



2015 UBS US Resolution Plan

Public Section



Table of Contents

1 Introduction	4
2 Global Resolution Strategy	6
Global Resolution Improvements	7
3 US Resolution Strategy	9
Introduction	9
Resolvability of UBS US Operations	9
Definitions	11
Material Entities	11
Core Business Lines	15
US Strategy Overview	16
4 Recovery and Resolution Planning Governance	20
5 Summary Financial Information on Assets, Liabilities, Capital and Major Funding Sources	21
Balance Sheet Information and Income Statement	21
Capital	23
Liquidity and Funding	24
Funding of US Operations	25
6 Memberships in Material Payment, Clearing and Settlement Systems	26
7 Description of Material Management Information Systems	27
8 Descriptions of Global Operations	29
Wealth Management	29
Wealth Management Americas	29
Retail & Corporate	29
Global Asset Management	29
Investment Bank	30
Corporate Center	30
Financial Information by Business Division	30
9 Description of Derivative and Hedging Activities	31
Derivatives Overview	31
Types of Derivative Instruments	31

Table of contents

UBS Group's Use of Derivatives	32
Derivatives Transacted for Trading Purposes	32
Derivatives Transacted for Hedging Purposes	32
10 Material Supervisory Authorities	33
Regulation and Supervision in Switzerland	33
Regulation and Supervision in the US	34
Regulation and Supervision in the UK	35
11 Principal Officers	36

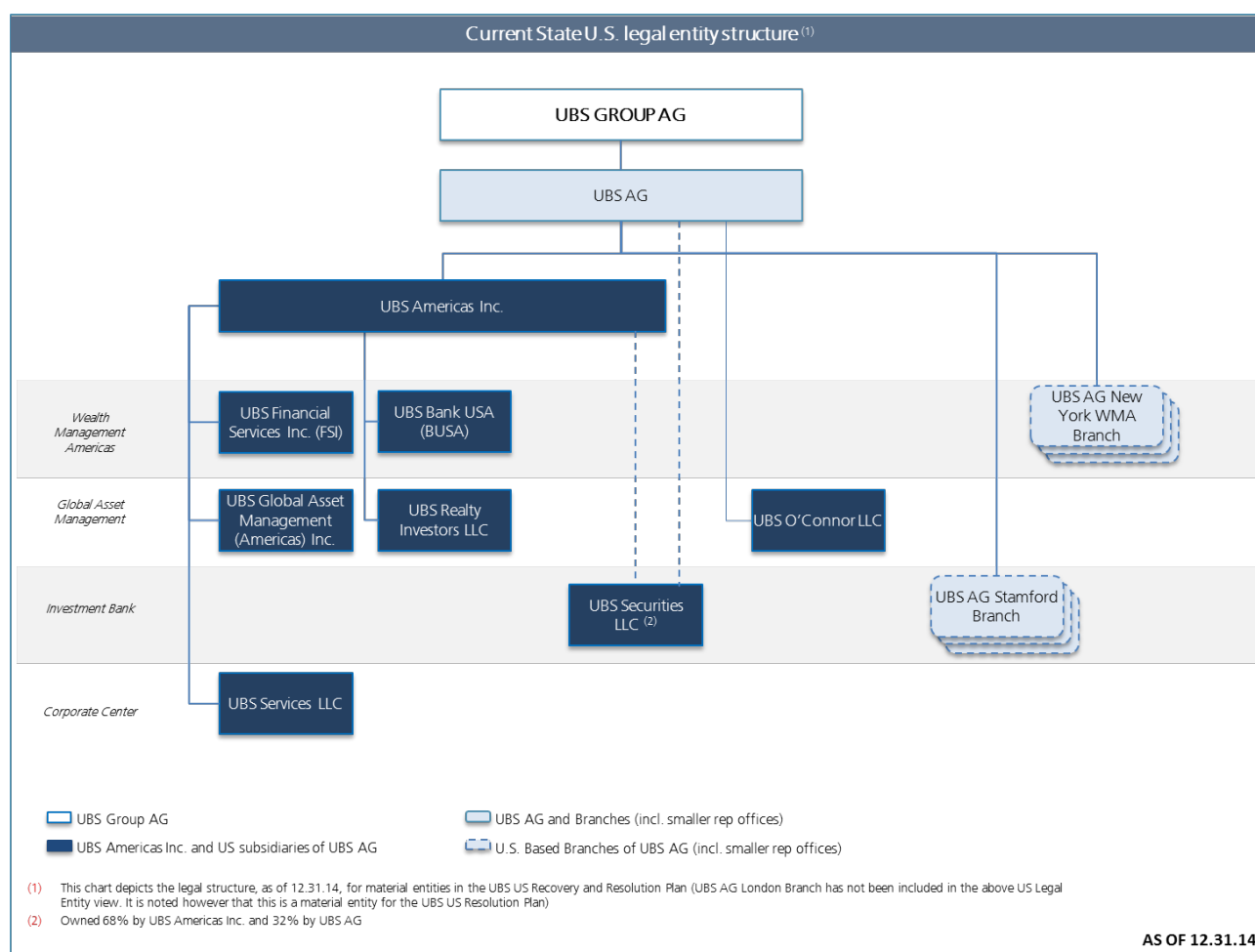
1 Introduction

UBS draws on its over 150-year heritage to serve private, institutional and corporate clients worldwide, as well as retail clients in Switzerland. Its business strategy is centered on its preeminent global wealth management businesses and its leading universal bank in Switzerland, complemented by its Global Asset Management business and its Investment Bank.

Headquartered in Zurich, Switzerland, UBS has offices in more than 50 countries, including all major financial centers, and approximately 60,000 employees. UBS Group AG is the holding company of UBS Group. Under Swiss company law, UBS Group AG is organized as an Aktiengesellschaft, a corporation that has issued shares of common stock to investors.

The operational structure of the Group comprises the Corporate Center and five business divisions: Wealth Management, Wealth Management Americas, Retail & Corporate, Global Asset Management and the Investment Bank.

The chart below provides a simplified US legal entity structure as of December 31, 2014 and depicts the US entities that are material to the UBS US Resolution Plan.



This public section describes the UBS US resolution plan (“UBS US Resolution Plan”) filed by UBS Group AG pursuant to the regulations of the Board of Governors of the Federal Reserve System (“Federal Reserve”) and the Federal Deposit Insurance Corporation (“FDIC”) under Section 165(d) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Regulation”), requiring certain financial companies with global assets in excess of USD 50 billion to file resolution

plans with respect to their US operations. The UBS US Resolution Plan addresses the resolution of UBS's US operations in the event of UBS Group AG's material financial distress or failure.

Except as otherwise noted or specifically required, the information contained in the UBS US Resolution Plan relates to the "subsidiaries, branches and agencies, and Critical Operations and Core Business Lines, as applicable, which are domiciled in the United States or conducted in whole or material part in the United States."

Requirements of the non-US financial regulators relating to resolution planning differ from those under the US requirements. In particular, this UBS US Resolution Plan is focused on planning for the resolution of UBS's US operations, whereas global as well as local planning documentation being provided in other jurisdictions, including Switzerland, also contain plans for the recovery of UBS in the event of financial distress. The required assumptions, definitions, and approaches taken in the UBS US Resolution Plan may differ from those used or taken in the plans filed with non-US regulators.

The strategy and steps laid out in the UBS US Resolution Plan are intended to assist the relevant US authorities in the wind-down of UBS's US operations in the event of a financial crisis. The UBS US Resolution Plan is based on a series of hypothetical scenarios and assumptions about future events and circumstances. Accordingly, many of the statements and assessments in the UBS US Resolution Plan constitute "forward-looking statements" within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. These statements include statements, other than historical information or statements of current conditions, that relate to UBS's future plans, objectives and resolution strategies (including UBS's expectations and projections regarding the implementation of those strategies), among other things, and to the objectives and effectiveness of UBS's risk management, capital and liquidity policies. The UBS US Resolution Plan is not binding on a bankruptcy court, UBS's regulators or any other resolution authority, and in the event of the resolution of UBS, the strategies implemented by UBS, its regulators or any other resolution authority could differ, possibly materially, from the strategies UBS has described. In addition, UBS's expectations and projections regarding the implementation of its resolution strategies are based on scenarios and assumptions that are hypothetical and may not reflect events to which UBS is or may become subject. As a result, the outcomes of UBS's resolution strategies could differ, possibly materially, from those UBS has described.

UBS has also included information about projects it has undertaken, or is considering, in connection with resolution planning. Many of these projects are in process or under development. The statements with respect to these projects and their impact and effectiveness are forward-looking statements, based on UBS's current expectations regarding its ability to complete and effect those projects and any actions that third parties must take, or refrain from taking, to permit UBS to complete those projects. As a result, the timing of those projects may change, possibly materially, from what is currently expected.

2 Global Resolution Strategy

UBS is committed to structuring itself and operating so that it is capable of being resolved without causing systemic disruption or requiring public support in a financial distressed situation.

Capital strength is the foundation of UBS's success. UBS operates prudently with robust capital and liquidity – taking into account lessons of the financial crisis – that are intended to significantly minimize the likelihood of UBS requiring restructuring or resolution. In addition, UBS has put in place a Global Recovery Plan that further improves resilience by establishing an early warning system based on quantitative and qualitative recovery risk indicators and that provides a comprehensive set of capital and liquidity measures that could be executed by UBS management in an acute crisis situation.

However, in the event that recovery measures have been exhausted or are insufficient to restore the Group's financial strength and ensure its ongoing viability following an unforeseen set of events, the Global Resolution Strategy is intended to provide for the resolution of the firm without recourse to taxpayers, while maintaining financial stability, protecting depositors, avoiding unnecessary destruction of shareholder value and treating creditors fairly.

UBS's Global Resolution Strategy is consistent with the broad consensus among policymakers and market participants that has been developed since the financial crisis on the most effective means for resolving global financial institutions.

- The key element of the Global Resolution Strategy is a recapitalization at the top-level holding company via a "bail-in" of significant quantities of loss-absorbing debt (i.e. debt that automatically converts to equity when certain conditions are met). This recapitalization would be intended to be sufficient to meet the needs of all operating subsidiaries either to continue operation as going concerns or to execute a managed wind-down of activities.
- One of the principal objectives of this strategy is to provide assurance to the counterparties and creditors of UBS's operating subsidiaries and therefore stabilize those subsidiaries from a liquidity perspective, enabling a more orderly disposition in the interest of all stakeholders.
- This strategy is referred to as a "single point of entry" ("SPE") approach because the bail-in occurs at the top holding company level. The SPE approach is in line with the Swiss Financial Market Supervisory Authority's ("FINMA") preferred resolution strategy for UBS, as outlined in its position paper "Resolution of global systemically important banks," issued in August 2013.¹

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 recapitalized. This recapitalization 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 fallback 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.

¹ This position paper is available at https://www.finma.ch/en/~media/finma/dokumente/dokumentencenter/myfinma/finma-publikationen/diskussionspapiere/20130807_pos-sanierung-abwicklung-d.pdf?la=en

Global Resolution Improvements

As a top priority, UBS has taken multiple concrete steps to be able to implement its Global Resolution Strategy on a global basis.

