                |
| Income   | (43)                           | 45           | (72)         |               | (40)        | (23)               | (195)          |
| Credit loss (expense) / recovery                                     | (10)                           | 1            | 2            |               |             | (13)               | (8)            |
| <b>Total operating income</b>  | <b>(53)</b>                    | <b>46</b>    | <b>(71)</b>  |               | <b>(25)</b> | <b>(36)</b>        | <b>(203)</b>   |
| Personnel expenses   | 16                             | 23           | 19           | (30)          | (16)        | 66                 | 116            |
| General and administrative expenses                                  | 84                             | 425          | 142          | (80)          | (41)        | 630                | 806            |
| Services (to) / from business divisions and other CC units           | 70                             | 76           | 97           | (8)           | (28)        | 280                | 379            |
| <i>of which: services from CC – Services</i>                         | <i>58</i>                      | <i>57</i>    | <i>81</i>    | <i>2</i>      | <i>(28)</i> | <i>225</i>         | <i>313</i>     |
| Depreciation and impairment of property, equipment and software      | 0                              | 0            | 0            |               |             | 0                  | 0              |
| Amortization and impairment of intangible assets                     | 0                              | 0            | 0            |               |             | 0                  | 0              |
| <b>Total operating expenses</b>                                      | <b>170</b>                     | <b>523</b>   | <b>258</b>   | <b>(67)</b>   | <b>(34)</b> | <b>976</b>         | <b>1,301</b>   |
| <b>Operating profit / (loss) before tax</b>                          | <b>(223)</b>                   | <b>(477)</b> | <b>(329)</b> | <b>(53)</b>   | <b>(32)</b> | <b>(1,012)</b>     | <b>(1,503)</b> |
| <b>Adjusted results<sup>2</sup></b>                                  |                                |              |              |               |             |                    |                |
| <b>Total operating income as reported</b>                            | <b>(53)</b>                    | <b>46</b>    | <b>(71)</b>  |               | <b>(25)</b> | <b>(36)</b>        | <b>(203)</b>   |
| <b>Total operating income (adjusted)</b>                             | <b>(53)</b>                    | <b>46</b>    | <b>(71)</b>  |               | <b>(25)</b> | <b>(36)</b>        | <b>(203)</b>   |
| <b>Total operating expenses as reported</b>                          | <b>170</b>                     | <b>523</b>   | <b>258</b>   | <b>(67)</b>   | <b>(34)</b> | <b>976</b>         | <b>1,301</b>   |
| <i>of which: personnel-related restructuring expenses</i>            | <i>0</i>                       | <i>0</i>     | <i>1</i>     |               |             | <i>1</i>           | <i>14</i>      |
| <i>of which: non-personnel-related restructuring expenses</i>        | <i>0</i>                       | <i>0</i>     | <i>0</i>     |               |             | <i>0</i>           | <i>0</i>       |
| <i>of which: restructuring expenses allocated from CC – Services</i> | <i>8</i>                       | <i>7</i>     | <i>15</i>    |               |             | <i>21</i>          | <i>43</i>      |
| <b>Total operating expenses (adjusted)</b>                           | <b>162</b>                     | <b>516</b>   | <b>241</b>   | <b>(69)</b>   | <b>(33)</b> | <b>955</b>         | <b>1,245</b>   |
| <b>Operating profit / (loss) before tax as reported</b>              | <b>(223)</b>                   | <b>(477)</b> | <b>(329)</b> | <b>(53)</b>   | <b>(32)</b> | <b>(1,012)</b>     | <b>(1,503)</b> |
| <b>Operating profit / (loss) before tax (adjusted)</b>               | <b>(215)</b>                   | <b>(470)</b> | <b>(312)</b> | <b>(54)</b>   | <b>(31)</b> | <b>(991)</b>       | <b>(1,447)</b> |
| <b>Additional information</b>  |                                |              |              |               |             |                    |                |
| Average attributed equity (CHF billion) <sup>3</sup>                 | 1.8                            | 1.8          | 2.7          | 0             | (33)        | 2.1                | 2.9            |
| Total assets (CHF billion) <sup>4</sup>                              | 68.5                           | 83.5         | 94.4         | (18)          | (27)        | 68.5               | 94.4           |
| Risk-weighted assets (fully applied, CHF billion) <sup>5</sup>       | 18.9                           | 18.8         | 30.7         | 1             | (38)        | 18.9               | 30.7           |
| Leverage ratio denominator (fully applied, CHF billion) <sup>6</sup> | 22.4                           | 25.2         | 38.5         | (11)          | (42)        | 22.4               | 38.5           |
| Personnel (full-time equivalents)                                    | 63                             | 65           | 77           | (3)           | (18)        | 63                 | 77             |

<sup>1</sup> Comparative figures in this table may differ from those originally published in quarterly and annual reports due to adjustments following organizational changes, restatements due to retrospective adoption of new accounting standards or changes in accounting policies, and events after the reporting period. <sup>2</sup> Adjusted results are non-GAAP financial measures as defined by SEC regulations. <sup>3</sup> Refer to the "Capital management" section of this report for more information. <sup>4</sup> Based on third-party view, i.e., without intercompany balances. <sup>5</sup> Based on the Basel III framework as applicable for Swiss systemically relevant banks (SRBs). Refer to the "Capital management" section of this report for more information. <sup>6</sup> Calculated in accordance with Swiss SRB rules. Refer to the "Capital management" section of this report for more information.

### Results: 4Q16 vs 4Q15

Corporate Center – Non-core and Legacy Portfolio recorded a loss before tax of CHF 223 million compared with CHF 329 million.

#### Operating income

Total operating income was negative CHF 53 million compared with negative CHF 71 million and mainly related to valuation losses on financial assets designated at fair value. The improved result was mainly due to lower losses related to unwind and novation activities. Credit loss was a net expense of CHF 10 million compared with a net recovery of CHF 2 million.

→ Refer to the “Risk management and control” section of this report for more information

#### Operating expenses

Total operating expenses decreased by CHF 88 million or 34% to CHF 170 million. Net expenses for provisions for litigation, regulatory and similar matters decreased by CHF 24 million. In addition, net expenses for services from other Corporate Center units and business divisions decreased by CHF 27 million and professional fees were CHF 16 million lower. Furthermore, expenses for the annual UK bank levy decreased by CHF 17 million to CHF 33 million.

### Balance sheet, risk-weighted assets and leverage ratio denominator: 4Q16 vs 3Q16

#### Balance sheet assets

Balance sheet assets decreased by CHF 15 billion to CHF 68 billion. Positive replacement values decreased by CHF 14 billion, mainly in interest rate contracts, reflecting increases in interest rates, maturities and trade terminations. Assets classified as Level 3 in the fair value hierarchy totaled CHF 2.0 billion as of 31 December 2016.

#### Risk-weighted assets

Fully applied risk-weighted assets remained stable at CHF 19 billion.

→ Refer to the “Capital management” section of this report for more information

#### Leverage ratio denominator

The fully applied leverage ratio denominator decreased to CHF 22 billion from CHF 25 billion, consistent with the decrease in balance sheet assets.

→ Refer to the “Capital management” and “Balance sheet, liquidity and funding management” sections of this report for more information

# Risk, treasury and capital management

Management report

# Risk management and control

This section provides information on key developments during the reporting period and should be read in conjunction with the "Risk management and control" section of our Annual Report 2015.

## Credit risk

Overall credit risk exposures were broadly unchanged during the fourth quarter of 2016. Net credit loss expenses were CHF 24 million, which included CHF 13 million related to a closed-out derivative position in Corporate Center – Non-core and Legacy Portfolio.

Our Swiss lending portfolios continued to perform well, although we remain watchful for any signs of deterioration in the Swiss economy that could impact some of our counterparties and lead to an increase in credit loss expenses from the low levels recently observed.

Oil prices remained around USD 50 during the fourth quarter, offering some relief to oil producers through improved cash flows. Nevertheless, we continue to monitor exposures to counterparties in the oil and gas sector. As of 31 December 2016, our total funded and unfunded net banking products exposure to this sector, recorded within the Investment Bank, was CHF 5.1 billion, unchanged from 30 September 2016. As of 31 December 2016, total specific and collective allowances and provisions against these oil and gas exposures were CHF 24 million.

Within the Investment Bank, the strong flow of leveraged loan underwriting activity continued into the fourth quarter, giving rise to temporary concentrated credit risk exposure. Distribution of exposures remained satisfactory, although delayed regulatory approvals for some investment grade merger and acquisition transactions continued to delay distribution of the associated financings beyond original targeted dates. While such delays led to longer risk periods than originally anticipated, we remain comfortable with our exposures, considering the investment grade quality. Loan underwriting exposures are classified as held for trading, with fair values reflecting the market conditions at the end of the quarter.

## Market risk

Our average 1-day, 95% confidence level, management value-at-risk (VaR) increased slightly to CHF 11 million during the fourth quarter of 2016. Our regulatory VaR and stressed VaR measures are more sensitive to changes in our risk profile due to the 10-day holding periods and higher confidence levels used, and these measures increased more significantly within the quarter. The increases were driven by various factors across our Equities and Foreign Exchange, Rates and Credit businesses,

including option expiries and strong client flows. While these measures returned to lower levels at the end of the quarter, the higher average levels over the quarter resulted in a significant increase in market risk-related risk-weighted assets (RWA).

→ **Refer to "Risk-weighted assets" in the "Capital management" section of this report for more information on market risk RWA**

We reported two new Group VaR negative backtesting exceptions in the fourth quarter. One of these was driven by large market movements at the end of the quarter, particularly in EUR and CHF interest rate curves. The other was attributable to several factors, including non-daily marking and valuation processes, profit and loss on risks accounted for in the capital underpinning of risks-not-in-VaR, and market moves in equity volatilities. With market risk being managed at such low levels of VaR, the impact of these factors on the backtesting results is relatively more significant, contributing to the higher frequency of exceptions. The total number of negative backtesting exceptions within a 250-business-day window was seven, which led to an increase in the FINMA VaR multiplier for market risk RWA from 3.5 to 3.65.

→ **Refer to "Market risk" in the "Risk, treasury and capital management" section of our first, second and third quarter 2016 reports for more information on our backtesting exceptions**

As of 31 December 2016, the interest rate sensitivity of our banking book to a +1 basis point parallel shift in yield curves was negative CHF 3.1 million compared with negative CHF 2.3 million as of 30 September 2016. This fair value change was mainly driven by Wealth Management Americas, whose modeled client rate duration for non-maturity deposits decreased in response to higher market rates, and by a reduction in net interest rate sensitivity within Corporate Center – Group Asset and Liability Management (Group ALM).

Part of the aforementioned fair value changes would impact other comprehensive income (OCI). The interest rate sensitivity to a +1 basis point parallel shift in yield curves of financial assets and derivatives in the banking book valued through OCI was negative CHF 23 million as of 31 December 2016. This OCI sensitivity was predominantly attributable to cash flow hedges denominated in US dollars and, to a lesser extent, in euros and Swiss francs. These cash flow hedges are not recognized for the purposes of calculating regulatory capital.

→ **Refer to "Sensitivity to interest rate movements" in the "Group performance" section of this report for more information on the impact of rising interest rates on equity, capital and net interest income**

## Country risk

We remain watchful of developments in Europe, particularly with respect to peripheral European countries. Our direct exposure to peripheral European countries remained limited, although we have significant country risk exposure to major EU economies, including the UK.

Our binding stress scenario within our combined stress test framework has a eurozone crisis at its core, so that potential effects are captured in the calculation of our post-stress fully applied common equity tier 1 (CET1) capital ratio.

We remain comfortable with our direct exposure to China, and our exposure to other emerging market countries is generally well diversified.

→ **Refer to the “Risk management and control” section of our Annual Report 2015 for more information**

## Binding stress scenario

At least once a year, the Risk Committee approves the most relevant scenario as the binding scenario to be used for our regular combined stress test reporting. The binding scenario is also used for monitoring risk exposure against our minimum capital, earnings and leverage ratio objectives in our risk appetite framework. In the fourth quarter of 2016, the Global Deflation scenario was approved as our new binding scenario, replacing the Global Recession scenario. The new binding scenario is based on its predecessor, but incorporates the risks that may arise from severe negative rates in major developed countries.

→ **Refer to the “Capital management” section of this report for information on our post-stress fully applied CET1 capital ratio**

## Operational risk

We and the industry are experiencing elevated levels of operational risk in a number of areas, most notably, operational resilience, conduct, and financial crime.

Operational resilience remains critical, especially in cyber security, as threats continue to evolve and attacks become more powerful. We continue to focus on preventive measures and on improving our ability to recover quickly should a successful attack occur. Conduct risks are inherent in our businesses and remain a significant focus of regulators and enforcement authorities. We continue to focus on our programs to strengthen our culture and controls to mitigate conduct risk with the objective of ensuring that our business activities impact clients and counterparties fairly and uphold the integrity of the financial system. Financial crime, including money laundering, terrorist financing, sanctions violation, fraud, bribery and corruption, continues to present risks, as emerging technologies and changing geopolitical risks increase complexity and continued heightened regulatory attention and expectations result in increased overall risk.

## Key risk metrics

## Banking and traded products exposure by business division and Corporate Center unit

|   | 31.12.16          |                            |                              |                  |                 |               |                |                                    |         |
|---|-------------------|----------------------------|------------------------------|------------------|-----------------|---------------|----------------|------------------------------------|---------|
| CHF million   | Wealth Management | Wealth Management Americas | Personal & Corporate Banking | Asset Management | Investment Bank | CC – Services | CC – Group ALM | CC – Non-core and Legacy Portfolio | Group   |
| <b>Banking products</b>                                       |                   |                            |                              |                  |                 |               |                |                                    |         |
| Gross exposure <sup>1,2,3,4</sup>                             | 107,608           | 56,054                     | 153,900                      | 545              | 63,553          | 610           | 114,301        | 614                                | 497,186 |
| of which: loans (on-balance sheet)                            | 101,876           | 52,486                     | 133,861                      | 1                | 12,022          | 43            | 5,962          | 129                                | 306,379 |
| of which: guarantees and loan commitments (off-balance sheet) | 3,916             | 933                        | 17,883                       | 0                | 41,832          | 111           | 2              | 486                                | 65,163  |
| Total impaired exposure, gross                                | 77                | 27                         | 995                          |                  | 118             | 0             | 0              | 17                                 | 1,235   |
| of which: impaired loan exposure, gross                       | 77                | 27                         | 757                          |                  | 95              |               |                | 17                                 | 973     |
| Total allowances and provisions for credit losses             | 62                | 29                         | 486                          | 0                | 61              | 0             | 0              | 15                                 | 653     |
| <b>Traded products<sup>1,5</sup></b>                          |                   |                            |                              |                  |                 |               |                |                                    |         |
| Gross exposure  | 6,285             | 1,661                      | 1,544                        | 0                |                 | 41,985        |                |                                    | 51,476  |
| of which: over-the-counter derivatives                        | 5,359             | 35                         | 1,420                        | 0                |                 | 17,540        |                |                                    | 24,353  |
| of which: securities financing transactions                   | 0                 | 255                        | 0                            | 0                |                 | 17,414        |                |                                    | 17,669  |
| of which: exchange-traded derivatives                         | 926               | 1,371                      | 125                          | 0                |                 | 7,031         |                |                                    | 9,454   |
| 30.9.16   |                   |                            |                              |                  |                 |               |                |                                    |         |
| CHF million   | Wealth Management | Wealth Management Americas | Personal & Corporate Banking | Asset Management | Investment Bank | CC – Services | CC – Group ALM | CC – Non-core and Legacy Portfolio | Group   |
| <b>Banking products</b>                                       |                   |                            |                              |                  |                 |               |                |                                    |         |
| Gross exposure <sup>1,2,3,4</sup>                             | 109,798           | 52,890                     | 151,887                      | 445              | 66,770          | 1,186         | 101,438        | 777                                | 485,189 |
| of which: loans (on-balance sheet)                            | 102,556           | 49,460                     | 134,439                      | 5                | 15,214          | 36            | 6,261          | 127                                | 308,098 |
| of which: guarantees and loan commitments (off-balance sheet) | 3,553             | 906                        | 15,925                       | 0                | 41,222          | 107           | 1              | 649                                | 62,363  |
| Total impaired exposure, gross                                | 81                | 26                         | 1,095                        |                  | 107             |               |                | 24                                 | 1,333   |
| of which: impaired loan exposure, gross                       | 81                | 26                         | 856                          |                  | 78              |               |                | 24                                 | 1,065   |
| Total allowances and provisions for credit losses             | 65                | 28                         | 484                          | 0                | 56              | 0             | 0              | 16                                 | 649     |
| <b>Traded products<sup>1,5</sup></b>                          |                   |                            |                              |                  |                 |               |                |                                    |         |
| Gross exposure  | 6,703             | 1,671                      | 1,705                        | 0                |                 | 36,290        |                |                                    | 46,369  |
| of which: over-the-counter derivatives                        | 5,487             | 27                         | 1,615                        | 0                |                 | 13,680        |                |                                    | 20,809  |
| of which: securities financing transactions                   | 0                 | 257                        | 0                            | 0                |                 | 17,200        |                |                                    | 17,458  |
| of which: exchange-traded derivatives                         | 1,216             | 1,387                      | 90                           | 0                |                 | 5,410         |                |                                    | 8,103   |

1 Internal management view of credit risk, which differs in certain respects from IFRS. 2 Does not include reclassified securities and similar acquired securities held by CC – Non-core and Legacy Portfolio. 3 Excludes loans designated at fair value. 4 As of 31 December 2016, IFRS loans exposure for the Investment Bank and CC – Non-core and Legacy Portfolio was CHF 10,086 million (30 September 2016: CHF 10,209 million) and CHF 2,606 million (30 September 2016: CHF 2,664 million), respectively. For all other business divisions and Corporate Center units, IFRS loans exposure was the same as the internal management view. 5 As counterparty risk for traded products is managed at counterparty level, no further split between exposures in the Investment Bank, CC – Non-core and Legacy Portfolio and CC – Group ALM is provided.

