

UBS AG
acting through UBS Investment Bank

**Open End PERLES linked to S&P High Yield Dividend
Aristocrat Total Return Index**

Swiss Franc ("CHF")

Due: Open End

Issue Size: 150,000 Units

Issue Price: CHF 100.00 per Unit as of Issue Date

The Issuer has issued structured products in securitized form (the "Product") in accordance with the terms and conditions set out in this prospectus (the "Prospectus").

The Issuer has the possibility to increase the number of Securities at any time during the lifetime of the Securities. In the event of an increase an additional prospectus will be prepared.

Application has been made to list the Products on the Official List of the Luxembourg Stock Exchange and to trade them on the EURO MTF Market of that exchange. *This Prospectus constitutes a prospectus for the purpose of the Luxembourg law dated 10 July 2005 on prospectuses for securities.*

Opportunities and Loss Risks

Market Expectation

The Open End PERLES is a product for Investors who expect the Underlying to increase over the life of the Product.

Risk Tolerance

Investors in this product should be experienced investors and familiar with both derivative products and the stock markets. The Investors must be willing to make an investment that is exposed to the full down-side risk of the Underlying. The Investors do not require capital protection.

Profit Potential

The product allows full participation in the Underlying.

Loss Potential

The Investors may lose some or all of the investment as they are fully exposed to the performance of the Underlying.

Detailed information to the risks of these Securities are stated in the section headed Risk Factors of this Prospectus.

This Prospectus does not qualify as a prospectus published in accordance with the requirements of the EU Prospectus Directive (Directive 2003/71/EC).

Nobody is authorised to give information other than that contained in this Prospectus and the documents referred to therein and which are made available for inspection by the public.

UBS Investment Bank

Date 06 September 2011

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Open End PERLES

Linked to S&P High Yield Dividend Aristocrat TR Index daily hedged in CHF

Issued by UBS AG, London Branch

Cash settled

SVSP Product Type: Tracker Certificates (1300)

Valor: 13448893 ISIN: CH0134488938 Common Code: 065667231

This Product does not represent a participation in any of the collective investment schemes pursuant to Art. 7 ss of the Swiss Federal Act on Collective Investment Schemes (CISA) and thus does not require an authorisation of the Swiss Financial Market Supervisory Authority (FINMA). Therefore, investors in this Product are not eligible for the specific investor protection under the CISA.

Final Terms

1. Description of the Product

Information on Underlying

Underlying(s)	Initial Underlying Level	Conversion ratio
S&P High Yield Dividend Aristocrat Total Return Index daily hedged in CHF (Bloomberg: SPHYDATR)	1,000	1 PERLES refers to the level of 0.10 Underlying, adjusted by the Management Fee, according to the following formula: Underlying * 0.10
Underlying definition	$NH_n = NH_{n-1} \times [1 + ((N_n/N_{n-1}) - 1) \times F_n/F_{n-1} + (R-F) \times T]$ <p>Where</p> <p>NH_n = underlying value on every business day of observation</p> <p>NH_{n-1} = underlying value one business day prior to the day of observation</p> <p>N_n = index value of the S&P High Yield Dividend Aristocrats Total Return Index in USD on the day of observation (published on Bloomberg: SPHYDATR)</p> <p>N_{n-1} = index value of the S&P High Yield Dividend Aristocrats Total Return Index in USD one business day prior to the day of observation (published on Bloomberg: SPHYDATR)</p> <p>F_n = official 4pm EST exchange rate on day of observation (published on Bloomberg CHF F160 <CRNCY>)</p> <p>F_{n-1} = official 4pm EST exchange rate one business day prior to the day of observation (published on Bloomberg CHF F160 <CRNCY>)</p> <p>R = interest rate differential one business day prior to the day of observation being calculated by the difference of the annualised CHF overnight Libor (published on Bloomberg SF00S/N <CRNCY>) minus the USD overnight Libor rate (published on Bloomberg US00O/N <CRNCY>)</p> <p>F = annualised fee being 55bp p.a. (15bp product fees, 20bp currency hedging costs, 20bp currency basis) for year 1 with the possibility of amendment of the fee due to changing market conditions and based on the reasonable discretion of the calculation agent. The change, if any, will be announced on the annual amendment date being the 29th of July of every year beginning 29th July 2012 (in case that any of these dates is not an Exchange Business Day, the next following Exchange Business Day shall apply)</p> <p>T = calendar days between n and n-1 divided by 360</p>	

Contact: UBS AG, P.O. Box, 8098 Zurich

Private Investors: Please contact your client advisor or send an email to derivatives@ubs.com

Internet: www.ubs.com/keyinvest

Bank and Intermediaries: +41-44-239 68 00*

Please note that calls made to the numbers marked with an asterisk (*) may be recorded. Should you call on these numbers, we shall assume that you consent to this business practice.

Product Details

Security Numbers	Valor: 13448893 / ISIN: CH0134488938 / WKN: UB81ZC
Issue Size	Up to 150,000 Units (with reopening clause)
Issue Price	CHF 100.00
Settlement Currency	CHF
Currency Risk	The majority of the USD/CHF risk is hedged by a daily rolling FX Forward

Dates

Launch Date	29 July 2011
Pricing Date ("Pricing")	29 July 2011
Issue Date / Payment Date	03 Aug 2011
Expiration Date ("Expiry")	Means either the Issuer Call Date or the Investor Exercise Date, as applicable (subject to Market Disruption Events). The Products have no fixed expiration date (open end), but may be called by the Issuer or exercised by the Investors as described below.
Redemption Date	Means the 5 th Business Day following the Expiration Date. In case this date is not a Business Day the next following Business Day will apply (subject to Market Disruption Event provisions).

Redemption

The Investor is entitled to receive from the Issuer on the Redemption Date an amount in the Settlement Currency, according to the following formula and taking into account the Conversion Ratio: Expiration Value

Expiration Value	Official closing value of the Underlying as of the relevant Expiration Date as determined by the Index Sponsor and the calculation agent subject to Market and FX Disruption Event provisions.
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Product Structure

The Open End PERLES allows for participation in the performance of the Underlying (converted by the Conversion Ratio).

General Information

Issuer	UBS AG, London Branch
Issuer Rating	Aa3 Moody's / A+ S&P's / A+ Fitch
Lead Manager	UBS AG, Zurich (UBS Investment Bank)
Calculation Agent	UBS AG, London Branch
Paying Agent	UBS AG, Zurich
Listing	Listing at the Luxembourg Stock Exchange (Euro MTF market) has been applied for.
Index Sponsor	Standard & Poor's
Related Exchange	The stock exchanges on which the securities comprising the Underlying are traded, as determined by the Index Sponsor from time to time.
Secondary Market	Daily price indications will be available on Reuters/Bloomberg from 09:15-17:15 CET. Secondary market orders are collected during the day until 16:00 CET and will be executed targeting the cash close level of the underlying stocks taken an execution fee of 0.10% into account (for purchases and sales), subject to market conditions. For trading sizes in excess of CHF 5 Mio orders will be executed on a best efforts basis and a fee of 0.10% is applicable.