- In 2014, UBS established UBS Group AG as the group's holding company, facilitating the application of an SPE bail-in strategy. UBS Group AG's debt will be structurally subordinated to all operating liabilities and financial debt at subsidiary level, supporting the intended resolution outcome in which only the non-operating holding company would be put in resolution while all operating subsidiaries would continue to operate and could either continue or be wound down depending on the specific circumstances and regulatory guidance.
- UBS Group AG has begun to issue Total Loss Absorbing Capital ("TLAC")-eligible capital instruments with contractual write-down clauses, which would facilitate a recapitalization of UBS Group AG as part of an SPE bail-in resolution strategy. These are in addition to existing LAC instruments previously issued by UBS AG that contain contractual write-down clauses and that are fully loss absorbing from both a UBS AG-specific and a UBS Group perspective.
 - UBS currently has over CHF 44 billion in TLAC, supporting a TLAC to Risk Weighted Assets ("RWA") ratio of more than 20%.² UBS expects to meet anticipated TLAC requirements ahead of applicable deadlines.
- UBS has substantially completed a strategic transformation to focus its operations on its Wealth Management and Wealth Management Americas business divisions and its leading universal bank in Switzerland, complemented by its Global Asset Management and Investment Bank divisions. As part of this strategy, UBS continues to successfully execute against objectives to reduce risk, complexity and balance sheet as well as the leverage ratio denominator. As part of this strategy, the Investment Bank has become less complex and capital-intensive. A Non-Core and Legacy portfolio was created with the objective to exit the businesses and positions that were transferred into the portfolio in an orderly manner.
 - between September 2012 and December 2014 the total assets of UBS Group have decreased by CHF 307 billion to CHF 1,062 billion (22% reduction). Over the same time period, risk-weighted assets have declined from CHF 301 billion to CHF 216 billion (28% reduction).
 - corresponding figures for UBS Investment Bank highlight the scale of the reductions in that business. Between September 2012 and December 2014, total assets of UBS Investment Bank have decreased by CHF 592 billion to CHF 292 billion (67% reduction). Over the same period, risk-weighted assets have declined from CHF 105 billion to CHF 67 billion (36% reduction).
 - the Financial Stability Board ("FSB") recognized the reduction in UBS's size and interconnectedness in the wholesale financial markets in November 2014 by reducing its official categorization of UBS's systemic importance, and the respective capital surcharge from 1.5% to 1%.
- UBS has commenced a project to evaluate and transfer its "shared services" support activities on a global basis into separate legal entities that is intended to provide continuity of services through a recapitalization or resolution of operating entities.
 - the transfer of shared services into distinct service companies will start in 2015 and will be implemented in a staged approach by the end of 2018, with the US targeted to be completed by mid-2017.
 - while not necessarily required to achieve a SPE resolution as described above, UBS believes that separate shared services legal entities will enhance resolvability and resilience by reducing the risk of operational discontinuities in a resolution scenario.
 - the provision of services will be governed by specific contractual provisions that meet operational continuity objectives and that are intended to facilitate the transferability of service relationships.
- UBS has implemented the initial stages of a revised business and operating model for UBS Limited, its UK incorporated entity serving European-domiciled investment bank clients, to increase its financial and operational self-sufficiency (e.g. governance, capital, risk management capability) as required by UK regulators.

² TLAC is defined in line with FSB guidance and includes common equity as well as high- and low-trigger loss-absorbing debt instruments.

- UBS is in the process of establishing an Intermediate Holding Company (“US IHC”) in the United States in compliance with the Federal Reserve’s Enhanced Prudential Standards (“FBEPS”) regulations by July 1, 2016. This development will support and extend UBS’s Global Resolution Strategy.
 - the US IHC could function as the single point of entry “bridge vehicle” through which capital and funding from a bail-in will be passed to the US operating subsidiaries. The intention is that this will be supported by the terms and structure of capital issued by the operating subsidiaries and held by the US IHC, as well as by the terms and structure of capital issued by the US IHC to UBS Group AG.
 - the implementation of the US IHC has the potential to provide a common US point of entry for the US resolution of UBS’s US operating subsidiaries. In other words, the US IHC structure could support an effective bail-in of the US IHC and recapitalization and / or solvent wind-down of the US operating subsidiaries.
 - UBS is committed to enabling a US IHC point of entry resolution approach within the US and intends to incorporate such an approach in the UBS US Resolution Plan following formal establishment of the US IHC.
 - this will require appropriate capitalization and liquidity provisioning at the US IHC and in relation to its US operating subsidiaries, including the maintenance of sufficient TLAC at the US IHC level, where the rules remain to be finalized.
- UBS established a new legal entity to house the shared services activities associated with UBS’s expanded “near-shore” US location in Nashville, Tennessee.
 - by mid-2017, the majority of shared services activities performed in the US, including those performed at the Nashville location, are expected to be migrated into a separate legal entity (anticipated to comprise an expanded version of the current Nashville legal entity) that is a subsidiary of the US IHC to ensure continuity of those services regardless of the status of UBS entities outside the US.
 - in addition, shared services provided from outside the US will be brought within the scope of specific contractual provisions between the US legal entities, including the shared services company, and the relevant legal entities outside the US.
- UBS has made substantial progress in its reviews of vendor contracts and the addition of contractual language to ensure continuous provision of services.

UBS will continue to evaluate options for increasing its resolvability that can be incorporated in both its Global and US Resolution Strategies. These may include further changes or simplification of its legal entities, booking models, or shared services strategy.

3 US Resolution Strategy

Introduction

The UBS US Resolution Plan addresses the resolution of UBS's US operations in the event of UBS AG's financial distress or failure. In the event that a resolution scenario manifested today, UBS would expect to execute the Group Resolution Strategy supported by FINMA and execute a SPE bail-in at the UBS Group AG level and use the proceeds to recapitalize operating subsidiaries, including UBS AG and the US Material Entities. UBS believes that such a recapitalization would have a material stabilizing impact on the financial condition of these subsidiaries, in order to allow for a return to ongoing operation or an orderly wind-down.

The UBS US Resolution Plan, however, does not rely upon a successful global recapitalization of UBS and its operating subsidiaries. The approach adopted in the UBS US Resolution Plan reflects regulatory guidance that recapitalization of US subsidiaries by the parent should only be incorporated when supported by specific contractual provisions between those subsidiaries and the parent, and that the 2015 plan should be based on UBS's current structure. UBS expects to implement contractual provisions necessary to support recapitalization of its US operating subsidiaries in conjunction with establishing the US IHC (expected mid 2016) and issuance of internal TLAC to UBS Group AG.

Consistent with this approach, the UBS US Resolution Plan assumes that the US operations of UBS would be subject to separate resolution by the relevant US authorities under the respective resolution regimes applicable to them, including the following:

- UBS's two US broker-dealers (UBS Securities LLC and UBS Financial Services Inc.) would be liquidated under the authority of the Securities Investor Protection Act ("SIPA").
- UBS AG's US branches (including UBS AG Stamford Branch and UBS AG New York (WMA) Branch) would be resolved under the auspices of the Office of the Comptroller of the Currency ("OCC"), acting as receiver.
- UBS's FDIC-regulated banking subsidiary (UBS Bank USA) would be resolved under the auspices of the FDIC, acting as receiver.
- The remaining US entities would be resolved under provisions of the US Bankruptcy Code.

UBS believes that the UBS US Resolution Plan demonstrates that UBS's US Material Entities, Core Business Lines and Critical Operations (each as defined below) can be effectively resolved under existing US law, in the event of UBS Group AG's failure, while avoiding undue disruption to clients and systemic harm to the US economy. However, there are potential obstacles to UBS's resolution strategy. Implementation of the US IHC will address several of these obstacles, including the opportunity to adopt a common US point of entry approach for US operating subsidiaries and thereby ensuring that they can be recapitalized and, if necessary, wound down in an orderly fashion over time.

In addition, UBS is committed to further enhancing the resolvability of its US operations by establishing a US shared services company as part of its global shared services strategy outlined above. This will reduce shared services dependencies between the US operating subsidiaries.

Resolvability of UBS US Operations

UBS believes that its current structure and operations in the US, which incorporate the effect of a number of improvements in recent years, possess several strong advantages from a resolution standpoint.

- UBS's asset management businesses in the US are housed in separate legal entities, are largely operationally independent of other UBS business divisions, and are not materially leveraged.
- UBS maintains separate US broker-dealer affiliates for its US retail (Wealth Management Americas or "WMA") and wholesale (Investment Bank or "IB") activities so that these activities can be resolved separately. The retail broker-dealer entity has the ability to clear and settle securities, futures, and cash payment transactions independently of other UBS entities both inside and outside the US.
- UBS's FDIC-regulated banking subsidiary has strong capital and a simple balance sheet.
- UBS's US Investment Bank broker-dealer entity is dramatically smaller and less leveraged than it was in the past. Pre-crisis, its balance sheet was over USD 500 billion, and as recently as 2011 it was USD 250 billion. At year-end 2014,

reflecting the strategic reductions in the Investment Bank fixed income business (including the matched book repo business), it stood at USD 78 billion. Trading assets at year-end 2014 were less than USD 10 billion, compared to USD 40 billion just three years earlier. Furthermore, this entity no longer carries any material level three assets (i.e. assets valued solely with models) on its balance sheet.

- UBS subsidiaries in the US do not conduct OTC derivatives business and have very limited OTC-related exposure. The only active OTC derivative business conducted within UBS AG branches in the US are FX OTC transactions with US clients. The great majority of UBS's OTC derivative activity is booked in Europe.
- In connection with the efforts to establish the US IHC and comply with related Federal Reserve guidance, UBS has undertaken efforts to reduce complexity and to streamline the US legal entity structure. As a result, the number of US legal entities has been reduced by more than half since the financial crisis, with further reductions expected by 2016.

The main obstacles to resolvability of the UBS US operations in the context of a plan where multiple US operating subsidiaries enter receivership are the operational and related personnel dependencies across these subsidiaries in connection with shared services. As noted, UBS intends to address these issues in two ways.

- First, by enabling the US IHC to serve as a common point of entry for the US resolution and thereby in principle avoiding the need for US operating subsidiaries to enter receivership.
- Second, via the establishment of separate shared services companies in the US, and on a global basis. This step provides additional resilience and assurance that operational disruptions can be avoided, even in the event that operating subsidiaries cannot avoid receivership.

In addition, the US IHC implementation is providing the opportunity to address other potential impediments as well as providing an additional option to enable successful resolution of US operations. The US IHC Implementation Plan outlines UBS's plans to comply with increased governance, risk management, and liquidity and capital stress testing capabilities as required for the US operations. This will also result in significantly reduced financial and operational dependencies between the US subsidiaries and the rest of the UBS group. US IHC implementation will incorporate specific improvements in Governance and Risk Management, Capital and Stress Testing, and in the Funding Model and Liquidity Risk Management.