## Wealth Management, Wealth Management Americas and Personal & Corporate Banking loan portfolios, gross

| CHF million                                 | Wealth Management |                | Wealth Management Americas |               | Personal & Corporate Banking |                |
|---|-------------------|----------------|----------------------------|---------------|------------------------------|----------------|
|   | 31.12.16          | 30.9.16        | 31.12.16                   | 30.9.16       | 31.12.16                     | 30.9.16        |
| Secured by residential property             | 32,208            | 32,341         | 10,239                     | 9,432         | 95,966                       | 96,624         |
| Secured by commercial / industrial property | 1,974             | 2,082          | 0                          | 0             | 17,819                       | 18,117         |
| Secured by cash                             | 14,436            | 15,016         | 1,042                      | 1,004         | 1,884                        | 1,837          |
| Secured by securities                       | 46,194            | 46,315         | 40,182                     | 37,964        | 1,990                        | 1,653          |
| Secured by guarantees and other collateral  | 6,697             | 6,464          | 716                        | 783           | 6,707                        | 6,261          |
| Unsecured loans                             | 366               | 339            | 307                        | 276           | 9,496                        | 9,948          |
| <b>Total loans, gross</b>                   | <b>101,876</b>    | <b>102,556</b> | <b>52,486</b>              | <b>49,460</b> | <b>133,861</b>               | <b>134,439</b> |
| <b>Total loans, net of allowances</b>       | <b>101,814</b>    | <b>102,492</b> | <b>52,455</b>              | <b>49,430</b> | <b>133,419</b>               | <b>133,983</b> |

## Management value-at-risk (1-day, 95% confidence, 5 years of historical data) by business division and Corporate Center unit and general market risk type<sup>1</sup>

| CHF million                           | Min.     | Max.      | Period end | Average   | Average by risk type |                |                |                  |             |
|---------------------------------------|----------|-----------|------------|-----------|----------------------|----------------|----------------|------------------|-------------|
|                                       |          |           |            |           | Equity               | Interest rates | Credit spreads | Foreign exchange | Commodities |
| Wealth Management                     | 0        | 0         | 0          | 0         | 0                    | 0              | 0              | 0                | 0           |
| Wealth Management Americas            | 0        | 1         | 1          | 1         | 0                    | 1              | 1              | 0                | 0           |
| Personal & Corporate Banking          | 0        | 0         | 0          | 0         | 0                    | 0              | 0              | 0                | 0           |
| Asset Management                      | 0        | 0         | 0          | 0         | 0                    | 0              | 0              | 0                | 0           |
| Investment Bank                       | 6        | 18        | 8          | 10        | 6                    | 9              | 4              | 3                | 1           |
| CC – Services                         | 0        | 0         | 0          | 0         | 0                    | 0              | 0              | 0                | 0           |
| CC – Group ALM                        | 6        | 8         | 6          | 7         | 0                    | 6              | 2              | 1                | 0           |
| CC – Non-core and Legacy Portfolio    | 4        | 5         | 4          | 4         | 0                    | 3              | 2              | 0                | 0           |
| Diversification effect <sup>2,3</sup> |          |           | (8)        | (10)      | 0                    | (8)            | (5)            | (1)              | 0           |
| <b>Total 31.12.16</b>                 | <b>8</b> | <b>17</b> | <b>11</b>  | <b>11</b> | <b>6</b>             | <b>11</b>      | <b>5</b>       | <b>3</b>         | <b>1</b>    |
| Total 30.9.16                         | 8        | 14        | 8          | 10        | 5                    | 11             | 4              | 2                | 1           |

<sup>1</sup> Statistics at individual levels may not be summed to deduce the corresponding aggregate figures. The minima and maxima for each level may occur on different days, and likewise, the VaR for each business line or risk type, being driven by the extreme loss tail of the corresponding distribution of simulated profits and losses for that business line or risk type, may well be driven by different days in the historical time series, rendering invalid the simple summation of figures to arrive at the aggregate total. <sup>2</sup> Difference between the sum of the standalone VaR for the business divisions and Corporate Center units and the VaR for the Group as a whole. <sup>3</sup> As the minimum and maximum occur on different days for different business divisions and Corporate Center units, it is not meaningful to calculate a portfolio diversification effect.

## Interest rate sensitivity – banking book<sup>1,2</sup>

| CHF million  | -200 bps     | -100 bps     | +1 bp        | +100 bps       | +200 bps       |
|--|--------------|--------------|--------------|----------------|----------------|
| CHF  | (13.0)       | (13.0)       | 0.5          | 44.8           | 89.3           |
| EUR  | (109.0)      | (91.9)       | 0.0          | (2.5)          | (2.6)          |
| GBP  | (184.5)      | (103.0)      | (0.1)        | (9.9)          | (27.7)         |
| USD  | 823.2        | 358.9        | (3.4)        | (347.2)        | (704.3)        |
| Other  | 0.5          | (1.7)        | 0.0          | (3.3)          | (6.3)          |
| <b>Total effect on fair value of interest rate-sensitive banking book positions 31.12.16</b> | <b>517.1</b> | <b>149.4</b> | <b>(3.1)</b> | <b>(318.1)</b> | <b>(651.6)</b> |
| Total effect on fair value of interest rate-sensitive banking book positions 30.9.16         | 399.8        | 209.5        | (2.3)        | (238.7)        | (512.9)        |

<sup>1</sup> Does not include interest rate sensitivities for credit valuation adjustments on monoline credit protection, US and non-US reference-linked notes. <sup>2</sup> In the prevailing negative interest rate environment for the Swiss franc in particular, and to a lesser extent for the euro, interest rates for Wealth Management and Personal & Corporate Banking client transactions are generally being floored at non-negative levels. Accordingly, for the purposes of this disclosure table, downward moves of 100 / 200 basis points are floored to ensure that the resulting shocked interest rates do not turn negative. The flooring results in non-linear sensitivity behavior.

## Exposures to eurozone countries rated lower than AAA / Aaa by at least one major rating agency

| CHF million          | 31.12.16         |                            |                 |               |                     | 30.9.16       |               |                            |       |
|----------------------|------------------|----------------------------|-----------------|---------------|---------------------|---------------|---------------|----------------------------|-------|
|                      | Banking products |                            | Traded products |               | Trading inventory   | Total         |               | Total                      |       |
|                      | Before hedges    | Net of hedges <sup>1</sup> | Before hedges   | Net of hedges | Net long per issuer | Net of hedges | Net of hedges | Net of hedges <sup>1</sup> |       |
| Austria              | 28               | 28                         | 189             | 87            | 1,579               | 1,796         | 1,694         | 1,323                      | 1,196 |
| Belgium              | 84               | 84                         | 54              | 54            | 11                  | 149           | 149           | 673                        | 673   |
| Finland              | 74               | 42                         | 23              | 23            | 790                 | 887           | 854           | 767                        | 734   |
| France               | 1,533            | 1,364                      | 1,377           | 1,245         | 3,711               | 6,620         | 6,320         | 6,652                      | 6,185 |
| Greece               | 16               | 16                         | 0               | 0             | 1                   | 18            | 18            | 17                         | 17    |
| Ireland <sup>2</sup> | 89               | 89                         | 977             | 977           | 53                  | 1,120         | 1,120         | 1,143                      | 1,143 |
| Italy                | 1,242            | 821                        | 435             | 342           | 1,426               | 3,104         | 2,589         | 3,138                      | 2,709 |
| Portugal             | 14               | 14                         | 18              | 18            | 6                   | 39            | 39            | 140                        | 75    |
| Spain                | 694              | 444                        | 86              | 86            | 289                 | 1,069         | 820           | 1,493                      | 1,299 |
| Other <sup>3</sup>   | 441              | 441                        | 2               | 2             | 11                  | 454           | 454           | 94                         | 94    |

<sup>1</sup> Not deducted from the "Net of hedges" exposures are total allowances and provisions for credit losses of CHF 50 million (of which: Malta CHF 37 million, Ireland CHF 6 million and France CHF 5 million). The majority of the Ireland exposure relates to funds and foreign bank subsidiaries. <sup>3</sup> Represents aggregate exposures to Andorra, Cyprus, Estonia, Latvia, Lithuania, Malta, Monaco, Montenegro, San Marino, Slovakia and Slovenia.

# Balance sheet, liquidity and funding management

## Strategy, objectives and governance

This section provides balance sheet, liquidity and funding management information and should be read in conjunction with the "Treasury management" section of our Annual Report 2015, which provides more information about the Group's strategy, objectives and governance for liquidity and funding management.

Balances disclosed in this section represent quarter-end positions, unless indicated otherwise. Intra-quarter balances fluctuate in the ordinary course of business and may differ from quarter-end positions.

## Assets and liquidity management

### Balance sheet assets

As of 31 December 2016, balance sheet assets totaled CHF 935 billion, unchanged from 30 September 2016, as various asset reductions were offset by currency effects resulting from the strengthening of the US dollar versus the Swiss franc. Total assets excluding positive replacement values (PRVs) totaled CHF 777 billion as of 31 December 2016, a decrease of CHF 14 billion when excluding currency effects. This decline was mainly due to lower trading portfolio and collateral trading assets in the Investment Bank, partly offset by an increase in cash and balances with central banks, primarily in Corporate Center – Group Asset and Liability Management (Group ALM).

Trading portfolio assets decreased by CHF 9 billion, primarily in our Equities and Foreign Exchange, Rates and Credit businesses, mainly reflecting effective resource management. Collateral trading assets decreased by CHF 7 billion, reflecting reduced client activity as well as effective resource management.

These decreases were mostly offset by a CHF 13 billion increase in cash and balances with central banks, mainly reflecting an increase in net funds transferred to Group ALM by the business divisions.

PRVs increased by CHF 4 billion, reflecting a CHF 17 billion increase in the Investment Bank, mainly due to fair value changes in foreign exchange contracts primarily driven by US dollar appreciation partly offset by lower volumes, mostly offset by a CHF 14 billion reduction in Corporate Center – Non-core and Legacy Portfolio, mainly in interest rate contracts, reflecting increases in interest rates, maturities and trade terminations.

Financial assets designated at fair value, available for sale and held to maturity were broadly unchanged as a CHF 4 billion reduction in financial assets designated at fair value was offset by CHF 2 billion increases in both financial assets available for sale and financial assets held to maturity. Other assets were broadly unchanged as an increase in cash collateral receivables on derivative instruments was offset by a reduction in prime brokerage receivables. Lending assets were also broadly unchanged.

### High-quality liquid assets

The total weighted liquidity value of high-quality liquid assets was broadly unchanged at CHF 196 billion in the fourth quarter of 2016 as an increase in balances with central banks, which primarily occurred toward the end of the quarter, and an increase in off-balance sheet securities was offset by reductions in other eligible cash balances and on-balance sheet securities.

→ **Refer to the "Treasury management" section of our Annual Report 2015 for more information on high-quality liquid assets**



### Liquidity coverage ratio

In the fourth quarter of 2016, our three-month average total liquidity coverage ratio (LCR) increased 8 percentage points to 132%, remaining above the 110% Group LCR minimum communicated by FINMA. The increase was mainly due to a CHF 10 billion reduction in net cash outflows, largely driven by a decrease in outflows from securities financing transactions and an increase in inflows reflecting a higher amount of maturing performing loan positions within the relevant 30-day window during the quarter.

→ Refer to the “Treasury management” section of our Annual Report 2015 for more information on liquidity management and the liquidity coverage ratio

Effective 1 January 2017, we calculate and monitor our LCR on a daily basis and our reported quarterly average LCR will be the average of daily values during the quarter instead of the average of three month-end values.

### Liabilities and funding management

#### Liabilities

Total liabilities were unchanged at CHF 881 billion as of 31 December 2016. Trading portfolio liabilities decreased by CHF 9 billion, primarily in our Equities and Foreign Exchange, Rates and Credit businesses, mainly reflecting reduced client activity. Short-term borrowings decreased by CHF 6 billion, primarily reflecting net maturities of certificates of deposit. Collateral trading liabilities were reduced by CHF 4 billion, primarily in Group ALM. These decreases were offset by a CHF 12 billion increase in customer deposits, which mainly resulted from currency effects and client inflows across our business divisions. Negative replacement values increased by CHF 3 billion, in line with the aforementioned increases in PRVs. Long-term debt increased by CHF 2 billion, mainly reflecting the issuance of CHF 1.3 billion equivalent of euro-denominated senior unsecured debt that contributes to our total loss-absorbing capacity (TLAC). Other liabilities were broadly

unchanged as an increase in cash collateral payables on derivative instruments was offset by lower prime brokerage payables.

#### Equity

Equity attributable to shareholders increased by CHF 423 million to CHF 53,723 million.

Total comprehensive income attributable to shareholders was CHF 185 million, reflecting net profit of CHF 738 million and negative other comprehensive income (OCI) of CHF 553 million. Fourth quarter OCI included net losses on cash flow hedges of CHF 1,033 million, net losses on defined benefit plans of CHF 234 million and negative OCI related to financial assets available for sale of CHF 145 million, partly offset by foreign currency translation gains of CHF 845 million and own credit gains of CHF 15 million.

Share premium increased by CHF 196 million, mainly due to the amortization of deferred equity compensation awards.

Net treasury share activity increased equity attributable to shareholders by CHF 41 million, mainly reflecting the net disposal of treasury shares related to employee share-based compensation awards.

#### Net stable funding ratio

As of 31 December 2016, our estimated pro forma net stable funding ratio (NSFR) was 116%, an increase of 1 percentage point from 30 September 2016, primarily reflecting a CHF 2 billion increase in available stable funding, mainly driven by deposit inflows, partly offset by a decrease in unsecured funding. The calculation of our pro forma NSFR includes interpretation and estimates of the effect of the rules, and will be refined as regulatory interpretations evolve and as new models and associated systems are enhanced.

→ Refer to the “Treasury management” section of our Annual Report 2015 for more information on the net stable funding ratio

### Liquidity coverage ratio

| <i>CHF billion, except where indicated</i> | Average 4Q16                      | Average 3Q16                      |
|--|-----------------------------------|-----------------------------------|
|  | Total adjusted value <sup>1</sup> | Total adjusted value <sup>1</sup> |
| High-quality liquid assets                 | 196                               | 197                               |
| Net cash outflows                          | 148                               | 158                               |
| <b>Liquidity coverage ratio (%)</b>        | <b>132</b>                        | <b>124</b>                        |

<sup>1</sup> Calculated after the application of haircuts and inflow and outflow rates as well as, where applicable, caps on Level 2 assets and cash inflows.

### Pro forma net stable funding ratio

| <i>CHF billion, except where indicated</i>    | 31.12.16   | 30.9.16    |
|---|------------|------------|
| Available stable funding                      | 442        | 440        |
| Required stable funding                       | 381        | 381        |
| <b>Pro forma net stable funding ratio (%)</b> | <b>116</b> | <b>115</b> |

# Capital management

This section should be read in conjunction with the “Capital management” section of our Annual Report 2015, which provides more information about our strategy, objectives and governance for capital management. Disclosures in this section are provided on a consolidated UBS Group basis and focus on information in accordance with the regulatory framework for Swiss systemically relevant banks (SRBs).

Information on our Swiss SRB going and gone concern requirements that are being phased in between 2016 and 2019 is available in our second quarter 2016 report. Details on our Swiss SRB going and gone concern requirements and additional

information as of 31 December 2016 will be disclosed in our Annual Report 2016, which will be published on 10 March 2017.

UBS Group AG is a holding company and conducts substantially all of its operations through UBS AG and its subsidiaries. UBS Group AG and UBS AG have contributed a significant portion of their respective capital, and provide substantial liquidity to subsidiaries, many of which are subject to regulations requiring compliance with minimum capital, liquidity and similar requirements.

## Swiss SRB loss-absorbing capacity

During the fourth quarter of 2016, our fully applied common equity tier 1 (CET1) capital ratio decreased 0.2 percentage points to 13.8% as of 31 December 2016, mainly resulting from a CHF 6 billion increase in RWA. On a phase-in basis, our CET1 capital ratio decreased 0.1 percentage points to 16.8%.

As of 31 December 2016, our total loss-absorbing capacity (TLAC) ratio was 31.1% on a fully applied basis, compared with

31.0% as of 30 September 2016. On a phase-in basis, the TLAC ratio stood at 32.7%, an increase of 0.1 percentage points from 30 September 2016.

Our going concern leverage ratio was 4.6% on a fully applied basis compared with 4.4% as of 30 September 2016. On a phase-in basis, the going concern leverage ratio increased by 0.2 percentage points to 6.4%.

### Swiss SRB going and gone concern information

| <i>CHF million, except where indicated</i>               | Swiss SRB including transitional arrangements (phase-in) |                    | Swiss SRB as of 1.1.20 (fully applied) |         |
|--|--|--------------------|--|---------|
|  | 31.12.16   | 30.9.16            | 31.12.16                               | 30.9.16 |
| <b>Going concern capital</b>                             |  |                    |  |         |
| <b>Common equity tier 1 capital</b>                      | <b>37,788</b>  | 37,207             | <b>30,693</b>                          | 30,254  |
| High-trigger loss-absorbing additional tier 1 capital    | 6,512 <sup>1</sup>                                       | 6,200 <sup>1</sup> | 6,809                                  | 6,356   |
| Low-trigger loss-absorbing additional tier 1 capital     | 0 <sup>1</sup>   | 0 <sup>1</sup>     | 2,342                                  | 2,392   |
| <b>Total loss-absorbing additional tier 1 capital</b>    | <b>6,512</b>   | 6,200              | <b>9,151</b>                           | 8,749   |
| <b>Total tier 1 capital</b>                              | <b>44,299</b>  | 43,407             | <b>39,844</b>                          | 39,003  |
| High-trigger loss-absorbing tier 2 capital               | 891  | 884                |  |         |
| Low-trigger loss-absorbing tier 2 capital                | 10,402   | 10,332             |  |         |
| <b>Total tier 2 capital</b>                              | <b>11,293</b>  | 11,216             |  |         |
| <b>Total going concern capital</b>                       | <b>55,593</b>  | 54,623             | <b>39,844</b>                          | 39,003  |
| <b>Gone concern loss-absorbing capacity</b>              |  |                    |  |         |
| Non-Basel III-compliant tier 1 capital <sup>2</sup>      | 642  | 654                | 642                                    | 654     |
| <b>Total tier 1 capital</b>                              | <b>642</b>   | 654                | <b>642</b>                             | 654     |
| High-trigger loss-absorbing tier 2 capital               |  |                    | 679                                    | 674     |
| Low-trigger loss-absorbing tier 2 capital                |  |                    | 10,402                                 | 10,332  |
| Non-Basel III-compliant tier 2 capital <sup>2</sup>      | 698  | 772                | 698                                    | 772     |
| <b>Total tier 2 capital</b>                              | <b>698</b>   | 772                | <b>11,779</b>                          | 11,777  |
| <b>TLAC-eligible senior unsecured debt</b>               | <b>16,890</b>  | 15,698             | <b>16,890</b>                          | 15,698  |
| <b>Total gone concern loss-absorbing capacity</b>        | <b>18,229</b>  | 17,124             | <b>29,311</b>                          | 28,129  |
| <b>Total loss-absorbing capacity</b>                     |  |                    |  |         |
| <b>Total loss-absorbing capacity</b>                     | <b>73,822</b>  | 71,747             | <b>69,154</b>                          | 67,132  |
| <b>Risk-weighted assets / leverage ratio denominator</b> |  |                    |  |         |
| Risk-weighted assets                                     | 225,412  | 219,876            | 222,677                                | 216,830 |
| Leverage ratio denominator                               | 874,925  | 881,717            | 870,470                                | 877,313 |

## Swiss SRB going and gone concern information (continued)

| CHF million, except where indicated                   | Swiss SRB including transitional arrangements (phase-in) |         | Swiss SRB as of 1.1.20 (fully applied) |         |
|---|--|---------|--|---------|
|   | 31.12.16   | 30.9.16 | 31.12.16                               | 30.9.16 |
| <b>Capital and loss-absorbing capacity ratios (%)</b> |  |         |  |         |
| Going concern capital ratio                           | 24.7   | 24.8    | 17.9                                   | 18.0    |
| of which: common equity tier 1 capital ratio          | 16.8   | 16.9    | 13.8                                   | 14.0    |
| Gone concern loss-absorbing capacity ratio            | 8.1  | 7.8     | 13.2                                   | 13.0    |
| Total loss-absorbing capacity ratio                   | 32.7   | 32.6    | 31.1                                   | 31.0    |

### Leverage ratios (%)

|   |     |     |     |     |
|---|-----|-----|-----|-----|
| Going concern leverage ratio                  | 6.4 | 6.2 | 4.6 | 4.4 |
| of which: common equity tier 1 leverage ratio | 4.3 | 4.2 | 3.5 | 3.4 |
| Gone concern leverage ratio                   | 2.1 | 1.9 | 3.4 | 3.2 |
| Total loss-absorbing capacity leverage ratio  | 8.4 | 8.1 | 7.9 | 7.7 |

<sup>1</sup> High-trigger loss-absorbing additional tier 1 (AT1) capital of CHF 6,809 million (30 September 2016: CHF 6,356 million) and low-trigger loss-absorbing AT1 capital of CHF 2,342 million (30 September 2016: CHF 2,392 million) were partly offset by required deductions for goodwill of CHF 2,639 million (30 September 2016: CHF 2,548 million). <sup>2</sup> Non-Basel III-compliant tier 1 and tier 2 capital instruments qualify as gone concern instruments. Under the Swiss SRB rules, these instruments are no longer subject to phase-out. Instruments with a maturity date are eligible to meet the gone concern requirements until one year prior to maturity, with a haircut of 50% applied in the last year of eligibility.