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Minimum Investment	1 Unit(s)
Minimum Trading Lot	1 Unit(s)
Status	Unsecured / Unsubordinated
Clearing	SIX SIS, Euroclear, Clearstream (registered as intermediated securities with SIX SIS AG, in Switzerland)
Form of deed	Uncertificated securities
Adjustments	The terms of the Product may be subject to adjustments during its lifetime. Detailed information on such adjustments is to be found in the Product Documentation.
Governing Law / Jurisdiction	Swiss / Zurich
Product	One CHF-denominated Open End PERLES unit is equivalent to one (1) "Product".
Business day	New York
Issuer Call Right	The Issuer has the right to call the Open End PERLES anytime for early redemption (as described herein) upon 6 months prior notice at www.ubs.com/keyinvest ("Issuer's Call Date") with effect as of close of business of the Issuer's Call Date (in case that the Issuer's Call Date is not an Exchange Business Day, the next following Exchange Business Day applies).
Investor Exercise Right	In addition to the possibility to sell the Open End PERLES at any time in the Secondary Market (subject to market conditions), each Investor has an annual right, on 30 July, for the first time on 30 July 2012, to exercise the Open End PERLES upon 1 years prior notice (the day upon which the Investor Exercise Right takes effect being the "Investor's Exercise Date") with effect as of close of business of the Investor's Exercise Date (in case that the Investors Exercise Date is not an Exchange Business Day, the next following Exchange Business Day applies).

Tax Treatment Switzerland

Swiss Federal Stamp Duty	Secondary market transactions are not subject to Swiss Stamp Duty.
Swiss Federal Income Tax	For private investors with tax domicile in Switzerland, the transaction is in principle subject to neither Swiss federal nor cantonal and communal Income Tax.
Swiss Withholding Tax	The product is not subject to the Swiss withholding tax.
EU Savings Tax Treatment	For Swiss paying agents, the product is not subject to the EU Savings tax (TK9).

The tax information only provides a general overview of the potential tax consequences linked to this product at the time of issue. Tax laws and tax doctrine may change, possibly with retroactive effect.

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Product Documentation

The Final Terms together with the 'General Terms and Conditions for Structured Products on Equity, Commodity and Index Underlyings', as amended from time to time ("General Terms and Conditions") shall form the entire documentation for this Product ("Product Documentation"), and accordingly the Final Terms should always be read together with the General Terms and Conditions. Definitions used in the Final Terms, but not defined therein shall have the meaning given to them in the General Terms and Conditions. Furthermore, the Final Terms shall serve as and fulfil the requirements of a 'Simplified Prospectus' in accordance with Art. 5 of the Swiss Federal Act on Collective Investment Schemes (CISA). In the event that the Product is listed (see above item 'Listing' under 'General Information'), the Product Documentation will be amended in accordance with the listing requirements of the relevant Exchange.

During the whole term of this Product, the Product Documentation can be ordered free of charge from the Lead Manager at P.O. Box, CH-8098 Zurich (Switzerland), via telephone (+41-(0)44-239 47 03), fax (+41-(0)44-239 69 14) or via e-mail (swiss-prospectus@ubs.com). In addition, the Product Documentation is available on the internet at www.ubs.com/keyinvest.

Notices in connection with this Product shall be validly given by publication in electronic media such as Reuters and/or Investdata. In addition, any changes with regard to the terms of this Product shall be published on the internet at www.ubs.com/keyinvest.

Classification

This Product does not represent a participation in any of the collective investment schemes pursuant to Art. 7 ss of the Swiss Federal Act on Collective Investment Schemes (CISA) and thus does not require an authorisation of the Swiss Financial Market Supervisory Authority (FINMA). Therefore, investors in this Product are not eligible for the specific investor protection under the CISA.

Furthermore, this Product does not benefit from any depositor protection under Art. 37b under the Swiss Federal Law on Banks and Savings Banks (Banking Act) or other forms of deposit insurance under any other law as might be applicable to this Product.

Prudential Supervision

UBS AG is authorised and regulated by the Swiss Financial Market Supervisory Authority (FINMA). In addition, its London Branch is authorised and regulated by the Financial Services Authority (FSA) and its Jersey Branch by the Jersey Financial Services Commission (JFSC).

2. Prospects of Profits and Losses

Market Expectation	The Open End PERLES is a product for Investors who expect the Underlying to increase over the life of the Product.
Risk Tolerance	Investors in this product should be experienced investors and familiar with both derivative products and the stock markets The Investors must be willing to make an investment that is exposed to the full down-side risk of the Underlying. The Investors do not require capital protection.
Profit Potential	The product allows full participation in the Underlying.
Loss Potential	The Investors may lose some or all of the investment as they are fully exposed to the performance of the Underlying.

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3. Significant Risks for Investors

For product specific risks please see above (2. Prospects of Profits and Losses)

Risk Factors relating to the Issuer

In addition to the market risk with regard to the development of the Underlying, each Investor bears the general risk that the financial situation of the Issuer could deteriorate. The Products constitute immediate, unsecured and unsubordinated obligations of the Issuer, which, particularly in case of insolvency of the Issuer, rank pari passu with each and all other current and future unsecured and unsubordinated obligations of the Issuer, with the exception of those that have priority due to mandatory statutory provisions. The general assessment of the Issuer's creditworthiness may affect the value of the Products. This assessment generally depends on the ratings assigned to the Issuer or its affiliated companies by rating agencies such as Moody's, Fitch and Standard & Poor's.

The Issuer Ratings indicated in this document reflect the situation at the time of issuance and may be subject to changes. The actual Issuer Ratings at any given time can be seen on the Issuer's website (www.ubs.com) under "Analysts & Investors".

Secondary Market

The Issuer or the Lead Manager, as applicable, intends, under normal market conditions, to provide bid and offer prices for this Product on a regular basis. However, the Issuer or the Lead Manager, as applicable, makes no firm commitment to provide liquidity by means of bid and offer prices for this Product, and assumes no legal obligation to quote any such prices or with respect to the level or determination of such prices. Potential Investors therefore should not rely on the ability to sell this Product at a specific time or at a specific price.

In special market situations, where the Issuer is completely unable to enter into hedging transactions, or where such transactions are very difficult to enter into, the spread between the bid and offer prices may be temporarily expanded, in order to limit the economic risks of the Issuer.

Market Risk

The investor is exposed to market disruption events (such as trading disruption, exchange disruption and early closure of the relevant exchange), adjustments and early termination which could have an impact on the redemption amount through delay in payment or change in value. For a detailed description of such events and their effects please read the General Terms and Condition.

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Important Information

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In certain circumstances UBS sells this Product to dealers and other financial institutions at a discount to the issue price or rebates to them for their account some proportion of the issue price. Further information is available on request.

Structured transactions are complex and may involve a high risk of loss. Prior to entering into a transaction you should consult with your own legal, regulatory, tax, financial and accounting advisors to the extent you consider it necessary, and make your own investment, hedging and trading decisions (including decisions regarding the suitability of this transaction) based upon your own judgement and advice from those advisers you consider necessary. Save as otherwise expressly agreed in writing, UBS is not acting as your financial adviser or fiduciary in any transaction.

This document should not be construed as an offer, personal recommendation or solicitation to conclude a transaction and should not be treated as giving investment advice. The terms of any investment will be exclusively subject to the detailed provisions, including risk considerations, contained in the Information Memorandum, Prospectus or other issuer documentation for the issue of the Products/Notes (the "Prospectus").

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No action has been or will be taken in any jurisdiction that would permit a public offering of the Products described herein, save where explicitly stated in the Product Documentation. The Products must be sold in accordance with all applicable selling restrictions in the jurisdictions in which they are sold.