- **Governance and Risk Management.** UBS will modify the existing Americas Governance Framework to create robust, US-centric governance for UBS's combined US operations with a US IHC Board of Directors (including two independent directors), a US Risk Committee, and a US Audit Committee. This governance framework will be supported by enhanced US and entity-specific management information systems ("MIS") capabilities, providing greater transparency into the US operations. Strengthening the US governance, overall risk framework, and processes for UBS's combined US operations also enhances the ability to embed US resolution planning needs into business-as-usual processes and helps ensure that US operations will remain resolvable on an ongoing basis.
- **Capital and Stress Testing.** The US IHC will be subject to the same risk-based capital and leverage requirements as are applicable to US Bank Holding Companies beginning on July 1, 2016 for risk-based capital requirements and on January 1, 2018 for leverage capital requirements. Therefore, the US Basel III framework is being adhered to for all US subsidiaries. UBS is in the process of developing and implementing a capital measurement and reporting infrastructure to meet capital requirements for the US IHC. These capital requirements and UBS's analysis, as part of capital planning and capital stress testing (Federal Reserve's Comprehensive Capital Analysis and Review or "CCAR"), will provide a mechanism for absorbing losses and building resiliency in the US. The first wave capitalization for the US IHC was completed ahead of schedule in first quarter 2015. Additional planned capital actions will occur in 2015 and 2016.
- **Funding Model and Liquidity Risk Management.** The future state funding model is designed to bring the funding sources for UBS's combined US operations into compliance with the liquidity buffer requirements of enhanced Federal Reserve guidance. UBS will be required to maintain the required liquidity buffer in highly liquid assets, either in the US IHC or directly within US operating subsidiaries. Moreover, to the extent that these assets consist of cash, the cash must be held at one or more locations permissible under the guidance.

Additionally, the future state funding model aims to optimize the intercompany flow of funds processes between UBS AG and its US branches and US subsidiaries. This will ensure that each US entity is adequately funded on both an overnight and term basis. Capabilities for US-specific liquidity risk governance and risk management practices including cash flow projections, monitoring of cash and collateral, contingency funding planning, and stress testing will be further enhanced from a combined US operations perspective in line with Federal Reserve requirements.

The overall objective of these enhancements is to ensure that liquidity needs for each entity are properly sized and supported within UBS's liquidity plans.

Definitions

UBS Group AG is the "covered company" for purposes of the Regulation.

A "Material Entity" is defined in the Regulation as "subsidiary or foreign office of the covered company that is significant to the activities of a Critical Operation or Core Business line."

"Critical Operations" are defined 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 Resolution Plan, Critical Operations within UBS AG's US operations were jointly identified by the Federal Reserve and the FDIC and communicated to UBS AG when UBS AG filed its first US resolution plan. Since the filing of the initial UBS US Resolution Plan, changes in business strategy have resulted in the reduction of the number of UBS's Critical Operations; however, these changes have not affected the subsidiaries or branch offices designated by UBS as Material Entities.

"Core Business Lines" are "those business lines of the covered company, including associated operations, services, functions and support which, in the view of the covered company, upon failure would result in a material loss of revenue, profit, or franchise value." UBS defines Core Business Lines at a global level; therefore, the UBS US Resolution Plan addresses certain activities as Core Business Lines, even though they would not be deemed as such if measured on the basis of UBS's US operations alone. A description of the Core Business Lines with a connection to the US operations of the UBS is provided below. While the Material Entities listed below have been designated as relevant for resolution planning purposes, they do not represent the entire universe of legal entities that constitute the UBS Group and contribute to its success.

Material Entities

Based upon the Core Business Lines identified by the UBS Group, as described below, and the Critical Operations designated by the Federal Reserve and the FDIC, UBS Group AG designated three branches of UBS AG and seven subsidiaries as Material Entities for purposes of this UBS US Resolution Plan. These entities, the Core Business Lines in which they are involved, their principal regulators and the regime that would govern their resolution, are set forth below:

UBS Group AG Material Entities

Material Entity	Type of Entity	Associated Core Business line	Principal Regulators	Applicable Resolution Regime
UBS Financial Services Inc.	Registered Broker-Dealer, Registered Investment Adviser and Futures Commission Merchant	Wealth Management Americas	Securities and Exchange Commission Commodities Futures Trading Commission	SIPA, US Bankruptcy Code (as modified and supplemented by the Commodity Exchange Act ("CEA"))
UBS Bank USA	Utah Industrial Loan Corporation	Wealth Management Americas	Utah Department of Financial Institutions and FDIC Consumer Financial Protection Bureau	Federal Deposit Insurance Act, Utah Banking Law
UBS Securities LLC	Registered Broker-Dealer and Futures Commission Merchant	Investment Bank: Corporate Client Solutions, Investor Client Services – FX and Equities	Securities and Exchange Commission Commodities Futures Trading Commission	Securities Investor Protection Act (SIPA), US Bankruptcy Code (as modified and supplemented by the CEA)
UBS Services LLC	Services Company	All	n/a	US Bankruptcy Code
UBS Global Asset Management (Americas) Inc.	Registered Investment Adviser	Global Asset Management	Securities and Exchange Commission	US Bankruptcy Code
UBS O'Connor LLC	Registered Investment Adviser	Global Asset Management	Securities and Exchange Commission	US Bankruptcy Code
UBS Realty Investors LLC	Registered Investment Adviser	Global Asset Management	Securities and Exchange Commission	US Bankruptcy Code
Stamford Branch	State-licensed Branch of UBS AG	Investment Bank: Corporate Client Solutions, Investor Client Services - FX	Connecticut Department of Banking and Board of Governors of the Federal Reserve	International Banking Act of 1978 ("IBA"), National Bank Act and related provisions (collectively, the "NBA"), Swiss Federal Banking Law
New York WMA Branch	Federally-licensed Branch of UBS AG	All	Office of the Comptroller of the Currency	IBA, NBA, Swiss Federal Banking Law
London Branch	Branch of UBS AG	Investment Bank: Corporate Client Solutions, Investor Client Services – FX and Equities	Bank of England and FINMA	Insolvency Act 1986 (Liquidation - either for whole of UBS AG or ancillary to Swiss proceedings); Companies Act 2006 (Schemes of Arrangement); Swiss Federal Banking Law

UBS Financial Services Inc.

UBS Financial Services Inc. ("FSI") is a Delaware corporation and a wholly-owned subsidiary of UBS Americas, Inc. ("UBS Americas"), a wholly-owned subsidiary of UBS AG. FSI's business activities include securities and commodities brokerage, investment advisory and asset management services serving the investment, cash management, financial planning and borrowing needs of individual and institutional clients. FSI is exclusively run as the wealth management retail broker dealer that is segregated from UBS's US institutional brokerage business. Trading positions are used to facilitate client needs.

FSI is registered as a broker-dealer and investment adviser with the Securities and Exchange Commission ("SEC") and as a futures commission merchant with the Commodity Futures Trading Commission ("CFTC"); it is a member of the Financial Industry Regulatory Authority ("FINRA"), the National Futures Association ("NFA"), and various exchanges;

and it is subject to regulation by each US state in which it conducts business. It is a member of the Securities Investor Protection Corporation ("SIPC").

UBS Bank USA

UBS Bank USA ("BUSA") is an FDIC-insured industrial loan corporation organized and licensed under the laws of the State of Utah. It is supervised by the Utah Department of Financial Institutions, the FDIC and the Consumer Financial Protection Bureau. BUSA's products and services are offered throughout the United States. It is headquartered in Salt Lake City, Utah. BUSA offers money market deposit accounts, transaction accounts, and certificates of deposits through FSI. The deposits are principally used to fund loans collateralized by securities held in accounts maintained with FSI, loans collateralized by residential real estate, investments, reverse repurchase agreements, and credit card loans. BUSA's deposits are insured by the FDIC up to FDIC limits. BUSA is a wholly-owned subsidiary of UBS Americas.

UBS Securities LLC

UBS Securities LLC ("UBS Securities") is a Delaware limited liability company. Ownership of UBS Securities is represented by three classes of membership interests: Class A, Class B and Preferred. Class A membership interests (100% owned by UBS Americas) are non-voting except with respect to decisions regarding dissolution, the addition of new members and certain amendments. Class B membership interests (32% owned by UBS AG and 68% owned by UBS Americas) are fully voting. Preferred interests (100% owned by UBS Americas) are non-voting.

In line with UBS's broader business strategy, UBS Securities has simplified its business and is focused on providing client focused advisory, capital markets and financing solutions and providing access to primary and secondary markets to a broad base of clients. Exposure to derivatives is primarily limited to those instruments traded on exchanges.

UBS Securities is a registered broker-dealer under the Securities Exchange Act of 1934 ("Exchange Act"), and is a member of FINRA as well as the New York Stock Exchange ("NYSE"), NASDAQ and other principal exchanges. In addition, it is a registered futures commission merchant with the CFTC and a member of certain major US and foreign commodity exchanges. UBS Securities is also a primary dealer in US government securities and provides a full range of investment banking services, including corporate finance, mergers and acquisitions, capital markets, trading and sales, fixed income, equity research and prime brokerage operations.

UBS Services LLC

UBS Services LLC ("UBS Services") employs personnel who provide services, such as IT, risk management, and human resources functions, to UBS's other US entities. UBS Services is a Delaware limited liability company and a wholly-owned subsidiary of UBS Americas. Given the scope of its activities, UBS Services is not a licensed entity.

UBS Global Asset Management (Americas) Inc.

UBS Global Asset Management (Americas) Inc. ("Global AM Americas") is a Delaware corporation and a wholly-owned subsidiary of UBS Americas. Global AM Americas is registered as an investment adviser under the Investment Advisers Act of 1940 and as a commodity trading advisor under the CEA. It is also a registered investment company with the SEC. Global AM Americas provides investment advisory services to a variety of clients, including, without limitation: pension, welfare and other employee benefit plans of corporations, state and local governments, and labor unions; other tax exempt organizations such as charitable foundations, educational institutions, and endowments; US state and local governments, foreign governments and supranationals; insurance companies; registered and unregistered investment companies; individuals; personal trusts; investment advisers; and corporations. Global AM Americas also advises affiliates that act as trustee or fiduciary of various pooled trusts and funds and advises various limited partnerships for which it or an affiliate acts as general partner.

UBS O'Connor LLC

UBS O'Connor LLC ("UBS O'Connor") is a Delaware limited liability company and a wholly-owned subsidiary of UBS AG. It is an investment adviser registered with the SEC and the Financial Services Agency in Japan. It provides asset management and advisory services to a series of affiliated alternative investment funds.

UBS Realty Investors LLC

UBS Realty Investors LLC ("UBS Realty") manages US real property investments. Such investments are predominantly in pooled investment vehicles owned by third-party institutional investors and managed by UBS Realty. UBS Realty is a

Massachusetts limited liability company. ARI Acquisition Corp. (a Massachusetts corporation and a wholly-owned subsidiary of UBS Americas) holds 73.875% of its voting equity and UBS Americas directly holds the remaining 26.125% of its voting equity. UBS Realty is registered with the SEC as an investment adviser.

UBS AG Stamford Branch

UBS AG Stamford Branch (the "Stamford Branch") is an uninsured Connecticut-licensed branch of UBS AG. It engages in receiving uninsured deposits, making loans and other similar activities associated with a branch of a foreign bank. It is supervised by the Federal Reserve Bank of New York and the Connecticut Department of Banking. The Stamford Branch serves several functions in the US: it is the center of operations for the Treasury function and payment operations in the US; the primary booking center for the Investment Bank's FX business with US clients and US corporate lending business; and it houses support functions (e.g. Legal, Compliance & Operational Risk Control, Credit, Finance, Tax, COO, Operations) for the businesses conducted through the US branches and subsidiaries.

UBS AG New York WMA Branch

UBS AG New York WMA Branch (the "New York WMA Branch") is an uninsured federally-licensed branch that is supervised by the OCC. It provides payments services to its affiliates and makes loans to, accepts deposits from, and provides investment management and custody service to WMA clients. The New York WMA Branch is the account holder for UBS's master account maintained with the Federal Reserve Bank of New York, and through which wire transfer and discount window borrowing services are accessed by UBS.