### Post-stress CET1 capital ratio

We are committed to total capital returns to shareholders of at least 50% of net profit attributable to shareholders, provided that we maintain a fully applied common equity tier 1 (CET1) capital ratio of at least 13% and consistent with our objective of maintaining a post-stress fully applied CET1 capital ratio of at least 10%. Our post-stress CET1 capital ratio exceeded the 10% objective as of 31 December 2016.

→ Refer to the “Risk management and control” section of this report for more information on our binding stress scenario

### Going concern capital

Our CET1 capital increased by CHF 0.4 billion to CHF 30.7 billion on a fully applied basis as of 31 December 2016, mainly as a

result of operating profit before tax, foreign currency translation effects and defined benefit plans, partly offset by effects from current tax expenses and accruals for capital returns to shareholders.

→ Refer to the “Group performance” section of this report for information on other comprehensive income attributable to shareholders related to defined benefit plans

Our loss-absorbing additional tier 1 (AT1) capital increased by CHF 0.4 billion to CHF 9.2 billion on a fully applied basis as of 31 December 2016, due to Deferred Contingent Capital Plan (DCCP) awards to be granted for the performance year 2016.

## Reconciliation IFRS equity to Swiss SRB common equity tier 1 capital

| CHF million   | Swiss SRB including transitional arrangements (phase-in) |               | Swiss SRB as of 1.1.20 (fully applied) |               |
|---|--|---------------|--|---------------|
|   | 31.12.16   | 30.9.16       | 31.12.16                               | 30.9.16       |
| <b>Total IFRS equity</b>  | <b>54,404</b>  | <b>53,993</b> | <b>54,404</b>                          | <b>53,993</b> |
| Equity attributable to non-controlling interests  | (682)  | (693)         | (682)                                  | (693)         |
| Defined benefit plans   | 0  | (215)         | 0                                      | (359)         |
| Deferred tax assets recognized for tax loss carry-forwards  | (5,042)  | (4,650)       | (8,403)                                | (7,750)       |
| Deferred tax assets on temporary differences, excess over threshold   | (741)  | (872)         | (1,835)                                | (2,033)       |
| Goodwill, net of tax <sup>1</sup>   | (3,959)  | (3,823)       | (6,599)                                | (6,371)       |
| Intangible assets, net of tax   | (241)  | (253)         | (241)                                  | (253)         |
| Unrealized (gains) / losses from cash flow hedges, net of tax   | (972)  | (2,005)       | (972)                                  | (2,005)       |
| Compensation- and own shares-related components   | (1,691)  | (1,404)       | (1,691)                                | (1,404)       |
| Unrealized own credit related to financial liabilities designated at fair value, net of tax, and replacement values | (294)  | (333)         | (294)                                  | (333)         |
| Unrealized gains related to financial assets available for sale, net of tax   | (262)  | (351)         | (262)                                  | (351)         |
| Prudential valuation adjustments  | (68)   | (89)          | (68)                                   | (89)          |
| Consolidation scope   | (129)  | (127)         | (129)                                  | (127)         |
| Other <sup>2</sup>  | (2,536)  | (1,969)       | (2,536)                                | (1,969)       |
| <b>Total common equity tier 1 capital</b>   | <b>37,788</b>  | <b>37,207</b> | <b>30,693</b>                          | <b>30,254</b> |

<sup>1</sup> Includes goodwill related to significant investments in financial institutions of CHF 342 million (30 September 2016: CHF 340 million). <sup>2</sup> Includes accruals for dividends to shareholders and other items.

**Gone concern loss-absorbing capacity**

During the fourth quarter of 2016, our gone concern loss-absorbing capacity increased by CHF 1.2 billion to CHF 29.3 billion on a fully applied basis, driven by the issuance of the equivalent of CHF 1.4 billion in TLAC-eligible senior unsecured debt.

→ Refer to “Bondholder information” at [www.ubs.com/investors](http://www.ubs.com/investors) for more information on the eligibility of capital or senior debt instruments and on key features and terms and conditions of capital instruments

**Swiss SRB total loss-absorbing capacity movement**

| <i>CHF million</i>  | Swiss SRB including transitional arrangements (phase-in) | Swiss SRB as of 1.1.20 (fully applied) |
|---|--|--|
| <b>Going concern capital</b>  |  |  |
| <b>Common equity tier 1 capital as of 30.9.16</b>                       | <b>37,207</b>  | <b>30,254</b>                          |
| Operating profit before tax   | 848  | 848                                    |
| Current tax (expense) / benefit   | (203)  | (203)                                  |
| Defined benefit plans   | (19)   | 125                                    |
| Foreign currency translation effects                                    | 568  | 337                                    |
| Other movements (includes accruals for capital returns to shareholders) | (614)  | (669)                                  |
| <b>Common equity tier 1 capital as of 31.12.16</b>                      | <b>37,788</b>  | <b>30,693</b>                          |
| <b>Loss-absorbing additional tier 1 capital as of 30.9.16</b>           | <b>6,200</b>   | <b>8,749</b>                           |
| Issuance of high-trigger loss-absorbing additional tier 1 capital       | 399  | 399                                    |
| Foreign currency translation effects and other movements                | (88)   | 3                                      |
| <b>Loss-absorbing additional tier 1 capital as of 31.12.16</b>          | <b>6,512</b>   | <b>9,151</b>                           |
| <b>Loss-absorbing tier 2 capital as of 30.9.16</b>                      | <b>11,216</b>  |  |
| Foreign currency translation effects and other movements                | 77   |  |
| <b>Loss-absorbing tier 2 capital as of 31.12.16</b>                     | <b>11,293</b>  |  |
| <b>Total going concern capital as of 30.9.16</b>                        | <b>54,623</b>  | <b>39,003</b>                          |
| <b>Total going concern capital as of 31.12.16</b>                       | <b>55,593</b>  | <b>39,844</b>                          |
| <b>Gone concern loss-absorbing capacity</b>                             |  |  |
| <b>Tier 1 capital as of 30.9.16</b>                                     | <b>654</b>   | <b>654</b>                             |
| Foreign currency translation effects and other movements                | (11)   | (11)                                   |
| <b>Tier 1 capital as of 31.12.16</b>                                    | <b>642</b>   | <b>642</b>                             |
| <b>Tier 2 capital as of 30.9.16</b>                                     | <b>772</b>   | <b>11,777</b>                          |
| Decrease in eligibility due to shortening residual tenor                | (97)   | (97)                                   |
| Foreign currency translation effects and other movements                | 23   | 99                                     |
| <b>Tier 2 capital as of 31.12.16</b>                                    | <b>698</b>   | <b>11,779</b>                          |
| <b>TLAC-eligible senior unsecured debt as of 30.9.16</b>                | <b>15,698</b>  | <b>15,698</b>                          |
| Issuance of TLAC-eligible senior unsecured debt instruments             | 1,358  | 1,358                                  |
| Foreign currency translation effects and other movements                | (166)  | (166)                                  |
| <b>TLAC-eligible senior unsecured debt as of 31.12.16</b>               | <b>16,890</b>  | <b>16,890</b>                          |
| <b>Total gone concern loss-absorbing capacity as of 30.9.16</b>         | <b>17,124</b>  | <b>28,129</b>                          |
| <b>Total gone concern loss-absorbing capacity as of 31.12.16</b>        | <b>18,229</b>  | <b>29,311</b>                          |
| <b>Total loss-absorbing capacity</b>                                    |  |  |
| <b>Total loss-absorbing capacity as of 30.9.16</b>                      | <b>71,747</b>  | <b>67,132</b>                          |
| <b>Total loss-absorbing capacity as of 31.12.16</b>                     | <b>73,822</b>  | <b>69,154</b>                          |

## Additional information

### Sensitivity to currency movements

We estimate that a 10% depreciation of the Swiss franc against other currencies would have increased our fully applied RWA by CHF 10 billion and our fully applied CET1 capital by CHF 1.2 billion as of 31 December 2016 (30 September 2016: CHF 9 billion and CHF 1.0 billion, respectively) and reduced our fully applied CET1 capital ratio by 7 basis points (30 September 2016: 14 basis points). Conversely, we estimate that a 10% appreciation of the Swiss franc against other currencies would have reduced our fully applied RWA by CHF 9 billion and our fully applied CET1 capital by CHF 1.1 billion (30 September 2016: CHF 9 billion and CHF 0.9 billion, respectively) and increased our fully applied CET1 capital ratio by 7 basis points (30 September 2016: 14 basis points).

Our leverage ratio is also sensitive to foreign exchange movements due to the currency mix of our capital and LRD. When adjusting the currency mix in capital, potential effects on the leverage ratios are taken into account and the sensitivity of the leverage ratio to an appreciation or depreciation of 10% in the value of the Swiss franc against other currencies is actively monitored.

We estimate that a 10% depreciation of the Swiss franc against other currencies would have increased our fully applied LRD by CHF 64 billion (30 September 2016: CHF 66 billion) and reduced our fully applied Swiss SRB going concern leverage ratio by 9 basis points (30 September 2016: 11 basis points). Conversely, we estimate that a 10% appreciation of the Swiss franc against other currencies would have reduced our fully applied LRD by CHF 58 billion (30 September 2016: CHF 59 billion) and increased our fully applied Swiss SRB going concern leverage ratio by 10 basis points (30 September 2016: 12 basis points).

These sensitivities do not consider foreign currency translation effects related to defined benefit plans other than those related to the currency translation of the net equity of foreign operations.

### Estimated effect on capital from litigation, regulatory and similar matters subject to provisions and contingent liabilities

We have estimated the loss in capital that we could incur as a result of the risks associated with the matters described in "Provisions and contingent liabilities" in the "Consolidated financial information" section of this report. This is an estimated amount and is not related and should not be considered in addition to these provisions and contingent liabilities. We have utilized for this purpose the advanced measurement approach (AMA) methodology that we use when determining the capital requirements associated with operational risks, based on a 99.9% confidence level over a 12-month horizon. The methodology takes into consideration UBS and industry experience for the AMA operational risk categories to which those matters correspond, as well as the external environment affecting risks of these types, in isolation from other areas. On this standalone basis, we estimate the loss in capital that we could incur over a 12-month period as a result of our risks associated with these operational risk categories at CHF 4.8 billion as of 31 December 2016. This estimate does not take into account any provisions recognized for any of these matters and does not constitute a subjective assessment of UBS's actual exposure in any of these matters.

→ **Refer to "Provisions and contingent liabilities" in the "Consolidated financial information" section of this report for more information**

## Risk-weighted assets

During the fourth quarter of 2016, fully applied RWA increased by CHF 5.9 billion to CHF 222.7 billion, mainly driven by asset size and other movements of CHF 2.7 billion, currency effects of CHF 1.9 billion and regulatory add-ons of CHF 1.5 billion.

### Risk-weighted assets movement by key driver – fully applied

| <i>CHF billion</i>            | RWA as of<br><b>30.9.16</b> | Currency<br>effects | Methodology<br>changes and<br>model updates | Regulatory<br>add-ons | Asset size<br>and other | RWA as of<br><b>31.12.16</b> |
|-------------------------------|-----------------------------|---------------------|---|-----------------------|-------------------------|------------------------------|
| Credit risk                   | 114.0                       | 1.6                 |   | 1.0                   | (3.8)                   | <b>112.8</b>                 |
| Non-counterparty-related risk | 16.3                        | 0.3                 |   |                       | 0.0                     | <b>16.6</b>                  |
| Market risk                   | 8.7                         |                     | (0.2)                                       | 0.5                   | 6.5                     | <b>15.5</b>                  |
| Operational risk              | 77.8                        |                     |   |                       | 0.0                     | <b>77.8</b>                  |
| <b>Total</b>                  | <b>216.8</b>                | <b>1.9</b>          | <b>(0.2)</b>                                | <b>1.5</b>            | <b>2.7</b>              | <b>222.7</b>                 |

#### Credit risk

Credit risk RWA decreased by CHF 1.2 billion to CHF 112.8 billion as of 31 December 2016, driven by asset size and other decreases of CHF 3.8 billion, partly offset by increases in RWA related to currency effects of CHF 1.6 billion and regulatory add-ons of CHF 1.0 billion.

The decrease in asset size and other movements of CHF 3.8 billion was mainly due to a CHF 2.4 billion reduction in derivatives RWA, largely driven by the update of the stress period used for the Basel III exposure-at-default calculation in the fourth quarter of 2016, implying lower equity volatility for the stress period to be applied. Following the quarterly review, the change in the portfolio composition resulted in the application of an updated stress period. Furthermore, a decrease of CHF 1.4 billion largely resulted from exposure reductions in other assets, primarily in settlement and clearing accounts.

Regulatory add-ons increased RWA by CHF 1.0 billion, due to an increase of CHF 0.7 billion in the internal ratings-based (IRB) multiplier for Investment Bank exposures to corporates and an increase of CHF 0.2 billion in the IRB multiplier for income-producing real estate in Personal & Corporate Banking and Wealth Management. The multipliers that FINMA requires banks that use the IRB approach to apply will continue to increase over time until implementation is complete by the end of the first quarter of 2019. We expect that this will add approximately CHF 6 billion to our RWA in 2017, CHF 5 billion in 2018 and less than CHF 2 billion in 2019. This excludes the effect of any methodology changes.

#### Market risk

Asset size and other increases of CHF 6.5 billion in market risk RWA were mainly due to higher average stressed and regulatory value-at-risk (VaR) levels during the quarter, resulting in CHF 6.8 billion higher RWA in the Investment Bank. The increase in VaR levels was primarily driven by various factors across our Equities and Foreign Exchange, Rates and Credit businesses, including option expiries and stronger client flows.

Furthermore, RWA increased by CHF 0.5 billion in relation to regulatory add-ons, largely due to a higher value-at-risk (VaR) multiplier, resulting from a net increase of one additional backtesting exception.

→ Refer to "Market risk" in the "Risk management and control" section of this report for more information

#### Operational risk

Operational risk RWA remained stable at CHF 77.8 billion.

We expect to complete the semiannual calibration of our advanced measurement approach model in the first quarter of 2017 and anticipate that our operational risk RWA may increase as a result.

## Risk-weighted assets by business division and Corporate Center unit

| CHF billion                                      | Wealth Management          | Wealth Management Americas | Personal & Corporate Banking | Asset Management | Investment Bank | CC – Services            | CC – Group ALM | CC – Non-core and Legacy Portfolio | Total RWA    | Total capital requirement <sup>1</sup> |
|--|----------------------------|----------------------------|------------------------------|------------------|-----------------|--------------------------|----------------|------------------------------------|--------------|--|
|  | <b>31.12.16</b>            |                            |                              |                  |                 |                          |                |                                    |              |  |
| <b>Credit risk</b>                               | <b>12.5</b>                | <b>9.1</b>                 | <b>37.7</b>                  | <b>1.6</b>       | <b>37.0</b>     | <b>1.4</b>               | <b>7.3</b>     | <b>6.2</b>                         | <b>112.8</b> | <b>16.3</b>                            |
| <i>Advanced IRB approach<sup>2</sup></i>         | <i>9.0</i>                 | <i>3.7</i>                 | <i>36.1</i>                  | <i>0.9</i>       | <i>33.7</i>     | <i>0.2</i>               | <i>4.8</i>     | <i>5.0</i>                         | <i>93.4</i>  | <i>13.5</i>                            |
| <i>Standardized approach<sup>3</sup></i>         | <i>3.5</i>                 | <i>5.4</i>                 | <i>1.6</i>                   | <i>0.6</i>       | <i>3.3</i>      | <i>1.2</i>               | <i>2.6</i>     | <i>1.2</i>                         | <i>19.4</i>  | <i>2.8</i>                             |
| <b>Non-counterparty-related risk<sup>4</sup></b> | <b>0.1</b>                 | <b>0.0</b>                 | <b>0.1</b>                   | <b>0.0</b>       | <b>0.0</b>      | <b>19.1</b>              | <b>0.0</b>     | <b>0.0</b>                         | <b>19.3</b>  | <b>2.8</b>                             |
| <b>Market risk</b>                               | <b>0.0</b>                 | <b>1.4</b>                 | <b>0.0</b>                   | <b>0.0</b>       | <b>14.0</b>     | <b>(3.2)<sup>5</sup></b> | <b>0.7</b>     | <b>2.6</b>                         | <b>15.5</b>  | <b>2.2</b>                             |
| <b>Operational risk</b>                          | <b>13.2</b>                | <b>13.2</b>                | <b>3.9</b>                   | <b>2.3</b>       | <b>19.5</b>     | <b>13.1</b>              | <b>2.5</b>     | <b>10.1</b>                        | <b>77.8</b>  | <b>11.2</b>                            |
| <b>Total RWA, phase-in</b>                       | <b>25.8</b>                | <b>23.8</b>                | <b>41.6</b>                  | <b>3.9</b>       | <b>70.4</b>     | <b>30.3</b>              | <b>10.6</b>    | <b>18.9</b>                        | <b>225.4</b> | <b>32.5</b>                            |
| Phase-out items <sup>6</sup>                     | 0.0                        | 0.0                        | 0.0                          | 0.0              | 0.0             | 2.7                      | 0.0            | 0.0                                | 2.7          |  |
| <b>Total RWA, fully applied</b>                  | <b>25.8</b>                | <b>23.8</b>                | <b>41.6</b>                  | <b>3.9</b>       | <b>70.4</b>     | <b>27.6</b>              | <b>10.6</b>    | <b>18.9</b>                        | <b>222.7</b> |  |
|  | <b>30.9.16</b>             |                            |                              |                  |                 |                          |                |                                    |              |  |
| <b>Credit risk</b>                               | <b>12.7</b>                | <b>8.9</b>                 | <b>37.4</b>                  | <b>1.4</b>       | <b>38.2</b>     | <b>1.9</b>               | <b>7.2</b>     | <b>6.3</b>                         | <b>114.0</b> | <b>16.5</b>                            |
| <i>Advanced IRB approach<sup>2</sup></i>         | <i>8.9</i>                 | <i>3.3</i>                 | <i>35.1</i>                  | <i>0.8</i>       | <i>34.8</i>     | <i>0.3</i>               | <i>5.2</i>     | <i>4.9</i>                         | <i>93.3</i>  | <i>13.5</i>                            |
| <i>Standardized approach<sup>3</sup></i>         | <i>3.9</i>                 | <i>5.5</i>                 | <i>2.3</i>                   | <i>0.6</i>       | <i>3.5</i>      | <i>1.7</i>               | <i>2.1</i>     | <i>1.3</i>                         | <i>20.7</i>  | <i>3.0</i>                             |
| <b>Non-counterparty-related risk<sup>4</sup></b> | <b>0.2</b>                 | <b>0.0</b>                 | <b>0.1</b>                   | <b>0.0</b>       | <b>0.0</b>      | <b>19.1</b>              | <b>0.0</b>     | <b>0.0</b>                         | <b>19.4</b>  | <b>2.8</b>                             |
| <b>Market risk</b>                               | <b>0.0</b>                 | <b>1.1</b>                 | <b>0.0</b>                   | <b>0.0</b>       | <b>7.2</b>      | <b>(3.5)<sup>5</sup></b> | <b>1.4</b>     | <b>2.5</b>                         | <b>8.7</b>   | <b>1.3</b>                             |
| <b>Operational risk</b>                          | <b>13.2</b>                | <b>13.2</b>                | <b>3.9</b>                   | <b>2.3</b>       | <b>19.5</b>     | <b>13.1</b>              | <b>2.5</b>     | <b>10.1</b>                        | <b>77.8</b>  | <b>11.2</b>                            |
| <b>Total RWA, phase-in</b>                       | <b>26.1</b>                | <b>23.3</b>                | <b>41.4</b>                  | <b>3.7</b>       | <b>64.9</b>     | <b>30.6</b>              | <b>11.1</b>    | <b>18.8</b>                        | <b>219.9</b> | <b>31.8</b>                            |
| Phase-out items <sup>6</sup>                     | 0.0                        | 0.0                        | 0.0                          | 0.0              | 0.0             | 3.0                      | 0.0            | 0.0                                | 3.0          |  |
| <b>Total RWA, fully applied</b>                  | <b>26.1</b>                | <b>23.3</b>                | <b>41.3</b>                  | <b>3.7</b>       | <b>64.9</b>     | <b>27.6</b>              | <b>11.1</b>    | <b>18.8</b>                        | <b>216.8</b> |  |
|  | <b>31.12.16 vs 30.9.16</b> |                            |                              |                  |                 |                          |                |                                    |              |  |
| <b>Credit risk</b>                               | <b>(0.2)</b>               | <b>0.2</b>                 | <b>0.3</b>                   | <b>0.2</b>       | <b>(1.2)</b>    | <b>(0.5)</b>             | <b>0.1</b>     | <b>(0.1)</b>                       | <b>(1.2)</b> |  |
| <i>Advanced IRB approach<sup>2</sup></i>         | <i>0.1</i>                 | <i>0.4</i>                 | <i>1.0</i>                   | <i>0.1</i>       | <i>(1.1)</i>    | <i>(0.1)</i>             | <i>(0.4)</i>   | <i>0.1</i>                         | <i>0.1</i>   |  |
| <i>Standardized approach<sup>3</sup></i>         | <i>(0.4)</i>               | <i>(0.1)</i>               | <i>(0.7)</i>                 | <i>0.0</i>       | <i>(0.2)</i>    | <i>(0.5)</i>             | <i>0.5</i>     | <i>(0.1)</i>                       | <i>(1.3)</i> |  |
| <b>Non-counterparty-related risk<sup>4</sup></b> | <b>(0.1)</b>               | <b>0.0</b>                 | <b>0.0</b>                   | <b>0.0</b>       | <b>0.0</b>      | <b>0.0</b>               | <b>0.0</b>     | <b>0.0</b>                         | <b>(0.1)</b> |  |
| <b>Market risk</b>                               | <b>0.0</b>                 | <b>0.3</b>                 | <b>0.0</b>                   | <b>0.0</b>       | <b>6.8</b>      | <b>0.3</b>               | <b>(0.7)</b>   | <b>0.1</b>                         | <b>6.8</b>   |  |
| <b>Operational risk</b>                          | <b>0.0</b>                 | <b>0.0</b>                 | <b>0.0</b>                   | <b>0.0</b>       | <b>0.0</b>      | <b>0.0</b>               | <b>0.0</b>     | <b>0.0</b>                         | <b>0.0</b>   |  |
| <b>Total RWA, phase-in</b>                       | <b>(0.3)</b>               | <b>0.5</b>                 | <b>0.2</b>                   | <b>0.2</b>       | <b>5.5</b>      | <b>(0.3)</b>             | <b>(0.5)</b>   | <b>0.1</b>                         | <b>5.5</b>   |  |
| Phase-out items <sup>6</sup>                     | 0.0                        | 0.0                        | 0.0                          | 0.0              | 0.0             | (0.3)                    | 0.0            | 0.0                                | (0.3)        |  |
| <b>Total RWA, fully applied</b>                  | <b>(0.3)</b>               | <b>0.5</b>                 | <b>0.3</b>                   | <b>0.2</b>       | <b>5.5</b>      | <b>0.0</b>               | <b>(0.5)</b>   | <b>0.1</b>                         | <b>5.9</b>   |  |

