UBS

2014 UBS US Resolution Plan

Public Section

July 2014

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1 Introduction

UBS AG is the ultimate parent company of all subsidiaries globally. UBS AG is a Swiss corporation organized as an Aktiengesellschaft (AG), which is a corporation that has issued shares of common stock to investors. Headquartered in Zurich and Basel, Switzerland, UBS is a global institution with offices in more than 50 countries, including all major financial centers, and employs approximately 60,000 people. The UBS Group is comprised of the Corporate Center and five business divisions: Wealth Management, Wealth Management Americas, Retail & Corporate, Global Asset Management, and the Investment Bank. As of 31 December 2013, the UBS Group had consolidated assets of approximately CHF 1,010 billion. Although global in nature, the great majority of UBS's operations are located in three jurisdictions: Switzerland, the United Kingdom and the United States. Accordingly, these three jurisdictions are the focus of UBS's resolution planning.

This resolution plan (the "UBS US RSP") is being filed pursuant to 12 CFR §243 and 12 CFR §381 (together, the "Regulation"). The Regulation defines a "Covered Company" as a "nonbank financial company supervised by the Board [of Governors of the Federal Reserve System] . . . with total consolidated assets of [USD] 50 billion or more." Because UBS's consolidated assets exceed USD 50 billion, UBS AG is a Covered Company under the Regulation. The Regulation requires each Covered Company to periodically submit to the Federal Reserve Board (the "FRB"), the Federal Deposit Insurance Corporation (the "FDIC"), and the Financial Stability Oversight Council (the "Council") a plan for such company's rapid and orderly resolution in the event of material financial distress or failure. The Regulation requires that such resolution plan provide a strategic analysis by the Covered Company of how it can be resolved under the United States Bankruptcy Code (11 U.S.C. §101 *et seq.*) or other applicable insolvency regime in a way that would not pose systemic risk to the financial system. In doing so, the Covered Company must map its Core Business Lines and Critical Operations to Material Entities and provide integrated analyses of its corporate structure; credit and other exposures; funding, capital, and cash flows; the domestic and foreign jurisdictions in which it operates; and its supporting information systems. The key building blocks of any resolution plan, therefore, are the identification of Core Business Lines and Material Entities, each of which are identified below. UBS AG, on behalf of itself and its subsidiaries, submits this public section of the UBS US RSP in compliance with the Regulation.

Except as otherwise specifically required by the Regulation, the information contained in this UBS US RSP relates to the "subsidiaries, branches and agencies, critical operations and core business lines, as applicable, that are domiciled in the United States or conducted in whole or material part in the United States." UBS AG is subject to regulation by financial regulators in multiple jurisdictions. Requirements of the non-US financial regulators relating to recovery and resolution planning differ from those under the Regulation. In particular, this US UBS RSP is focused on planning for the resolution of UBS AG's US operations, whereas planning documentation being provided in other jurisdictions, including UBS AG's home jurisdiction, Switzerland, also contain plans for the recovery of UBS AG in the event of financial distress. Accordingly, the definitions used for, and approach taken in this UBS US RSP may differ from those used / taken with similar plans filed with non-US regulators, but is embedded in a globally consistent resolution strategy. UBS AG anticipates that over time the regulatory approaches will converge.

The UBS US RSP is a component of the overall UBS AG Resolution and Recovery Planning (the "UBS RRP") developed pursuant to the requirements of FINMA, UBS AG's home country and lead regulator. The UBS RRP provides a blueprint for the recovery, restructuring and resolution of UBS AG in the event of material financial distress.

2 Names of Material Entities

A "Material Entity" is defined in the Regulation as "a subsidiary or foreign office of the covered company that is significant to the activities of a critical operation or core business line." The Regulation defines "Critical Operations" as "those operations of the covered company, including associated services, functions and support, the failure or discontinuance of which, in the view of the covered company or as jointly directed by the Board and the Corporation, would pose a threat to the financial stability of the United States." For purposes of this UBS US RSP, Critical Operations for UBS AG US operations were jointly identified by the FRB and the FDIC and communicated to UBS AG. "Core Business Lines" are defined in the Regulation as "those business lines of the covered company, including associated operations, services, functions and support, that, in the view of the covered company, upon failure would result in a material loss of revenue, profit, or franchise value." A description of the Core Business Lines with a connection to the US operations of the UBS Group is provided in sub-section 3 below. While the Material Entities listed below have been designated for resolution planning purposes, such entities do not represent the universe of legal entities that constitute the UBS Group and contribute to its success.

Based upon the Core Business Lines identified by the UBS Group and the Critical Operations designated by the FRB and the FDIC, UBS AG designated the following entities as Material Entities for purposes of the UBS US RSP:

UBS AG New York WMA Branch

UBS AG London Branch[1]

UBS AG Stamford Branch

UBS Bank USA

UBS Financial Services Inc.

UBS Global Asset Management (Americas) Inc.

UBS O'Connor LLC

UBS Realty Investors LLC

UBS Securities LLC

UBS Services LLC

[1] UBS AG London Branch, although a non-US entity, has been designated due to its relationship with and interconnectedness to the Investment Bank.

3 Description of Core Business Lines

As part of its resolution planning activities, UBS AG is required to identify its Core Business Lines; namely, those business lines whose failure could result in a material loss of revenue, profit or franchise value. Three business divisions with US operations collectively operate five Core Business Lines. Wealth Management Americas and Global Asset Management each comprise a separate Core Business Line; the Investment Bank contains three Core Business Lines, as set forth below.

3.1 Wealth Management Americas

The Wealth Management Americas business division includes the domestic US business, the domestic Canadian business and the international business booked in the US. Wealth Management Americas consists of branch networks in the US, Puerto Rico Canada, and Uruguay[2], with 7,137 financial advisors as of 31 December 2013. Wealth Management Americas provides advice-based solutions and banking services through financial advisors who deliver a fully integrated set of products and services specifically designed to address the needs of ultra high net worth and high net worth individuals and families. Wealth Management Americas accounts for 27% of the total staff, after allocation of Corporate Center (described below) employees, and 37% of the invested (i.e. client) assets of the UBS Group.

3.2 Global Asset Management

The Global Asset Management business division ("Global AM") is a large-scale asset manager with diversified businesses across investment capabilities, regions and distribution channels. With approximately 3,700 personnel located in 24 countries, Global AM is truly a global asset manager. It offers investment capabilities and styles across all major traditional and alternative asset classes including equities, fixed income, currencies, hedge funds, real estate, infrastructure and private equity that can also be combined into multi-asset strategies. The fund services unit of Global AM provides professional services, including fund set-up, accounting and reporting for both traditional investment funds and alternative funds.

Global AM is the smallest division by headcount – its personnel amounts to 6% of the UBS total after allocation of Corporate Center (described below) employees. However, as of 31 December 2013, Global AM accounts for 25% (or CHF 583 billion) of UBS invested (i.e. client) assets, of which approximately 70% originated from third-party clients, including institutional clients (e.g. corporate and public pension plans, governments and their central banks) and wholesale clients (e.g. financial intermediaries and distribution partners), and a further 30% originated from the UBS's wealth management businesses.

[2] The branch network in this context refers to the branches of UBS Financial Services Inc.