There is a possibility that costs, including taxes, related to transactions in connection with this Product may arise for the Investor that are not paid by UBS or imposed by it.

Index Disclaimer

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Selling Restrictions

Any Products purchased by any person for resale may not be offered in any jurisdiction in circumstances which would result in the Issuer being obliged to register any further documentation relating to this Product in such jurisdiction.

The restrictions listed below must not be taken as definitive guidance as to whether this Product can be sold in a jurisdiction. Additional restrictions on offering, selling or holding of this Product may apply in other jurisdictions. Investors in this Product should seek specific advice before on-selling this Product.

Europe - For EEA jurisdictions (EU member states plus Norway, Iceland and Liechtenstein) that have implemented the EU Prospectus Directive ("EU-PD"), the Product Documentation for this Product DO NOT QUALIFY as a prospectus published in accordance with the requirements of the EU-PD. Unless and until a prospectus has been published in accordance with the requirements of the EU-PD, this Product may not be offered or sold in EEA jurisdictions that have implemented the EU-PD other than 1) in minimum denominations of, or total consideration per Investor of at least, EUR 50,000 (or equivalent in other currencies) or 2) only to Qualified Investors; and/or (aggregated for all distributors) to less than 100 offerees that are not Qualified Investors per EEA jurisdiction. A "Qualified Investor" is a legal entity that (i) is authorised or regulated to operate in the financial markets or has the sole purpose to invest in securities; or (ii) meets two of the following three criteria (as shown in its last annual or consolidated accounts): (a) an average number of at least 250 employees during the last financial year; (b) a total balance sheet of more than EUR 43,000,000; and (c) an annual net turnover of more than EUR 50,000,000.

For EEA jurisdictions that have not implemented the EU-PD, sales must be in compliance with the law of that jurisdiction.

Hong Kong - The contents of this document have not been reviewed by any regulatory authority in Hong Kong. Investors are advised to exercise caution in relation to any offer. If an investor is in any doubt about any of the contents of this document, the investor should obtain independent professional advice.

This is a structured product which involves derivatives. Do not invest in it unless you fully understand and are willing to assume the risks associated with it.

This Product has not been offered and sold, and each purchaser represents and agrees that it will not offer and sell the Product in Hong Kong, by means of any document, other than to persons whose ordinary business is to buy and sell shares or debentures, whether as principal or agent, or in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32) of Hong Kong or to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance, or in other circumstances which do not result in the document being a "prospectus" within the meaning of the Companies Ordinance. In relation to the issue of this Product, each purchaser represents and agrees that it has not issued and will not issue any advertisement, invitation or document relating to the Product, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Product which is or is intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance and any rules made thereunder.

Singapore - This document has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this document and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of this Product may not be circulated or distributed, nor may this Product be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act (Cap. 289) of Singapore ("SFA"), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275, of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where this Product is subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
 - (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,
- securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the securities pursuant to an offer made under Section 275 of the SFA except:
- (1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276 (4)(i)(B) of the SFA;
 - (2) where no consideration is or will be given for the transfer;
 - (3) where the transfer is by operation of law; or
 - (4) as specified in Section 276 (7) of the SFA.

UK - For the purposes of non-discretionary accounts, this Product should not be sold with a consideration of less than 50,000 EUR or equivalent.

USA - This Product may not be sold or offered within the United States or to U.S. persons, the foregoing shall not, however, prohibit sales to U.S. offices of UBS AG.

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General Terms and Conditions for Structured Products on Equity, Commodity and Index Underlyings

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1. Preliminary Remarks

UBS AG (the "Issuer" or "UBS AG" or "UBS") may from time to time issue structured products in securitized form (the "Products"). The Products will be issued based (i) on the information set out in these 'General Terms and Conditions for Structured Products on Equity, Commodity and Index Underlyings', as amended from time to time (the "General Terms and Conditions") and (ii) on the relevant final terms of each Product (the "Final Terms"). The General Terms and Conditions and the Final Terms shall form the entire documentation for each Product (the "Product Documentation") and should always be read in conjunction with each other. In case of inconsistency between the General Terms and Conditions and the Final Terms, the Final Terms shall prevail.

In the event that the Product is listed (see item 'Listing' under 'General Information' in the relevant Final Terms), the Product Documentation will be amended in accordance with the listing requirements of the relevant Exchange.

The Issuer accepts responsibility for all information contained in the Product Documentation and has taken all reasonable care to ensure that the facts stated herein are true and accurate in all material aspects and that there are no other material facts, the omission of which would make misleading any statement herein, whether of fact or opinion.

The offering or sale of the Products in certain jurisdictions may be restricted by law. Persons, who obtain possession of the Product Documentation, are required to inform themselves about and to adhere to any such restrictions which are set out in more detail in the relevant Final Terms under the section headed 'Selling Restrictions'. The Product Documentation does not constitute, and may not be used for the purposes of, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation.

During the whole term of the Product, the Product Documentation can be ordered free of charge from the Lead Manager at P.O. Box, CH-8098 Zurich (Switzerland) via telephone (+41 (0)44 239 47 03), fax (+41 (0)44 239 69 14) or via e-mail (swiss-prospectus@ubs.com). In addition, the Product Documentation is available on the internet at www.ubs.com/keyinvest.

2. Risk Factors

An investment in the Products involves certain risks. If one or more of the risks described below occur, potential investors in the Products (the "Potential Investors") may incur a partial loss or even a total loss of their invested capital. Potential Investors should carefully consider the following factors prior to investing in the Products. This section of the General Terms and Conditions does not purport to be an extensive and comprehensive list of all possible risks associated with an investment in the Products.

*Investment decisions should **not** be made solely on the basis of the risk warnings set out in the Product Documentation, since such information cannot serve as a substitute for individual advice and information which is tailored to the requirements, objectives, experience, knowledge and circumstances of each Potential Investor individually.*

2.1 General Risk Factors

2.1.1 Advice from your Principal Bank

This information is not intended to replace the advice Potential Investors should always obtain from their respective principal bank before making a decision to invest in the Products. Only Potential Investors who are fully aware of the risks associated with the investment in the Products and who are financially able to bear any losses that may arise, should consider engaging in transactions of this type.

2.1.2 Buying Products on Credit

Potential Investors financing the purchase of Products with loans should note that, should their expectations fail to materialise, they would not only have to bear the loss resulting from the investment in the Products, but also have to pay interest on the loan as well as repay the principal amount. It is therefore imperative that Potential Investors verify their financial resources in advance, in order to determine whether they would be able to pay the interest and repay the loan at short notice should they incur losses instead of realising the anticipated profit.

2.1.3 Independent Review and Advice

Prior to entering into a transaction Potential Investors should consult their own legal, regulatory, tax, financial and accounting advisors to the extent they consider necessary, and make their own investment, hedging and trading decisions (including decisions regarding the suitability of an investment in the Products) based upon their own independent review and judgment and advice from those advisers they consider necessary.

Furthermore, Potential Investors should conduct such independent investigation and analysis regarding the Issuer and all other relevant persons or entities and such market and economic factors as they deem appropriate to evaluate the merits and risks of an investment in the Products. However, as part of such independent investigation and analysis, Potential Investors should consider carefully all the information set forth in the Product Documentation.