<sup>1</sup> Calculated on the basis of our Swiss SRB total going and gone concern capital requirement of 14.4% of RWA on a phase-in basis (30 September 2016: 14.4%). <sup>2</sup> Includes equity exposures in the banking book according to the simple risk weight method. <sup>3</sup> Includes settlement risk and business transfers. <sup>4</sup> Non-counterparty-related risk includes deferred tax assets recognized for temporary differences (31 December 2016: CHF 10.9 billion, 30 September 2016: CHF 11.0 billion), property, equipment and software (31 December 2016: CHF 8.3 billion, 30 September 2016: CHF 8.0 billion) and other items (31 December 2016: CHF 0.2 billion, 30 September 2016: CHF 0.3 billion). <sup>5</sup> Corporate Center – Services market risk RWA were negative, as they included the effect of portfolio diversification across businesses. <sup>6</sup> Phase-out items are entirely related to non-counterparty-related risk RWA.

## Leverage ratio denominator

During the fourth quarter of 2016, the fully applied leverage ratio denominator (LRD) decreased by CHF 7 billion to CHF 870 billion. This decrease was driven by a reduction due to asset size and other movements of CHF 13 billion, mainly in securities financing transactions and on-balance sheet exposures

(excluding derivative exposures and securities financing transactions), and incremental netting, collateral and methodology changes of CHF 6 billion. This movement was partly offset by currency effects of CHF 12 billion.

### Leverage ratio denominator movement by key driver – fully applied

| <i>CHF billion</i>  | LRD as of<br><b>30.9.16</b> | Currency<br>effects | Incremental<br>netting,<br>collateral and<br>methodology<br>changes | Asset size<br>and other | LRD as of<br><b>31.12.16</b> |
|---|-----------------------------|---------------------|---|-------------------------|------------------------------|
| On-balance sheet exposures (excluding derivative exposures and SFTs) <sup>1</sup> | 637.2                       | 8.2                 |   | (7.2)                   | <b>638.1</b>                 |
| Derivative exposures  | 109.4                       | 1.1                 | (3.5)   | 0.6                     | <b>107.6</b>                 |
| Securities financing transactions   | 112.2                       | 2.2                 | (2.2)   | (7.5)                   | <b>104.7</b>                 |
| Off-balance sheet items   | 36.0                        | 1.0                 |   | 0.7                     | <b>37.7</b>                  |
| Deduction items   | (17.5)                      | (0.7)               |   | 0.4                     | <b>(17.7)</b>                |
| <b>Total</b>  | <b>877.3</b>                | <b>11.8</b>         | <b>(5.7)</b>  | <b>(13.0)</b>           | <b>870.5</b>                 |

<sup>1</sup> Excludes positive replacement values, cash collateral receivables on derivative instruments, cash collateral on securities borrowed, reverse repurchase agreements, margin loans and prime brokerage receivables related to securities financing transactions, which are presented separately under Derivative exposures and Securities financing transactions in this table.

The LRD movements described below exclude currency effects.

On-balance sheet exposures (excluding derivative exposures and securities financing transactions) decreased by CHF 7 billion, largely driven by a CHF 14 billion reduction in the Investment Bank, primarily in our Equities and Foreign Exchange, Rates and Credit businesses, mainly reflecting effective resource management. Exposures in Wealth Management decreased by CHF 3 billion, primarily as high-quality liquid assets (HQLA) were transferred to Group ALM to meet liquidity requirements related to the establishment of our new European legal entity, UBS Europe SE. These decreases were offset by CHF 10 billion higher on-balance sheet exposures in Group ALM, mainly reflecting an increase in the net funds transferred to Group ALM by the business divisions and the aforementioned transfer of HQLA.

Securities financing transactions decreased by CHF 8 billion, due to asset size and other movements, primarily in the Investment Bank and Group ALM. This decrease resulted mainly from reduced client activity as well as effective resource management.

- **Refer to the “Balance sheet, liquidity and funding management” section of this report for more information on balance sheet movements**
- **Refer to the “Recent developments” section of this report for more information on UBS Europe SE**



## Leverage ratio denominator by business division and Corporate Center unit

| <i>CHF billion</i>  | Wealth Management          | Wealth Management Americas | Personal & Corporate Banking | Asset Management | Investment Bank | CC – Services | CC – Group ALM | CC – Non-core and Legacy Portfolio | Total        |
|---|----------------------------|----------------------------|------------------------------|------------------|-----------------|---------------|----------------|------------------------------------|--------------|
|   | <b>31.12.16</b>            |                            |                              |                  |                 |               |                |                                    |              |
| Total IFRS assets   | 115.5                      | 65.9                       | 139.9                        | 12.0             | 242.3           | 23.7          | 267.2          | 68.5                               | 935.0        |
| Difference in scope of consolidation <sup>1</sup>                           | (5.1)                      | (0.2)                      | 0.0                          | (9.3)            | (0.7)           | (0.2)         | 0.2            | 0.0                                | (15.5)       |
| Less derivative exposures and SFTs <sup>2</sup>                             | (2.0)                      | (2.0)                      | (2.2)                        | 0.0              | (151.4)         | 0.0           | (60.6)         | (63.3)                             | (281.4)      |
| <b>On-balance sheet exposures (excluding derivative exposures and SFTs)</b> | <b>108.4</b>               | <b>63.7</b>                | <b>137.7</b>                 | <b>2.7</b>       | <b>90.2</b>     | <b>23.4</b>   | <b>206.7</b>   | <b>5.2</b>                         | <b>638.1</b> |
| Derivative exposures  | 3.5                        | 2.5                        | 2.7                          | 0.0              | 77.5            | 0.0           | 6.3            | 15.2                               | 107.6        |
| Securities financing transactions   | 0.0                        | 1.0                        | 0.0                          | 0.0              | 42.9            | 0.0           | 59.1           | 1.8                                | 104.7        |
| Off-balance sheet items   | 3.6                        | 0.9                        | 11.9                         | 0.0              | 20.6            | 0.1           | 0.3            | 0.3                                | 37.7         |
| Items deducted from Swiss SRB tier 1 capital                                |                            |                            |                              |                  |                 | (13.2)        |                |                                    | (13.2)       |
| <b>Total exposures (leverage ratio denominator), phase-in</b>               | <b>115.5</b>               | <b>68.1</b>                | <b>152.2</b>                 | <b>2.7</b>       | <b>231.2</b>    | <b>10.3</b>   | <b>272.4</b>   | <b>22.4</b>                        | <b>874.9</b> |
| Additional items deducted from Swiss SRB tier 1 capital                     |                            |                            |                              |                  |                 | (4.5)         |                |                                    | (4.5)        |
| <b>Total exposures (leverage ratio denominator), fully applied</b>          | <b>115.5</b>               | <b>68.1</b>                | <b>152.2</b>                 | <b>2.7</b>       | <b>231.2</b>    | <b>5.8</b>    | <b>272.4</b>   | <b>22.4</b>                        | <b>870.5</b> |
|   | <b>30.9.16</b>             |                            |                              |                  |                 |               |                |                                    |              |
| Total IFRS assets   | 118.2                      | 62.2                       | 139.3                        | 11.9             | 237.8           | 24.0          | 258.3          | 83.5                               | 935.2        |
| Difference in scope of consolidation <sup>1</sup>                           | (5.4)                      | (0.2)                      | 0.0                          | (9.4)            | (0.5)           | (0.1)         | 0.2            | 0.0                                | (15.5)       |
| Less derivative exposures and SFTs <sup>2</sup>                             | (1.8)                      | (1.8)                      | (1.9)                        | 0.0              | (134.7)         | 0.0           | (63.9)         | (78.4)                             | (282.5)      |
| <b>On-balance sheet exposures (excluding derivative exposures and SFTs)</b> | <b>110.9</b>               | <b>60.2</b>                | <b>137.5</b>                 | <b>2.5</b>       | <b>102.5</b>    | <b>23.8</b>   | <b>194.6</b>   | <b>5.2</b>                         | <b>637.2</b> |
| Derivative exposures  | 3.5                        | 2.4                        | 2.5                          | 0.0              | 76.6            | 0.0           | 7.0            | 17.4                               | 109.4        |
| Securities financing transactions   | 0.0                        | 0.9                        | 0.0                          | 0.0              | 47.9            | 0.0           | 61.0           | 2.3                                | 112.2        |
| Off-balance sheet items   | 3.4                        | 0.9                        | 11.0                         | 0.0              | 19.4            | 0.1           | 0.8            | 0.4                                | 36.0         |
| Items deducted from Swiss SRB tier 1 capital                                |                            |                            |                              |                  |                 | (13.1)        |                |                                    | (13.1)       |
| <b>Total exposures (leverage ratio denominator), phase-in</b>               | <b>117.9</b>               | <b>64.4</b>                | <b>151.0</b>                 | <b>2.5</b>       | <b>246.4</b>    | <b>10.9</b>   | <b>263.4</b>   | <b>25.2</b>                        | <b>881.7</b> |
| Additional items deducted from Swiss SRB tier 1 capital                     |                            |                            |                              |                  |                 | (4.4)         |                |                                    | (4.4)        |
| <b>Total exposures (leverage ratio denominator), fully applied</b>          | <b>117.9</b>               | <b>64.4</b>                | <b>151.0</b>                 | <b>2.5</b>       | <b>246.4</b>    | <b>6.5</b>    | <b>263.4</b>   | <b>25.2</b>                        | <b>877.3</b> |
|   | <b>31.12.16 vs 30.9.16</b> |                            |                              |                  |                 |               |                |                                    |              |
| Total IFRS assets   | (2.7)                      | 3.7                        | 0.6                          | 0.1              | 4.5             | (0.3)         | 8.9            | (15.0)                             | (0.2)        |
| Difference in scope of consolidation <sup>1</sup>                           | 0.3                        | 0.0                        | 0.0                          | 0.1              | (0.2)           | (0.1)         | 0.0            | 0.0                                | 0.0          |
| Less derivative exposures and SFTs <sup>2</sup>                             | (0.2)                      | (0.2)                      | (0.3)                        | 0.0              | (16.7)          | 0.0           | 3.3            | 15.1                               | 1.1          |
| <b>On-balance sheet exposures (excluding derivative exposures and SFTs)</b> | <b>(2.5)</b>               | <b>3.5</b>                 | <b>0.2</b>                   | <b>0.2</b>       | <b>(12.3)</b>   | <b>(0.4)</b>  | <b>12.1</b>    | <b>0.0</b>                         | <b>0.9</b>   |
| Derivative exposures  | 0.0                        | 0.1                        | 0.2                          | 0.0              | 0.9             | 0.0           | (0.7)          | (2.2)                              | (1.8)        |
| Securities financing transactions   | 0.0                        | 0.1                        | 0.0                          | 0.0              | (5.0)           | 0.0           | (1.9)          | (0.5)                              | (7.5)        |
| Off-balance sheet items   | 0.2                        | 0.0                        | 0.9                          | 0.0              | 1.2             | 0.0           | (0.5)          | (0.1)                              | 1.7          |
| Items deducted from Swiss SRB tier 1 capital                                |                            |                            |                              |                  |                 | (0.1)         |                |                                    | (0.1)        |
| <b>Total exposures (leverage ratio denominator), phase-in</b>               | <b>(2.4)</b>               | <b>3.7</b>                 | <b>1.2</b>                   | <b>0.2</b>       | <b>(15.2)</b>   | <b>(0.6)</b>  | <b>9.0</b>     | <b>(2.8)</b>                       | <b>(6.8)</b> |
| Additional items deducted from Swiss SRB tier 1 capital                     |                            |                            |                              |                  |                 | (0.1)         |                |                                    | (0.1)        |
| <b>Total exposures (leverage ratio denominator), fully applied</b>          | <b>(2.4)</b>               | <b>3.7</b>                 | <b>1.2</b>                   | <b>0.2</b>       | <b>(15.2)</b>   | <b>(0.7)</b>  | <b>9.0</b>     | <b>(2.8)</b>                       | <b>(6.8)</b> |

<sup>1</sup> Represents the difference between the IFRS and the regulatory scope of consolidation, which is the applicable scope for the LRD calculation. <sup>2</sup> Consists of positive replacement values, cash collateral receivables on derivative instruments, cash collateral on securities borrowed, reverse repurchase agreements, margin loans and prime brokerage receivables related to securities financing transactions in accordance with the regulatory scope of consolidation, which are presented separately under Derivative exposures and Securities financing transactions in this table.

## Equity attribution and return on attributed equity

Average total equity attributed to the business divisions and Corporate Center was unchanged at CHF 48.1 billion during the fourth quarter of 2016.

Average equity attributable to shareholders increased to CHF 53.5 billion in the fourth quarter of 2016 from CHF 53.1 billion in the prior quarter. The difference between average equity attributable to shareholders and average equity attributed to the business divisions and Corporate Center increased to CHF 5.4 billion from CHF 5.0 billion.

→ Refer to the “Capital management” section of our Annual Report 2015 for more information on the equity attribution framework

As of 1 January 2017, we calculate attributed equity under our revised equity attribution framework. Pro forma information for the quarter ended 31 December 2016 is shown in the table below.

→ Refer to the “Recent developments” section of this report for information on revisions to our equity attribution framework in 2017

### Average attributed equity

| CHF billion   | 31.12.16    | For the quarter ended |             |             | For the year ended |             |
|---|-------------|-----------------------|-------------|-------------|--------------------|-------------|
|   |             | Pro forma<br>31.12.16 | 30.9.16     | 31.12.15    | 31.12.16           | 31.12.15    |
| Wealth Management   | 3.4         | 6.0                   | 3.5         | 3.4         | 3.5                | 3.5         |
| Wealth Management Americas  | 2.6         | 6.7                   | 2.6         | 2.5         | 2.6                | 2.5         |
| Personal & Corporate Banking  | 4.1         | 5.9                   | 4.1         | 3.9         | 4.1                | 3.9         |
| Asset Management  | 1.4         | 1.7                   | 1.4         | 1.5         | 1.4                | 1.6         |
| Investment Bank   | 7.6         | 9.5                   | 7.6         | 7.3         | 7.7                | 7.3         |
| Corporate Center  | 29.0        | 23.8                  | 28.9        | 24.7        | 29.1               | 25.8        |
| of which: Services  | 22.8        | 19.9                  | 22.8        | 18.8        | 22.8               | 19.6        |
| of which: Group items   | 21.3        | 18.3                  | 21.3        | 17.3        | 21.4               | 18.2        |
| of which: Group ALM   | 4.4         | 2.3                   | 4.3         | 3.2         | 4.3                | 3.3         |
| of which: Non-core and Legacy Portfolio   | 1.8         | 1.6                   | 1.8         | 2.7         | 2.1                | 2.9         |
| <b>Average equity attributed to the business divisions and Corporate Center</b> | <b>48.1</b> | <b>53.5</b>           | <b>48.1</b> | <b>43.3</b> | <b>48.2</b>        | <b>44.6</b> |
| Difference  | 5.4         |                       | 5.0         | 11.4        | 5.7                | 7.8         |
| <b>Average equity attributable to shareholders</b>                              | <b>53.5</b> | <b>53.5</b>           | <b>53.1</b> | <b>54.7</b> | <b>53.9</b>        | <b>52.4</b> |

### Return on attributed equity and return on equity<sup>1</sup>

| In %                         | 31.12.16   | For the quarter ended |            |            | For the year ended |             |
|------------------------------|------------|-----------------------|------------|------------|--------------------|-------------|
|                              |            | Pro forma<br>31.12.16 | 30.9.16    | 31.12.15   | 31.12.16           | 31.12.15    |
| Wealth Management            | 43.3       | 24.5                  | 57.6       | 40.5       | 56.1               | 77.4        |
| Wealth Management Americas   | 52.2       | 20.2                  | 49.2       | 2.2        | 43.4               | 29.0        |
| Personal & Corporate Banking | 36.5       | 25.4                  | 44.2       | 36.4       | 43.2               | 41.9        |
| Asset Management             | 41.1       | 33.9                  | 29.7       | 45.6       | 32.3               | 36.5        |
| Investment Bank              | 16.1       | 12.9                  | 8.5        | 4.4        | 13.1               | 25.9        |
| <b>UBS Group</b>             | <b>5.5</b> | <b>5.5</b>            | <b>6.2</b> | <b>6.9</b> | <b>6.1</b>         | <b>11.8</b> |

<sup>1</sup> Return on attributed equity shown for the business divisions and return on equity attributable to shareholders shown for UBS Group. Return on attributed equity for Corporate Center is not shown, as it is not meaningful.