3.3 Investment Bank

The Investment Bank provides corporate, institutional and wealth management clients with expert advice, innovative financial solutions, outstanding execution and comprehensive access to the world's capital markets. It offers financial advisory and capital markets, research, equities, foreign exchange, precious metals and tailored fixed income services in rates and credit through its two business units, Corporate Client Solutions and Investor Client Services. The Investment Bank is an active participant in capital markets flow activities, including sales, trading and market-making across a range of securities. The Core Business Lines contained within the Investment Bank are:

i. *Corporate Client Solutions ("CCS"):* CCS provides client coverage, advisory, debt and equity capital market solutions and financing solutions for corporate, financial institution and sponsor clients. The main business lines of CCS are: Advisory, Equity Capital Markets, Debt Capital Markets, Financing Solutions and Risk Management. CCS works closely with Investor Client Services ("ICS") in the distribution and risk management of capital market products.

ii. *ICS Equities ("ICS Equities"):* ICS Equities provides a full front-to-back product suite globally, including financing, execution, clearing and custody services to hedge funds, asset managers, wealth management advisors, financial institutions and sponsors, pension funds, sovereign wealth funds and corporations globally. The ICS Equities Core Business Line distributes, structures, executes, finances and clears cash equity and equity derivative products. Research capabilities within the ICS Equities Core Business Line provide in-depth investment analysis on companies, sectors, regions, macroeconomic trends, public policy and asset-allocation strategies. The main business lines of the ICS Equities Core Business Line are: Cash, Derivatives and Financing Services.

iii. *ICS Foreign Exchange ("ICS FX"):* ICS FX consists of UBS's leading foreign exchange franchise and market-leading precious metals business. These businesses support execution, distribution and risk management related to corporate and institutional client businesses, and also meet the needs of private wealth management clients via targeted intermediaries.

The Investment Bank accounts for 24% of the consolidated total assets of UBS. The Investment Bank employs approximately 11,600 staff (or 19% of the UBS total) after allocation of Corporate Center (described below) employees.

4 Summary financial information on assets, liabilities, capital and major funding sources

The assets, liabilities, capital and major funding sources of the consolidated organization are set forth in UBS AG's Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the year ending 31 December 2013 (the "Annual Report"). An electronic copy of the Annual Report can be found on Edgar at http://www.sec.gov/Archives/edgar/data/1114446/000119312514099050/d689466d20f.htm. Please refer to pages 66 to 97 of the Annual Report for a detailed description of financial and operating results of UBS AG and its subsidiaries. Please refer to pages 98 to 138 of the Annual Report for a detailed description of financial and operating results by business division. Please refer to the consolidated financial statements and the accompanying Notes on pages 345-505 of the Annual Report for detailed consolidated financial statements of UBS AG and its subsidiaries as of 31 December 2013.

For ease of reference, reproduced below are the Balance Sheet and Income Statements from the UBS AG 2013 Annual Report.

Table 1: UBS AG Balance Sheet Statement as of 31 December 2013

Balance Sheet

			% change from
CHF million	31.12.13	31.12.12	31.12.12
Assets			
Cash and balances with central banks	80,879	66,383	22
Due from banks	17,170	21,220	(19)
Cash collateral on securities borrowed	27,496	37,372	(26)
Reverse repurchase agreements	91,563	130,941	(30)
Trading portfolio assets	122,848	160,564	(23)
of which: assets pledged as collateral which may be sold or repledged by counterparties	*42,449*	*44,698*	*(5)*
Positive replacement values	245,835	418,957	(41)
Cash collateral receivables on derivative instruments	28,007	30,413	(8)
Financial assets designated at fair value	7,364	9,106	(19)
Loans	286,959	279,901	3
Financial investments available-for-sale	59,525	66,230	(10)
Investments in associates	842	858	(2)
Property and equipment	6,006	6,004	0
Goodwill and intangible assets	6,293	6,461	(3)
Deferred tax assets	8,845	8,143	9
Other assets	20,228	17,244	17
Total assets	**1,009,860**	**1,259,797**	**(20)**
Liabilities			
Due to banks	12,862	23,024	(44)
Cash collateral on securities lent	9,491	9,203	3
Repurchase agreements	13,811	38,557	(64)
Trading portfolio liabilities	26,609	34,247	(22)
Negative replacement values	239,953	395,260	(39)
Cash collateral payables on derivative instruments	49,138	71,148	(31)
Financial liabilities designated at fair value	69,901	91,901	(24)
Due to customers	390,825	373,459	5
Debt issued	81,586	104,837	(22)
Provisions	2,971	2,536	17
Other liabilities	62,777	66,523	(6)

Balance Sheet			
			% change from
CHF million	31.12.13	31.12.12	31.12.12
Total liabilities	**959,925**	**1,210,697**	**(21)**
Equity			
Share capital	384	384	0
Share premium	33,952	33,898	0
Treasury shares	(1,031)	(1,071)	(4)
Equity classified as obligation to purchase own shares	(46)	(37)	24
Retained earnings	24,475	21,297	15
Cumulative net income recognized directly in equity, net of tax	(9,733)	(8,522)	14
Equity attributable to UBS shareholders	**48,002**	**45,949**	**4**
Equity attributable to preferred noteholders	1,893	3,109	(39)
Equity attributable to non-controlling interests	41	42	(2)
Total equity	**49,936**	**49,100**	**2**
Total liabilities and equity	**1,009,860**	**1,259,797**	**(20)**

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Table 2: UBS AG Income Statement as of 31 December 2013

Income statement				
	For the year ended			% change from
CHF million	31.12.13	31.12.12	31.12.11	31.12.12
Interest income	13,137	15,968	17,969	(18)
Interest expense	(7,351)	(9,990)	(11,143)	(26)
Net interest income	5,786	5,978	6,826	(3)
Credit loss (expense) / recovery	(50)	(118)	(84)	(58)
Net interest income after credit loss expense	5,736	5,860	6,742	(2)
Net fee and commission income	16,287	15,396	15,236	6
Net trading income	5,130	3,526	4,343	45
of which: net trading income excluding own credit	*5,413*	*5,728*	*2,806*	*(5)*
of which: own credit on financial liabilities designated at fair value	*(283)*	*(2,202)*	*1,537*	*(87)*
Other income	580	641	1,467	(10)
Total operating income	**27,732**	**25,423**	**27,788**	**9**
Personnel expenses	15,182	14,737	15,634	3
General and administrative expenses	8,380	8,653	5,959	(3)
Depreciation and impairment of property and equipment	816	689	761	18
Impairment of goodwill	0	3,030	0	(100)
Amortization and impairment of intangible assets	83	106	127	(22)
Total operating expenses	**24,461**	**27,216**	**22,482**	**(10)**
Operating profit / (loss) before tax	3,272	(1,794)	5,307	
Tax expense / (benefit)	(110)	461	901	
Net profit / (loss)	3,381	(2,255)	4,406	
Net profit / (loss) attributable to preferred noteholders	204	220		(7)
Net profit / (loss) attributable to non-controlling interests	5	5	268	0
Net profit / (loss) attributable to UBS shareholders	**3,172**	**(2,480)**	**4,138**	
Comprehensive income				
Total comprehensive income	2,524	(1,767)	5,632	
Total comprehensive income attributable to preferred noteholders	559	179		212

Income statement				
	For the year ended			% change from
CHF million	31.12.13	31.12.12	31.12.11	31.12.12
Total comprehensive income attributable to non-controlling interests	4	20	560	(80)
Total comprehensive income attributable to UBS shareholders	**1,961**	**(1,966)**	**5,071**	

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5 Description of derivative and hedging activities

In 2009, the G20[3] countries committed to require all standardized over-the-counter (OTC) derivative contracts to be traded on exchanges or trading facilities and cleared through central counterparties by the end of 2012. This commitment is being implemented through the Dodd-Frank Act in the US and corresponding legislation in the European Union, Switzerland and other jurisdictions, and will have a significant impact on the OTC derivatives business of UBS AG and its subsidiaries and business lines, primarily in the Investment Bank. For example, we expect that, as a rule, the shift of OTC derivatives trading to a central clearing model will tend to reduce profit margins in these products, although some market participants may be able to offset this effect with higher trading volumes in commoditized products.

5.1 Types of derivative instruments

The UBS Group uses the following derivative financial instruments for both trading and hedging purposes. Through the use of the products listed below, the UBS Group is engaged in extensive high volume market-making and client facilitation trading referred to as the flow business. Measurement techniques applied to determine the fair value of each product type are described in "Note 24 Fair Value measurement" which may be found at pages 426 to 448 of the Annual Report.