UBS AG London Branch

UBS AG London Branch is the booking location for UBS AG's over-the-counter ("OTC") derivatives transactions in equity and fixed income products. Transactions in OTC derivatives with third parties are entered into directly with UBS AG London Branch under multi-branch ISDA agreements. Resolution of UBS AG London Branch is not part of the UBS US Resolution Plan.

Selected financial and operational information for the Material Entities is set forth below:

Selected Financial Information of Material US Entities

For the year ended December 31, 2014 (on an unconsolidated basis)

USDmm	UBS Financial Services Inc.	UBS Bank USA	UBS Securities LLC	UBS Services LLC	UBS Global Asset Manage- ment (Americas) Inc.	UBS O'Connor LLC	UBS Realty Investors LLC	Stamford Branch	New York WMA Branch
Assets	13,338	48,444	77,964	148	256	56	164	146,767	63,715
Liabilities	8,926	43,918	67,859	128	154	45	14	138,394	63,615
Subordinated Debt	1,150	–	6,675	–	–	–	–	4,300	–
Equity	3,262	4,526	3,430	20	102	11	150	4,073	100
Revenues	6,350	863	3,035	(2)	253	97	195	20	154
Costs	5,893	148	3,216	(20)	236	96	56	374	111
Net profit (loss)	1,302	442	(182)	17	12	1	139	237	43
Invested Assets	1,009,000	–	–	–	146,410	5,400	25,200	–	–
FTE	14,196	152	1,949	538	484	80	185	1,099	234

For information on capital and funding resources of UBS, please see Section 5, below.

Core Business Lines

As part of its resolution planning activities, UBS 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. These business lines are designated based on global operations. Three business divisions with US operations collectively operate five Core Business Lines. Each of WMA and Global Asset Management, as an entirety, is designated as a Core Business Line; the Investment Bank contains three Core Business Lines, as set forth below. UBS also has a Corporate Center which, among other things, provides UBS Group-wide control functions. Corporate Center is not a business division, but it supports all of UBS's business divisions.

Wealth Management Americas

WMA 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 UBS's domestic US and Canadian wealth management business as well as international business booked in the US. WMA consists of branch networks in the US, Puerto Rico, Canada, and Uruguay,³ with 6,997 financial advisors as of December 31, 2014. Wealth Management Americas accounts for 38% (or approximately USD 1,032 billion) of the invested assets of the UBS Group.

For a more complete description of WMA, please see pages 49 – 52 of the UBS 2014 Annual Report.

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 3,800 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 setup, accounting and reporting, for both traditional investment funds and alternative funds.

As of December 31, 2014, Global AM accounts for 25% (or CHF 664 billion) of UBS invested (i.e. client) assets, of which approximately 71% 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 29% originated from UBS's wealth management businesses and respective clients.

For a more complete description of Global AM, please see pages 54 – 57 of the UBS 2014 Annual Report.

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 IB 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:

- **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 in the distribution and risk management of capital market products.
- **Investor Client Services 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

³ The branch network in this context refers to the branches of UBS Financial Services Inc.

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.

- **Investor Client Services 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 IB accounted for 27% (or CHF 292 billion) of the consolidated total assets of UBS as of December 31, 2014.

For a more complete description of the Investment Bank, please see pages 58 – 60 of the UBS 2014 Annual Report.

US Strategy Overview

The UBS US Resolution Plan is premised on a stress scenario where UBS globally experiences unanticipated losses comparable to current CET1 equity. It is assumed that these losses manifest in stages over a three week horizon, and occur against the backdrop of severely adverse general market conditions. The first two weeks of this crisis scenario (the “recovery period”) are characterized by efforts to manage liquidity in an increasingly uncertain environment, consistent with the assumptions of UBS’s Global Recovery Plan.

The third week of the resolution stress scenario marks the beginning of the “runway period” for the UBS US Resolution Plan as defined by the Federal Reserve and the FDIC. The “resolution period” begins at the end of the third week.

The US resolution strategy is driven in large part by the current structure of the US operations. Importantly, these strategies are not dependent on the successful sale of the underlying businesses. While clearly such a development would be constructive, UBS does not rely upon such a scenario and has applied more conservative assumptions.

If any of the US Material Entities are liquidated pursuant to the execution of the UBS US Resolution Plan, as may be provided below, their existence would be terminated and their operations would be wound down once the liquidation is complete. If any of the US Material Entities are sold pursuant to the execution of the UBS US Resolution Plan, as may be provided below, their operations would continue through integration into the operations of their purchasers (at their purchasers’ discretion).

UBS Americas

The parent company for a number of the US Material Entities is UBS Americas Inc., a non-operating holding company whose assets are holdings in subsidiary entities, supported predominantly by intercompany liabilities. Third party liabilities of UBS Americas are not material. Its subsidiaries include BUSA, FSI, UBS Securities, Global AM Americas, UBS Realty, and UBS Services. As a legal matter, it is therefore important to consider the resolution of UBS Americas.

In a resolution scenario, UBS Americas would be placed into a Chapter 11 bankruptcy proceeding simultaneously with the point of non-viability for UBS Group. This would allow it to benefit from a variety of protections and tools to restructure or liquidate its balance sheet and operations. Three of UBS Americas’ material subsidiaries, Global AM Americas, UBS Services and UBS Realty, are subject to the US Bankruptcy Code. Should any of these entities need to file for bankruptcy protection, UBS believes that a bankruptcy court would consolidate the proceedings of UBS Americas and any of its subsidiaries as a procedural matter. As a result, the proceedings for these Material Entities in bankruptcy would be administered in a coordinated proceeding under the management of the parent debtor, UBS Americas.

Because UBS Services employs personnel necessary to a resolution of its affiliates, it is expected that UBS Americas would seek to support the continued operation of UBS Services as long as possible to facilitate the wind-down of those affiliates, even after UBS Americas enters bankruptcy proceedings. Once resolution of UBS Services becomes inevitable, it would be liquidated under the US Bankruptcy Code.

Global AM Material Entities

The Global AM Core Business Line includes three Material Entities—Global AM Americas, UBS Realty, and UBS O’Connor. None of these entities has significant short-term liabilities or third-party debt and therefore would be unlikely to experience significant financial distress even in the event of a substantial loss at UBS Group. From an operational perspective, the Global AM activities are not materially dependent on services provided by other UBS entities, and therefore these entities are readily separable in a resolution scenario.

UBS believes that it is likely that the asset management Material Entities will remain solvent and liquid at the point of non-viability for UBS Group. Accordingly, these entities would not enter Chapter 11 bankruptcy, but instead, their parent companies would seek to identify potential buyers and to sell these entities as going concerns. The sale of a Material Entity outside of bankruptcy would be the most straightforward way for UBS to meet its key goals of effectively transferring its customers and their related assets to a new financial institution without loss to them and preserving the potential value of any saleable Core Business Line and its associated entities.

If a sale of these businesses as going concerns, or as entire businesses, cannot be accomplished, these subsidiaries would be placed into insolvency proceedings to facilitate their reorganization and/or liquidation. At this point, the focus would turn to the transfer of client accounts and the wind-down of remaining fund management operations.

WMA Material Entities

The WMA Core Business Line includes two US Material Entities – a broker dealer (FSI) and an FDIC-regulated industrial bank (BUSA).

- **FSI.** During the recovery and runway period, the UBS US Resolution Plan models increasing liquidity pressures on FSI, stemming both from outflows of customer free credit balances and from increasing demands for margin from financial market utilities (FMUs) and agent banks. FSI meets these liquidity requirements by drawing on its own liquidity resources as well as accessing the firm's global liquidity buffer through intercompany lines of credit with affiliates. At the point of non-viability for UBS Group, the UBS US Resolution Plan projects FSI to be solvent and in compliance with regulatory net capital requirements and to have sufficient liquid assets to remain outside of SIPA insolvency proceedings for a short period of time.

While UBS's US resolution strategy focuses on the scenario where FSI is liquidated and client accounts would need to be transferred, UBS believes that a sale of FSI and BUSA as going concerns is the most likely scenario given their significant client base and franchise value. Accordingly, the UBS US Resolution Plan effectively also includes scenarios where a sale of FSI and BUSA would be executed either together or separately prior to the point of non-viability.

However, in the event that a sale of FSI cannot be arranged prior to the insolvency of UBS Group, FSI would execute its account transfer strategy, which is intended to protect client assets and avoid undue disruption caused by FSI's financial distress. This strategy is designed to accommodate multiple recipient institutions and is based on a client segmentation approach intended to facilitate an efficient transfer of accounts. UBS expects that following the completion of the client transfers, it would seek SIPA protection and enter liquidation proceedings.

At that point, SIPC would appoint an administrator to take control of FSI. The administrator would seek to identify and return any remaining assets in customer accounts and proceed to liquidate FSI's own assets, and pay the claims of creditors of FSI. Client assets are segregated from assets of FSI and are not available to satisfy its creditors.

SIPC protects the securities and cash in customer brokerage accounts up to USD 500,000. The USD 500,000 protection includes up to USD 250,000 protection for cash in each customer's account to buy securities.

- **BUSA.** Similar to FSI, BUSA is projected to experience liquidity pressures during the recovery and runway periods, albeit to a lesser extent, as outflows of customer deposits occur. BUSA is able to satisfy these requirements from existing cash and liquid assets and is solvent at the point when UBS AG becomes non-viable. The UBS US Resolution Plan assumes that BUSA would be able to remain outside insolvency proceedings for a short period of time following the point of non-viability for UBS Group. During this period, BUSA's account transfer strategy would be executed, with the objective to achieve a coordinated transfer of BUSA and associated FSI accounts.

In the event that BUSA cannot be sold prior to its becoming non-viable, it is assumed that BUSA would enter receivership under the authority of the FDIC. In this process, the FDIC would pay off the remaining insured deposits of BUSA in accordance with its standard procedures for insured bank liquidations and payment of uninsured depositors and other creditors through an administrative claims procedure. The FDIC would seek to sell the remaining assets of BUSA within a reasonable period and would use the proceeds to satisfy the claims of creditors, as well as its own subrogation claim in respect of the insured deposits. The administrative claims of the FDIC, as receiver, would be paid first, followed by the domestic uninsured depositors of the bank (including the FDIC as subrogee of the insured depositors), followed by the other unsecured claims against the bank.

UBS believes that the high quality of BUSA's assets relative to BUSA's equity capital substantially mitigates the risk that BUSA's creditors would suffer losses, even under a liquidation scenario.

Investment Bank Material Entity

- **UBS Securities.** The primary US Material Entity associated with the Investment Bank Core Business Lines is UBS Securities LLC, a registered broker-dealer and FCM. During the recovery and runway periods, the UBS US Resolution Plan assumes that UBS Securities would experience significant liquidity pressures, due to margin and collateral demands from FMUs and agent banks, outflows associated with the prime brokerage business, and changes in the terms of secured funding. In response, UBS Securities would mobilize available collateral to obtain additional secured funding and would draw on the firm's global liquidity buffer. The UBS US Resolution Plan assumes that UBS Securities would lose access to secured funding and become non-viable at the same point as UBS Group.

Efforts to return and transfer client assets and accounts would be initiated during the runway period once it becomes clear that failure of the Group is all but certain. The UBS US Resolution Plan incorporates an account transfer strategy for prime brokerage clients intended to minimize disruptions and facilitate client access to their assets. UBS believes this strategy would result in the successful transfer of the majority of client assets prior to the beginning of the SIPA proceeding.

