

December 30, 2016

News Release

Announcement on UBS ETRACS ETNs

New York, December 30, 2016 – [UBS Investment Bank](#) today made the following announcement concerning the UBS ETRACS ETNs.

On January 1, 2017, new US tax regulations (commonly referred to as the Section 871(m) regulations) will become effective and may impact non-US holders of UBS ETRACS ETNs. These regulations may require the imposition of withholding taxes on non-US investors in UBS ETRACS ETNs that directly or indirectly reference the performance of US equities (“Covered ETNs”). A list of Covered ETNs is set forth below. In the case of certain Covered ETNs, this withholding tax would not apply until 2020. The new regulations apply only to non-US beneficial owners, so the tax treatment of US beneficial owners of Covered Securities is generally not altered by the new regulations.

As a technical matter, the new regulations apply only to Covered ETNs that are issued on or after January 1, 2017. However, Covered ETNs that are issued on or after January 1, 2017 will have the same CUSIP and ISIN number as Covered ETNs of the same series that were issued before that date, and accordingly all of the Covered ETNs of the same series will be interchangeable and fungible with each other. As a result, non-US holders of Covered ETNs (including holders of Covered ETNs that were purchased on or before December 31, 2016) may not be able to establish to their custodians and other withholding agents that their Covered ETNs are exempt from the new regulations. Accordingly, holders of Covered ETNs should generally assume that their ETNs will be subject to the new regulations starting on January 1, 2017.

UBS has filed supplemental prospectus/pricing addenda for Covered ETNs that are subject to these new rules. However, there are significant uncertainties regarding the application of the Section 871(m) rules to the Covered ETNs, and UBS may make additional announcements if there are further developments regarding how these rules will apply to the Covered ETNs. Non-US holders of Covered ETNs with respect to US equities are urged to consult their tax advisors and their custodians about how the new regulations may affect their Covered ETN investments. Holders of Covered ETNs are urged to read the prospectus/pricing addenda for more detailed information relating to the application of these new rules. These documents can be found at www.sec.gov and / or at <http://etracs.ubs.com>.

The table below lists the ticker symbols of the Covered ETNs and indicates whether the withholding tax will take effect on January 1, 2017 or on January 1, 2020.



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Effective January 1, 2017

AMU
AMUB
BDCL
BDCS
BDCZ
DVHL
FIHD
LBDC
LMLP
MLPB
MLPG
MLPI
MLPQ
MLPZ
MRRL

Effective January 1, 2020

CEFL
DVYL
HDLV
HOML
LRET
MORL
SDYL
SMHD

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About ETRACS

ETRACS ETNs are senior unsecured notes issued by UBS AG, are traded on NYSE Arca, and can be bought and sold through a broker or financial advisor. **An investment in ETRACS ETNs is subject to a number of risks, including the risk of loss of some or all of the investor's principal, and is subject to the creditworthiness of UBS AG. Investors are not guaranteed any coupon or distribution amount under the ETNs. We urge you to read the more detailed explanation of risks described under "Risk Factors" in the applicable prospectus supplement, or product supplement and pricing supplement, as applicable, for the ETRACS ETN.**

ETRACS ETNs are sold only in conjunction with the relevant offering materials. UBS has filed a registration statement (including a prospectus, as supplemented by the applicable prospectus supplement, or product supplement and pricing supplement, for the offering of the ETRACS ETNs) with the Securities and Exchange Commission (the "SEC") for the offering to which this communication relates. Before you invest, you should read these documents and any other documents that UBS has filed with the SEC for more complete information about UBS and the offering to which this communication relates. You may get these documents for free by visiting EDGAR on the SEC website at www.sec.gov. Alternatively, you can request the applicable prospectus supplement, or product supplement and pricing supplement, by calling toll-free (+1-877-387 2275). In the US, securities underwriting, trading and brokerage activities and M&A advisor activities are provided by UBS Securities LLC, a registered broker/dealer that is a wholly owned subsidiary of UBS AG, a member of the New York Stock Exchange and other principal exchanges, and a member of SIPC. UBS Financial Services Inc. is a registered broker/dealer and affiliate of UBS Securities LLC.

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