Investment in the Products may involve a loss of principal by virtue of the terms of the Products even where there is no default by the Issuer. Potential Investors will at all times be solely responsible for making their own independent appraisal of, and investigation into, the business, financial condition, prospects, creditworthiness, status and affairs of the Issuer in respect of the charged assets. None of the Issuer, the Lead Manager, the Paying Agent, the Calculation Agent, or any other agent nor any affiliate of any of them (or any person or entity on their behalf) will have any responsibility or duty to make any such investigations, to keep any such matters under review, to provide the Potential Investors with any information in relation to such matters or to advise as to the accompanying risks.

2.1.4 Investor Suitability

The purchase of the Products involves substantial risks. Potential Investors should be familiar with instruments having the characteristics of the Products and should fully understand the terms and conditions set out in the Product Documentation and the nature and extent of their exposure to risk of loss.

In addition, Potential Investors must determine, based on their own independent review and such legal, business, tax and other advice as they deem appropriate under the circumstances, that the acquisition of the Products (i) is fully consistent with their financial needs, objectives and conditions, (ii) complies and is fully consistent with all constituent documents, investment policies, guidelines, authorisations and restrictions (including as to their capacity) applicable to them, (iii) has been duly approved in accordance with all applicable laws and procedures and (iv) is a fit, proper and suitable investment for them.

2.1.5 Changes in Tax Law and Tax Call

The tax considerations set forth in the Product Documentation reflect the view of the Issuer based on the legislation applicable at the date of issuance of the Product Documentation. It cannot, however, be ruled out that the tax treatment by the tax authorities and courts could be interpreted differently. Additionally, the tax considerations set forth herein may not be used as the sole basis for the decision to invest in the Products from a tax perspective, since the individual situation of each Potential Investor must also be taken into account. Thus, the considerations regarding taxation contained in the Product Documentation do not constitute any sort of material information or tax advice nor are they in any way to be construed as a representation or warranty with respect to specific tax consequences.

In accordance with the terms and conditions set out in the General Terms and Conditions, the Issuer may redeem all outstanding Products early for tax reasons. Accordingly, Potential Investors should consult their personal tax advisors before making any decision to purchase the Products and must be aware of and be prepared to bear the risk of a potential early redemption due to tax reasons. The Issuer and the Lead Manager do not accept any liability for adverse tax consequences of an investment in the Products.

2.1.6 Effect of Ancillary Costs

Commissions and other transaction costs incurred in connection with the purchase or sale of Products may result in charges, particularly in combination with a low order value, which can substantially reduce any redemption amount. Before acquiring Products, Potential Investors should therefore inform themselves of all costs incurred with the purchase or sale of the Product, including any costs charged by their custodian banks upon purchase and redemption of the Products.

2.1.7 No Reliance

The Issuer and all of its affiliates respectively disclaim any responsibility to advise Potential Investors of the risks and investment considerations associated with the purchase of the Products as they may exist at the date hereof or from time to time hereafter.

2.1.8 Legality of Purchase

The Issuer has no and assumes no responsibility for (i) the lawfulness of the acquisition of the Products by Investors or for (ii) the compliance by Investors with any law, regulation or regulatory policy applicable to them.

2.2 Market Risk Factors

2.2.1 No Liquidity or Secondary Market

As the Products might not be listed or traded on any exchange, pricing information regarding the Products may be more difficult to obtain and the liquidity of the Products may be adversely affected. The liquidity of the Products may also be affected by restrictions on the purchase and sale of the Products in some jurisdictions.

The Issuer or the Lead Manager, as applicable, intends, under normal market conditions, to provide bid and offer prices for the Products at their sole discretion and without a duty to do so. The Issuer or the Lead Manager, as applicable, makes no firm commitment to provide liquidity by means of bid and offer prices for the Products, and assumes no legal obligation to quote any such prices or with respect to the level or determination of such prices. Potential Investors therefore should not rely on the ability to sell Products at a specific time or at a specific price. Additionally, the Issuer has the right (but no obligation) to purchase Products at any time and at any price in the open market or by tender or private agreement. Any Products so purchased may be held or resold or surrendered for cancellation.

2.2.2 Expansion of the Spread between Bid and Offer Prices

In special market situations, where the Issuer is completely unable to enter into hedging transactions, or where such transactions are very difficult to enter into, the spread between the bid and offer prices may be temporarily expanded, in order to limit the economic risks of the Issuer.

2.2.3 Emerging Markets

Investments in emerging markets should only be effected by persons who have a sound knowledge of these markets, who are well aware of and are able to weigh the diverse risks (political, social and economic risks, currency, liquidity and settlement risks, regulatory and legal risks) involved and who have sufficient financial resources to bear the substantial risks associated with such investments.

2.2.4 Risks Factors associated with Currency Exchange Rates

An investment in Products may involve risk exposure to fluctuations in exchange rates of the relevant currencies in which the Products are denominated and the Underlying is traded or evaluated. For

example (i) the Underlying may be denominated in a currency other than that of the Products, (ii) the Products may be denominated in a currency other than the currency of the Investor's home jurisdiction and/or (iii) the Products may be denominated in a currency other than the currency in which an Investor wishes to receive funds.

Currency values may be affected by complex political and economic factors, including governmental action to fix or support the value, regardless of other market forces.

If the Potential Investor's right vested in the Products is determined on the basis of a currency other than the Settlement Currency, or if the value of the Underlying is determined in a currency other than the Settlement Currency, Potential Investors should be aware that investments in these Products could entail risks due to fluctuating exchange rates, and that the risk of loss does not depend solely on the performance of the Underlying, but also on unfavourable developments in the value of such other currency.

2.3 Risk Factors relating to the Products

2.3.1 Risk-hedging Transactions

The ability to eliminate or to restrict the initial risks of the Products arising from their purchase by concluding any hedging transactions during their lifetime depends mainly on the market conditions and the terms and conditions of the specific Product. As a consequence, such transactions may be concluded at unfavourable market prices to the effect that corresponding losses may arise.

Potential Investors should therefore not rely on the ability to conclude transactions at any time during the term of the Products that will allow them to offset or limit relevant risks.

2.3.2 Features of Products on Currencies, Exchange Rates, Commodities or Precious Metals

In cases where the Underlyings are currencies, exchange rates, commodities or precious metals, it should be noted that such Underlyings are traded 24 hours a day through the time zones of Australia, Asia, Europe and America. It is therefore possible that a relevant limit, barrier or threshold pursuant to the relevant Final Terms may be reached, exceeded or fallen below outside of local or Lead Managers' business hours.

2.3.3 Market Disruption Events

In accordance with the terms and conditions set out in the General Terms and Conditions, the Lead Manager or the Calculation Agent may determine in its absolute sole discretion that a Market Disruption Event has occurred or exists at a relevant time. Any such determination may have an adverse effect on the value of the Products.

2.3.4 Other Factors affecting Value

The value of a Product is determined not only by changes in the price of the Underlying, but also by a number of other factors. Since several risk factors may have simultaneous effects on the Products, the effect of a particular risk factor cannot be predicted. In addition, several risk factors may have a

compounding effect which may not be predictable. No assurance can be given with regard to the effect that any combination of risk factors may have on the value of the Products.

These factors include, *inter alia*, the terms and conditions of the specific Product, the frequency and intensity of price fluctuations (volatility) in the Underlying, as well as the prevailing interest rate. A decline in the value of the Product may therefore occur even if the price or level, as the case may be, of the Underlying remains constant.