### Return on attributed equity (adjusted)<sup>1,2</sup>

| In %                         | 31.12.16 | For the quarter ended |         |          | For the year ended |          |
|------------------------------|----------|-----------------------|---------|----------|--------------------|----------|
|                              |          | Pro forma<br>31.12.16 | 30.9.16 | 31.12.15 | 31.12.16           | 31.12.15 |
| Wealth Management            | 60.1     | 34.1                  | 73.5    | 59.4     | 69.0               | 81.4     |
| Wealth Management Americas   | 55.4     | 21.5                  | 55.1    | 10.2     | 48.5               | 33.7     |
| Personal & Corporate Banking | 38.5     | 26.8                  | 46.1    | 40.6     | 43.0               | 42.8     |
| Asset Management             | 44.6     | 36.7                  | 39.4    | 40.8     | 39.4               | 38.1     |
| Investment Bank              | 18.1     | 14.5                  | 18.0    | 12.2     | 19.6               | 31.3     |

<sup>1</sup> Return on attributed equity for Corporate Center is not shown, as it is not meaningful. <sup>2</sup> Adjusted results are non-GAAP financial measures as defined by SEC regulations. Refer to the “Group performance” section of this report for more information on adjusted results.

# Consolidated financial information

## Unaudited

Information in this section is presented for UBS Group AG on a consolidated basis unless otherwise specified. In preparing this financial information, the same accounting policies and methods of computation have been applied as in the UBS Group AG consolidated annual Financial Statements for the period ended 31 December 2015, except for the changes described in "Note 1 Basis of accounting" in the "Consolidated financial statements" section of the first, second and third quarter 2016 reports. The financial information presented is unaudited and does not constitute financial statements prepared in accordance with International Financial Reporting Standards (IFRS).

# UBS Group AG interim consolidated financial information (unaudited)

## Income statement

| <i>CHF million, except per share data</i>                       | For the quarter ended |            |            | % change from |             | For the year ended |              |
|---|-----------------------|------------|------------|---------------|-------------|--------------------|--------------|
|   | 31.12.16              | 30.9.16    | 31.12.15   | 3Q16          | 4Q15        | 31.12.16           | 31.12.15     |
| Interest income   | 3,523                 | 3,305      | 3,363      | 7             | 5           | 13,787             | 13,177       |
| Interest expense  | (1,761)               | (1,530)    | (1,604)    | 15            | 10          | (7,373)            | (6,445)      |
| Net interest income   | 1,762                 | 1,775      | 1,759      | (1)           | 0           | 6,413              | 6,732        |
| Credit loss (expense) / recovery                                | (24)                  | (4)        | (59)       | 500           | (59)        | (37)               | (117)        |
| Net interest income after credit loss expense                   | 1,738                 | 1,771      | 1,700      | (2)           | 2           | 6,376              | 6,615        |
| Net fee and commission income                                   | 4,161                 | 4,056      | 4,218      | 3             | (1)         | 16,397             | 17,140       |
| Net trading income  | 946                   | 1,098      | 898        | (14)          | 5           | 4,948              | 5,742        |
| Other income  | 209                   | 104        | (41)       | 101           |             | 599                | 1,107        |
| Total operating income  | 7,055                 | 7,029      | 6,775      | 0             | 4           | 28,320             | 30,605       |
| Personnel expenses  | 3,868                 | 3,942      | 3,843      | (2)           | 1           | 15,720             | 15,981       |
| General and administrative expenses                             | 2,063                 | 1,939      | 2,413      | 6             | (15)        | 7,332              | 8,107        |
| Depreciation and impairment of property, equipment and software | 255                   | 248        | 260        | 3             | (2)         | 985                | 920          |
| Amortization and impairment of intangible assets                | 21                    | 23         | 24         | (9)           | (13)        | 91                 | 107          |
| Total operating expenses  | 6,206                 | 6,152      | 6,541      | 1             | (5)         | 24,128             | 25,116       |
| Operating profit / (loss) before tax                            | 848                   | 877        | 234        | (3)           | 262         | 4,192              | 5,489        |
| Tax expense / (benefit)   | 109                   | 49         | (715)      | 122           |             | 805                | (898)        |
| Net profit / (loss)   | 739                   | 829        | 950        | (11)          | (22)        | 3,388              | 6,386        |
| Net profit / (loss) attributable to non-controlling interests   | 1                     | 1          | 1          | 0             | 0           | 82                 | 183          |
| <b>Net profit / (loss) attributable to shareholders</b>         | <b>738</b>            | <b>827</b> | <b>949</b> | <b>(11)</b>   | <b>(22)</b> | <b>3,306</b>       | <b>6,203</b> |
| <b>Earnings per share (CHF)</b>                                 |                       |            |            |               |             |                    |              |
| Basic   | 0.20                  | 0.22       | 0.25       | (9)           | (20)        | 0.89               | 1.68         |
| Diluted   | 0.19                  | 0.22       | 0.25       | (14)          | (24)        | 0.86               | 1.64         |

## Statement of comprehensive income

| CHF million   | For the quarter ended |              |              | For the year ended |              |
|---|-----------------------|--------------|--------------|--------------------|--------------|
|   | 31.12.16              | 30.9.16      | 31.12.15     | 31.12.16           | 31.12.15     |
| <b>Comprehensive income attributable to shareholders</b>  |                       |              |              |                    |              |
| Net profit / (loss)   | 738                   | 827          | 949          | 3,306              | 6,203        |
| <b>Other comprehensive income that may be reclassified to the income statement</b>                              |                       |              |              |                    |              |
| <b>Foreign currency translation</b>   |                       |              |              |                    |              |
| Foreign currency translation movements, before tax  | 1,066                 | (172)        | 571          | 251                | (140)        |
| Foreign exchange amounts reclassified to the income statement from equity                                       | (27)                  | 4            | (115)        | 126                | (90)         |
| Income tax relating to foreign currency translation movements   | (194)                 | 107          | (3)          | (84)               | (2)          |
| Subtotal foreign currency translation, net of tax   | 845                   | (61)         | 452          | 292                | (231)        |
| <b>Financial assets available for sale</b>  |                       |              |              |                    |              |
| Net unrealized gains / (losses) on financial assets available for sale, before tax                              | (135)                 | 6            | (74)         | 240                | 175          |
| Impairment charges reclassified to the income statement from equity   | 0                     | 1            | 1            | 5                  | 1            |
| Realized gains reclassified to the income statement from equity   | (98)                  | (18)         | (23)         | (372)              | (292)        |
| Realized losses reclassified to the income statement from equity  | 7                     | 0            | 12           | 25                 | 44           |
| Income tax relating to net unrealized gains / (losses) on financial assets available for sale                   | 81                    | (9)          | 26           | 28                 | 8            |
| Subtotal financial assets available for sale, net of tax  | (145)                 | (21)         | (59)         | (73)               | (63)         |
| <b>Cash flow hedges</b>   |                       |              |              |                    |              |
| Effective portion of changes in fair value of derivative instruments designated as cash flow hedges, before tax | (1,024)               | (175)        | (160)        | 246                | 544          |
| Net (gains) / losses reclassified to the income statement from equity   | (270)                 | (235)        | (362)        | (1,082)            | (1,182)      |
| Income tax relating to cash flow hedges   | 261                   | 84           | 104          | 170                | 128          |
| Subtotal cash flow hedges, net of tax   | (1,033)               | (326)        | (419)        | (666)              | (509)        |
| <b>Total other comprehensive income that may be reclassified to the income statement, net of tax</b>            | <b>(334)</b>          | <b>(408)</b> | <b>(25)</b>  | <b>(447)</b>       | <b>(804)</b> |
| <b>Other comprehensive income that will not be reclassified to the income statement</b>                         |                       |              |              |                    |              |
| <b>Defined benefit plans</b>  |                       |              |              |                    |              |
| Gains / (losses) on defined benefit plans, before tax   | (301)                 | (186)        | 203          | (876)              | 316          |
| Income tax relating to defined benefit plans  | 68                    | (23)         | (1)          | 52                 | (18)         |
| Subtotal defined benefit plans, net of tax  | (234)                 | (209)        | 202          | (824)              | 298          |
| <b>Own credit on financial liabilities designated at fair value</b>   |                       |              |              |                    |              |
| Gains / (losses) from own credit on financial liabilities designated at fair value, before tax                  | 15                    | (30)         | 0            | (120)              | 0            |
| Income tax relating to own credit on financial liabilities designated at fair value                             | 0                     | 4            | 0            | 5                  | 0            |
| Subtotal own credit on financial liabilities designated at fair value, net of tax                               | 15                    | (25)         | 0            | (115)              | 0            |
| <b>Total other comprehensive income that will not be reclassified to the income statement, net of tax</b>       | <b>(219)</b>          | <b>(235)</b> | <b>202</b>   | <b>(939)</b>       | <b>298</b>   |
| <b>Total other comprehensive income</b>   | <b>(553)</b>          | <b>(643)</b> | <b>177</b>   | <b>(1,386)</b>     | <b>(506)</b> |
| <b>Total comprehensive income attributable to shareholders</b>  | <b>185</b>            | <b>184</b>   | <b>1,126</b> | <b>1,919</b>       | <b>5,698</b> |

**Statement of comprehensive income (continued)**

| <i>CHF million</i>  | For the quarter ended |              |              | For the year ended |              |
|---|-----------------------|--------------|--------------|--------------------|--------------|
|   | 31.12.16              | 30.9.16      | 31.12.15     | 31.12.16           | 31.12.15     |
| <b>Comprehensive income attributable to non-controlling interests</b>                                     |                       |              |              |                    |              |
| Net profit / (loss)   | 1                     | 1            | 1            | 82                 | 183          |
| <b>Other comprehensive income that may be reclassified to the income statement</b>                        |                       |              |              |                    |              |
| Other comprehensive income that may be reclassified to the income statement, before tax                   | 0                     | 0            | 0            | 0                  | (12)         |
| Income tax relating to other comprehensive income that may be reclassified to the income statement        | 0                     | 0            | 0            | 0                  | 2            |
| <b>Total other comprehensive income that may be reclassified to the income statement, net of tax</b>      | <b>0</b>              | <b>0</b>     | <b>0</b>     | <b>0</b>           | <b>(10)</b>  |
| <b>Other comprehensive income that will not be reclassified to the income statement</b>                   |                       |              |              |                    |              |
| Foreign currency translation movements, before tax  | (13)                  | 5            | 37           | 271                | (95)         |
| Income tax relating to foreign currency translation movements   | 0                     | 0            | 0            | 0                  | 0            |
| Subtotal foreign currency translation, net of tax   | (13)                  | 5            | 37           | 271                | (95)         |
| Gains / (losses) on defined benefit plans, before tax   | 0                     | 0            | 0            | 0                  | 6            |
| Income tax relating to defined benefit plans  | 0                     | 0            | 0            | 0                  | (1)          |
| Subtotal defined benefit plans, net of tax  | 0                     | 0            | 0            | 0                  | 5            |
| <b>Total other comprehensive income that will not be reclassified to the income statement, net of tax</b> | <b>(13)</b>           | <b>5</b>     | <b>37</b>    | <b>271</b>         | <b>(90)</b>  |
| <b>Total other comprehensive income</b>   | <b>(13)</b>           | <b>5</b>     | <b>37</b>    | <b>271</b>         | <b>(99)</b>  |
| <b>Total comprehensive income attributable to non-controlling interests</b>                               | <b>(12)</b>           | <b>7</b>     | <b>38</b>    | <b>352</b>         | <b>83</b>    |
| <b>Total comprehensive income</b>   |                       |              |              |                    |              |
| Net profit / (loss)   | 739                   | 829          | 950          | 3,388              | 6,386        |
| Other comprehensive income  | (566)                 | (637)        | 214          | (1,116)            | (605)        |
| <i>of which: other comprehensive income that may be reclassified to the income statement</i>              | <i>(334)</i>          | <i>(408)</i> | <i>(25)</i>  | <i>(447)</i>       | <i>(814)</i> |
| <i>of which: other comprehensive income that will not be reclassified to the income statement</i>         | <i>(232)</i>          | <i>(229)</i> | <i>239</i>   | <i>(669)</i>       | <i>208</i>   |
| <b>Total comprehensive income</b>   | <b>173</b>            | <b>191</b>   | <b>1,164</b> | <b>2,272</b>       | <b>5,781</b> |

## Balance sheet

| CHF million  | 31.12.16       | 30.9.16        | 31.12.15       | % change from |             |
|--|----------------|----------------|----------------|---------------|-------------|
|  |                |                |                | 30.9.16       | 31.12.15    |
| <b>Assets</b>  |                |                |                |               |             |
| Cash and balances with central banks   | 107,767        | 94,680         | 91,306         | 14            | 18          |
| Due from banks   | 13,156         | 15,120         | 11,948         | (13)          | 10          |
| Loans  | 306,325        | 305,021        | 311,954        | 0             | (2)         |
| Cash collateral on securities borrowed   | 15,111         | 18,277         | 25,584         | (17)          | (41)        |
| Reverse repurchase agreements  | 66,246         | 69,999         | 67,893         | (5)           | (2)         |
| Trading portfolio assets   | 96,575         | 105,437        | 124,035        | (8)           | (22)        |
| <i>of which: assets pledged as collateral which may be sold or repledged by counterparties</i> | <i>30,260</i>  | <i>33,441</i>  | <i>51,943</i>  | <i>(10)</i>   | <i>(42)</i> |
| Positive replacement values  | 158,411        | 154,383        | 167,435        | 3             | (5)         |
| Cash collateral receivables on derivative instruments  | 26,664         | 24,644         | 23,763         | 8             | 12          |
| Financial assets designated at fair value  | 65,353         | 69,832         | 6,146          | (6)           | 963         |
| Financial assets available for sale  | 15,676         | 13,554         | 62,543         | 16            | (75)        |
| Financial assets held to maturity  | 9,289          | 7,005          |                | 33            |             |
| Investments in associates  | 963            | 947            | 954            | 2             | 1           |
| Property, equipment and software   | 8,331          | 8,113          | 7,695          | 3             | 8           |
| Goodwill and intangible assets   | 6,556          | 6,345          | 6,568          | 3             | 0           |
| Deferred tax assets  | 13,155         | 12,396         | 12,835         | 6             | 2           |
| Other assets   | 25,436         | 29,454         | 22,160         | (14)          | 15          |
| <b>Total assets</b>  | <b>935,016</b> | <b>935,206</b> | <b>942,819</b> | <b>0</b>      | <b>(1)</b>  |
| <b>Liabilities</b>   |                |                |                |               |             |
| Due to banks   | 10,645         | 11,227         | 11,836         | (5)           | (10)        |
| Due to customers   | 423,672        | 411,840        | 390,185        | 3             | 9           |
| Cash collateral on securities lent   | 2,818          | 3,726          | 8,029          | (24)          | (65)        |
| Repurchase agreements  | 6,612          | 9,342          | 9,653          | (29)          | (32)        |
| Trading portfolio liabilities  | 22,824         | 32,069         | 29,137         | (29)          | (22)        |
| Negative replacement values  | 153,810        | 151,031        | 162,430        | 2             | (5)         |
| Cash collateral payables on derivative instruments   | 35,472         | 33,641         | 38,282         | 5             | (7)         |
| Financial liabilities designated at fair value   | 55,017         | 54,229         | 62,995         | 1             | (13)        |
| Debt issued  | 103,649        | 106,940        | 93,147         | (3)           | 11          |
| Provisions   | 4,072          | 3,954          | 4,164          | 3             | (2)         |
| Other liabilities  | 62,020         | 63,216         | 75,652         | (2)           | (18)        |
| <b>Total liabilities</b>   | <b>880,612</b> | <b>881,213</b> | <b>885,511</b> | <b>0</b>      | <b>(1)</b>  |
| <b>Equity</b>  |                |                |                |               |             |
| Share capital  | 385            | 385            | 385            | 0             | 0           |
| Share premium  | 28,254         | 28,058         | 31,164         | 1             | (9)         |
| Treasury shares  | (2,249)        | (2,291)        | (1,693)        | (2)           | 33          |
| Retained earnings  | 31,827         | 31,308         | 29,504         | 2             | 8           |
| Other comprehensive income recognized directly in equity, net of tax                           | (4,494)        | (4,160)        | (4,047)        | 8             | 11          |
| <b>Equity attributable to shareholders</b>   | <b>53,723</b>  | <b>53,300</b>  | <b>55,313</b>  | <b>1</b>      | <b>(3)</b>  |
| Equity attributable to non-controlling interests   | 682            | 693            | 1,995          | (2)           | (66)        |
| <b>Total equity</b>  | <b>54,404</b>  | <b>53,993</b>  | <b>57,308</b>  | <b>1</b>      | <b>(5)</b>  |
| <b>Total liabilities and equity</b>  | <b>935,016</b> | <b>935,206</b> | <b>942,819</b> | <b>0</b>      | <b>(1)</b>  |

## Provisions and contingent liabilities

### a) Provisions

| <i>CHF million</i>  | Operational risks <sup>1</sup> | Litigation, regulatory and similar matters <sup>2</sup> | Restructuring          | Loan commitments and guarantees | Real estate            | Employee benefits <sup>5</sup> | Other     | Total provisions |
|---|--------------------------------|---|------------------------|---------------------------------|------------------------|--------------------------------|-----------|------------------|
| <b>Balance as of 31 December 2015</b>                     | 47                             | 2,983   | 624                    | 35                              | 157                    | 198                            | 120       | 4,164            |
| <b>Balance as of 30 September 2016</b>                    | 43                             | 2,976   | 545                    | 38                              | 130                    | 92                             | 130       | 3,954            |
| Increase in provisions recognized in the income statement | 15                             | 183   | 121                    | 2                               | 14                     | 3                              | 8         | 346              |
| Release of provisions recognized in the income statement  | (1)                            | (11)  | (34)                   | (2)                             | (5)                    | (18)                           | (27)      | (97)             |
| Provisions used in conformity with designated purpose     | (7)                            | (96)  | (146)                  | 0                               | (5)                    | 0                              | (22)      | (277)            |
| Capitalized reinstatement costs                           | 0                              | 0   | 0                      | 0                               | 4                      | 0                              | 0         | 4                |
| Reclassifications   | 0                              | 0   | 0                      | 15                              | 0                      | 0                              | 0         | 15               |
| Foreign currency translation / unwind of discount         | 0                              | 108   | 14                     | 1                               | 4                      | 0                              | 1         | 128              |
| <b>Balance as of 31 December 2016</b>                     | <b>50</b>                      | <b>3,159</b>  | <b>498<sup>3</sup></b> | <b>54</b>                       | <b>142<sup>4</sup></b> | <b>77</b>                      | <b>91</b> | <b>4,072</b>     |

<sup>1</sup> Comprises provisions for losses resulting from security risks and transaction processing risks. <sup>2</sup> Comprises provisions for losses resulting from legal, liability and compliance risks. <sup>3</sup> Includes personnel-related restructuring provisions of CHF 150 million as of 31 December 2016 (30 September 2016: CHF 151 million; 31 December 2015: CHF 110 million) and provisions for onerous lease contracts of CHF 348 million as of 31 December 2016 (30 September 2016: CHF 394 million; 31 December 2015: CHF 514 million). <sup>4</sup> Includes reinstatement costs for leasehold improvements of CHF 87 million as of 31 December 2016 (30 September 2016: CHF 87 million; 31 December 2015: CHF 95 million) and provisions for onerous lease contracts of CHF 55 million as of 31 December 2016 (30 September 2016: CHF 43 million; 31 December 2015: CHF 62 million). <sup>5</sup> Includes provisions for sabbatical and anniversary awards as well as provisions for severance that are not part of restructuring provisions.