The main types of derivative instruments used by UBS are described below and in the Annual Report at pages 399 to 400:

- *Swaps:* Swaps are transactions in which two parties exchange cash flows on a specified notional amount for a predetermined period.
- *Cross-currency swaps:* Cross-currency swaps involve the exchange of interest payments based on two different currency principal balances and reference interest rates and generally also entail exchange of principal amounts at the start or end of the contract. Most cross-currency swaps are traded in the OTC market.
- *Forwards and futures:* Forwards and futures are contractual obligations to buy or sell financial instruments or commodities on a future date at a specified price. Forward contracts are tailor-made agreements that are transacted between counterparties in the OTC market, whereas futures are standardized contracts transacted on regulated exchanges.
- *Options and warrants*: Options and warrants are contractual agreements under which, typically, the seller (writer) grants the purchaser the right, but not the obligation, either to buy (call option), or to sell (put option) at, or before, a set date, a specified quantity of a financial instrument or commodity at a predetermined price. The purchaser pays a premium to the seller for this right. Options involving more complex payment structures are also transacted. Options may be traded in the OTC market, or on a regulated exchange, and may be traded in the form of a security (warrant).

The main products and underlyings used by the UBS are:

- *Interest rate contracts:* Interest rate products include interest rate swaps, forward rate agreements, swaptions and caps and floors.

[3] The G20 is a group of finance ministers and central bank governors from the following 20 major economies: Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Mexico, Russia, Saudi Arabia, South Africa, South Korea, Turkey, the United Kingdom, the United States and the European Union.

- *Credit derivative contracts:* Credit default swaps (CDS) are the most common form of a credit derivative, under which the party buying protection makes one or more payments to the party selling protection in exchange for an undertaking by the seller to make a payment to the buyer following the occurrence of a contractually defined credit event with respect to a specified third-party credit entity. Settlement following a credit event may be a net cash amount, or cash in return for physical delivery of one or more obligations of the credit entity, and is made regardless of whether the protection buyer has actually suffered a loss. After a credit event and settlement, the contract is generally terminated. More information on credit derivatives is included below.
- *Total return swaps:* Total return swaps (TRS) are structured with one party making payments based on a set rate, either fixed or variable, plus any negative changes in fair value of an underlying asset, and the other party making payments based on the return of the asset, which includes both income it generates and any positive changes in its fair value.
- *Foreign exchange contracts:* Foreign exchange contracts include spot, forward and cross-currency swaps and options and warrants. Forward purchase and sale currency contracts are typically executed to meet client needs and for trading and hedging purposes.
- *Equity / Index contracts:* The UBS Group uses equity derivatives linked to single names, indices and baskets of single names and indices. The indices used may be based on a standard market index, or may be defined by UBS. The product types traded include vanilla listed derivatives, both options and futures, total return swaps, forwards and exotic OTC contracts.
- *Commodities contracts:* The UBS Group has an established commodity derivatives trading business, which includes the commodity index, the structured business and the flow business. The index and structured business are client facilitation businesses trading exchange-traded funds, OTC swaps and options on commodity indices. The underlying indices cover third-party and UBS defined indices such as the UBS Bloomberg Constant Maturity Commodity Index and the Dow Jones UBS Commodity indices. The flow business is client-centric and incorporates both ETD and vanilla OTC products, for which the underlying covers the agriculture, base metals and energy sectors. All of the flow trading is cash-settled with no physical delivery of the underlying commodity. The UBS Group also has an established precious metals ability in both flow and non-vanilla OTC products incorporating both physical and non-physical trading. The flow business is investor led and products include ETD, vanilla OTC and certain non-vanilla OTC. The vanilla OTC are in forwards, swaps and options.

Derivative instruments are transacted in many trading portfolios, which generally include several types of instruments, not just derivatives. The market risk of derivatives is predominantly managed and controlled as an integral part of the market risk of these portfolios. The UBS Group's approach to market risk is described in the audited portions of "Market risk" in the "Risk management and control" section of the 2013 Annual Report at pages 188 to 204.

Derivative instruments are transacted with many different counterparties, most of whom are also counterparties for other types of business. The credit risk of derivatives is managed and controlled in the context of UBS's overall credit exposure to each counterparty. UBS's approach to credit risk is described in the audited portions of "Credit risk" in the "Risk management and control" section of the 2013 Annual Report at pages 163 to 187. It should be noted that, although the positive replacement values shown on the balance sheet can be an important component of the UBS Group's credit exposure, the positive replacement values for a counterparty are rarely an adequate reflection of the UBS Group's credit exposure in its derivatives business with that counterparty. This is, for example, because on one hand, replacement values can increase over time ("potential future exposure"), while on the other hand, exposure may be mitigated by entering into master netting agreements and bilateral collateral arrangements with other counterparties. Both the exposure measures used internally by the UBS Group to control credit risk and the capital requirements imposed by regulators reflect these additional factors.

The replacement values presented on the UBS's balance sheet include netting in accordance with International Financial Reporting Standards requirements (refer to "Note 1a) 35) Netting" on page 375 of the Annual Report), which is generally more restrictive than netting in accordance with the Swiss Federal Banking Law. Swiss Federal Banking Law netting is generally based on close-out netting arrangements that are enforceable in case of insolvency. The positive and negative replacement values based on netting in accordance with the Swiss Federal Banking Law (factoring in cash collateral) are presented on the bottom of the table below.

The notional amount of a derivative is generally the quantity of the underlying instrument on which the derivative contract is based and is the reference against which changes in the value of the derivative are measured. Notional values, in themselves, are generally not a direct indication of the values which are exchanged between parties, and are therefore not a direct measure of risk or financial exposure, but are viewed as an indication of the scale of the different types of derivatives entered into by the UBS Group.

Table 3: Derivative instruments

Derivative instruments [1]										
	31.12.13					31.12.12				
CHF billion	Total PRV [2]	Notional values related to PRVs [3]	Total NRV [4]	Notional values related to NRVs [3]	Other notional values [3, 5]	Total PRV [2]	Notional values related to PRVs [3]	Total NRV [4]	Notional values related to NRVs [3]	Other notional values [3, 5]
Interest rate contracts										
Over-the-counter (OTC) contracts										
Forward contracts [6]	0.2	123.7	0.2	107.1	1,944.2	0.8	481.0	0.8	443.8	1,329.6
Swaps	104.3	2,243.5	91.7	2,098.5	14,162.8	223.3	3,933.5	196.1	3,789.2	14,276.3
Options[7]	25.2	928.8	25.3	900.3	0.0	41.8	1,193.7	42.2	1,181.5	0.0
Exchange-traded contracts										
Futures					492.0					759.0
Options	0.0	0.2	0.1	1.8	287.5	0.0	3.0	0.0	0.0	725.5
Agency transactions [8]	0.1		0.0			0.0		0.0		
Total	129.8	3,296.2	117.2	3,107.7	16,886.5	266.0	5,611.3	239.1	5,414.5	17,090.4
Credit derivative contracts										
Over-the-counter (OTC) contracts										
Credit default swaps	18.1	541.7	16.9	527.0	203.3	36.5	1092.0	34.0	1,043.3	238.9
Total return swaps	0.2	3.1	0.2	3.1	0.0	0.4	2.4	0.4	3.3	0.0
Options and warrants	0.0	3.6	0.0	0.1	0.0	0.0	3.1	0.0	0.5	0.0
Total	18.3	548.4	17.0	530.1	203.3	36.9	1,097.6	34.4	1,047.1	238.9
Foreign exchange contracts										
Over-the-counter (OTC) contracts										
Forward contracts	12.4	661.2	13.4	667.9	0.0	12.3	690.8	12.5	689.6	0.0
Interest and currency swaps	54.2	1,924.0	57.4	1,858.1	0.0	76.9	2,382.0	80.9	2,193.2	0.0
Options[7]	9.3	494.0	9.4	455.5	0.0	6.8	411.8	7.6	348.0	0.0
Exchange-traded contracts										
Futures					7.2					13.8
Options	0.0	5.4	0.0	6.1	0.0	0.0	0.6	0.0	0.6	0.0
Agency transactions [8]	0.1		0.1			0.0		0.0		
Total	76.0	3,084.4	80.3	2,987.6	7.2	96.0	3,485.1	101.0	3,231.4	13.8
Equity / index contracts										
Over-the-counter (OTC) contracts										
Forward contracts	3.2	45.9	4.6	59.2	0.0	2.7	41.7	3.3	47.0	0.0
Options	7.7	74.7	9.3	103.1	0.0	8.4	84.8	7.4	98.3	0.0
Exchange-traded contracts										
Futures					25.7					16.6
Options	3.1	110.8	4.0	112.4	7.2	2.4	94.9	3.3	106.8	17.7
Agency transactions [8]	4.0		4.0			2.4		2.4		
Total	18.1	231.4	21.9	274.7	32.9	15.9	221.4	16.4	252.1	34.3