At the end of the runway period and immediately following the transfer of the prime brokerage accounts, UBS Securities would seek SIPA protection. Once that proceeding begins, SIPC would appoint an administrator to take control of UBS Securities, who would seek to identify and return any assets remaining in customer accounts and proceed to liquidate UBS Securities's own assets, and pay the claims of creditors of UBS Securities. Client assets are segregated from assets of UBS Securities and are not available to satisfy its creditors.

SIPC protects the securities and cash in customer brokerage accounts up to USD 500,000. The USD 500,000 protection includes up to USD 250,000 protection for cash in each customer's account to buy securities.

Branches of UBS AG

In addition to the seven subsidiaries of UBS Americas, there are three UBS AG branches that are also considered Material Entities under the UBS US Resolution Plan. The following discussion identifies the preferred resolution strategy and operational process of UBS AG's branches that are Material Entities from a UBS US Resolution Plan perspective.

- **UBS AG New York WMA Branch.** The OCC has the authority to appoint a receiver for the New York WMA Branch in the event the branch enters receivership. The receiver appointed by the OCC would have the power to take possession of all the assets of UBS AG in the United States, whether or not related to the New York WMA Branch, and apply them to the obligations of UBS AG's US branches. The receiver would terminate the operations of the branch as quickly as possible, and commence the liquidation of the branches' assets. The receiver would conduct an administrative claims process to address the claims of creditors of the branches. Customers whose assets are held in custody by the branch would have the right to receive their securities and other assets (other than deposits) when the receiver is able to determine their right to those assets, and should not have to go through the claims process.
- **UBS AG Stamford Branch.** If UBS AG were to fail, the Connecticut Department of Banking would have the authority under state law to appoint a receiver for the Stamford Branch. However, under federal law, the OCC would have the authority to appoint a receiver for this branch as well. UBS anticipates that the OCC would exercise its authority to take possession of all the branches of UBS in the US, consistent with its authority to take possession of all UBS AG assets in the US, but would cooperate with the Connecticut Department of Banking in liquidating the Stamford Branch. The liquidation of the Stamford Branch would be part of the same receivership as the liquidation of the New York WMA Branch and the other branches of UBS AG, as described above.

During the three weeks prior to the point of non-viability for UBS Group and UBS AG, the New York WMA Branch and the Stamford Branch are assumed to experience material liquidity outflows related to deposit outflows, debt maturities, draws on committed lines, FMU/agent bank requirements, and intercompany outflows to support non-US liquidity needs. All of these outflows can be met by cash and marketable securities held within the branches. The UBS US Resolution Plan assumes that the ability to transfer liquid assets outside the branches – other than to repay third party liabilities – will be constrained by the supervisory requirements imposed by the OCC and the State of Connecticut to maintain a positive buffer between third party assets and third party liabilities.

- **UBS AG London Branch.** The UBS AG London Branch is expected to be subject to the jurisdiction of FINMA, operating in cooperation with the Prudential Regulation Authority, which is part of the Bank of England, for resolution purposes. FINMA would liquidate this branch as part of its overall liquidation of UBS AG.

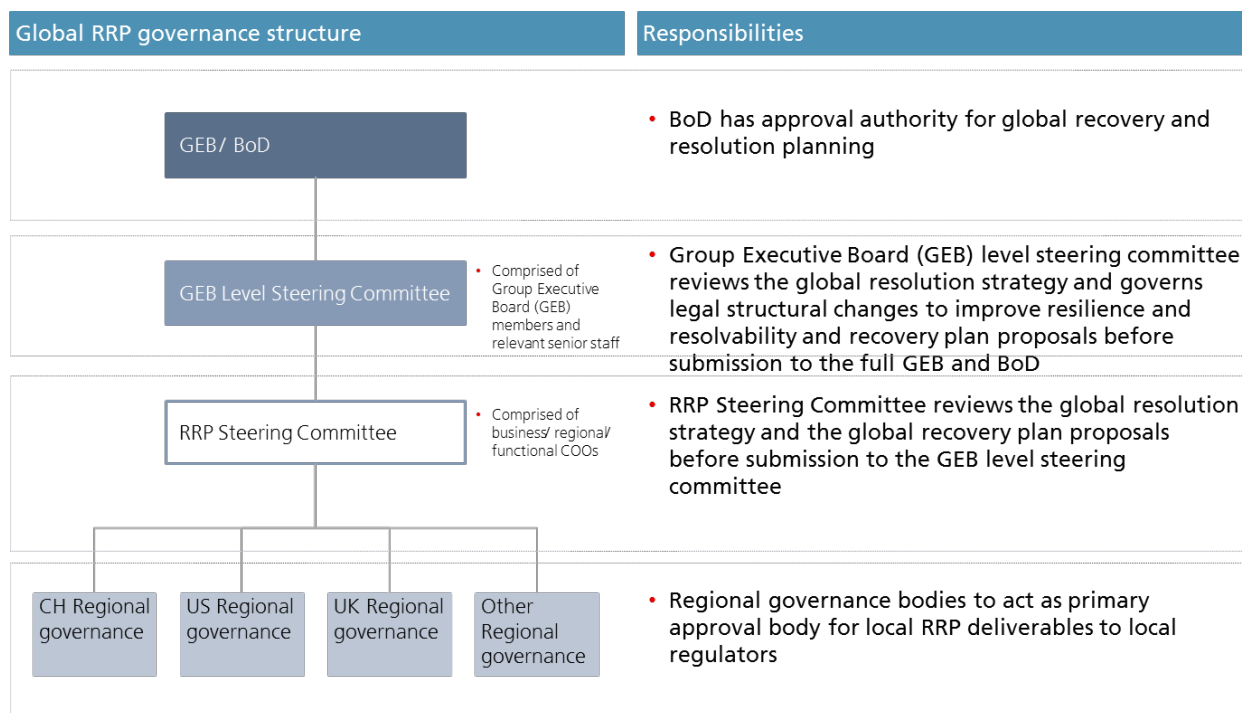
Operational Interconnectedness and Shared Services

- The most significant potential impediment to the successful operation of the UBS US Resolution Plan as described is the potential for disruption created by operational dependencies across legal entities.
- The UBS US Resolution Plan includes an analysis of the key operational dependencies for each US Material Entity. While there are some personnel-related dependencies, particularly among US entities, each US Material Entity has significant operational capability in its own right. However, most of the US entities retain significant dependencies on IT applications and data owned or maintained by other UBS entities, including some which are located outside of the US.
- This risk is mitigated by the fact that each entity producing a material amount of services for the US Material Entities is likely to continue to need to produce such services for itself and will have an incentive to continue to provide them to the US Material Entities against payment. Where the relevant services are not required by the producing entity, such as in the case of services provided by UBS Services, UBS assumes that the relevant receivers/trustees will have a mutual interest in negotiating a joint agreement on which services need to be continued and how the costs will be apportioned.
- Looking ahead, UBS will address this potential impediment by establishing separate shared service companies. The global transfer of shared services into distinct service companies will start in 2015 and will be implemented in a staged approach by the end of 2018, with the US targeted to be completed by mid-2017. Contractual relationships between UBS entities and with vendors will ensure operational continuity.

4 Recovery and Resolution Planning Governance

UBS established clear roles and responsibilities with respect to the major elements of the resolution planning process in order to facilitate effective working processes and compliance with decisions made by the Group RRP Office and RRP steering committee. UBS has also established processes for preparing, verifying and obtaining sign off on recovery and resolution planning materials at global and local levels. This structure assures that senior management, the RRP steering committee, local steering committees and, where applicable, the UBS Group AG Executive Board (“GEB”) and Board of Directors (“BoD”), take responsibility for the content of the deliverables, are comfortable that information provided to them is appropriate and implementation issues are adequately addressed at all levels.

The Group RRP Office is part of the Group Regulatory Relations & Strategic Initiatives unit, which reports to the Group CEO and oversees both global and local recovery and resolution planning activities. A global RRP steering committee meets regularly to review the progress of the recovery and resolution planning activities and review deliverables as necessary. The composition of the global RRP steering committee includes senior management of Group functions, regions, and divisions that are directly affected by the resolution planning process. The RRP steering committee prepares the Global Resolution Strategy and the Global Recovery Plan proposals for review at a GEB-level steering committee prior to submission to the full GEB and subsequently the BoD which has approval authority. This is shown on the diagram below.



The head of the US Resolution Planning office has a dual reporting line to the head of the Group RRP Office and to the head of Americas Regulatory and Strategic Initiatives within the Americas COO office. These reporting lines help ensure coordination of the US resolution planning process with the program implementing the US intermediate holding company and other aspects of the enhanced prudential standards applicable to the US operations.

A US Steering Committee consisting of representatives from Group functions and the business divisions provides oversight and direction to the development of the UBS US Resolution Plan. The UBS US Resolution Plan is approved by the UBS Americas Executive Committee prior to submission to and approval by the UBS Group AG BoD. Close monitoring of the UBS US Resolution Plan is achieved in the US and at UBS Group AG through established program governance processes that closely link the FBEPS requirements and resolution planning. These program governance processes include the UBS Group AG Board, the Group Executive Board, the Americas Executive Committee and the Americas Regulatory Oversight Committee.

5 Summary Financial Information on Assets, Liabilities, Capital and Major Funding Sources

The assets, liabilities, capital and major funding sources of the consolidated UBS Group are set forth in UBS Group AG's Annual Report filed pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the year ending December 31, 2014 (Annual Report). An electronic copy of the Annual Report can be found at: <http://www.sec.gov/Archives/edgar/data/1114446/000119312515090369/d886962d20f.htm>.

Balance Sheet Information and Income Statement

Please refer to pages 88 to 153 of the Annual Report for a detailed description of financial and operating results of UBS Group AG and its subsidiaries. Please refer to pages 113 to 153 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 389 to 549 of the Annual Report for detailed consolidated financial statements of UBS Group AG and its subsidiaries as of December 31, 2014.

For ease of reference, reproduced below are the Balance Sheet and Income Statements from the UBS Group AG 2014 Annual Report.