Potential Investors should be aware that an investment in the Products involves a valuation risk with regard to the Underlying. They should have experience with transactions in Products with a value derived from an underlying. The value of an underlying may vary over time and may increase or decrease by reference to a variety of factors which may include corporate actions, macro economic factors and speculation. If the Underlying comprises a basket of various assets, fluctuations in the value of any one asset may be offset or intensified by fluctuations in the value of other basket components. In addition, the historical performance of an underlying is not an indication of its future performance. The historical price of an underlying does not indicate its future performance. Changes in the market price of an underlying will affect the trading price of the Products, and it is impossible to predict whether the market price of an underlying will rise or fall.

2.3.5 Information with regard to the Underlying

Information with regard to the Underlying consists of extracts from or summaries of information that is publicly available in respect of the Underlying and is not necessarily the latest information available. The Issuer accepts responsibility for accurately extracting and summarizing the underlying information. No further or other responsibility (express or implied) in respect of the underlying information is accepted by the Issuer. The Issuer makes no representation that the underlying information, any other publicly available information or any other publicly available documents regarding the underlying asset, index or other item(s) to which the Products relate are accurate or complete. There can be no assurance that all events occurring prior to the Pricing Date of the relevant Products that would affect the trading price of the underlying asset, index or other item(s) to which the Products relate (and therefore the trading price and value of the Products) have been publicly disclosed. Subsequent disclosure of any such events or the disclosure or failure to disclose material future events concerning the underlying asset, index or other item(s) to which the Products relate could affect the trading price and value of the Products.

2.3.6 Fluctuations in Market Volatility may affect the Value of Products

Market volatility reflects the degree of instability and expected instability of the performance of the equity or commodity market over time. The level of market volatility is not purely a measurement of the actual market volatility, but is largely determined by the prices for derivative instruments that offer Potential Investors protection against such market volatility. The prices of these instruments are determined by forces such as actual market volatility, expected market volatility, other economic and financial conditions and trading speculations.

2.3.7 Risk to Products on a Share or Basket of Shares

Neither the Issuer nor any affiliates of the Issuer have performed any investigations or review of any company issuing any share, including any public filings by such companies. Potential Investors should not conclude that the inclusion of the shares is any form of investment recommendation. Consequently, there can be no assurance that all events occurring prior to the relevant Issue Date, that would affect the

trading price of the share(s), will have been publicly disclosed. Subsequent disclosure of or failure to disclose material future events concerning a company issuing any Underlying could affect the trading price of the share and therefore the trading price of the Product.

2.3.8 Investing in the Products is not the same as Investing in the Underlying

Potential Investors should be aware that the market value of the Products may not have a direct relationship with the prevailing price of shares or commodities, and changes in the prevailing price of a share or commodity will not necessarily result in a comparable change in the market value of the Products.

As an Investor in Products, Investors will not have voting rights or rights to receive dividends, interest or other distributions, as applicable, or any other rights with respect to any underlying share. The responsibility for registration of the Shares, where applicable, is borne by the Investor.

2.3.9 Possible decline in Underlying Value in case of Physical Settlement

To the extent that physical settlement is provided for in the relevant Final Terms, Potential Investors should note that any fluctuations in the price of the Underlying between the Expiration Date of the Product and the delivery of the Underlying on the Redemption Date are borne by the Investors. Losses in the value of the Underlying can therefore still occur after the corresponding Expiration Date, and are borne by the Investors.

2.3.10 Protection Amount

If and to the extent that a capital protection has been declared applicable in the relevant Final Terms, the Products will be redeemed for an amount no less than the specified protection. A capital protection may apply at a level below, at, or above the Nominal of the Product. The capital protection, if any, will not be due if the Products are redeemed prior to their Redemption Date or upon the occurrence of a Market Disruption Event or upon the occurrence of a Tax Call. If no capital protection is applicable the full amount invested by the Investor may be lost. Even if a capital protection applies, the return may be less than the capital protection specified on the Final Terms. The payment of the protection amount may be affected by the condition (financial or otherwise) of the Issuer.

2.3.11 Investors must be willing and prepared to hold their Product until Maturity

Investors must be willing and prepared to hold their Product until the Expiration Date. In the case of capital protection, the invested amount is protected only if the Investor holds this Product until the Expiration Date. If an Investor sells the Product in the secondary market prior to the Expiration Date, the Investor will not have capital protection on the portion of the Product sold.

2.3.12 Views of the Issuer and Research Reports published by the Issuer

The Issuer and its affiliates from time to time express views on expected movements in any relevant markets in the ordinary course of their businesses. These views are sometimes communicated to clients who participate in these markets. However, these views, depending upon world-wide economic, political and other developments, may vary over differing time-horizons and are subject to change. Moreover, other professionals who deal in these markets may at any time have significantly different views from the views of the Issuer and its affiliates. Investors must derive information about the relevant markets from

multiple sources. Investors should investigate these markets and not rely on views which may be expressed by the Issuer or its affiliates in the ordinary course of the Issuer's or its affiliates' businesses with respect to future market movements.

The Issuer, or one or more of its affiliates may, at present or in the future, publish research reports with respect to movements in equity or commodity markets generally or in the relevant market price specifically. This research is modified from time to time without notice and may express opinions or provide recommendations that are inconsistent with purchasing or holding the Products. Any of these activities may affect the market value of the Products.

2.4 Risk Factors relating to the Issuer

2.4.1 Non-reliance on Financial Information of the Issuer

As a global financial services provider, the business activities of the Issuer are affected by the prevailing market situation. Different risk factors can impair the Issuer's ability to implement business strategies and may have a direct, negative impact on earnings. Accordingly, the Issuer's revenues and earnings are and have been subject to fluctuations. The revenues and earnings figures from a specific period, thus, are not evidence of sustainable results. They can change from one year to the next and affect the Issuer's ability to achieve its strategic objectives.

2.4.2 General Insolvency Risk

Each Investor bears the general risk that the financial situation of the Issuer could deteriorate. The Products constitute immediate, unsecured and unsubordinated obligations of the Issuer, which, in particular in case of insolvency of the Issuer, rank *pari passu* with each and all other current and future unsecured and unsubordinated obligations of the Issuer, with the exception of those that have priority due to mandatory statutory provisions.

2.4.3 Effect of Downgrading of the Issuer's Rating

The general assessment of the Issuer's creditworthiness may affect the value of the Products. This assessment generally depends on the ratings assigned to the Issuer or its affiliated companies by rating agencies such as Moody's, Fitch and Standard & Poor's.

2.4.4 Potential Conflicts of Interest

The Issuer and affiliated companies may participate in transactions related to the Products in some way, for their own account or for account of a client. Such transactions may not serve to benefit the Investors and may have a positive or negative effect on the value of the Underlying and consequently on the value of the Products. Furthermore, companies affiliated with the Issuer may become counterparties in hedging transactions relating to obligations of the Issuer stemming from the Products. As a result, conflicts of interest can arise between companies affiliated with the Issuer, as well as between these companies and Investors, in relation to obligations regarding the calculation of the price of the Products and other associated determinations. In addition, the Issuer and its affiliates may act in other capacities with regard to the Products, such as Calculation Agent, Paying Agent and/or Index Sponsor.