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	31.12.13					31.12.12				
CHF billion	Total PRV [2]	Notional values related to PRVs [3]	Total NRV [4]	Notional values related to NRVs [3]	Other notional values [3, 5]	Total PRV [2]	Notional values related to PRVs [3]	Total NRV [4]	Notional values related to NRVs [3]	Other notional values [3, 5]
Commodities contracts										
Over-the-counter (OTC) contracts										
Forward contracts	1.5	19.5	1.3	14.7	0.0	1.4	22.9	1.4	21.8	0.0
Options[7]	1.0	12.9	0.9	9.4	0.0	1.0	25.2	1.2	21.7	0.0
Exchange-traded contracts										
Futures					11.1					14.4
Forward contracts	0.0	9.7	0.1	8.2	0.0	0.4	23.3	0.4	21.2	0.0
Options	0.0	0.6	0.1	2.3	0.2	0.1	6.4	0.1	7.0	1.2
Agency transactions [8]	0.9		0.9			0.9		0.9		
Total	3.5	42.7	3.2	34.6	11.3	3.8	77.9	4.0	71.7	15.6
Unsettled purchases of non-derivative financial assets [9]	0.1	19.6	0.1	8.9	0.0	0.2	20.4	0.1	8.7	0.0
Unsettled sales of non-derivative financial assets [9]	0.1	12.7	0.2	15.2	0.0	0.1	8.9	0.2	19.0	0.0
Total derivative instruments, based on IFRS netting	245.8	7,235.5	240.0	6,958.7	17,141.2	419.0	10,522.6	395.3	10,044.4	17,392.9
Replacement value netting, based on capital adequacy rules	(185.0)		(185.0)			(327.3)		(327.3)		
Cash collateral netting, based on capital adequacy rules	(27.9)		(14.2)			(49.4)		(17.4)		
Total derivative instruments, based on capital adequacy netting [10]	32.9		40.7			42.3		50.5		

1 Bifurcated embedded derivatives are presented on the same balance sheet line as their host contracts and are excluded from this table. As of 31 December 2013, these derivatives amounted to a PRV of CHF 0.2 billion (related notional values of CHF 6.7 billion) and an NRV of CHF 0.4 billion (related notional values of CHF 12.8 billion). In 2013, comparative period figures were corrected. On a corrected basis, as of 31 December 2012, these derivatives amounted to a PRV of CHF 0.2 billion (related notional values of CHF 6.5 billion) and an NRV of CHF 0.3 billion (related notional values of CHF 13.2 billion).
2 PRV: Positive replacement value. 3 In cases where replacement values are presented on a net basis on the balance sheet, the respective notional values of the netted replacement values are still presented on a gross basis. 4 NRV: Negative replacement value. 5 Other notional values related to derivatives which are cleared through either a central clearing counterparty or an exchange. The fair value of these derivatives is presented on the balance sheet net of the corresponding cash margin under Cash collateral receivables on derivative instruments and Cash collateral payables on derivatives instruments, totaling as of 31 December CHF 0.8 billion (31 December 2012: CHF 0.9 billion) and CHF 0.0 billion (31 December 2012: CHF 0.0 billion), respectively. 6 Negative replacement values as of 31 December 2013 include CHF 0.0 billion related to derivative loan commitments (31 December 2012: CHF 0.1 billion). No notional amounts related to these replacement values are included in the table. The maximum irrevocable amount related to these commitments was CHF 7.1 billion as of 31 December 2013 (31 December 2012: CHF 6.3 billion). 7 In 2013, the classification of certain PRV and NRV between OTC interest rate options and OTC foreign exchange options was corrected for 31 December 2012. As a result, for OTC interest rate options, PRV were reduced by CHF 1.8 billion (associated notional values: reduced by CHF 16.7 billion) and NRV were reduced by CHF 2.4 billion (associated notional values: reduced by CHF 18.7 billion) with corresponding increases made to OTC foreign exchange options. In addition, corrections were made to 31 December 2012 notional values for OTC commodities options. Respective notional values related to PRV were reduced by CHF 10.0 billion and notional values related to NRV were reduced by CHF 20.0 billion. 8 Notional values of exchange-traded agency transactions are not disclosed due to their significantly different risk profile. 9 Changes in the fair value of purchased and sold non-derivative financial assets between trade date and settlement date are recognized as replacement values. 10 Includes the impact of netting agreements (including cash collateral) in accordance with Swiss Federal Banking law.

5.2 Derivatives transacted for trading purposes

Most of the Group's derivative transactions relate to sales and trading activities. Sales activities include the structuring and marketing of derivative products to customers to enable them to take, transfer, modify, or reduce, current or expected risks. Trading activities include market making to directly support the facilitation and execution of client activity. Market making involves quoting bid and offer prices to other market participants with the intention of generating revenues based on spread and volume.

UBS is an active dealer in the fixed income market, including CDS and related products, with respect to a large number of issuers' securities. The primary purpose of these activities is for the benefit of UBS's clients through market-making activities and for the ongoing hedging of trading book exposures.

Market-making activity, which is done within the Investment Bank, consists of buying and selling single-name CDS, index CDS, loan CDS and related referenced cash instruments to facilitate client trading activity. UBS also actively utilizes CDS to economically hedge specific counterparty risks in its accrual loan portfolio and off-balance sheet loan portfolio (including loan commitments) with the aim of reducing concentrations in individual names, sectors or specific portfolios.

In addition, UBS actively utilizes CDS to economically hedge specific counterparty credit risks in its OTC derivative portfolios including financial instruments which are designated at fair value through profit or loss.

During 2012, UBS announced an Investment Bank strategy change which resulted in a focus on certain types of client facilitation business and resulted in reduced market-making activity. As a result, CDS were increasingly used for economic hedging purposes. In 2013, large portfolios of credit derivatives including structured credit products were transferred to and are now managed and reported in Corporate Center – Non Core. These positions are being actively unwound and CDS is used to continue to manage the underlying exposures.

The tables below provide further details on credit protection bought and sold, including replacement and notional value information by instrument type and counterparty type. The value of protection bought and sold is not, in isolation, a meaure of UBS's credit risk. Counterparty relationships are viewed in terms of outstanding credit risk, which relates to other instruments in addition to CDS, and in connection with collateral arrangements in place. On a notional basis, credit protection bought and sold as of 31 December 2013 matures in a range of approximately 22% (2012: 22%) within one year, approximately 72% (2012: 69%) within one to five years and approximately 6% (2012: 8%) after five years.