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

the number of people affected by a restructuring and therefore the estimated costs.

Information on provisions and contingent liabilities in respect of litigation, regulatory and similar matters as a class, is included in part b) of this disclosure. There are no material contingent liabilities associated with the other classes of provisions.

### b) Litigation, regulatory and similar matters

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

Such matters are subject to many uncertainties and the outcome and the timing of resolution are often difficult to predict, particularly in the earlier stages of a case. There are also situations where the Group may enter into a settlement agreement. This may occur in order to avoid the expense, management distraction or reputational implications of continuing to contest liability, even for those matters for which the Group believes it should be exonerated. The uncertainties inherent in all such matters affect the amount and timing of any potential outflows for both matters with respect to which provisions have been established and other contingent liabilities. The Group makes provisions for such matters brought against it when, in the opinion of management after seeking legal advice, it is more likely than not that the Group has a present legal or

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

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



## Provisions and contingent liabilities (continued)

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

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

The aggregate amount provisioned for litigation, regulatory and similar matters as a class is disclosed in the "Provisions" table above. It is not practicable to provide an aggregate estimate of liability for our litigation, regulatory and similar matters as a class of contingent liabilities. Doing so would require us 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 we therefore cannot

provide a numerical estimate of the future losses that could arise from litigation, regulatory and similar matters, we believe that the aggregate amount of possible future losses from this class that are more than remote substantially exceeds the level of current provisions. Litigation, regulatory and similar matters may also result in non-monetary penalties and consequences. For example, the Non-Prosecution Agreement (NPA) described in item 5 of this disclosure, which we entered into with the US Department of Justice (DOJ), Criminal Division, Fraud Section in connection with our submissions of benchmark interest rates, including, among others, the British Bankers' Association London Interbank Offered Rate (LIBOR), was terminated by the DOJ based on its determination that we had committed a US crime in relation to foreign exchange matters. As a consequence, UBS AG pleaded guilty to one count of wire fraud for conduct in the LIBOR matter, paid a USD 203 million fine and is subject to a three-year term of probation. A guilty plea to, or conviction of, a crime (including as a result of termination of the NPA) could have material consequences for UBS. Resolution of regulatory proceedings may require us to obtain waivers of regulatory disqualifications to maintain certain operations, may entitle regulatory authorities to limit, suspend or terminate licenses and regulatory authorizations and may permit financial market utilities to limit, suspend or terminate our participation in such utilities. Failure to obtain such waivers, or any limitation, suspension or termination of licenses, authorizations or participations, could have material consequences for UBS.

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

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

| <i>CHF million</i>  | Wealth Management | Wealth Management Americas | Personal & Corporate Banking | Asset Management | Investment Bank | CC – Services | CC – Group ALM | CC – Non-core and Legacy Portfolio | UBS          |
|---|-------------------|----------------------------|------------------------------|------------------|-----------------|---------------|----------------|------------------------------------|--------------|
| <b>Balance as of 31 December 2015</b>                     | 245               | 459                        | 83                           | 16               | 585             | 310           | 0              | 1,284                              | 2,983        |
| <b>Balance as of 30 September 2016</b>                    | 234               | 386                        | 72                           | 9                | 584             | 261           | 0              | 1,429                              | 2,976        |
| Increase in provisions recognized in the income statement | 62                | 56                         | 7                            | 1                | 14              | 0             | 0              | 42                                 | 183          |
| Release of provisions recognized in the income statement  | 0                 | (2)                        | 0                            | 0                | 0               | (2)           | 0              | (7)                                | (11)         |
| Provisions used in conformity with designated purpose     | (3)               | (35)                       | (1)                          | (6)              | (6)             | (1)           | 0              | (45)                               | (96)         |
| Foreign currency translation / unwind of discount         | (2)               | 20                         | 0                            | 1                | 24              | 1             | 0              | 65                                 | 108          |
| <b>Balance as of 31 December 2016</b>                     | <b>292</b>        | <b>425</b>                 | <b>78</b>                    | <b>5</b>         | <b>616</b>      | <b>259</b>    | <b>0</b>       | <b>1,483</b>                       | <b>3,159</b> |

<sup>1</sup> Provisions, if any, for the matters described in this disclosure are recorded in Wealth Management (item 3), Wealth Management Americas (item 4), the Investment Bank (item 8), CC – Services (item 7) and CC – Non-core and Legacy Portfolio (item 2). Provisions, if any, for the matters described in this disclosure in items 1 and 6 are allocated between Wealth Management and Personal & Corporate Banking, and provisions, if any, for the matters described in this disclosure in item 5 are allocated between the Investment Bank, CC – Services and CC – Non-core and Legacy Portfolio.

## Provisions and contingent liabilities (continued)

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

Tax and regulatory authorities in a number of countries have made inquiries, served requests for information or examined employees located in their respective jurisdictions relating to the cross-border wealth management services provided by UBS and other financial institutions. It is possible that implementation of automatic tax information exchange and other measures relating to cross-border provision of financial services could give rise to further inquiries in the future. UBS has received disclosure orders from the Swiss Federal Tax Administration (FTA) to transfer information based on requests for international administrative assistance in tax matters. The requests concern a number of UBS account numbers pertaining to current and former clients and are based on data from 2006 and 2008. UBS has taken steps to inform affected clients about the administrative assistance proceedings and their procedural rights, including the right to appeal. The requests are based on data received from the German authorities, who seized certain data related to UBS clients booked in Switzerland during their investigations and have apparently shared this data with other European countries. UBS expects additional countries to file similar requests. In addition, the Swiss Federal Supreme Court ruled in September 2016 that the double taxation agreement between the Netherlands and Switzerland provides a sufficient legal basis for an administrative assistance group request without specifying the names of the targeted taxpayers, which makes it more likely that similar requests for administrative assistance will be granted by the FTA.

As a result of investigations in France, in 2013, UBS (France) S.A. and UBS AG were put under formal examination ("mise en examen") for complicity in having illicitly solicited clients on French territory, and were declared witness with legal assistance ("témoin assisté") regarding the laundering of proceeds of tax fraud and of banking and financial solicitation by unauthorized persons. In 2014, UBS AG was placed under formal examination with respect to the potential charges of laundering of proceeds of tax fraud, and the investigating judges ordered UBS AG to provide bail ("caution") of EUR 1.1 billion. UBS AG appealed the determination of the bail amount, but both the appeal court ("Cour d'Appel") and the French Supreme Court ("Cour de Cassation") upheld the bail amount and rejected the appeal in full in late 2014. UBS AG filed an application to the European Court of Human Rights (ECHR) to challenge various aspects of the French court's decision. In January 2017, the ECHR denied UBS's application. The Swiss Federal Administrative Court ruled in October 2016 that in the administrative assistance proceedings related to the French bulk request, UBS has the right to appeal all final FTA client data disclosure orders. In September 2015, the former CEO of UBS Wealth Management was placed under formal examination in connection with these proceedings. In addition, the investigating judges have sought to issue arrest warrants against three Swiss-based former employees of UBS AG who did not appear when summoned by the investigating judge.

In 2015, UBS (France) S.A. was placed under formal examination for complicity regarding the laundering of proceeds

of tax fraud and of banking and financial solicitation by unauthorized persons for the years 2004 until 2008 and declared witness with legal assistance for the years 2009 to 2012. A bail of EUR 40 million was imposed, and was subsequently reduced by the Court of Appeals to EUR 10 million.

In February 2016, the investigating judge notified UBS AG and UBS (France) S.A. that he has closed his investigation. In July 2016, UBS AG and UBS (France) S.A. received the National Financial Prosecutor's recommendation ("réquisitoire"). As permitted, the parties have commented on the recommendation. The next procedural step will be for the judge to issue his final decree ("ordonnance de renvoi en correctionnelle") which would set out any charges for which UBS AG and UBS (France) S.A. will be tried, both legally and factually, and transfer the case to court.

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

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

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

Our balance sheet at 31 December 2016 reflected provisions with respect to matters described in this item 1 in an amount that UBS believes to be appropriate under the applicable accounting standard. As in the case of other matters for which we have 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 we have recognized.

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

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

## Provisions and contingent liabilities (continued)

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

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

*RMBS-related lawsuits concerning disclosures:* UBS is named as a defendant relating to its role as underwriter and issuer of RMBS in lawsuits related to approximately USD 2.5 billion in original face amount of RMBS underwritten or issued by UBS. Of the USD 2.5 billion in original face amount of RMBS that remains at issue in these cases, approximately USD 1.2 billion was issued in offerings in which a UBS subsidiary transferred underlying loans (the majority of which were purchased from third-party originators) into a securitization trust and made representations and warranties about those loans (UBS-sponsored RMBS). The remaining USD 1.3 billion of RMBS to which these cases relate was issued by third parties in securitizations in which UBS acted as underwriter (third-party RMBS).

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

UBS is a defendant in a lawsuit brought by the National Credit Union Administration (NCUA), as conservator for certain failed credit unions, asserting misstatements and omissions in the offering documents for RMBS purchased by the credit unions. The lawsuit was filed in the US District Court for the District of Kansas. The original principal balance at issue in the case is approximately USD 1.15 billion. Motions for summary judgment were fully submitted in December 2016. In the second quarter of 2016, UBS resolved a similar case brought by the NCUA in the US District Court for the Southern District of New York (SDNY) relating to RMBS with an original principal balance of approximately USD 400 million, for a total of approximately USD 69.8 million, in addition to reasonable attorneys' fees incurred by NCUA.

*Lawsuits related to contractual representations and warranties concerning mortgages and RMBS:* When UBS acted as an RMBS sponsor or mortgage seller, we generally made certain representations relating to the characteristics of the underlying loans. In the event of a material breach of these representations, we were in certain circumstances contractually obligated to repurchase the loans to which the representations related or to indemnify certain parties against losses. UBS has received demands to repurchase US residential mortgage loans

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

In 2012, certain RMBS trusts filed an action (Trustee Suit) in the SDNY seeking to enforce UBS RESI's obligation to repurchase loans in the collateral pools for three RMBS securitizations with an original principal balance of approximately USD 2 billion, for which Assured Guaranty Municipal Corp., a financial guaranty insurance company, had previously demanded repurchase. A bench trial in the SDNY adjourned in May 2016. Approximately 9,000 loans were at issue in the trial. In September 2016, the court issued an order ruling on numerous legal and factual issues and applying those rulings to 20 exemplar loans. The court further ordered that a lead master be appointed to apply the court's rulings to the loans that remain at issue following the trial. With respect to the loans subject to the Trustee Suit that were originated by institutions still in existence, UBS intends to enforce its indemnity rights against those institutions.

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

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

**Provisions and contingent liabilities (continued)****Provision for claims related to sales of residential mortgage-backed securities and mortgages**

| <i>USD million</i>                                       | <b>Total</b> |
|--|--------------|
| <b>Balance as of 31 December 2015</b>                    | 1,218        |
| <b>Balance as of 30 September 2016</b>                   | 1,405        |
| Increase in provision recognized in the income statement | 40           |
| Release of provision recognized in the income statement  | 0            |
| Provision used in conformity with designated purpose     | (44)         |
| <b>Balance as of 31 December 2016</b>                    | <b>1,400</b> |

As reflected in the table "Provision for claims related to sales of residential mortgage-backed securities and mortgages," our balance sheet at 31 December 2016 reflected a provision of USD 1,400 million with respect to matters described in this item 2. As in the case of other matters for which we have established provisions, the future outflow of resources in respect of this matter cannot be determined with certainty based on currently available information, and accordingly may ultimately prove to be substantially greater (or may be less) than the provision that we have recognized.

**3. Madoff**

In relation to the Bernard L. Madoff Investment Securities LLC (BMIS) investment fraud, UBS AG, UBS (Luxembourg) SA and certain other UBS subsidiaries have been subject to inquiries by a number of regulators, including the Swiss Financial Market Supervisory Authority (FINMA) and the Luxembourg Commission de Surveillance du Secteur Financier (CSSF). Those inquiries concerned two third-party funds established under Luxembourg law, substantially all assets of which were with BMIS, as well as certain funds established in offshore jurisdictions with either direct or indirect exposure to BMIS. These funds now face severe losses, and the Luxembourg funds are in liquidation. The last reported net asset value of the two Luxembourg funds before revelation of the Madoff scheme was approximately USD 1.7 billion in the aggregate, although that figure likely includes fictitious profit reported by BMIS. The documentation establishing both funds identifies UBS entities in various roles, including custodian, administrator, manager, distributor and promoter, and indicates that UBS employees serve as board members. UBS (Luxembourg) SA and certain other UBS subsidiaries are responding to inquiries by Luxembourg investigating authorities, without, however, being named as parties in those investigations. In 2009 and 2010, the liquidators of the two Luxembourg funds filed claims on behalf of the funds against UBS entities, non-UBS entities and certain individuals, including current and former UBS employees. The amounts claimed are approximately EUR 890 million and EUR 305 million, respectively. The liquidators have filed supplementary claims for amounts that the funds may possibly be held liable to pay the BMIS Trustee. These amounts claimed by the liquidator are approximately EUR 564 million and EUR 370 million, respectively. In addition, a large number of alleged beneficiaries

have filed claims against UBS entities (and non-UBS entities) for purported losses relating to the Madoff scheme. The majority of these cases are pending in Luxembourg, where appeals were filed by the claimants against the 2010 decisions of the court in which the claims in a number of test cases were held to be inadmissible. In 2014, the Luxembourg Court of Appeal dismissed one test case appeal in its entirety, which decision was appealed by the investor. In 2015, the Luxembourg Supreme Court found in favor of UBS and dismissed the investor's appeal. In June 2016, the Luxembourg Court of Appeal dismissed the remaining test cases in their entirety. In the US, the BMIS Trustee filed claims in 2010 against UBS entities, among others, in relation to the two Luxembourg funds and one of the offshore funds. The total amount claimed against all defendants in these actions was not less than USD 2 billion. Following a motion by UBS, in 2011, the SDNY dismissed all of the BMIS Trustee's claims other than claims for recovery of fraudulent conveyances and preference payments that were allegedly transferred to UBS on the ground that the BMIS Trustee lacks standing to bring such claims. In 2013, the Second Circuit affirmed the District Court's decision and, in 2014, the US Supreme Court denied the BMIS Trustee's petition seeking review of the Second Circuit ruling. In November 2016, the bankruptcy court issued an opinion dismissing the remaining claims for recovery of subsequent transfers of fraudulent conveyances and preference payments on the ground that the US Bankruptcy Code does not apply to transfers that occurred outside the US. The BMIS Trustee has indicated that he will appeal. In 2014, several claims, including a purported class action, were filed in the US by BMIS customers against UBS entities, asserting claims similar to the ones made by the BMIS Trustee, seeking unspecified damages. One claim was voluntarily withdrawn by the plaintiff. In 2015, following a motion by UBS, the SDNY dismissed the two remaining claims on the basis that the New York courts did not have jurisdiction to hear the claims against the UBS entities. The plaintiff in one of those claims has appealed the dismissal. In Germany, certain clients of UBS are exposed to Madoff-managed positions through third-party funds and funds administered by UBS entities in Germany. A small number of claims have been filed with respect to such funds. In 2015, a court of appeal ordered UBS to pay EUR 49 million, plus interest of approximately EUR 15.3 million.

## Provisions and contingent liabilities (continued)

### 4. Puerto Rico

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

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

In 2015, the SEC and the Financial Industry Regulatory Authority (FINRA) announced settlements with UBS PR of their separate investigations stemming from the 2013 market events. Without admitting or denying the findings in either matter, UBS PR agreed in the SEC settlement to pay USD 15 million and USD 18.5 million in the FINRA matter. We also understand that

the DOJ is conducting a criminal inquiry into the impermissible reinvestment of non-purpose loan proceeds. We are cooperating with the authorities in this inquiry.

In 2011, a purported derivative action was filed on behalf of the Employee Retirement System of the Commonwealth of Puerto Rico (System) against over 40 defendants, including UBS PR, which was named in connection with its underwriting and consulting services. Plaintiffs alleged that defendants violated their purported fiduciary duties and contractual obligations in connection with the issuance and underwriting of approximately USD 3 billion of bonds by the System in 2008 and sought damages of over USD 800 million. Defendants' motion to dismiss is pending. In September 2016, the System announced its intention to join the action as a plaintiff, and the court has since ordered that plaintiffs must file an amended complaint.

Also, in 2013, an SEC Administrative Law Judge dismissed a case brought by the SEC against two UBS executives, finding no violations. The charges had stemmed from the SEC's investigation of UBS's sale of closed-end funds in 2008 and 2009, which UBS settled in 2012. Beginning in 2012, two federal class action complaints, which were subsequently consolidated, were filed against various UBS entities, certain of the funds, and certain members of UBS PR senior management, seeking damages for investor losses in the funds during the period from January 2008 through May 2012 based on allegations similar to those in the SEC action. In September 2016, the court denied plaintiffs' motion for class certification. In October 2016, plaintiffs filed a petition with the US Court of Appeals for the First Circuit seeking permission to bring an interlocutory appeal challenging the denial of their motion for class certification. Defendants have filed an opposition to plaintiffs' petition.

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

## Provisions and contingent liabilities (continued)

Our balance sheet at 31 December 2016 reflected provisions with respect to matters described in this item 4 in amounts that UBS believes to be appropriate under the applicable accounting standard. As in the case of other matters for which we have established provisions, the future outflow of resources in respect of such matters cannot be determined with certainty based on currently available information, and accordingly may ultimately prove to be substantially greater (or may be less) than the provisions that we have recognized.

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

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

In 2014, UBS reached settlements with the FCA and the CFTC in connection with their foreign exchange investigations, and FINMA issued an order concluding its formal proceedings with respect to UBS relating to its foreign exchange and precious metals businesses. UBS has paid a total of approximately CHF 774 million to these authorities, including GBP 234 million in fines to the FCA, USD 290 million in fines to the CFTC, and CHF 134 million to FINMA representing confiscation of costs avoided and profits. In 2015, the Federal Reserve Board and the Connecticut Department of Banking issued an Order to Cease and Desist and Order of Assessment of a Civil Monetary Penalty Issued upon Consent (Federal Reserve Order) to UBS AG. As part of the Federal Reserve Order, UBS AG paid a USD 342 million civil monetary penalty.

