

UBS Financial Services Inc.

Consolidated Statement of Cash Flows

Year Ended December 31, 2015
(Amounts in Thousands of Dollars)

Cash flows from operating activities

Net loss	\$ (4,728)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Non-cash items included in net loss:	
Depreciation and amortization expense	117,008
Deferred income tax	(318,900)
Employee loan compensation expense	70,496
Goodwill and intangible assets: amortization and impairment expense	16,129
Changes in assets and liabilities:	
(Increase) decrease in:	
Cash and securities segregated and on deposit for federal and other regulations	(289,535)
Financial instruments owned	46,068
Securities purchased under agreements to resell	(758,202)
Securities borrowed	165,370
Receivables:	
Clients	(653,371)
Brokers, dealers and clearing organizations	(45,782)
Dividends and interest	(18,151)
Fees and other	67,261
Receivables from affiliated companies	(18,809)
Intangible assets	(606)
Other assets	(108,412)
Increase (decrease) in:	
Financial instruments sold, not yet purchased	(2,960)
Securities sold under agreements to repurchase	(381,128)
Securities loaned	(35,767)
Payable:	
Clients	1,767,266
Brokers, dealers and clearing organizations	71,863
Dividends and interest	70,540
Accrued compensation and benefits	141,662
Payables to affiliated companies	(259,694)
Income taxes payable	(404)
Other liabilities and accrued expenses	402,634
Net cash provided by operating activities	<u>39,848</u>

UBS Financial Services Inc.

Consolidated Statement of Cash Flows (continued)

For the Year Ended December 31, 2015
(Amounts in Thousands of Dollars)

Cash flows from investing activities

Purchase of office equipment and leasehold improvements	\$ (192,462)
Net decrease in loans receivable	127,616
Net cash used in investing activities	<u>(64,846)</u>

Cash flows from financing activities

Proceeds from issuance of revolving subordinated loans	\$ 1,050,000
Payments of revolving subordinated loans	<u>(620,000)</u>
Net cash provided by financing activities	<u>430,000</u>

Net increase in cash and cash equivalents	405,002
Cash and cash equivalents, January 1, 2015	690,082
Cash and cash equivalents, December 31, 2015	<u>\$ 1,095,084</u>

Supplemental disclosure of cash flow information

State, local and foreign income tax payments of \$10,218 were made by UBS Financial Services Inc. for the year ended December 31, 2015, which included payments on behalf of UBS Americas Inc. and its subsidiaries. UBS Financial Services Inc. has received \$9,104 for the reimbursement of state and local payments paid on behalf of UBS Americas and its subsidiaries. No federal income tax payments were made by UBS Financial Services Inc. for the year ended December 31, 2015.

Total interest payments for the year ended December 31, 2015 were \$6,972. This amount excluded interest on intercompany liabilities which was paid through the intercompany accounts (see Note 9).

See notes to consolidated financial statements.