Table 4: Credit derivatives

Credit derivatives – by type of instrument

CHF billion	Protection bought Fair value: PRV	Protection bought Fair value: NRV	Protection bought Notional values	Protection sold Fair value: PRV	Protection sold Fair value: NRV	Protection sold Notional values
Single-name credit default swaps	5.1	9.2	488.2	8.7	4.1	450.3
Multi-name index linked credit default swaps	1.0	1.9	146.8	2.9	1.1	171.9
Multi-name other credit default swaps	0.4	0.4	9.4	0.1	0.2	5.3
Total rate of return swaps	0.2	0.1	5.4	0.0	0.1	0.8
Options and warrants	0.0	0.0	3.6	0.0	0.0	0.1
Total 31 December 2013	6.6	11.6	653.4	11.7	5.5	628.4
of which: credit derivatives related to economic hedges	6.4	11.2	639.5	11.2	5.2	613.7
of which: credit derivatives related to market-making	0.3	0.4	13.9	0.4	0.3	14.8

CHF billion	Protection bought Fair value: PRV	Protection bought Fair value: NRV	Protection bought Notional values	Protection sold Fair value: PRV	Protection sold Fair value: NRV	Protection sold Notional values
Single-name credit default swaps	14.9	11.1	815.0	11.1	13.1	781.7
Multi-name index linked credit default swaps	6.1	1.5	376.7	2.7	6.0	369.4
Multi-name other credit default swaps	0.8	1.2	17.7	1.0	1.2	13.7
Total rate of return swaps	0.4	0.3	4.2	0.0	0.1	1.5
Options and warrants	0.0	0.0	3.1	0.0	0.0	0.5
Total 31 December 2012	22.1	14.0	1,216.8	14.8	20.4	1,166.7
of which: credit derivatives related to economic hedges	22.0	13.5	1,167.9	14.3	20.3	1,117.3
of which: credit derivatives related to market-making	0.1	0.5	48.9	0.5	0.1	49.4

Credit derivatives by counterparty

CHF billion	Protection bought Fair value: PRV	Protection bought Fair value: NRV	Protection bought Notional values	Protection sold Fair value: PRV	Protection sold Fair value: NRV	Protection sold Notional values
Broker-dealers	1.6	2.9	146.9	3.0	1.5	138.0
Banks	3.7	8.0	377.0	8.1	3.7	370.7
Central clearing counterparties	0.0	0.0	101.5	0.0	0.0	101.8
Other	1.4	0.7	27.9	0.6	0.3	17.8
Total 31 December 2013	6.6	11.6	653.4	11.7	5.5	628.4

CHF billion	Protection bought Fair value: PRV	Protection bought Fair value: NRV	Protection bought Notional values	Protection sold Fair value: PRV	Protection sold Fair value: NRV	Protection sold Notional values
Broker-dealers	5.1	3.0	255.4	3.1	5.5	254.7
Banks	12.8	10.1	752.3	10.8	13.8	741.3
Central clearing counterparties	0.0	0.0	132.6	0.0	0.0	106.3
Other	4.2	1.0	76.4	0.8	1.1	64.5
Total 31 December 2012	22.1	14.0	1,216.8	14.8	20.4	1,166.7

UBS's credit derivatives are usually traded as OTC contracts. Since 2009, in line with the broader derivatives industry, a number of initiatives have been launched in both the US and Europe to establish CCP solutions for

OTC CDS contracts with the aim of reducing counterparty risk. UBS, along with other dealer members, has continued to participate in these initiatives during 2013.

UBS's CDS trades are documented using industry standard forms of documentation published by ISDA or equivalent terms documented in a bespoke (i.e. tailored) agreement. Those forms and agreements use standardized terms that form the basis for market conventions related to the types of credit events that would trigger performance (i.e. payment default, bankruptcy, etc) under a CDS. Those agreements and forms do not contain recourse provisions that would enable UBS to recover from third parties any amounts paid out by UBS (i.e., this is the case where a credit event occurs and UBS is required to make payment under a CDS).

The types of credit events that would require UBS to perform under a CDS contract are subject to agreement between the parties at the time of the transaction. However, nearly all transactions are traded using credit events that are applicable under certain market conventions based on the type of reference entity to which the transaction relates. Applicable credit events by market conventions include bankruptcy, failure to pay, restructuring, obligation acceleration and repudiation/moratorium.

Certain derivative payables contain contingent collateral or termination features triggered upon a downgrade of the published credit rating of the UBS Group in the normal course of business. Based on UBS's credit ratings as of 31 December 2013, additional collateral or termination payments pursuant to bilateral agreements with certain counterparties of approximately CHF 3.3 billion, CHF 5.0 billion and CHF 5.1 billion would have been required in the event of a one-notch, two-notch and three-notch reduction, respectively, in UBS's long-term credit ratings. In evaluating UBS's liquidity requirements, UBS considers additional collateral of termination payments that would be required in the event of a reduction in UBS's long-term credit ratings, and a corresponding reduction in short-term ratings.

5.3 Hedge accounting

The UBS Group uses derivative instruments as part of its risk management activities to manage exposures particularly to interest rate and foreign currency risks, including exposures arising from forecast transactions. If derivative and non-derivative instruments meet certain criteria, they may be designated as hedging instruments in hedges of the change in fair value of recognized assets or liabilities ("fair value hedges"), hedges of the variability in future cash flows attributable to a recognized asset or liability, or highly probable forecast transactions ("cash flow hedges") or hedges of a net investment in a foreign operation ("net investment hedges").

At the time a financial instrument is designated in a hedge relationship, the UBS Group formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objectives and strategy in undertaking the hedge transaction and the methods that will be used to assess the effectiveness of the hedging relationship. Accordingly, the UBS Group assesses, both at the inception of the hedge and on an ongoing basis, whether the hedging instruments, primarily derivatives, have been "highly effective" in offsetting changes in the fair value or cash flows associated with the designated risk of the hedged items. A hedge is considered highly effective if the following criteria are met: a) at inception of the hedge and throughout its life, the hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk, and b) actual results of the hedge are within a range of 80% to 125%. In the case of hedging forecast transactions, the transaction must have a high probability of occurring and must present an exposure to variations in cash flows that could ultimately affect the reported net profit or loss. The UBS Group discontinues hedge accounting voluntarily, or when the UBS Group determines that a hedging instrument is not, or has ceased to be, highly effective as a hedge, when the derivative expires or is sold, terminated or exercised, when the hedged item matures, is sold or repaid or when forecast transactions are no longer deemed highly probable.

Hedge ineffectiveness represents the amount by which the changes in the fair value of the hedging instrument differ from changes in the fair value of the hedged item attributable to the hedged risk, or the amount by which changes in the present value of future cash flows of the hedging instrument exceed changes in the present value of (expected) future cash flows of the hedged item. Such ineffectiveness is recorded in current period earnings in *Net trading income*. Interest income and expense on derivatives designated as hedging instruments in effective hedge relationships is included in *Net interest income*.

6 Memberships in material payment, clearing and settlement systems

6.1 Clearinghouse and exchange memberships

Certain entities owned or controlled by UBS AG are members of numerous securities and derivative exchanges and clearinghouses. In connection with some of those memberships, such entities may be required to pay a share of the financial obligations of another member who defaults, or may otherwise be exposed to additional financial obligations. While the membership rules vary, obligations generally would arise only if the exchange or clearinghouse had exhausted its resources. UBS AG considers the probability of a material loss due to such obligations to be remote.

7 Descriptions of operations

UBS draws on its 150-year heritage to serve private, institutional and corporate clients worldwide, as well as retail clients in Switzerland. UBS's business strategy is centered on its pre-eminent global wealth management businesses and leading universal bank in Switzerland, complemented by its Global Asset Management Business and its Investment Bank. The operational structure of the UBS Group comprises the Corporate Center and five business divisions: Wealth Management, Wealth Management Americas, Retail & Corporate, Global Asset Management and the Investment Bank, .

Wealth Management provides comprehensive financial services to wealthy private clients around the world – except those served by Wealth Management Americas. Its clients benefit from the entire spectrum of UBS resources, ranging from investment management to estate planning and corporate finance advice, in addition to specific wealth management products and services.

Wealth Management Americas provides advice-based solutions and banking services through financial advisors who deliver a fully integrated set of products and services specifically designed to address the needs of ultra high net worth and high net worth individuals and families. It includes the domestic US business, the domestic Canadian business and international business booked in the US.

Retail & Corporate maintains a leading position across retail, corporate and institutional client segments in Switzerland and constitutes a central building block of UBS Switzerland's pre-eminent universal bank model. . It provides comprehensive financial products and services embedded in a true multi-channel experience offering clients convenient access. It continues to enhance the range of life-cycle products and services offered to clients, while pursuing additional growth in advisory and execution serices.

Global Asset Management is a large-scale asset manager with diversified businesses across investment capabilities, regions, and distribution channels. It offers investment capabilities and styles across all major traditional and alternative asset classes, including equities, fixed income, currencies, hedge funds, real estate, infrastructure and private equity that can also be combined into multi-asset strategies. The fund services unit provides professional services including fund set-up, accounting and reporting for traditional investment funds and alternative funds.