In 2015, the DOJ's Criminal Division (Criminal Division) terminated the December 2012 Non-Prosecution Agreement (NPA) with UBS AG related to UBS's submissions of benchmark interest rates. As a result, UBS AG entered into a plea agreement with the Criminal Division pursuant to which UBS AG pleaded guilty to a one-count criminal information filed in the US District Court for the District of Connecticut charging UBS AG with one count of wire fraud in violation of 18 USC Sections 1343 and 2. Sentencing occurred on 5 January 2017. Under the plea agreement, UBS AG has paid a USD 203 million fine and is subject to a three-year term of probation starting on the sentencing date. The criminal information charges that, between approximately 2001 and 2010, UBS AG engaged in a scheme to defraud counterparties to interest rate derivatives transactions by manipulating benchmark interest rates, including Yen LIBOR. The Criminal Division terminated the NPA based on its determination, in its sole discretion, that certain UBS AG employees committed criminal conduct that violated the NPA, including fraudulent and deceptive currency trading and sales practices in conducting certain foreign exchange market transactions with clients and collusion with other participants in certain foreign exchange markets.

We have ongoing obligations to cooperate with these authorities and to undertake certain remediation, including actions to improve UBS's processes and controls.

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

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

## Provisions and contingent liabilities (continued)

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*Foreign exchange-related civil litigation:* Putative class actions have been filed since November 2013 in US federal courts and in other jurisdictions against UBS and other banks on behalf of putative classes of persons who engaged in foreign currency transactions with any of the defendant banks. They allege collusion by the defendants and assert claims under the antitrust laws and for unjust enrichment. In 2015, additional putative class actions were filed in federal court in New York against UBS and other banks on behalf of a putative class of persons who entered into or held any foreign exchange futures contracts and options on foreign exchange futures contracts since 1 January 2003. The complaints assert claims under the Commodity Exchange Act (CEA) and the US antitrust laws. In 2015, a consolidated complaint was filed on behalf of both putative classes of persons covered by the US federal court class actions described above. UBS has entered into a settlement agreement that would resolve all of these US federal court class actions. The agreement, which has been preliminarily approved by the court and is subject to final court approval, requires, among other things, that UBS pay an aggregate of USD 141 million and provide cooperation to the settlement classes.

A putative class action has been filed in federal court in New York against UBS and other banks on behalf of participants, beneficiaries, and named fiduciaries of plans qualified under the Employee Retirement Income Security Act of 1974 (ERISA) for whom a defendant bank provided foreign currency exchange transactional services, exercised discretionary authority or discretionary control over management of such ERISA plan, or authorized or permitted the execution of any foreign currency exchange transactional services involving such plan's assets. The complaint asserts claims under ERISA. The parties filed a stipulation to dismiss the case with prejudice. The plaintiffs have appealed the dismissal.

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

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

In 2015, UBS was added to putative class actions pending against other banks in federal court in New York and other jurisdictions on behalf of putative classes of persons who had

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

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

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

## Provisions and contingent liabilities (continued)

In 2014, UBS reached a settlement with the European Commission (EC) regarding its investigation of bid-ask spreads in connection with Swiss franc interest rate derivatives and paid a EUR 12.7 million fine, which was reduced to this level based in part on UBS's cooperation with the EC. In December 2016, UBS reached a settlement with WEKO regarding its investigation of bid-ask spreads in connection with Swiss franc interest rate derivatives and received full immunity from fines. The MAS, HKMA and the Japan Financial Services Agency have also resolved investigations of UBS (and in some cases, other banks). We have ongoing obligations to cooperate with the authorities with whom we have reached resolutions and to undertake certain remediation with respect to benchmark interest rate submissions.

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

UBS has been granted conditional leniency or immunity from authorities in certain jurisdictions, including the Antitrust Division of the DOJ and WEKO, in connection with potential antitrust or competition law violations related to submissions for Yen LIBOR and Euroyen TIBOR. As a result of these conditional grants, UBS will not be subject to prosecutions, fines or other sanctions for antitrust or competition law violations in the jurisdictions where we have conditional immunity in connection with the matters covered by the conditional grants, subject to our continuing cooperation as leniency applicant. However, since the Secretariat of WEKO has asserted that UBS does not qualify for full immunity, UBS has been unable to reach a settlement with WEKO and therefore the investigation will continue. Furthermore, the conditional leniency and conditional immunity grants we have received do not bar government agencies from asserting other claims and imposing sanctions against us, as evidenced by the settlements and ongoing investigations referred to above. In addition, as a result of the conditional leniency agreement with the DOJ, we are eligible for a limit on liability to actual rather than treble damages were damages to be awarded in any civil antitrust action under US law based on conduct covered by the agreement and for relief from potential joint and several liability in connection with such civil antitrust action, subject to our satisfying the DOJ and the court presiding over the civil litigation of our cooperation. The conditional leniency and conditional immunity grants do not otherwise affect the ability of private parties to assert civil claims against us.

*LIBOR and other benchmark-related civil litigation:* A number of putative class actions and other actions are pending in the federal courts in New York against UBS and numerous other

banks on behalf of parties who transacted in certain interest rate benchmark-based derivatives. Also pending in the US and in other jurisdictions are actions asserting losses related to various products whose interest rates were linked to LIBOR and other benchmarks, including adjustable rate mortgages, preferred and debt securities, bonds pledged as collateral, loans, depository accounts, investments and other interest-bearing instruments. All of the complaints allege manipulation, through various means, of various benchmark interest rates, including USD LIBOR, Euroyen TIBOR, Yen LIBOR, EURIBOR, CHF LIBOR, GBP LIBOR, USD ISDAFIX rates and other benchmark rates, and seek unspecified compensatory and other damages under varying legal theories.

In 2013, the US district court in the USD LIBOR action dismissed the federal antitrust and racketeering claims of certain USD LIBOR plaintiffs and a portion of their claims brought under the CEA and state common law. Certain plaintiffs appealed the decision to the Second Circuit, which, in May 2016, vacated the district court's ruling finding no antitrust injury and remanded the case back to the district court for a further determination on whether plaintiffs have antitrust standing. In December 2016, the district court again dismissed plaintiffs' antitrust claims, this time for lack of personal jurisdiction over UBS and other foreign banks. In 2014, the court in one of the Euroyen TIBOR lawsuits dismissed certain of the plaintiff's claims, including federal antitrust claims. In 2015, the same court dismissed plaintiff's federal racketeering claims and affirmed its previous dismissal of plaintiff's antitrust claims. UBS and other defendants in other lawsuits, including those related to EURIBOR, CHF LIBOR, GBP LIBOR, and SIBOR have filed motions to dismiss. UBS has entered into an agreement with representatives of a class of bondholders to settle their USD LIBOR class action. The agreement is subject to court approval.

Since September 2014, putative class actions have been filed in federal court in New York and New Jersey against UBS and other financial institutions, among others, on behalf of parties who entered into interest rate derivative transactions linked to ISDAFIX. The complaints, which have since been consolidated into an amended complaint, allege that the defendants conspired to manipulate ISDAFIX rates from 1 January 2006 through January 2014, in violation of US antitrust laws and certain state laws, and seek unspecified compensatory damages, including treble damages. In March 2016, the court in the ISDAFIX action denied in substantial part defendants' motion to dismiss, holding that plaintiffs have stated Sherman Act, breach-of-contract, and unjust-enrichment claims against defendants, including UBS AG.



## Provisions and contingent liabilities (continued)

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

With respect to additional matters and jurisdictions not encompassed by the settlements and order referred to above, our balance sheet at 31 December 2016 reflected a provision in an amount that UBS believes to be appropriate under the applicable accounting standard. As in the case of other matters for which we have 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 we have recognized.

### 6. Swiss retrocessions

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

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

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

Our balance sheet at 31 December 2016 reflected a provision with respect to matters described in this item 6 in an amount that UBS believes to be appropriate under the applicable accounting standard. The ultimate exposure will depend on

client requests and the resolution thereof, factors that are difficult to predict and assess. Hence, as in the case of other matters for which we have 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 we have recognized.

### 7. Banco UBS Pactual tax indemnity

Pursuant to the 2009 sale of Banco UBS Pactual S.A. (Pactual) by UBS to BTG Investments, LP (BTG), BTG has submitted contractual indemnification claims that UBS estimates amount to approximately BRL 2.6 billion, including interest and penalties, which is net of liabilities retained by BTG. The claims pertain principally to several tax assessments issued by the Brazilian tax authorities against Pactual relating to the period from December 2006 through March 2009, when UBS owned Pactual. These assessments are being challenged in administrative and judicial proceedings. The majority of these assessments relate to the deductibility of goodwill amortization in connection with UBS's 2006 acquisition of Pactual and payments made to Pactual employees through various profit-sharing plans. In 2015, an intermediate administrative court issued a decision that was largely in favor of the tax authority with respect to the goodwill amortization assessment. In May 2016, the highest level of the administrative court agreed to review this decision on a number of the significant issues.

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

The Hong Kong Securities and Futures Commission (SFC) has been conducting investigations into UBS's role as a sponsor of certain initial public offerings listed on the Hong Kong Stock Exchange. In October 2016, the SFC informed UBS that it intends to commence action against UBS and certain UBS employees with respect to sponsorship work in those offerings. If such action is taken, there may be financial ramifications for UBS, including fines, obligations to pay investor compensation and suspension of UBS's ability to provide corporate finance advisory services in Hong Kong for a period of time. On 16 January 2017, a writ was filed by the SFC with Hong Kong's High Court in which UBS is named as one of six defendants from whom the SFC is seeking compensation in an unspecified amount for losses incurred by certain shareholders of China Forestry Holding Company Limited, for whom UBS acted as a sponsor in connection with their 2009 listing application.

# UBS AG interim consolidated financial information (unaudited)

This section contains key figures for UBS AG (consolidated), as well as a comparison of selected financial and capital information between UBS Group AG (consolidated) and UBS AG (consolidated). Information for UBS AG (consolidated) does not differ materially from UBS Group AG on a consolidated basis.

## **Comparison UBS Group AG (consolidated) versus UBS AG (consolidated)**

The accounting policies applied under International Financial Reporting Standards (IFRS) to both UBS Group AG and UBS AG consolidated financial statements are identical. However, there are certain scope and presentation differences which relate to:

- Assets, liabilities, operating income, operating expenses and operating profit before tax relating to UBS Group AG and its directly held subsidiaries, including UBS Business Solutions AG, are reflected in the consolidated financial statements of UBS Group AG but not of UBS AG. UBS AG's assets, liabilities, operating income, and operating expenses related to transactions with UBS Group AG and its directly held subsidiaries are not subject to elimination in the UBS AG

consolidated financial statements, but are eliminated in the UBS Group AG consolidated financial statements.

- Preferred notes issued by UBS AG are presented in the consolidated UBS Group AG balance sheet as equity attributable to NCI, while in the consolidated UBS AG balance sheet, these preferred notes are required to be presented as equity attributable to preferred noteholders.
- Fully applied going concern capital of UBS AG (consolidated) was lower than fully applied going concern capital of UBS Group AG (consolidated) as of 31 December 2016, reflecting lower AT1 capital, partly offset by higher CET1 capital. The difference in CET1 capital was primarily due to compensation-related regulatory capital accruals, liabilities and capital instruments which are reflected on the level of UBS Group AG. The difference in AT1 capital relates to the issuances of AT1 capital notes by UBS Group AG, as well as Deferred Contingent Capital Plan (DCCP) awards granted for the performance years 2014 and 2015 and to be granted for the performance year 2016.

## UBS AG (consolidated) key figures

| CHF million, except where indicated   | As of or for the quarter ended |         |          | As of or for the year ended |          |
|---|--------------------------------|---------|----------|-----------------------------|----------|
|   | 31.12.16                       | 30.9.16 | 31.12.15 | 31.12.16                    | 31.12.15 |
| <b>Results</b>  |                                |         |          |                             |          |
| Operating income  | 7,118                          | 7,049   | 6,771    | 28,421                      | 30,605   |
| Operating expenses  | 6,271                          | 6,161   | 6,543    | 24,250                      | 25,198   |
| Operating profit / (loss) before tax  | 847                            | 888     | 228      | 4,171                       | 5,407    |
| Net profit / (loss) attributable to shareholders                                | 740                            | 846     | 950      | 3,309                       | 6,235    |
| <b>Key performance indicators<sup>1</sup></b>                                   |                                |         |          |                             |          |
| <b>Profitability</b>  |                                |         |          |                             |          |
| Return on tangible equity (%)   | 6.4                            | 7.4     | 8.1      | 7.1                         | 13.5     |
| Return on assets, gross (%)   | 3.1                            | 2.9     | 2.8      | 3.0                         | 3.1      |
| Cost / income ratio (%)   | 87.8                           | 87.3    | 95.8     | 85.2                        | 82.0     |
| <b>Growth</b>   |                                |         |          |                             |          |
| Net profit growth (%)   | (22.1)                         | (59.4)  | 6.4      | (46.9)                      | 78.0     |
| Net new money growth for combined wealth management businesses (%) <sup>2</sup> | (1.1)                          | 2.1     | 2.9      | 2.1                         | 2.2      |
| <b>Resources</b>  |                                |         |          |                             |          |
| Common equity tier 1 capital ratio (fully applied, %) <sup>3</sup>              | 14.8                           | 14.8    | 15.4     | 14.8                        | 15.4     |
| Going concern leverage ratio (phase-in, %) <sup>4</sup>                         | 5.9                            | 5.7     |          | 5.9                         |          |
| <b>Additional information</b>   |                                |         |          |                             |          |
| <b>Profitability</b>  |                                |         |          |                             |          |
| Return on equity (RoE) (%)  | 5.5                            | 6.3     | 6.9      | 6.1                         | 11.7     |
| Return on risk-weighted assets, gross (%) <sup>5</sup>                          | 13.0                           | 13.1    | 12.8     | 13.2                        | 14.3     |
| <b>Resources</b>  |                                |         |          |                             |          |
| Total assets  | 935,353                        | 935,683 | 943,256  | 935,353                     | 943,256  |
| Equity attributable to shareholders   | 53,764                         | 53,556  | 55,248   | 53,764                      | 55,248   |
| Common equity tier 1 capital (fully applied) <sup>3</sup>                       | 33,054                         | 32,110  | 32,042   | 33,054                      | 32,042   |
| Common equity tier 1 capital (phase-in) <sup>3</sup>                            | 40,059                         | 38,994  | 41,516   | 40,059                      | 41,516   |
| Risk-weighted assets (fully applied) <sup>3</sup>                               | 223,232                        | 217,297 | 208,186  | 223,232                     | 208,186  |
| Common equity tier 1 capital ratio (phase-in, %) <sup>3</sup>                   | 17.7                           | 17.7    | 19.5     | 17.7                        | 19.5     |
| Going concern capital ratio (fully applied, %) <sup>4</sup>                     | 16.5                           | 16.5    |          | 16.5                        |          |
| Going concern capital ratio (phase-in, %) <sup>4</sup>                          | 22.9                           | 23.0    |          | 22.9                        |          |
| Common equity tier 1 leverage ratio (fully applied, %) <sup>6</sup>             | 3.8                            | 3.7     | 3.6      | 3.8                         | 3.6      |
| Going concern leverage ratio (fully applied, %) <sup>4</sup>                    | 4.2                            | 4.1     |          | 4.2                         |          |
| Leverage ratio denominator (fully applied) <sup>6</sup>                         | 870,987                        | 877,926 | 898,251  | 870,987                     | 898,251  |
| <b>Other</b>  |                                |         |          |                             |          |
| Invested assets (CHF billion) <sup>7</sup>                                      | 2,821                          | 2,747   | 2,689    | 2,821                       | 2,689    |
| Personnel (full-time equivalents) <sup>8</sup>                                  | 56,208                         | 57,012  | 58,131   | 56,208                      | 58,131   |

<sup>1</sup> Refer to the "Measurement of performance" section of our Annual Report 2015. <sup>2</sup> Based on adjusted net new money, which excludes the negative effect on net new money (third quarter of 2015: CHF 3.3 billion, second quarter of 2015: CHF 6.6 billion) in Wealth Management from our balance sheet and capital optimization program. <sup>3</sup> Based on the Basel III framework as applicable for Swiss systemically relevant banks (SRBs). <sup>4</sup> Based on the revised Swiss SRB framework that became effective on 1 July 2016. <sup>5</sup> Based on fully applied risk-weighted assets. <sup>6</sup> Calculated in accordance with Swiss SRB rules. <sup>7</sup> Includes invested assets for Personal & Corporate Banking. <sup>8</sup> As of 31 December 2016, the breakdown of personnel by business division and Corporate Center unit was: Wealth Management: 9,717; Wealth Management Americas: 13,512; Personal & Corporate Banking: 5,100; Asset Management: 2,308; Investment Bank: 4,734; CC – Services: 20,632; CC – Group ALM: 142; CC – Non-core and Legacy Portfolio: 63.