UBS Group AG Balance Sheet Statement as of December 31, 2014⁴

Balance Sheet	For the Year Ended		% Change From
CHF million	31.12.14	31.12.13	31.12.13
Assets			
Cash and Balances with Central Banks	104,073	80,879	29
Due from Banks	13,334	13,874	(4)
Cash Collateral on Securities Borrowed	24,063	27,496	(12)
Reverse Repurchase Agreements	68,414	91,563	(25)
Trading Portfolio Assets	138,156	122,848	12
Of Which: Assets Pledged as Collateral Which May be Sold or Repledged by Counterparties	56,018	42,449	32
Positive Replacement Values	256,978	254,084	1
Cash Collateral Receivables on Derivative Instruments	30,979	26,548	17
Financial Assets Designated at Fair Value	4,951	7,364	(33)
Loans	315,757	286,959	10
Financial Investments Available-for-Sale	57,159	59,525	(4)
Investments in Associates	927	842	10
Property and Equipment	6,854	6,006	14
Goodwill and Intangible Assets	6,785	6,293	8
Deferred Tax Assets	11,060	8,845	25
Other Assets	22,988	20,228	14
Total Assets	1,062,478	1,013,355	5
Liabilities			
Due to Banks	10,492	12,862	(18)
Cash Collateral on Securities Lent	9,180	9,491	(3)
Repurchase Agreements	11,818	13,811	(14)
Trading Portfolio Liabilities	27,958	26,609	5
Negative Replacement Values	254,101	248,079	2
Cash Collateral Payables on Derivative Instruments	42,372	44,507	(5)
Financial Liabilities Designated at Fair Value	75,297	69,901	8
Due to Customers	410,207	390,825	5
Debt Issued	91,207	81,586	12
Provisions	4,366	2,971	47
Other Liabilities	71,112	62,777	13
Total Liabilities	1,008,110	963,419	5
Equity			
Share Capital	372	384	(3)
Share Premium	32,590	33,952	(4)
Treasury Shares	(1,393)	(1,031)	35
Equity Classified as Obligation to Purchase Own Shares	(1)	(46)	(98)
Retained Earnings	22,134	20,608	7
Other Comprehensive Income Recognized Directly in Equity, Net of Tax	(3,093)	(5,866)	(47)
Equity Attributable to UBS Group AG Shareholders	50,608	48,002	5
Equity Attributable to Preferred Noteholders	0	1,893	(100)
Equity Attributable to Non-Controlling Interests	3,760	41	
Total Equity	54,368	49,936	9
Total Liabilities and Equity	1,062,478	1,013,355	5

⁴ Source: Annual Report, pp 104 – 105

UBS Group AG Income Statement as of December 31, 2014⁵

Income Statement	For the Year Ended			% Change From
	31.12.14	31.12.13	31.12.12	31.12.13
CHF million				
Net Interest Income	6,555	5,786	5,978	13
Credit Loss (Expense)/Recovery	(78)	(50)	(118)	56
Net Interest Income After Credit Loss Expense	6,477	5,736	5,860	13
Net Fee and Commission Income	17,076	16,287	15,396	5
Net Trading Income	3,842	5,130	3,526	(25)
Of Which: Net Trading Income Excluding Own Credit	3,551	5,413	5,728	(34)
Of Which: Own Credit on Financial Liabilities Designated at Fair Value	292	(283)	(2,202)	
Other Income	632	580	641	9
Total Operating Income	28,027	27,732	25,423	1
Personnel Expenses	15,280	15,182	14,737	1
General and Administrative Expenses	9,387	8,380	8,653	12
Depreciation and Impairment of Property and Equipment	817	816	689	0
Impairment of Goodwill	0	0	3,030	
Amortization and Impairment of Intangible Assets	83	83	106	0
Total Operating Expenses	25,567	24,461	27,216	5
Operating Profit/(Loss) Before Tax	2,461	3,272	(1,794)	(25)
Tax Expense/(Benefit)	(1,180)	(110)	461	973
Net Profit/(Loss)	3,640	3,381	(2,255)	8
Net Profit/(Loss) Attributable to Preferred Noteholders	142	204	220	(30)
Net Profit/(Loss) Attributable to Non-Controlling Interests	32	5	5	540
Net Profit/(Loss) Attributable to UBS Group AG Shareholders	3,466	3,172	(2,480)	9
Comprehensive Income				
Total Comprehensive Income	5,220	2,524	(1,767)	107
Total Comprehensive Income Attributable to Preferred Noteholders	221	559	179	(60)
Total Comprehensive Income Attributable to Non-Controlling Interests	79	4	20	
Total Comprehensive Income Attributable to UBS Group AG Shareholders	4,920	1,961	(1,966)	151

Capital

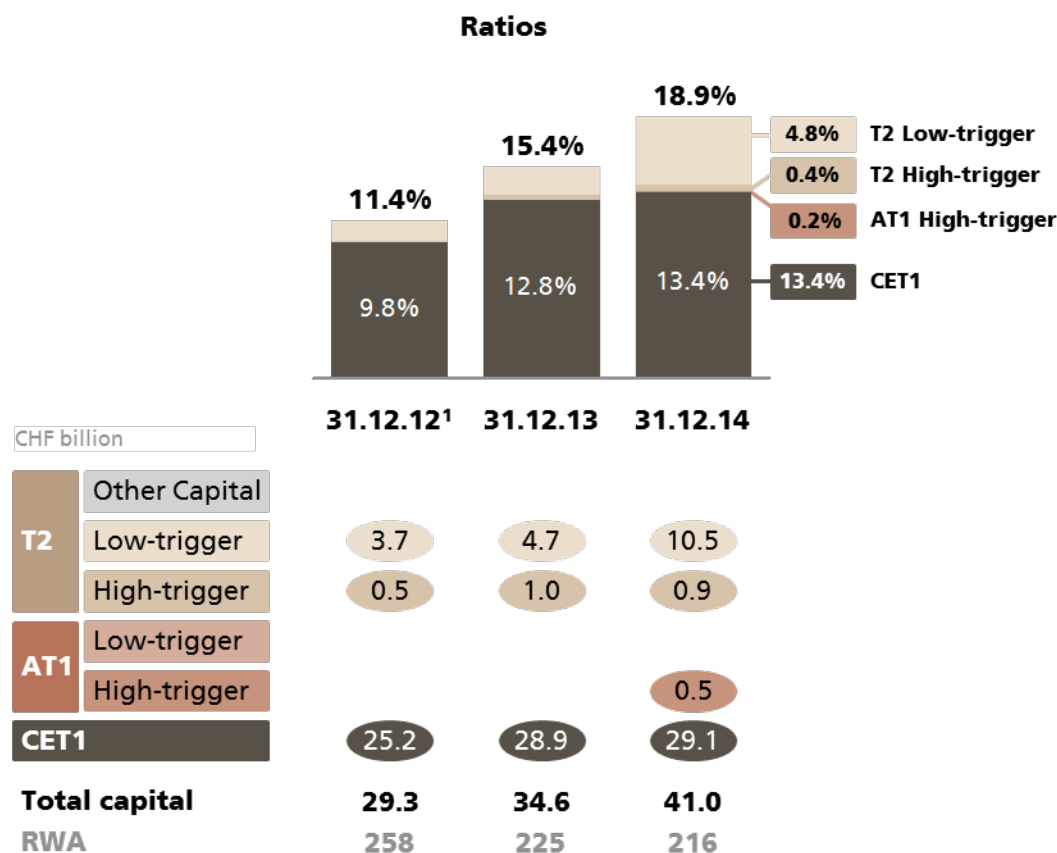
At the end of 2014, UBS Group's Basel III common equity tier 1 ("CET1") capital ratio was 13.4% on a fully applied basis with a total capital ratio of 18.9%, UBS Group's Basel III fully applied CET1 capital ratio is significantly above its FINMA regulatory minimum of 10% by 2019, and is the highest in its peer group of large global banks. UBS Group's total capital ratio is already in line with FSB proposed minimum TLAC requirement of 16% to 20%. UBS Group's strong capital position is the foundation of its success.

Please refer to pages 245 to 267 of the Annual Report for a detailed description of UBS's capital position and capital management.

⁵ Source: Annual Report, p 88

Fully Applied Swiss Basel III capital and ratios

31.12.14, CHF billion



Through a set of quantitative risk appetite objectives, UBS aims to ensure that aggregate risk exposure is within its desired risk capacity, based on UBS's capital and business plans. This includes UBS's objective of maintaining a post-stress fully applied CET1 capital ratio of at least 10%. Both scenario-based stress tests and statistical frameworks are used to assess the impact of a severe stress event at an aggregated, Group-wide level. To calculate the post-stress CET1 capital ratio, UBS forecasts capital one year ahead based on internal projections of earnings, expenses, distributions to shareholder and other factors affecting CET1 capital. UBS also forecasts one-year developments in RWA. These forecasts are adjusted based on assumptions as to how they may change as a result of a stress event. Stress losses, estimated using UBS's combined stress test framework, are then further deducted from capital to arrive at a post-stress CET1 capital ratio.

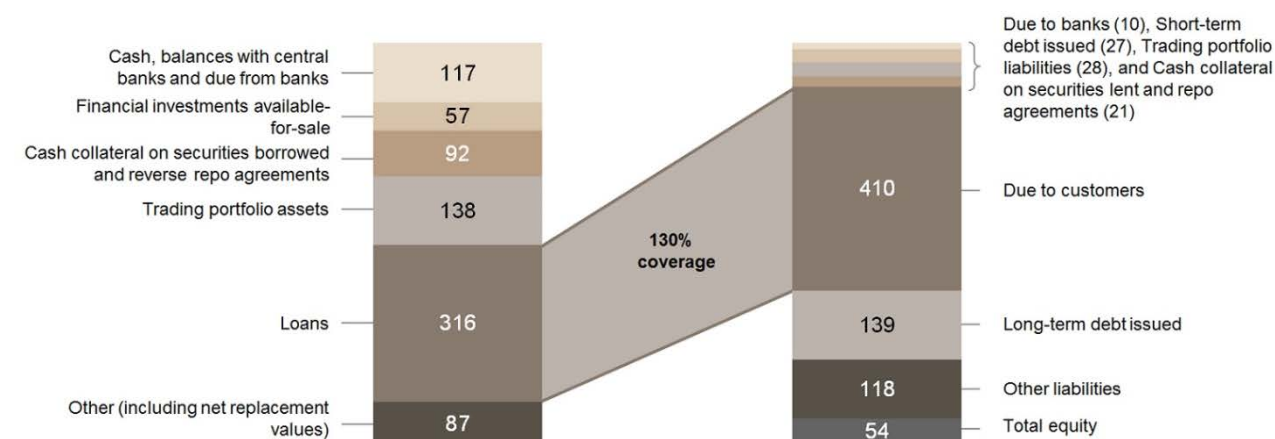
Liquidity and Funding

UBS manages its liquidity and funding risk with the overall objective of optimizing the value of its business franchise across a broad range of market conditions and in consideration of current and anticipated future regulatory constraints. UBS's business activities generate asset and liability portfolios that are highly diversified with respect to market, product, tenor and currency with almost 60% of funding from deposits and limited use of short-term wholesale funding. This reduces exposure to individual funding sources and provides a broad range of investment opportunities, reducing liquidity risk.

The chart below reproduced from the UBS Group AG 2014 Annual Report shows funding and liquidity sources as of December 31, 2014.

Asset funding as of December 31, 2014

31.12.14, CHF billion



UBS uses a number of measures to monitor liquidity and funding positions under normal and stressed conditions. In particular, UBS uses stress scenarios to apply behavioral adjustments to its balance sheet and calibrates the results from the internal stress models with external measures, primarily the evolving regulatory requirements for the liquidity coverage ratio ("LCR") and the net stable funding ratio ("NSFR"). The Bank for International Settlements future minimum regulatory requirement is an LCR of at least 100% as of 2019 and an NSFR of at least 100% as of 2018. UBS already exceeds these requirements with a pro forma LCR of 123% and a NSFR of 106% as per December 31, 2014.⁶

UBS employs an integrated liquidity and funding framework to govern the liquidity management of branches and subsidiaries and major sources of liquidity are channeled through entities that are fully consolidated. Group Asset Liability Management meets internal demands for funding by channeling funds from units generating surplus cash to those in need of financing. Funding costs and benefits are allocated to UBS's business divisions and Non-core and Legacy Portfolio according to UBS's liquidity and funding risk management framework. UBS's internal funds transfer pricing system is designed to provide the proper liability structure to support the assets and planned activities of each business division while minimizing cross-divisional subsidies. The funds transfer pricing mechanism aims to allocate funding and liquidity costs to the activities generating the liquidity and funding risks and deals with the movement of funds from those businesses in surplus to those that have a shortfall. Funding is internally transferred or allocated among businesses at rates and tenors that reflect each business's asset composition, liquidity and reliable external funding.