The *Investment Bank* provides corporate, institutional and wealth management clients with expert advice, innovative financial solutions, outstanding execution and comprehensive access to the world's capital markets. It offers financial advisory and capital markets, research, equities, foreign exchange, precious metals and tailored fixed income services in rates and credit through its two business units, Corporate Client Solutions and Investor Client Services. The Investment Bank is an active participant in capital markets flow activities, including sales, trading and market-making across a range of securities.

The *Corporate Center* comprises Corporate Center – Core Functions and Corporate Center – Non-core and Legacy Portfolio. Corporate Center – Core Functions provides Group-wide control functions including finance, risk control (including compliance) and legal. In addition, it provides all logistics and support functions, including operations, information technology, human resources, corporate development, regulatory relations and strategic initiatives, communications and branding, corporate real estate and administrative services, procurement, physical security, information security, offshoring and treasury services such as funding, balance sheet and capital management. Corporate Center – Core Functions allocates most of its treasury income, operating expenses and personnel associated with the abovementioned activities to the businesses based on capital and service consumption levels. Corporate Center – Non-core and Legacy Portfolio comprises the non-core businesses and legacy positions previously part of the Investment Bank.

8 Material supervisory authorities

8.1 Regulation and supervision in Switzerland

The Swiss Federal Law on Banks and Savings Banks of 8 November 1934, as amended (Banking Act), and the related Swiss Federal Ordinance on Banks and Savings Bank of 17 May 1972, as amended (Banking Ordinance), provide the legal basis for banking in Switzerland. Based on the license obtained under this framework, UBS may engage in a full range of financial service activities, including retail banking, commercial banking, investment banking and asset management in Switzerland. The Banking Act, Banking Ordinance and the Financial Market Supervision Act of 22 June 2007, as amended, establish a framework for supervision by FINMA, empowering it to issue its own ordinances and circulars, which contribute to shaping the Swiss legal and regulatory framework for banks.

In 2010, the Swiss Federal Council and FINMA incorporated the enhancements to the Basel Capital Accord issued by the Basel Committee on Banking Supervision on 13 July 2009 (so-called Basel 2.5) into the Capital Adequacy Ordinance of 29 September 2006 (and related circular letters). The enhanced capital adequacy rules became effective on 1 January 2011. In autumn 2011, the Swiss Parliament amended the legal framework for banks to address the lessons learned from the financial crisis and, in particular, the “too-big-to-fail” issue. The amended sections are applicable to the largest Swiss banks, including UBS, and contain specific capital requirements and provisions to ensure that systemically relevant functions can be maintained in case of insolvency. In addition, and in line with global requirements, UBS is required to produce and update recovery plans and resolution planning materials aimed at increasing the firm’s resilience further in the case of a crisis, and provide FINMA and other regulators with information on how the firm could be resolved in the event of an unsuccessful recovery. These new sections entered into force on 1 March 2012. Switzerland implemented the Basel III Accord by means of a complete review of the Capital Adequacy Ordinance and related FINMA rules. In addition, a number of other amendments have been made to the Banking Ordinance and the Capital Adequacy Ordinance, which came into effect on 1 January 2013.

The Federal Act of 10 October 1997 on the Prevention of Money Laundering in the Financial Sector defines a common standard for due diligence obligations to prevent money laundering for the whole financial sector.

The legal basis for the investment funds business in Switzerland is the Swiss Federal Act on Collective Investment Schemes (Collective Investment Schemes Act) of 23 June 2006, which came into force on 1 January 2007. FINMA, as supervisory authority for investment funds in Switzerland, is responsible for the authorization and supervision of the institutions and investment funds subject to its control.

In it's capacity as a securities broker and as an issuer of shares listed in Switzerland, UBS is governed by the Federal Act on Stock Exchanges and Securities Trading of 24 March 1995. FINMA is the competent supervisory authority with respect to securities brokering.

FINMA fulfills its statutory supervisory responsibilities through licensing, regulation, monitoring, and enforcement. Generally, prudential supervision in Switzerland is based on a division of tasks between FINMA and authorized audit firms. Under this two-tier supervisory system, FINMA has the responsibility for overall supervision and enforcement measures while the authorized audit firms carry out official duties on behalf of FINMA. The responsibilities of external auditors encompass the audit of financial statements, the risk-based assessment of banks’ compliance with prudential requirements and on-site audits.

UBS is classified as a Swiss systemically relevant bank (SRB) due to its size, complexity, organization and business activities, as well as its importance to the financial system. As a Swiss SRB, UBS AG is subject to more rigorous supervision than other banks. UBS is directly supervised by the FINMA group “Supervision of UBS”, which is supported by teams specifically monitoring investment banking activities, risk management and legal matters, as well as solvency and capital aspects. FINMA's supervisory tools include meetings with management at group and divisional level, reporting requirements encompassing control and business areas, on-site reviews in Switzerland and abroad, and exchanges with internal audit and host supervisors in other jurisdictions. In recent years, FINMA has implemented the recommendations issued by the Financial Stability Board and the Basel Committee on Banking Supervision, and complemented the Supervisory College with the UK Financial Services Authority ("FSA") and the Federal Reserve Bank of New York (“FRBNY”), established in

1998 to promote supervisory cooperation and coordination, with a General Supervisory College – including more than a dozen of UBS host regulatory agencies – and a Crisis Management College which is also attended by representatives from the Swiss National Bank ("SNB") and the Bank of England.

The SNB contributes to the stability of the financial system through macro-prudential measures and monetary policy, also providing liquidity to the banking system. It does not exercise any banking supervision authority and is not responsible for enforcing banking legislation, but works together with FINMA in the following areas: (i) assessment of the soundness of Swiss SRB, (ii) regulations that have a major impact on the soundness of banks, including liquidity, capital adequacy and risk distribution provisions, where they are of relevance for financial stability, and (iii) contingency planning and crisis management. FINMA and the SNB exchange information and share opinions about the soundness of the banking sector and Swiss SRB, and are authorized to exchange information and documents that are not publicly accessible if they require these in order to fulfill their tasks. With regard to Swiss SRB, the SNB may also carry out its own enquiries and request information directly from the banks. In addition, the SNB has been tasked by Parliament with the designation of Swiss SRB and their systemically relevant functions in Switzerland. Currently, UBS, Credit Suisse and, since 1 November 2013, Zürcher Kantonalbank are required to comply with specific Swiss SRB rules.

8.2 Regulation and supervision in the US

UBS's operations in the US are subject to a variety of regulatory regimes. UBS maintains branches and representative offices in several states, including Connecticut, Illinois, New York, California and Florida. These branches are licensed either by the Office of the Comptroller of the Currency (OCC) or the state banking authority of the state in which the branch is located. The representative offices are licensed by the OCC. Each US branch and representative office is subject to regulation and supervision, including on-site examination, and to licensing and supervision by the Board of Governors of the Federal Reserve System (FRS). UBS also maintains state and federally chartered trust companies and a Federal Deposit Insurance Corporation (FDIC)-insured institution (IDI) subsidiary, which are licensed and regulated by state regulators or the OCC. Only the deposits of UBS's IDI, headquartered in the state of Utah, are insured by the FDIC. The regulation of UBS's US branches and subsidiaries imposes activity and prudential restrictions on the business and operations of those branches and subsidiaries, including limits on extensions of credit to a single borrower and on transactions with affiliates.

The licensing authority of each state-licensed US branch of UBS may, in certain circumstances, take possession of the business and property of UBS located in the state of the UBS offices it licenses. Such circumstances generally include violations of law, unsafe business practices and insolvency. As long as UBS maintains one or more federal branches licensed by the OCC, the OCC also has the authority to take possession of all the US operations of UBS under broadly similar circumstances, as well as in the event that a judgment against a federally licensed branch remains unsatisfied. This federal power may pre-empt the state insolvency regimes that would otherwise be applicable to UBS's state-licensed branches. As a result, if the OCC exercised its authority over the US branches of UBS pursuant to federal law in the event of a UBS insolvency, all US assets of UBS would generally be applied first to satisfy creditors of these US branches as a group, and then made available for application pursuant to any Swiss insolvency proceeding.