**Comparison UBS Group AG (consolidated) versus UBS AG (consolidated)**

|  | As of or for the quarter ended 31.12.16 |                          |                          |
|--|---|--------------------------|--------------------------|
|  | UBS Group AG<br>(consolidated)          | UBS AG<br>(consolidated) | Difference<br>(absolute) |
| <i>CHF million, except where indicated</i>                                     |   |                          |                          |
| <b>Income statement</b>  |   |                          |                          |
| Operating income   | 7,055                                   | 7,118                    | (63)                     |
| Operating expenses   | 6,206                                   | 6,271                    | (65)                     |
| Operating profit / (loss) before tax   | 848                                     | 847                      | 1                        |
| <i>of which: Wealth Management</i>   | 368                                     | 368                      | 0                        |
| <i>of which: Wealth Management Americas</i>                                    | 339                                     | 338                      | 1                        |
| <i>of which: Personal &amp; Corporate Banking</i>                              | 374                                     | 375                      | (1)                      |
| <i>of which: Asset Management</i>  | 144                                     | 144                      | 0                        |
| <i>of which: Investment Bank</i>   | 306                                     | 304                      | 2                        |
| <i>of which: Corporate Center</i>  | (682)                                   | (681)                    | (1)                      |
| <i>of which: Services</i>  | (315)                                   | (307)                    | (8)                      |
| <i>of which: Group ALM</i>   | (144)                                   | (150)                    | 6                        |
| <i>of which: Non-core and Legacy Portfolio</i>                                 | (223)                                   | (224)                    | 1                        |
| Net profit / (loss)  | 739                                     | 741                      | (2)                      |
| <i>of which: net profit / (loss) attributable to shareholders</i>              | 738                                     | 740                      | (2)                      |
| <i>of which: net profit / (loss) attributable to preferred noteholders</i>     |   | 0                        | 0                        |
| <i>of which: net profit / (loss) attributable to non-controlling interests</i> | 1                                       | 1                        | 0                        |
| <b>Statement of comprehensive income</b>                                       |   |                          |                          |
| Other comprehensive income   | (566)                                   | (566)                    | 0                        |
| <i>of which: attributable to shareholders</i>                                  | (553)                                   | (553)                    | 0                        |
| <i>of which: attributable to preferred noteholders</i>                         |   | (12)                     | 12                       |
| <i>of which: attributable to non-controlling interests</i>                     | (13)                                    | (1)                      | (12)                     |
| Total comprehensive income   | 173                                     | 175                      | (2)                      |
| <i>of which: attributable to shareholders</i>                                  | 185                                     | 187                      | (2)                      |
| <i>of which: attributable to preferred noteholders</i>                         |   | (12)                     | 12                       |
| <i>of which: attributable to non-controlling interests</i>                     | (12)                                    | 0                        | (12)                     |
| <b>Balance sheet</b>   |   |                          |                          |
| Total assets   | 935,016                                 | 935,353                  | (337)                    |
| Total liabilities  | 880,612                                 | 880,907                  | (295)                    |
| Total equity   | 54,404                                  | 54,445                   | (41)                     |
| <i>of which: equity attributable to shareholders</i>                           | 53,723                                  | 53,764                   | (41)                     |
| <i>of which: equity attributable to preferred noteholders</i>                  |   | 642                      | (642)                    |
| <i>of which: equity attributable to non-controlling interests</i>              | 682                                     | 40                       | 642                      |
| <b>Capital information</b>   |   |                          |                          |
| Common equity tier 1 capital (fully applied)                                   | 30,693                                  | 33,054                   | (2,361)                  |
| Common equity tier 1 capital (phase-in)  | 37,788                                  | 40,059                   | (2,271)                  |
| Going concern capital (fully applied) <sup>1</sup>                             | 39,844                                  | 36,901                   | 2,943                    |
| Going concern capital (phase-in) <sup>1</sup>                                  | 55,593                                  | 51,669                   | 3,924                    |
| Risk-weighted assets (fully applied)   | 222,677                                 | 223,232                  | (555)                    |
| Common equity tier 1 capital ratio (fully applied, %)                          | 13.8                                    | 14.8                     | (1.0)                    |
| Common equity tier 1 capital ratio (phase-in, %)                               | 16.8                                    | 17.7                     | (0.9)                    |
| Going concern capital ratio (fully applied, %) <sup>1</sup>                    | 17.9                                    | 16.5                     | 1.4                      |
| Going concern capital ratio (phase-in, %) <sup>1</sup>                         | 24.7                                    | 22.9                     | 1.8                      |
| Leverage ratio denominator (fully applied)                                     | 870,470                                 | 870,987                  | (517)                    |
| Common equity tier 1 leverage ratio (fully applied)                            | 3.5                                     | 3.8                      | (0.3)                    |
| Going concern leverage ratio (fully applied, %) <sup>1</sup>                   | 4.6                                     | 4.2                      | 0.4                      |
| Going concern leverage ratio (phase-in, %) <sup>1</sup>                        | 6.4                                     | 5.9                      | 0.5                      |

<sup>1</sup> Based on the revised Swiss SRB framework that became effective on 1 July 2016.

| As of or for the quarter ended 30.9.16 |                          |                          | As of or for the quarter ended 31.12.15 |                          |                          |
|--|--------------------------|--------------------------|---|--------------------------|--------------------------|
| UBS Group AG<br>(consolidated)         | UBS AG<br>(consolidated) | Difference<br>(absolute) | UBS Group AG<br>(consolidated)          | UBS AG<br>(consolidated) | Difference<br>(absolute) |
| 7,029                                  | 7,049                    | (20)                     | 6,775                                   | 6,771                    | 4                        |
| 6,152                                  | 6,161                    | (9)                      | 6,541                                   | 6,543                    | (2)                      |
| 877                                    | 888                      | (11)                     | 234                                     | 228                      | 6                        |
| 504                                    | 502                      | 2                        | 344                                     | 342                      | 2                        |
| 320                                    | 313                      | 7                        | 14                                      | 8                        | 6                        |
| 453                                    | 454                      | (1)                      | 355                                     | 356                      | (1)                      |
| 104                                    | 104                      | 0                        | 171                                     | 171                      | 0                        |
| 161                                    | 155                      | 6                        | 80                                      | 83                       | (3)                      |
| (665)                                  | (640)                    | (25)                     | (729)                                   | (732)                    | 3                        |
| (218)                                  | (216)                    | (2)                      | (345)                                   | (349)                    | 4                        |
| 30                                     | 53                       | (23)                     | (56)                                    | (54)                     | (2)                      |
| (477)                                  | (476)                    | (1)                      | (329)                                   | (329)                    | 0                        |
| 829                                    | 847                      | (18)                     | 950                                     | 951                      | (1)                      |
| 827                                    | 846                      | (19)                     | 949                                     | 950                      | (1)                      |
|  | 0                        | 0                        |   | 0                        | 0                        |
| 1                                      | 1                        | 0                        | 1                                       | 1                        | 0                        |
| (637)                                  | (638)                    | 1                        | 214                                     | 214                      | 0                        |
| (643)                                  | (643)                    | 0                        | 177                                     | 177                      | 0                        |
|  | 4                        | (4)                      |   | 35                       | (35)                     |
| 5                                      | 1                        | 4                        | 37                                      | 2                        | 35                       |
| 191                                    | 210                      | (19)                     | 1,164                                   | 1,165                    | (1)                      |
| 184                                    | 203                      | (19)                     | 1,126                                   | 1,126                    | 0                        |
|  | 4                        | (4)                      |   | 35                       | (35)                     |
| 7                                      | 3                        | 4                        | 38                                      | 3                        | 35                       |
| 935,206                                | 935,683                  | (477)                    | 942,819                                 | 943,256                  | (437)                    |
| 881,213                                | 881,433                  | (220)                    | 885,511                                 | 886,013                  | (502)                    |
| 53,993                                 | 54,250                   | (257)                    | 57,308                                  | 57,243                   | 65                       |
| 53,300                                 | 53,556                   | (256)                    | 55,313                                  | 55,248                   | 65                       |
|  | 654                      | (654)                    |   | 1,954                    | (1,954)                  |
| 693                                    | 40                       | 653                      | 1,995                                   | 41                       | 1,954                    |
| 30,254                                 | 32,110                   | (1,856)                  | 30,044                                  | 32,042                   | (1,998)                  |
| 37,207                                 | 38,994                   | (1,787)                  | 40,378                                  | 41,516                   | (1,138)                  |
| 39,003                                 | 35,885                   | 3,118                    |   |                          |                          |
| 54,623                                 | 50,522                   | 4,101                    |   |                          |                          |
| 216,830                                | 217,297                  | (467)                    | 207,530                                 | 208,186                  | (656)                    |
| 14.0                                   | 14.8                     | (0.8)                    | 14.5                                    | 15.4                     | (0.9)                    |
| 16.9                                   | 17.7                     | (0.8)                    | 19.0                                    | 19.5                     | (0.5)                    |
| 18.0                                   | 16.5                     | 1.5                      |   |                          |                          |
| 24.8                                   | 23.0                     | 1.8                      |   |                          |                          |
| 877,313                                | 877,926                  | (613)                    | 897,607                                 | 898,251                  | (644)                    |
| 3.4                                    | 3.7                      | (0.3)                    | 3.3                                     | 3.6                      | (0.3)                    |
| 4.4                                    | 4.1                      | 0.3                      |   |                          |                          |
| 6.2                                    | 5.7                      | 0.5                      |   |                          |                          |

## Currency translation rates

|         | Spot rate |         |          | Average rate <sup>1</sup> |         |          |                    |          |
|---------|-----------|---------|----------|---------------------------|---------|----------|--------------------|----------|
|         | As of     |         |          | For the quarter ended     |         |          | For the year ended |          |
|         | 31.12.16  | 30.9.16 | 31.12.15 | 31.12.16                  | 30.9.16 | 31.12.15 | 31.12.16           | 31.12.15 |
| 1 USD   | 1.02      | 0.97    | 1.00     | 1.01                      | 0.97    | 1.01     | 0.99               | 0.97     |
| 1 EUR   | 1.07      | 1.09    | 1.09     | 1.08                      | 1.09    | 1.09     | 1.09               | 1.06     |
| 1 GBP   | 1.26      | 1.26    | 1.48     | 1.25                      | 1.27    | 1.52     | 1.32               | 1.47     |
| 100 JPY | 0.87      | 0.96    | 0.83     | 0.90                      | 0.95    | 0.83     | 0.91               | 0.80     |

<sup>1</sup> Monthly income statement items of foreign operations with a functional currency other than Swiss franc are translated with month-end rates into Swiss francs. Disclosed average rates for a quarter represent an average of three month-end rates, weighted according to the income and expense volumes of all foreign operations of the Group with the same functional currency for each month. Weighted average rates for individual business divisions may deviate from the weighted average rates for the Group.

## Abbreviations frequently used in our financial reports

|          |   |          |  |           |   |
|----------|---|----------|--|-----------|---|
| <b>A</b> |   | <b>D</b> |  | <b>G</b>  |   |
| ABS      | asset-backed security                     | DBO      | defined benefit obligation                   | GAAP      | generally accepted accounting principles        |
| AGM      | annual general meeting of shareholders    | DCCP     | Deferred Contingent Capital Plan             | GBP       | British pound                                   |
| AIV      | alternative investment vehicle            | DOJ      | Department of Justice                        | GEB       | Group Executive Board                           |
| AMA      | advanced measurement approach             | DTA      | deferred tax asset                           | GIIPS     | Greece, Italy, Ireland, Portugal and Spain      |
| AT1      | additional tier 1                         | DVA      | debit valuation adjustment                   | Group ALM | Group Asset and Liability Management            |
| <b>B</b> |   | <b>E</b> |  | <b>H</b>  |   |
| BCBS     | Basel Committee on Banking Supervision    | EAD      | exposure at default                          | HQLA      | high-quality liquid assets                      |
| BD       | business division                         | EC       | European Commission                          | <b>I</b>  |   |
| BIS      | Bank for International Settlements        | ECB      | European Central Bank                        | IAS       | International Accounting Standards              |
| BoD      | Board of Directors                        | EIR      | effective interest rate                      | IASB      | International Accounting Standards Board        |
| BVG      | Swiss occupational pension plan           | EMEA     | Europe, Middle East and Africa               | IFRS      | International Financial Reporting Standards     |
| <b>C</b> |   | EOP      | Equity Ownership Plan                        | IRB       | internal ratings-based                          |
| CC       | Corporate Center                          | EPS      | earnings per share                           | IRC       | incremental risk charge                         |
| CCAR     | Comprehensive Capital Analysis and Review | ETD      | exchange-traded derivatives                  | ISDA      | International Swaps and Derivatives Association |
| CCF      | credit conversion factor                  | ETF      | exchange-traded fund                         | <b>K</b>  |   |
| CCP      | central counterparty                      | EU       | European Union                               | KPI       | key performance indicator                       |
| CDO      | collateralized debt obligation            | EUR      | euro   | <b>L</b>  |   |
| CDR      | constant default rate                     | EURIBOR  | Euro Interbank Offered Rate                  | LAC       | loss-absorbing capital                          |
| CDS      | credit default swap                       | <b>F</b> |  | LAS       | liquidity-adjusted stress                       |
| CEA      | Commodity Exchange Act                    | FCA      | UK Financial Conduct Authority               | LCR       | liquidity coverage ratio                        |
| CEO      | Chief Executive Officer                   | FCT      | foreign currency translation                 | LGD       | loss given default                              |
| CET1     | common equity tier 1                      | FDIC     | US Federal Deposit Insurance Corporation     | LIBOR     | London Interbank Offered Rate                   |
| CFO      | Chief Financial Officer                   | FINMA    | Swiss Financial Market Supervisory Authority | LRD       | leverage ratio denominator                      |
| CHF      | Swiss franc                               | FRA      | forward rate agreement                       | LTV       | loan-to-value                                   |
| CLN      | credit-linked note                        | FSA      | UK Financial Services Authority              | <b>M</b>  |   |
| CLO      | collateralized loan obligation            | FSB      | Financial Stability Board                    | MTN       | medium-term note                                |
| CMBS     | commercial mortgage-backed security       | FTD      | first to default                             |           |   |
| CVA      | credit valuation adjustment               | FTP      | funds transfer price                         |           |   |
|          |   | FVA      | funding valuation adjustment                 |           |   |
|          |   | FX       | foreign exchange                             |           |   |

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Abbreviations frequently used in our financial reports (continued)

|          |                                    |          |  |          |                               |
|----------|------------------------------------|----------|--|----------|-------------------------------|
| <b>N</b> |                                    | <b>R</b> |  | <b>T</b> |                               |
| NAV      | net asset value                    | RLN      | reference-linked note                  | TBTF     | too big to fail               |
| NPA      | non-prosecution agreement          | RMBS     | residential mortgage-backed security   | TLAC     | total loss-absorbing capacity |
| NRV      | negative replacement value         |          |  | TRS      | total return swap             |
| NSFR     | net stable funding ratio           | RoAE     | return on attributed equity            |          |                               |
|          |                                    | RoE      | return on equity                       | <b>U</b> |                               |
| <b>O</b> |                                    | RoTE     | return on tangible equity              | USD      | US dollar                     |
| OCI      | other comprehensive income         | RV       | replacement value                      |          |                               |
| OTC      | over-the-counter                   | RWA      | risk-weighted assets                   | <b>V</b> |                               |
|          |                                    |          |  | VaR      | value-at-risk                 |
| <b>P</b> |                                    | <b>S</b> |  |          |                               |
| PRA      | UK Prudential Regulation Authority | SE       | structured entity                      |          |                               |
| PRV      | positive replacement value         | SEC      | US Securities and Exchange Commission  |          |                               |
|          |                                    | SEEOP    | Senior Executive Equity Ownership Plan |          |                               |
|          |                                    | SFT      | securities financing transaction       |          |                               |
|          |                                    | SNB      | Swiss National Bank                    |          |                               |
|          |                                    | SRB      | systemically relevant bank             |          |                               |
|          |                                    | SRM      | Single Resolution Mechanism            |          |                               |
|          |                                    | SVaR     | stressed value-at-risk                 |          |                               |



**Cautionary Statement Regarding Forward-Looking Statements** | This report contains statements that constitute “forward-looking statements,” including but not limited to management’s outlook for UBS’s financial performance and statements relating to the anticipated effect of transactions and strategic initiatives on UBS’s business and future development. While these forward-looking statements represent UBS’s judgments and expectations concerning the matters described, a number of risks, uncertainties and other important factors could cause actual developments and results to differ materially from UBS’s expectations. These factors include, but are not limited to: (i) the degree to which UBS is successful in executing its announced strategic plans, including its cost reduction and efficiency initiatives and its targets for risk-weighted assets (RWA) and leverage ratio denominator (LRD), and the degree to which UBS is successful in implementing changes to its wealth management businesses to meet changing market, regulatory and other conditions; (ii) continuing low or negative interest rate environment, developments in the macroeconomic climate and in the markets in which UBS operates or to which it is exposed, including movements in securities prices or liquidity, credit spreads, and currency exchange rates, and the effects of economic conditions, market developments, and geopolitical tensions on the financial position or creditworthiness of UBS’s clients and counterparties as well as on client sentiment and levels of activity; (iii) changes in the availability of capital and funding, including any changes in UBS’s credit spreads and ratings, as well as availability and cost of funding to meet requirements for debt eligible for total loss-absorbing capacity (TLAC); (iv) changes in or the implementation of financial legislation and regulation in Switzerland, the US, the UK and other financial centers that may impose, or result in, more stringent capital, TLAC, leverage ratio, liquidity and funding requirements, incremental tax requirements, additional levies, limitations on permitted activities, constraints on remuneration, constraints on transfers of capital and liquidity and sharing of operational costs across the Group or other measures, and the effect these would have on UBS’s business activities; (v) uncertainty as to when and to what degree the Swiss Financial Market Supervisory Authority (FINMA) will approve, or confirm, limited reductions of gone concern requirements due to measures to reduce resolvability risk; (vi) the degree to which UBS is successful in implementing further changes to its legal structure to improve its resolvability and meet related regulatory requirements, including changes in legal structure and reporting required to implement US enhanced prudential standards, implementing a service company model, completing the transfer of the Asset Management business to a holding company, and the potential need to make further changes to the legal structure or booking model of UBS Group in response to legal and regulatory requirements relating to capital requirements, resolvability requirements and proposals in Switzerland and other jurisdictions for mandatory structural reform of banks or systemically important institutions and the extent to which such changes have the intended effects; (vii) the uncertainty arising from the timing and nature of the UK exit from the EU and the potential need to make changes in UBS’s legal structure and operations as a result of it; (viii) changes in UBS’s competitive position, including whether differences in regulatory capital and other requirements among the major financial centers will adversely affect UBS’s ability to compete in certain lines of business; (ix) changes in the standards of conduct applicable to our businesses that may result from new regulation or new enforcement of existing standards, including recently enacted and proposed measures to impose new and enhanced duties when interacting with customers and in the execution and handling of customer transactions; (x) the liability to which UBS may be exposed, or possible constraints or sanctions that regulatory authorities might impose on UBS, due to litigation, contractual claims and regulatory investigations, including the potential for disqualification from certain businesses or loss of licenses or privileges as a result of regulatory or other governmental sanctions, as well as the effect that litigation, regulatory and similar matters have on the operational risk component of our RWA; (xi) the effects on UBS’s cross-border banking business of tax or regulatory developments and of possible changes in UBS’s policies and practices relating to this business; (xii) UBS’s ability to retain and attract the employees necessary to generate revenues and to manage, support and control its businesses, which may be affected by competitive factors including differences in compensation practices; (xiii) changes in accounting or tax standards or policies, and determinations or interpretations affecting the recognition of gain or loss, the valuation of goodwill, the recognition of deferred tax assets and other matters; (xiv) limitations on the effectiveness of UBS’s internal processes for risk management, risk control, measurement and modeling, and of financial models generally; (xv) whether UBS will be successful in keeping pace with competitors in updating its technology, including development of digital channels and tools, and in our trading businesses; (xvi) the occurrence of operational failures, such as fraud, misconduct, unauthorized trading, financial crime, cyber-attacks, and systems failures; (xvii) restrictions on the ability of UBS Group AG to make payments or distributions, including due to restrictions on the ability of its subsidiaries to make loans or distributions, directly or indirectly, or, in the case of financial difficulties, due to the exercise by FINMA or the regulators of UBS’s operations in other countries of their broad statutory powers in relation to protective measures, restructuring and liquidation proceedings; (xviii) the degree to which changes in regulation, capital or legal structure, financial results or other factors, including methodology, assumptions and stress scenarios, may affect UBS’s ability to maintain its stated capital return objective; and (xix) the effect that these or other factors or unanticipated events may have on our reputation and the additional consequences that this may have on our business and performance. The sequence in which the factors above are presented is not indicative of their likelihood of occurrence or the potential magnitude of their consequences. Our business and financial performance could be affected by other factors identified in our past and future filings and reports, including those filed with the SEC. More detailed information about those factors is set forth in documents furnished by UBS and filings made by UBS with the SEC, including UBS’s Annual Report on Form 20-F for the year ended 31 December 2015. UBS is not under any obligation to (and expressly disclaims any obligation to) update or alter its forward-looking statements, whether as a result of new information, future events, or otherwise.

**Rounding** | Numbers presented throughout this report may not add up precisely to the totals provided in the tables and text. Percentages, percent changes and absolute variances are calculated on the basis of rounded figures displayed in the tables and text and may not precisely reflect the percentages, percent changes and absolute variances that would be calculated on the basis of figures that are not rounded.

**Tables** | Within tables, blank fields generally indicate that the field is not applicable or not meaningful, or that information is not available as of the relevant date or for the relevant period. Zero values generally indicate that the respective figure is zero on an actual or rounded basis. Percentage changes are presented as a mathematical calculation of the change between periods.

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Zurich, 23 February 2017

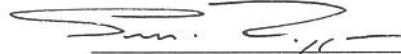
**UBS AG**

By:



(signed by Stefanie Zaromitidis)

By:



(signed by Sebastian Rogge)