Funding of US Operations

UBS AG Cayman Branch ("Cayman Branch") is a primary funding vehicle for UBS's US subsidiaries, providing funding to UBS Americas and UBS Securities. UBS Americas also receives funding from UBS AG in Switzerland. Funding received by UBS Americas is used for interaffiliate subordinated debt and investment by UBS Americas in its subsidiaries.

FSI and BUSA are self-funded through their client base. UBS operates bank sweep programs under which available balances in client accounts are swept into or out of a variety of sweep options.

The Stamford Branch issues short-term wholesale deposit products and long-term debt.

⁶ Pro-forma ratios using supervisory guidance from FINMA, refer to the "Liquidity and funding management" section of the UBS Group AG 2014 Annual Report, p. 235-236 for details about the calculation of UBS's Basel III LCR and NSFR.

6 Memberships in Material Payment, Clearing and Settlement Systems

Many of UBS Group AG's U.S. subsidiaries are direct members of payment, clearing and settlement ("PCS") systems. In addition, some U.S. subsidiaries maintain relationships with agent banks to access PCS-related services.

The primary financial market utilities and agent banks used by UBS's U.S. operations, and the entity that is a member of the relevant provider, include:

Type of Provider	Provider	UBS Member(s)
Securities Settlement and Depository System	DTC	FSI, UBS Securities, UBS AG Stamford Branch
	Clearstream	FSI, UBS Securities
Clearinghouse / Central Counterparty	FICC	FSI, UBS Securities
	NSCC	FSI, UBS Securities
	CME	UBS Securities
	ICE Clear US	UBS Securities
	ICE Clear Credit	UBS Securities
	ICE Clear Europe	UBS Securities
	LCH.Clearnet	UBS Securities
	Options Clearing Corporation	FSI, UBS Securities
FX Settlement System	CLS	UBS AG
Payment System	Fedwire	UBS New York WMA Branch, UBS AG Stamford Branch
	CHIPS	UBS AG Stamford Branch
Messaging System	SWIFT (CONN)	UBS AG
Agent Banks	The Bank of New York Mellon	FSI, UBS Securities, UBS AG Stamford Branch, UBS Bank USA
	BMO Nesbitt Burns	UBS Securities
	Brown Brothers Harriman	FSI, UBS Securities, UBS AG Stamford Branch, UBS Bank USA, UBS New York WMA Branch
	CIBC Mellon	FSI, UBS Securities, UBS AG Stamford Branch
	Citibank	FSI, UBS Securities, UBS AG Stamford Branch, UBS Bank USA, UBS New York WMA Branch
	JP Morgan Chase	UBS Securities, UBS AG Stamford Branch, UBS New York WMA Branch

7 Description of Material Management Information Systems

UBS Group Technology in the Americas supports the IB, WMA, Global AM, Wealth Management, Retail & Corporate and the Corporate Center. As well as supporting the US businesses, this group covers business lines, products and services that 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, financial market infrastructures, broker-dealers, corporations, custodians and investment managers around the world. Its technology platforms form the backbone of communication with these institutions. The UBS Group has multiple memberships throughout the world in stock exchanges, clearing houses, payment systems, and messaging systems.

UBS's management information systems were designed with a business division and global focus that does not necessarily lend itself to reporting on a legal entity and jurisdiction basis. In recognition of the need for enhanced control and flexibility with respect to data and data processing within the UBS organization, UBS has made substantial investments to build capabilities and enhance the information technology infrastructure, across risk, finance, treasury/liquidity, and front office that will facilitate legal entity risk management and reporting capabilities.

These investments are viewed as strategic and will serve not only to comply with the requirements of FBEPS for its combined US Operations in advance of the July 2016 effective date but also for resolution purposes. UBS is also further strengthening data governance, control structures and protocols to ensure data quality, consistency, accuracy and front-to-back accountability for its combined US Operations.

These IT infrastructure changes will significantly enhance UBS's capabilities for legal entity awareness (i.e. systems can distinguish data by legal entity, not solely by business division and sourcing and aggregation capabilities, and can (a) consistently source and aggregate data across business divisions and (b) aggregate data for UBS's combined US Operations).

Examples of these specifically include:

- US IHC capital and stress testing reporting relating to CCAR, capital planning, and capital stress testing;
- US IHC and combined US operations cash flow reporting;
- US IHC and combined US operations reporting of liquidity stress testing results;
- US Basel III capital adequacy standards;
- Regulatory reporting required for the future US IHC;
- Reporting requirements relating to supporting combined US operations risk management and risk control processes; and
- Implementation of a combined US operations data governance framework.

In the preparation of the UBS US Resolution Plan, UBS identified the key management information systems and applications used for risk management, accounting, and financial and regulatory reporting. UBS has compiled detailed inventories identifying the resolution relevant systems or critical application systems and mapped these systems to Material Entities, Core Business Lines and critical operations. UBS has developed an inventory of data and information sources that supports the UBS US Resolution Plan and maintains a vendor contracts data base in which resolution-relevant agreements are identified.

The UBS US Resolution Plan further identifies 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 key internal reports are used to:

- Monitor the health of the business with regard to financial, regulatory and operational matters as well as risk considerations (market, credit/counterparty, treasury & liquidity, and compliance);
- Provide flexible business intelligence reporting in an evolving business and regulatory climate;

- Provide the basis for developing reports to assess Material Entities, Critical Operations and Core Business Lines; and
- Help protect customers, shareholders, and businesses from experiencing any major disruptions and facilitating the recovery of data and information.

Certain areas where data is not readily available in the form and format requested by relevant regulators have been noted and appropriate steps to ensure its future availability are being taken.

UBS is also identifying opportunities to further enhance its MIS portfolio to provide transparency, control, timeliness and accuracy to facilitate effective decision-making and analysis at the US level and for escalation to the UBS Group as needed during a resolution scenario.

8 Descriptions of Global Operations

UBS is present in all major financial centers worldwide. It has offices in more than 50 countries, with about 35% of its employees working in the Americas, 36% in Switzerland, 17% in the rest of Europe, the Middle East and Africa and 12% in Asia Pacific. UBS Group AG employs about 60,000 people around the world. Its shares are listed on the SIX Swiss Exchange and the NYSE.

UBS is committed to providing private, institutional and corporate clients worldwide, as well as retail clients in Switzerland, with superior financial advice and solutions while generating attractive and sustainable returns for shareholders. UBS's strategy centers on its Wealth Management and Wealth Management Americas businesses and its leading universal bank in Switzerland, complemented by its Global Asset Management business and its Investment Bank. These businesses share three key characteristics: they benefit from a strong competitive position in their targeted markets, are capital-efficient, and offer a superior structural growth and profitability outlook. UBS's strategy builds on the strengths of all of its businesses and focuses its efforts on areas in which UBS excels, while seeking to capitalize on the compelling growth prospects in the businesses and regions in which UBS operates. Capital strength is the foundation of UBS's success. The operational structure of 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.

Wealth Management

Wealth Management provides comprehensive financial services to wealthy private clients around the world – except those served by Wealth Management Americas. UBS is a global firm with global capabilities, and Wealth Management clients benefit from the full spectrum of UBS's global resources, ranging from investment management solutions to wealth planning and corporate finance advice, as well as a wide range of specific offerings. Its guided architecture model gives clients access to a wide range of products from third-party providers that complement UBS's own products.

Wealth Management Americas

Wealth Management Americas is one of the leading wealth managers in the Americas in terms of financial advisor productivity and invested assets. It 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 and Canadian business as well as international business booked in the US.

Retail & Corporate

Retail & Corporate provides comprehensive financial products and services to its retail, corporate and institutional clients in Switzerland, maintaining a leading position in these client segments and embedding its offering in a multi-channel approach. The retail and corporate business constitutes a central building block of UBS's universal bank delivery model in Switzerland, supporting other business divisions by referring clients to them and assisting retail clients to build their wealth to a level at which UBS can transfer them to its Wealth Management unit. Furthermore, it leverages the cross-selling potential of products and services provided by its asset-gathering and investment banking businesses. In addition, Retail & Corporate manages a substantial part of UBS's Swiss infrastructure and Swiss banking products platform, which are both leveraged across UBS Group.

Global Asset Management

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

Investment Bank

The Investment Bank provides corporate, institutional and wealth management clients with expert advice, innovative solutions, execution and comprehensive access to the world's capital markets. UBS offers advisory services and access to international capital markets, and provide comprehensive cross-asset research, along with access to equities, foreign exchange, precious metals and selected rates and credit markets, through its 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.

Corporate Center

Corporate Center is comprised of Core Functions and Non-core and Legacy Portfolio. Core Functions include Group-wide control functions such as finance (including treasury services such as liquidity, funding, balance sheet and capital management), risk control (including compliance) and legal. In addition, Core Functions provide all logistics and support services, including operations, information technology, human resources, regulatory relations and strategic initiatives, communications and branding, corporate services, physical security, information security as well as outsourcing, nearshoring and offshoring. These functions are provided by a number of entities within UBS Group, such as by UBS AG, including its branches, by other operating companies, and by service companies that exist or are being established as described above.

Non-core and Legacy Portfolio is comprised of the non-core businesses and legacy positions that were part of the Investment Bank prior to its restructuring.

Financial Information by Business Division

The table below provides financial information for 2014 split by Business Division:⁷

Financial Information by Business Division

CHF million	Wealth Management	Wealth Management Americas	Retail & Corporate	Global Asset Management	Investment Bank	Corporate Center		UBS
						Core Functions	Non-core and Legacy Portfolio	
For the Year Ended December 31, 2014								
Net Interest Income	2,165	983	2,184	(11)	1,482	(347)	98	6,555
Non-Interest Income	5,736	6,001	1,653	1,912	6,862	308	(921)	21,550
Income ⁸	7,902	6,984	3,836	1,902	8,343	(39)	(823)	28,105
Credit Loss (Expense)/Recovery	(1)	15	(95)	0	2	0	2	(78)
Total Operating Income	7,901	6,998	3,741	1,902	8,346	(39)	(821)	28,027
Personnel Expenses	3,369	4,802	1,363	887	4,065	423	371	15,280
General and Administrative Expenses	1,937	1,109	859	516	4,037	245	684	9,387
Services (to)/from Other Business Divisions	58	10	(126)	(20)	3	13	62	0
Depreciation and Impairment of Property and Equipment	205	129	139	43	272	2	27	817
Amortization and Impairment of Intangible Assets	5	48	0	9	15	6	0	83
Total Operating Expenses	5,574	6,099	2,235	1,435	8,392	688	1,144	25,567
Operating Profit/(Loss) Before Tax	2,326	900	1,506	467	(47)	(728)	(1,965)	2,461
Tax Expense/(Benefit)								(1,180)
Net Profit/(Loss)								3,640
Additional Information								
Total Assets	127,588	56,026	143,711	15,207	292,347	257,773	169,826	1,062,478
Additions to Non-Current Assets	7	6	9	2	7	1,677	0	1,708

⁷ Source: Annual Report, p. 89.

⁸ Impairments of financial investments available-for-sale for the year ended December 31, 2014 were as follows: Wealth Management CHF 3 million, Global Asset Management CHF 1 million, Investment Bank CHF 49 million, Corporate Center – Non-core and Legacy Portfolio CHF 23 million.