Furthermore, the Issuer and its affiliates may issue other derivative instruments relating to the respective Underlying; introduction of such competing products may affect the value of the Products. The Issuer and its affiliated companies may receive non-public information relating to the Underlying, and neither the Issuer nor any of its affiliates undertake to make this information available to Investors. In addition, one or more of the Issuer's affiliated companies may publish research reports on the Underlying. Such activities could present conflicts of interest and may affect the value of the Products.

2.4.5 Disclosure with regard to Fees

Within the context of the offering and sale of the Products, the Issuer or any of its affiliates may directly or indirectly pay fees in varying amounts to third parties, such as distributors or investment advisors, or receive payment of fees in varying amounts, including those levied in association with the distribution of the Products, from third parties. Potential Investors should be aware that the Issuer may retain fees in part or in full. The Issuer or, as the case may be, the Lead Manager, upon request, will provide information on the amount of these fees.

3. Definitions

Terms, used but not defined in the General Terms and Conditions, shall have the meaning as specified in the relevant Final Terms.

"Business Day"	means in connection with any payment procedure (i) a day on which SIX SIS AG, DTC, Clearstream Luxembourg and Euroclear are open for business, and (ii) foreign exchange markets settle payments in the Settlement Currency.
"Company"	means, for Products with Shares as Underlying, the company that has issued such Shares.
"Conversion Ratio"	means the number of Underlyings into which a given number of Products may be converted.
"Exchange"	means the stock exchange where the Product is listed, if applicable.
"Exchange Business Day"	<p>means (i) any Trading Day on which the official closing level of the relevant Underlying is published by the Related Exchange or the Index Sponsor, as the case may be; or (ii) for Products with Commodity Indices as Underlying, any Trading Day on which the official closing level of the Underlying Component is published by the Related Exchange or the Index Sponsor, as the case may be.</p> <p>Subject to the provisions set forth in the section headed '<u>Market Disruption</u>'.</p>
"Index"	means, for Products with an Index as Underlying, the Index as specified in the Final Terms and published by the relevant Index Sponsor.
"Investor"	means the person entitled to the rights conferred by the Products.
"Rating"	means the Rating as specified in the Final Terms which refers to the long-term credit ratings of Moody's, New York, Standard & Poor's, New York, and Fitch Ratings, London.
"Related Exchange(s)"	means the exchange(s) on which the relevant Underlying or its components and relating to Products on Commodity Indices the relevant Underlying Components are traded.
"Scheduled Closing Time"	relating to Products with Commodity Indices as Underlying, means in respect of an Exchange and a Scheduled Trading Day, the scheduled weekday closing time of such Exchange on such

	Scheduled Trading Day, without regard to after hours or any other trading outside of the regular trading session hours.
"Settlement Currency"	means the currency used for the payment of any redemption amount or any other amount.
"Share(s)"	means, for Products with shares as Underlying, any outstanding registered or unregistered shares or non-voting equity securities of the relevant Company.
"Trading Day"	means any day that is a scheduled trading day of the Related Exchange, subject to the provisions set forth in the section headed ' <u>Market Disruption Events</u> '.
"Trading Expiration Time"	means the time on the Expiration Date until which the Products can be traded at the Related Exchange.
"Underlying Component"	relating to Products with Commodity Indices as Underlying, means in respect of each physical commodity comprised in the Index, each exchange traded future or exchange traded option contracts for that physical commodity, as determined by the Calculation Agent.
"Valuation Date"	<p>means the Expiration Date and/or any Observation Date(s).</p> <p>In relation to a Basket Underlying: If this Date is not an Exchange Business Day for at least one Basket Component, the immediately succeeding Exchange Business Day is deemed to be the relevant Valuation Date in relation to all Basket Components.</p>

4. Terms and Conditions

4.1 Status of the Products/Classification

The Products are direct, unconditional, unsecured and unsubordinated obligations of the Issuer and rank pari passu with all present and future, unsecured and unsubordinated obligations without any preference among themselves and without any preference one above the other by reason of priority of date of issue, currency of payment or otherwise, except for obligations given priority by law.

The Products do not represent a participation in any of the collective investment schemes pursuant to Art. 7 ss of the Swiss Federal Act on Collective Investment Schemes (CISA) and thus are not subject to the supervision of the Swiss Financial Market Supervisory Authority (FINMA). Therefore, Investors in the Products are not eligible for the specific investor protection under the CISA.

4.2 Form of Securities

The Products may be issued in the form of bearer notes (including global notes pursuant to article 973b of the Swiss Federal Code of Obligations (CO)) or in uncertificated form as uncertificated securities (Wertrechte) pursuant to article 973c CO, as specified in the relevant Final Terms.

Global notes will be deposited with and uncertificated securities will be entered into the main register (Hauptregister) of SIX SIS AG, the Swiss Securities Service Corporation in Olten (SIS) in accordance with the Swiss Federal Act on Intermediated Securities (FISA). Once deposited or registered with SIS and booked into the accounts of one or more participants of SIS, the global notes or the uncertificated securities will constitute intermediated securities (Bucheffekten) in accordance with the provisions of the FISA. The Issuer reserves the right to select any other clearing system or any other common depositary, including UBS AG, eligible for the role of an intermediary pursuant to article 4 FISA, for the purpose of depositing global notes or registering uncertificated securities.

As long as the Products are intermediated securities, the Products are transferred and otherwise disposed of in accordance with the provisions of the FISA, i.e. by entry of the transferred Products in a securities account of the transferee. As long as the Products are intermediated securities, the holders of the Products will be the persons holding the Products in a securities account in their own name and for their own account.

The holders of the Products shall at no time have the right to effect or demand the conversion of the uncertificated securities (Wertrechte) into, or the delivery of a global note (Globalurkunde) or definitive notes (Wertpapiere).

4.3 Adjustments

4.3.1 Adjustments to Products with Shares as Underlying

4.3.1.1 Potential Adjustment Events

Following each Potential Adjustment Event (as defined below), the Issuer shall determine the appropriate adjustment, if any, to be made to any relevant level, including but not limited to, the Strike Level, the Cap Level or the Kick-Out Level, or the Conversion Ratio, and/or any other terms of the Products insofar as they relate to the Shares to account for the dilutive or concentrative effect of the Potential Adjustment Event or otherwise necessary to preserve the economic equivalent of the rights of the Investors under the Products immediately prior to the Potential Adjustment Event, such adjustment to be effective as of the date determined by the Issuer. Any so resulting fraction per Product will be paid in cash and will not be cumulated.

For the purposes of this Section 3.1.1., 'Potential Adjustment Event' means the declaration by the relevant Company of any of the following:

- (i) a subdivision, consolidation or reclassification of Shares (unless they qualify as Extraordinary Event, as defined in Section 3.1.2 below) or a free distribution of Shares to existing holders by the way of bonus, capitalisation or similar issue;
- (ii) a distribution to existing holders of the Shares of (a) additional Shares or (b) other Share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the Company equally or proportionately with such payments to holders of the Shares or (c) any other type of securities, rights or other assets, in any case for payment (in cash or otherwise) at less than the prevailing market price as determined by the Issuer;
- (iii) an extraordinary dividend;
- (iv) any event in respect of the Shares analogous to any of the foregoing events or otherwise having, in the reasonable opinion of the Issuer, a dilutive or concentrative effect on the market value of the Shares.