Because UBS maintains branches in the US, it is subject to oversight regulation and Supervision by the FRS under various laws (including the International Banking Act of 1978, the Federal Reserve Act of 1913 and the Bank Holding Company Act of 1956 (BHCA), each as amended, and related regulations). On 10 April 2000, UBS was designated a "financial holding company" under the BHCA, as amended by the Gramm-Leach-Bliley Act of 1999. Financial holding companies may engage in a broader spectrum of activities than holding companies of US banks or foreign banking organizations that are not financial holding companies. These activities include expanded authority to underwrite and deal in securities and commodities and to make merchant banking investments in commercial and real estate entities. To maintain UBS's financial holding company status, (i) the Group, the US subsidiary federally- chartered trust company (Federal Trust Company) and the IDI are required to meet certain capital ratios, (ii) the US branches, the Federal Trust Company, and the IDI are required to maintain certain examination ratings, and (iii) the IDI is required to maintain a rating of at least "satisfactory" under the Community Reinvestment Act of 1977.

A major focus of US governmental policy relating to financial institutions in recent years has been combating money laundering and terrorist financing. Regulations applicable to UBS and its subsidiaries require the maintenance of effective policies, procedures and controls to detect, prevent and report money laundering and terrorist financing, and to verify the identity of clients. As a result, failure to maintain and implement adequate programs to prevent money laundering and terrorist financing could result in significant legal and reputational risk.

In the US, UBS Securities LLC and UBS Financial Services Inc., as well as UBS's other US-registered broker-dealer subsidiaries, are subject to laws and regulations that cover all aspects of the securities and futures business, including: sales and trading practices, use and safekeeping of clients' funds and securities, capital requirements, record-keeping, financing of clients' purchases of securities and other assets, and the conduct of directors, officers and employees.

These entities are regulated by a number of different government agencies and self-regulatory organizations, including the Securities and Exchange Commission (SEC) and the Financial Industry Regulatory Authority (FINRA). Each entity is also regulated by some or all of the following: the New York Stock Exchange (NYSE), the Municipal Securities Rulemaking Board, the US Department of the Treasury, the Commodities Future Trading Commission (CFTC) and other exchanges of which it may be a member, depending on the specific nature of the respective broker-dealer's business. In addition, the US states and territories have local securities commissions that regulate and monitor activities in the interest of investor protection. These regulators have a variety of sanctions available, including the authority to conduct administrative proceedings that can result in censure, fines, the issuance of cease-and-desist orders or the suspension or expulsion of the broker-dealer or its directors, officers or employees.

FINRA is dedicated to investor protection and market integrity through effective regulation and complementary compliance and technology-based services. FINRA covers a broad spectrum of securities matters, including: registering and educating industry participants, examining securities firms, writing rules, enforcing those rules and the federal securities laws, informing and educating the investing public, providing trade reporting and other industry utilities, and administering a dispute resolution forum for investors and registered firms. It also performs market regulation under contract for the NASDAQ Stock Market and the NYSE. The SEC's mission is to protect investors, maintain fair, orderly, and efficient markets, and facilitate capital formation. The SEC oversees the key participants in the securities world, including securities exchanges, securities brokers and dealers, investment advisors, and mutual funds. UBS Global Asset Management (Americas) Inc, and UBS's other US-registered investment adviser entities, are subject to regulations that cover all aspects of the investment advisory business and are regulated primarily by the SEC. Some of these entities are also registered as commodity trade advisers (CTA) and/or commodity pool operators (CPO) and in connection with their activities as CTA and/or CPO are regulated by the CFTC. To the extent these entities manage plan assets of employee benefit plans subject to the Employee Retirement Income Security Act of 1974, their activities are subject to regulation by the US Department of Labor.

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act) impacts the financial services industry by addressing, among other issues, the following: (i) systemic risk oversight, (ii) bank, bank holding company, and other systemically important financial institution (SIFI) capital and prudential standards, (iii) the resolution and liquidation of failing SIFIs, (iv) over-the-counter derivatives, (v) the ability of deposit-taking banks and their affiliates to engage in proprietary trading activities and invest in hedge funds and private equity (the Volcker Rule), (vi) consumer and investor protection, (vii) hedge fund registration, (viii) securitization, (ix) investment advisors, (x) shareholder "say on pay," and (xi) the role of credit-rating agencies. Many of the provisions of the Dodd-Frank Act will affect the operation of UBS's US banking and non-banking entities, and have extraterritorial reach. The details of the legislation and its impact on UBS's operations depend on the final regulations being adopted by various agencies and oversight boards.

8.3 Regulation and supervision in the UK

With the UK government having separated responsibility for prudential regulation and conduct of business regulation in early 2013, UBS's operations in the UK are mainly regulated by two bodies: the Prudential Regulation Authority (PRA), newly established as an affiliated authority of the Bank of England, and the Financial Conduct Authority (FCA). The PRA’s main objective towards the banking sector is to promote the safety and soundness of UK-regulated financial firms. The FCA is responsible for securing an appropriate degree of consumer protection, protecting the integrity of the UK financial system and promoting effective competition in the interest of consumers.

The PRA and FCA operate a risk-based approach to supervision and have a wide variety of supervisory tools available to them, including regular risk assessments, on-site inspections (which may relate to an industry-wide theme or be firm-specific) and the ability to commission reports by skilled persons (who may be the firm’s auditors, information technology specialists, lawyers or other consultants as appropriate). The UK regulators also have an extremely wide set of sanctions at their disposal, which may be imposed under the Financial Services and Markets Act (FSMA).

Some UBS subsidiaries and affiliates are also regulated by the London Stock Exchange and other UK securities and commodities exchanges of which they are a member. UBS is also subject to the requirements of the UK Panel on Takeovers and Mergers, where relevant.

Financial services regulation in the UK is conducted in accordance with EU directives which require, among other things, compliance with certain capital adequacy standards, client protection requirements and conduct of business rules (such as the Markets in Financial Instruments Directive I). These directives apply throughout the EU and are reflected in the regulatory regimes of the various member states.

9 Principal Officers

The following is a list of the members of the Board of Directors and the Secretary of UBS AG as of 7 May 2014.

Table 5: Principal officers

Name	Nationality	Born	Address	Function in UBS	Year of initial appointment
Axel A. Weber	German	8 March 1957	UBS AG, Bahnhofstrasse 45, CH-8001 Zurich Switzerland	Chairman of the Board of Directors / Chairperson of the Governance and Nominating Committee / Chairperson of the Corporate Responsibility Committee	2012
Michel Demaré	Belgian	31 August 1956	Syngenta International AG, Schwarzwaldallee 215, CH-4058 Basel Switzerland	Independent Vice Chairman of the Board of Directors / member of the Audit Committee / member of the Governance and Nominating Committee / member of the Human Resources and Compensation Committee	2009
David Sidwell	American (US) and British	28 March 1953	UBS AG, Bahnhofstrasse 45, CH-8001 Zurich Switzerland	Senior Independent Director of the Board of Directors / Chairperson of the Risk Committee / member of the Governance and Nominating Committee	2008
Reto Francioni	Swiss	18 August 1955	Deutsche Börse AG, D-60485 Frankfurt am Main Germany	Member of the Corporate Responsibility Committee / member of the Human Resources and Compensation Committee	2013
Ann F. Godbehere	Canadian and British	14 April 1955	UBS AG, Bahnhofstrasse 45, CH-8001 Zurich Switzerland	Chairperson of the Human Resources and Compensation Committee / member of the Audit Committee	2009
Axel P. Lehmann	Swiss	23 March 1959	Zurich Insurance Group, Mythenquai 2, CH-8002 Zurich Switzerland	Member of the Risk Committee	2009
Helmut Panke	German	31 August 1946	UBS AG, Bahnhofstrasse 45, CH-8001 Zurich Switzerland	Member of the Human Resources and Compensation Committee / member of the Risk Committee	2004
William G. Parrett	American (US)	4 June 1945	UBS AG, Bahnhofstrasse 45, CH-8001 Zurich Switzerland	Chairperson of the Audit Committee / member of the Corporate Responsibility Committee	2008
Isabelle Romy	Swiss	4 January 1965	Froriep, Bellerivestrasse 201, CH-8034 Zurich Switzerland	Member of the Audit Committee / member of the Governance and Nominating Committee	2012
Beatrice Weder di Mauro	Swiss and Italian	3 August 1965	Johannes Gutenberg University Mainz, Jakob Welder-Weg 4, D-55099 Mainz Germany	Member of the Audit Committee / member of the Risk Committee	2012
Joseph Yam	Chinese and Hong Kong citizen	9 September 1948	UBS AG, Bahnhofstrasse 45, CH-8001 Zurich Switzerland	Member of the Corporate Responsibility Committee / member of the Risk Committee	2011
Luzius Cameron	Australian and Swiss	11 September 1955	UBS AG, Bahnhofstrasse 45, CH-8001 Zurich Switzerland	Company Secretary	2005

UBS AG operates under a strict dual board structure, as required by Swiss banking law. The management of the business is delegated by the Board of Directors of UBS AG to the UBS Group Executive Board ("GEB"). The GEB assumes overall responsibility for the development of the UBS Group and business division strategies and the implementation of the approved strategies. The following chart provides information on the GEB members as of 1 January 2014.