9 Description of Derivative and Hedging Activities

Derivatives Overview

A derivative is a financial instrument, the value of which is derived from the value of one or more variables (“underlyings”). Underlyings may be indices, exchanges or interest rates, or the value of shares, commodities, bonds or other financial instruments. A derivative commonly requires little or no initial net investment by either counterparty to the trade.

The majority of derivative contracts are negotiated with respect to notional amounts, tenor, price and settlement mechanisms, as is customary with other financial instruments.

OTC derivative contracts are usually traded under standardized International Swaps and Derivatives Association (“ISDA”) master agreements between UBS and its counterparties. Terms are negotiated directly with counterparties and the contracts will have industry-standard settlement mechanisms prescribed by ISDA. The industry continues to promote the use of central counterparties (“CCP”) to clear OTC trades. The trend toward CCP clearing and settlement will generally facilitate the reduction of systemic credit exposures.

To support cross-border resolution, a resolution stay protocol was developed. This protocol imposes a stay on cross-default and early termination rights under ISDA standard derivatives contracts between banks in the event that one of them becomes subject to resolution action in its jurisdiction. The underlying purpose of this protocol is to give regulators sufficient time to facilitate an orderly resolution of a troubled bank. Eighteen major banks, including UBS, have adopted the protocol.

Other derivative contracts are standardized in terms of their amounts and settlement dates, and are bought and sold on organized exchanges. These are commonly referred to as exchange-traded derivatives contracts. Exchanges offer the benefits of pricing transparency, standardized daily settlement of changes in value, and consequently reduced credit risk.

A full discussion can be found in Note 14 to the UBS Group AG consolidated financial statements starting on page 443 of the Annual Report.

Types of Derivative Instruments

UBS Group uses the following derivative financial instruments for both trading and hedging purposes.

- **Swaps:** Swaps are transactions in which two parties exchange cash flows on a specified notional amount for a predetermined period. Cross-currency swaps involve the exchange of interest payments based on two different currency notional amounts and reference interest rates and generally also entail exchange of notional 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).

UBS Group's Use of Derivatives

In connection with its strategic focus, UBS Group's derivative activity is primarily concentrated in flow products. UBS Investment Bank has materially reduced its involvement in long-dated uncollateralized derivatives and in highly complex products.

Derivatives Transacted for Trading Purposes

Most of UBS 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.

Derivatives Transacted for Hedging Purposes

Derivatives Used for Structural Hedging

UBS Group enters into derivative transactions for the purposes of hedging risks inherent in assets, liabilities and forecast transactions. The accounting treatment of hedge transactions varies according to the nature of the instrument hedged and whether the hedge qualifies as such for accounting purposes.

Fair Value Hedges: Interest Rate Risk Related to Debt Issued

UBS Group's fair value hedges principally consist of interest rate swaps that are used to protect against changes in the fair value of fixed-rate instruments (e.g. non-structured fixed-rate bonds, covered bonds and subordinated debt) due to movements in market interest rates.

Fair Value Hedges: Portfolio Interest Rate Risk Related to Loans

UBS Group also applies fair value hedge accounting to mortgage loan portfolio interest rate risk. The change in fair value of the hedged items is recorded separately from the hedged item and is included within Other assets on the balance sheet.

Cash Flow Hedges of Forecasted Transactions

UBS Group is exposed to variability in future interest cash flows on non-trading financial assets, and liabilities that bear interest at variable rates or are expected to be refinanced or reinvested in the future. The amounts and timing of future cash flows, representing both principal and interest flows, are projected based on contractual terms and other relevant factors including estimates of prepayments and defaults. The aggregate principal balances and interest cash flows across all portfolios over time form the basis for identifying the non-trading interest rate risk of UBS Group, which is hedged with interest rate swaps.

10 Material Supervisory Authorities

UBS's operations are regulated by authorities in each of the jurisdictions in which it has offices, branches and subsidiaries. This section describes the regulation and supervisory authorities for the Material Entities for purposes of this UBS US Resolution Plan.

Regulation and Supervision in Switzerland

The Swiss Federal Law on Banks and Savings Banks of November 8, 1934, as amended ("Banking Act"), and the related Swiss Federal Ordinance on Banks and Savings Banks of May 17, 1972, as amended ("Banking Ordinance"), impose certain requirements on UBS as a group under provisions on consolidated supervision of financial groups and conglomerates. These requirements include provisions on capital, liquidity, risk concentration and organizational requirements.

UBS AG, which is currently UBS Group AG's only subsidiary, is a fully licensed Swiss bank and securities dealer under the Banking Act. It may engage in a full range of financial services activities in Switzerland and abroad, including retail banking, commercial banking, investment banking and asset management. The Banking Act, Banking Ordinance and the Financial Market Supervision Act of June 22, 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.

Swiss banks have to comply with the Basel III accord, as implemented by Switzerland. Furthermore, 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, due to its size, complexity, organization and business activities, as well as its importance to the financial system. These provisions contain specific, more stringent capital and liquidity 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 in the case of a crisis, and to provide FINMA and other regulators with information on how the firm could be resolved in the event of an unsuccessful recovery.

The legal basis for the investment funds business in Switzerland is the Swiss Federal Act on Collective Investment Schemes (Collective Investment Schemes Act) of June 23, 2006, which came into force on January 1, 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.

As a securities broker and issuer of shares listed in Switzerland, UBS is governed by the Federal Act on Stock Exchanges and Securities Trading of March 24, 1995. FINMA is the competent supervisory authority with respect to securities broking. This will be complemented by the Swiss Federal Financial Market Infrastructure Act ("FINFRAG"), which will also deal with regulation of OTC derivatives trading and is expected to come into force at the beginning of 2016.

FINMA is the resolution authority for Swiss banks, securities dealers and collective investment schemes and their managing companies. FINMA may open resolution or insolvency proceedings if it determines that a bank has reached the point of threatened insolvency. Under Swiss law, all assets and liabilities of a bank fall into the FINMA resolution proceedings, irrespective of where they are located. Statutory FINMA resolution tools include transferring activities of the bank to a bridge entity, the conversion of debt into equity or the write-down of debt. Any such measure would need to comply with statutory requirements and safeguards, including the requirement to ensure creditors are not worse off than in liquidation and the equal treatment of creditors.

As UBS Group is considered a Swiss systemically relevant bank, it is subject to more rigorous supervision than most 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.

The SNB contributes to the stability of the financial system through macro-prudential measures and monetary policy, while also providing liquidity to the banking system. Its role in relation to systemically relevant banks will be strengthened through amendments coming into force with FINFRAG. However, it does not exercise any banking supervision and is not responsible for enforcing banking legislation, but cooperates with FINMA, in particular with respect to regulation of Swiss systemically relevant banks. The SNB may also carry out its own enquiries and request

information directly from the banks (e.g., resilience in relation to negative impacts on stability of the financial system). In addition, the SNB is tasked by Parliament with the designation of Swiss systemically relevant banks and their systemically relevant functions in Switzerland. Currently, UBS, Credit Suisse, Zürcher Kantonalbank and Raiffeisen are required to comply with specific Swiss rules for systemically relevant banks.

Regulation and Supervision in the US

UBS Group'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 OCC or the state banking authority of the state in which the branch is located. The representative offices are licensed as loan production offices by the OCC. Each US branch and representative office is subject to regulation and supervision, including on-site examination, by its federal banking authority or its licensing state and by the Federal Reserve. UBS is subject to oversight regulation and supervision by the Federal Reserve under various laws because it maintains branches in the US. These include 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 April 10, 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.

UBS also maintains state and federally-chartered trust companies and an FDIC-insured depository institution subsidiary, which are licensed and regulated by state regulators or the OCC. Only the deposits of UBS Bank USA, 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.

To maintain UBS's financial holding company status, (i) UBS Group, UBS's federally-chartered trust company (UBS Trust Company N.A.) subsidiary and UBS Bank USA are required to meet certain capital ratios, (ii) UBS's US branches, its federally-chartered trust company, and UBS Bank USA are required to maintain certain examination ratings, and (iii) UBS Bank USA is required to maintain a rating of at least "satisfactory" under the Community Reinvestment Act of 1977.

The licensing authority of each state-licensed US branch 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 to third parties, and then made available for application pursuant to any Swiss insolvency proceeding.

In the US, UBS Financial Services Inc. and UBS Securities LLC, 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 FINRA. Each entity is also regulated by some or all of the following: the NYSE, the Municipal Securities Rulemaking Board, the US Department of the Treasury, the 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.

UBS Global Asset Management (Americas) Inc. and UBS's other US-registered investment adviser entities (including UBS Financial Services Inc.) 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 trading 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.

Regulation and Supervision in the UK

UBS's operations in the UK are mainly regulated by two bodies: the Prudential Regulation Authority ("PRA"), which is an affiliated authority of the Bank of England, and the Financial Conduct Authority ("FCA"). The PRA's main objective relating to 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.

Some of UBS's 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 and regulations which require, among other things, compliance with certain capital and liquidity adequacy standards, client protection requirements, conduct of business rules, derivatives trading regulations and market infrastructure requirements (such as the Markets in Financial Instruments Directive and the Regulation on OTC derivatives, central counterparties and trade repositories ("EMIR")). The directives must be transposed by each EU Member State into national law, whereas EU regulations such as EMIR are directly applicable in each member state.

11 Principal Officers

The following is a list of the members of the Board of Directors and the Secretary of UBS Group AG as of June 30, 2015.

Board of Directors

Name	Function in UBS	Year of Initial Appointment
Axel A. Weber	Chairman of the Board of Directors/Chairperson of the Governance and Nominating Committee/Chairperson of the Corporate Culture and Responsibility Committee	2012
Michel Demaré	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	Senior Independent Director of the Board of Directors/Chairperson of the Risk Committee/member of the Governance and Nominating Committee	2008
Reto Francioni	Member of the Corporate Culture and Responsibility Committee/member of the Human Resources and Compensation Committee	2013
Ann F. Godbehere	Chairperson of the Human Resources and Compensation Committee/member of the Audit Committee	2009
Axel P. Lehmann	Member of the Risk Committee	2009
William G. Parrett	Chairperson of the Audit Committee/member of the Corporate Culture and Responsibility Committee	2008
Isabelle Romy	Member of the Audit Committee/member of the Governance and Nominating Committee	2012
Jes Staley	Member of the Human Resources Committee/Member of the Risk Committee	2015
Beatrice Weder di Mauro	Member of the Audit Committee/member of the Risk Committee	2012
Joseph Yam	Member of the Corporate Culture and Responsibility Committee/member of the Risk Committee	2011
Luzius Cameron	Company Secretary	2005

UBS Group AG operates under a strict dual board structure, as required by Swiss banking law. The management of the business is delegated by the UBS Group AG BoD to the 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 January 1, 2015.

Principal Officers

Name	Function in UBS	Year of Initial Appointment
Sergio P. Ermotti	Group Chief Executive Officer	2011
Markus U. Diethelm	Group General Counsel	2008
Lukas Gähwiler	President Retail & Corporate President Switzerland	2010
Ulrich Körner	President Global Asset Management President Europe, Middle East and Africa	2009
Philip J. Lofts	Group Chief Risk Officer	2008
Robert J. McCann	President Wealth Management Americas President Americas	2009
Tom Naratil	Group Chief Financial Officer Group Chief Operating Officer	2011
Andrea Orcel	President Investment Bank	2012
Chi-Won Yoon	President Asia Pacific	2009
Jürg Zeltner	President Wealth Management	2009