In determining to what extent an adjustment should be made as a result of the occurrence of a Potential Adjustment Event, if options contracts or futures contracts on the Shares are traded on a Related Exchange, the Issuer may take into consideration, but shall not be bound by, any adjustment to the terms of the relevant options contract or futures contract made and announced by such Related Exchange.

In the event that a Potential Adjustment Event would involve the distribution of shares and/or other tradable securities to existing holders of Shares, then the Issuer will endeavour to carry out the adjustment to the extent possible by way of amending the Terms and Conditions of the Products such that they provide for the right to purchase a combination of such shares and/or tradable securities and shares.

4.3.1.2 Extraordinary Events

If any of the following events (each an "Extraordinary Event") occurs prior or on Expiry:

- (i) the Share is reclassified or changed (other than a change in par value, if any as a result of a subdivision or combination);

- (ii) the Company consolidates, amalgamates or merges with or into another entity (other than a consolidation, amalgamation or merger following which the Company is the surviving entity);
- (iii) the Shares are the subject to a Takeover (as defined below);
- (iv) by reason of the adoption of or any change in any applicable law, all assets of the Company or all the outstanding Shares, are nationalised, expropriated or otherwise required to be transferred to any government, governmental agency or authority; or
- (v) by reason of bankruptcy or insolvency (or other analogous event) of the Company (a) all the Shares are required to be transferred to any trustee, liquidator or similar official or (b) holders of the Shares become legally prohibited from transferring them;

then the Issuer shall, in case of the Products entitle to a delivery of Shares,

- (1) if the Extraordinary Event involves an offer solely of Shares (whether of the Company or a third party) (the 'New Shares') determine the number (or fraction) of such New Shares to which a holder of a Share would have been entitled upon the consummation of such Extraordinary Event and the Issuer shall deliver such New Shares on the Redemption Date in lieu of each Share, any so resulting fraction per Product will be paid in cash and will not be cumulated; or
- (2) if the Extraordinary Event involves an offer of (i) cash and/or securities or assets other than New Shares ('Cash Consideration') or (ii) Cash Consideration and New Shares, determine the amount (the 'Replacement Asset') in Cash Consideration and/or New Shares to which a holder of a Share would have been entitled upon the consummation of such Extraordinary Event and the amount of Replacement Assets shall be payable and/or deliverable by the Issuer on the Redemption Date in lieu of each Share. Any so resulting fraction per Product will be paid in cash and will not be cumulated; or
- (3) if the Extraordinary Event involves a merger of two or more Underlying components, or similar actions are taken, through which the Shares are concerned without a choice of the Investors, the Calculation Agent will determine the number of New Shares or fraction thereof to which the Investors would have been entitled to on the respective Redemption Date. The Calculation Agent reserves the right, in its sole and absolute discretion, to replace the affected Shares by shares of another company (the "Replacement Shares"). The Replacement Shares shall, if possible, feature a similar market capitalization, be traded in the same currency and be from the same industry sector.

The obligation by the Issuer in respect of any Products affected by such Extraordinary Event shall be satisfied by payment and/or delivery of any Replacement Asset, Replacement Shares or New Shares pursuant to sub-paragraphs (1) and (2) above.

For the purpose of this section, 'Takeover' in relation to the Shares means that, in the reasonable opinion of the Issuer, a person or several people acting in concert has (or have as the case may be) acquired (whether through a series of transactions or not) Shares amounting to a total of fifty per cent or more of (i) the aggregate nominal value of all issued Shares then outstanding less (ii) the aggregate nominal value of any Shares held by such person (or persons as the case may be) as of the Payment Date provided such acquisition(s) is (are) made on or before the Expiration Date. For the purpose of this Section the term "person" shall include any legal entity and any government, governmental agencies or authorities.

4.3.1.3 Exchange of Shares for other securities of the Company

In the event that the Company would grant to its holders of Shares the right on a discretionary basis to exchange the Shares for other securities of the Company the Investors shall be duly notified thereof in accordance with the section headed 'Notices'. Such notification shall include the date after which the Issuer, in its absolute discretion, shall have the right to replace the Shares deliverable under the Products by such new securities of the Company and such decision shall be binding upon all Investors.

The Lead Manager shall as soon as practicable notify the Investors of any determination made pursuant to the section headed 'Notices'.

4.3.2 Adjustments to Products with a Basket of Shares as Underlying

If the Calculating Agent determines that an event has occurred which has a dilutive concentrative or other effect on any one or more of the Shares which make up the Basket, then following each such event, the Calculation Agent shall determine any corresponding adjustments to the Terms and Conditions (including adjusting the Basket or the redemption amount), which in the opinion of the Calculation Agent are appropriate to account for the dilutive, concentrative or other effect of the relevant event and which adjustments shall be effective as of the date determined by the Calculation Agent. These adjustments shall include the replacement of any one or more of the Shares which are included in the Basket with shares that are not currently included in the Basket.

If an order is made or an effective resolution is passed for the dissolution or liquidation of the Issuer of any one or more of the Shares which make up the Basket of the whole or a substantial part of its undertakings, property or assets, then the relevant Shares will be deemed to have been removed from the Basket and the redemption amount will be adjusted accordingly. If all of the Shares which make up the Basket are removed from the Basket pursuant to this condition, then the Shares will become void for all purposes.

The Lead Manager shall as soon as practicable notify the Investors of any determination made pursuant to the section headed "Notices". The details of any determinations will be available for inspection by Investors at the office of the Lead Manager.

4.3.3 Adjustments to Products with an Index or a Basket of Indices as Underlying

If the Index is (i) not calculated and announced by the Index Sponsor, but is calculated and announced by a successor sponsor acceptable to the Issuer or (ii) replaced by a successor index using in the determination of the Issuer, the same or a substantially similar formula for, and method of calculation as used in the calculation of the Index, then the Index will be deemed to be the Index so calculated and announced by that successor sponsor or that successor index, as the case may be.

If (i) on or prior to the Expiration Date the Index Sponsor makes a material change in the formula for, or the method of calculating the Index or in any other way materially modifies the Index (other than a modification prescribed in that formula or method to maintain the Index in the event of changes in constituent stock and capitalisation and other routine events) or (ii) on the Expiration Date the Index Sponsor fails to calculate and announce the Index, then the Issuer shall calculate the relevant redemption amount using, in lieu of a published level for the Index, the level for the Index as at that date as determined by the Issuer in accordance with the formula for, and method of calculating the Index, last in effect prior to that change or failure, but using only those securities that comprised the Index immediately prior to that change or failure.

The Lead Manager shall as soon as practicable notify the Investors of any determination made pursuant to the section headed 'Notices'.

4.3.4 Adjustment to Products with Commodities as Underlying

The Issuer shall notify Investors, according to the provisions set out in the section headed "Notices", of any adjustments as reasonably determined by the Issuer and/or the Calculation Agent. The details of such adjustments will be available for inspection at the offices of the Calculation Agent.

4.3.5 Other Adjustments

The provisions set out in 3.1. – 3.4. shall apply mutatis mutandis to events other than those mentioned, if the concentrative or dilutive effects of these events are, in the reasonable determination of Lead Manager, comparable.

The Lead Manager shall notify the Investors in accordance with the section headed 'Notices' of any adjustments which have been made. The details of such adjustments will be available for inspection at the offices of the Lead Manager.