Name	Nationality	Born	Address	Function in UBS	Year of initial appointment
Sergio P. Ermotti	Swiss	11 May 1960	UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Group Chief Executive Officer	2011
Markus U. Diethelm	Swiss	22 October 1957	UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Group General Counsel	2008
Lukas Gähwiler	Swiss	4 May 1965	UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	CEO UBS Switzerland CEO Retail & Corporate	2010
Ulrich Körner	German and Swiss	25 October 1962	UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	CEO Global Asset Management CEO UBS Group EMEA	2009
Philip J. Lofts	British	9 April 1962	UBS AG, 677 Washington Blvd, Stamford, CT 06901 USA	Group Chief Risk Officer	2008
Robert J. McCann	American (US) and Irish	15 March 1958	UBS AG, 1200 Harbor Blvd, Weehawken, NJ 07086 USA	CEO UBS Group Americas CEO Wealth Management Americas	2009
Tom Naratil	American (US)	1 December 1961	UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Group Chief Financial Officer Group Chief Operating Officer	2011
Andrea Orcel	Italian	14 May 1963	UBS AG Bahnhofstrasse 45, CH 8001 Zurich	CEO Investment Bank	2012
Chi-Won Yoon	Korean	2 June 1959	UBS AG, 2 International Finance Centre 52/F, 8 Finance St, Central, Hong Kong	CEO UBS Group APAC	2009
Jürg Zeltner	Swiss	4 May 1967	UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	CEO UBS Wealth Management	2009

10 Corporate governance structure and processes related to resolution planning

UBS AG adheres to different regulations which – while addressing similar issues – have varying approaches, focus areas and terminology. As a result, the ownership of, and governance over, the different planning activities and deliverables is designed to ensure efficient, effective and consistent resolution planning processes across the different entities within the UBS Group and jurisdictions covered.

UBS AG launched a UBS Group-wide "Too Big To Fail" program (the "TBTF Program") in the second quarter of 2011. After the initial submission of recovery and resolution planning documentation in Switzerland, the US and UK, the program was transitioned to a run-the-bank organization under the Group RRP Office. The Group RRP Office is part of the Group Regulatory Relations & Strategic Initiatives unit, which reports to the Group CEO. A global Group RRP steering committee meets regularly to review the progress of the recovery and resolution planning activities and approve deliverables as necessary. The composition of the global Group RRP steering committee includes Group functions, regions, and divisions that are directly impacted. The composition is regularly reviewed to adjust and amend the membership as the program evolves.

The UBS US RSP was approved by the UBS AG Board of Directors and the UBS Americas Executive Committee. The US Resolution Planning program reports to the Group RRP Office. Additionally, the US Resolution Planning program works with other local programs operating under the auspices of the Group Regulatory Relations & Strategic Initiatives function to ensure that resolution planning issues are addressed within those programs.

Clear roles and responsibilities are defined to ensure effective working processes and compliance with decision-making authorities. These include processes required to prepare, verify, and sign off on recovery and resolution planning materials at global and local levels. This assures that senior management, the global Group RRP steering committee, local steering committees, and where applicable, the GEB and Board of Directors take responsibility for the content of the deliverables, are comfortable that provided information is appropriate and implementation issues are adequately addressed at all levels.

11 Description of material management information systems

UBS Group Technology in the Americas supports the Investment Bank, Wealth Management Americas, Global Asset Management, Wealth Management, Retail & Corporate and the Corporate Center. As well as working in the US, this group covers business lines, products and services which flow across borders globally. UBS Group Technology is housed within a centralized logistics business unit.

The UBS Group deals with a large number of banks, market infrastructures, broker dealers, corporations, custodians and investment managers around the world. Its technology platforms form the backbone of communication between these institutions. The UBS Group has multiple memberships throughout the world: stock exchanges, clearing houses, payment systems, and messaging systems.

In the preparation of the UBS US RSP, the UBS Group identified the key management information systems and applications used for risk management, accounting, and financial and regulatory reporting. The UBS Group has compiled detailed inventories identifying the resolution relevant systems or applications and mapped these systems to Material Entities, Core Business Lines and Critical Operations.

The UBS US RSP further identified the scope, content and frequency of key internal reports (financial, operational, risk management) to run its business and that need to be used in the event of resolution. The UBS Group included processes and protocols designed to permit regulators direct access to such key management information systems in partnership with the UBS Group at a time of financial crisis.

12 High-level description of resolution strategy

In line with global requirements, UBS is required to produce and update recovery plans and resolution planning materials aimed at increasing its resilience in the case of a crisis, and provide FINMA and other regulators with information on how the firm could be resolved in the event of an unsuccessful recovery. UBS supports FINMA's preferred resolution strategy outlined in its position paper: **Resolution of global systemically important banks** issued in August 2013: "FINMA's preferred resolution strategy for these financial groups consists of a resolution led centrally by the home supervisory and resolution authority and focused on the top-level group company. This is called the 'single point of entry' ('SPE') approach. Creditors of the parent bank or top-level holding company bear a share of the losses, allowing the entire financial group to be recapitalised. This recapitalisation must be sufficient to meet the needs of all group companies in Switzerland and abroad. This buys time with regard to restructuring the affected banks so that they can return to viable operation. The fall-back option is a break-up of the group which may include a sale of entities and business lines or a wind-down of the non-viable parts of the group while systemically important functions are preserved."

The UBS US RSP is a component part of the recovery plans and resolution planning materials provided to FINMA. It is designed to be implemented in the event global recovery efforts are exhausted and global recapitalization or global corporate restructuring cannot be successfully executed, or if needed as an integral part of such restructuring.

The UBS US RSP provides a strategic analysis for the rapid and orderly resolution of each of the US Core Business Lines, Critical Operations and Material Entities. As a preliminary matter, the UBS US RSP analyzes which Core Business Lines are salable in recovery or resolution. The focus of the UBS US RSP with respect to Core Business Lines, therefore, is the preservation of the potential value of any salable Core Business Lines. Given the size of the UBS Group’s operations, the range of potential purchasers is likely limited to large financial institutions, and the most likely candidates would be the UBS Group’s competitors, which are identified in the Annual Report. The treatment of Material Entities within the UBS US RSP varies depending upon the nature of the service or product provided and upon whether or not they support a Core Business Line or a Critical Operation. Where an entity is considered material due to its connection with a Core Business Line, the resolution plan contemplates the sale of the entity or its assets as part of a sale of the Core Business Line as a whole, and if such a sale is not effected, the liquidation of the entity. Where an entity is considered material due to its connection to a Critical Operation, the resolution plan contemplates maintaining the entity during the wind-down of the Critical Operation.

The FRB recently approved rules that (i) will require UBS AG to establish an intermediate holding company in the US, and (ii) apply capital and liquidity requirements to that entity. Compliance with these requirements could have an impact on UBS's US RSP strategy. Any such changes will be taken into account in future versions of the UBS US RSP after the IHC is established.

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UBS