4.4 Market Disruption Event

4.4.1 Meaning of Market Disruption Event

4.4.1.1 Meaning of Market Disruption Event if Underlying of Products is related to Shares

"Market Disruption Event" means, in relation to Products with Shares as Underlying, in respect of such Share, the occurrence or existence on any Trading Day of any one or more of the following events:

- (i) any suspension of or limitation imposed on trading in one or more of the Share(s) by the Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the Related Exchange or otherwise;
- (ii) failure by the applicable Related Exchange or other price source, as applicable, to announce or publish the final closing in respect of any Share;
- (iii) the closure on any Exchange Business Day of the Related Exchange in respect of a Share, prior to its scheduled closing time;
- (iv) any event (other than an early closure as described above) that disrupts or impairs the ability of market participants in general to effect transactions in, or obtain market values for any relevant Share,

if in the determination of the Lead Manager or Calculation Agent, any such event is material and the disruption affects either

- (i) the Shares on the Related Exchange; or
- (ii) any options contracts or futures contracts relating to the Shares on any exchange on which options contracts or futures contracts relating to the Shares are traded.

4.4.1.2 Meaning of Market Disruption Event if Underlying of Products is related to a Basket of Shares

"Market Disruption Event" means, in relation to Products with a Basket of Shares as Underlying, in respect of such Share, the occurrence or existence on any Trading Day of any one or more of the following events:

- (i) a limitation, suspension, or disruption of trading in one or more of the Share(s) imposed on trading by the Related Exchange or otherwise and whether by movements in price exceeding limits permitted by the Related Exchange or otherwise;
- (ii) failure by the applicable Related Exchange or other price source, as applicable, to announce or publish the final closing in respect of any Share;
- (iii) the closure on any Exchange Business Day of the Related Exchange in respect of a Share, prior to its scheduled closing time;
- (iv) any event (other than an early closure as described above) that disrupts or impairs the ability of market participants in general to effect transactions in, or obtain market values for any relevant Share,

if in the determination of the Lead Manager or Calculation Agent, any such event is material and the disruption affects either

- (i) the exchange in securities that comprise 20 per cent or more of the level of the Basket, or
- (ii) any options contracts or futures contracts relating to the Shares on any exchange on which options contracts or futures contracts on the Shares are traded.

4.4.1.3 Meaning of Market Disruption Event if Underlying of Products is related to an Index or a Basket of Indices

"Market Disruption Event" means, in relation to Products with an Index as Underlying, in respect of an Index, the occurrence or existence on any Trading Day of any one or more of the following events:

- (i) any suspension of or limitation imposed on trading in one or more of the Index/Indices by the Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the Related Exchange or otherwise;
- (ii) failure by the applicable Related Exchange or other price source, as applicable, to announce or publish the final closing in respect of any relevant Index component;
- (iii) the closure on any Exchange Business Day of the Related Exchange in respect of any Index component, prior to its scheduled closing time;
- (iv) any event (other than an early closure as described above) that disrupts or impairs the ability of market participants in general to effect transactions in, or obtain market values for any relevant Index component,

if in the determination of the Lead Manager or Calculation Agent, any such event is material and the disruption affects either

- (i) the exchange in securities that comprise 20 per cent or more of the level of the relevant Index, or
- (ii) any exchange on which options contracts or futures contracts on the relevant Index are traded in options contracts or futures contracts on that Index.

For the purpose of determining whether a Market Disruption Event exists in relation to an Index at any time, if trading in a component included in that Index is materially suspended or materially limited at that time, then the relevant percentage contribution of that component to the level of that Index shall be based on a comparison of (i) the portion of the level of that Index attributable to that component relative to (ii) the overall level of that Index, in each case immediately before that suspension or limitation.

4.4.1.4 Meaning of Market Disruption Event if Underlying of Products is related to Commodities (except Commodity Indices)

"Market Disruption Event" means, in relation to Products relating to Commodities or a Basket of Commodities the occurrence or existence on any Trading Day of any one or more of the following events:

- (i) a limitation, suspension, or disruption of trading in one or more of the component of the Underlying imposed on trading by the relevant Exchange or otherwise and whether by movements in price exceeding limits permitted by the relevant Exchange or otherwise;
- (ii) failure by the applicable Exchange or other price source as applicable to announce or publish the final closing in respect of any underlying component(s);
- (iii) the closure on any Exchange Business Day of any relevant Exchange in respect of a component of the Underlying, prior to its scheduled closing time;
- (iv) any event (other than an early closure as described above) that disrupts or impairs the ability of market participants in general to effect transactions in, or obtain market values for any relevant component.

if in the determination of the Lead Manager or Calculation Agent, any such event is material and the disruption affects either

- (i) the Commodities on the Related Exchange; or
- (ii) any options contracts or futures contracts relating to the Commodity or the Basket of Commodities, as the case may be, on any exchange on which options contracts or futures contracts on the Commodities are traded.

4.4.1.5 Meaning of Market Disruption Event if Underlying of Products is related to Commodity Indices

"Market Disruption Event" means, in relation to Products with Commodity Indices as Underlying, the occurrence or existence in respect of any Underlying Component on any Trading Day or on any number of consecutive Trading Days any one or more of the following events:

- (i) a limitation, suspension, or disruption of trading in one or more of the Underlying Components imposed on trading by the Related Exchange or otherwise and whether by movements in price exceeding limits permitted by the Related Exchange or otherwise;
- (ii) the settlement price for any Underlying Component is a “limit price”, which means that the settlement price for such Underlying Component for a day has increased or decreased from the previous day’s closing price by the maximum amount permitted under applicable rules of the Related Exchange;
- (iii) failure by the Related Exchange or other price source as applicable to announce or publish the settlement price in respect of any Underlying Component;
- (iv) the Related Exchange fails to open for trading during its regular trading session;
- (v) the closure on any Exchange Business Day of any Related Exchange in respect of a Underlying Component, prior to its Scheduled Closing Time;
- (vi) any event (other than an early closure as described above) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general to effect transactions in, or obtain market values for any Underlying Component,

if in the determination of the Lead Manager or Calculation Agent, any such event is material.

4.4.2 Consequences of a Market Disruption Event

4.4.2.1 Consequences of a Market Disruption Event if Underlying of the Products are related to Shares, a Basket of Shares, an Index or a Basket of Indices, or to Commodities (except Commodity Indices)

If the Lead Manager or Calculation Agent reasonably determines that a Market Disruption Event has occurred and is continuing on any Valuation Date then the Valuation Date for the relevant Underlying or underlying component shall be postponed to the first following Exchange Business Day on which there is no Market Disruption Event.

In the case of Products with a Basket as Underlying, the Valuation Date for each basket component which is not affected by the Market Disruption Event shall be the originally designated Valuation Date.

If a Market Disruption Event continues for several Trading Days, then the Lead Manager or the Calculation Agent shall determine that the relevant Valuation Date may not be further postponed and fix a Valuation Date, as the case may be, nonetheless continuing Market Disruption Events. The value of affected Underlying(s) shall then be determined by the Lead Manager or Calculation Agent in its sole and absolute discretion but in accordance with established market practice.

In case where a Valuation Date is postponed as a consequence of a Market Disruption Event, the Redemption Date, any coupon payment day or any other date, as applicable, will be postponed accordingly.

Upon the occurrence of a Market Disruption Event, the Lead Manager shall give notice as soon as practicable to the Investors in accordance with the section headed ‘Notices’ stating that a Market

Disruption Event has occurred and providing details thereof. Failure of the Calculation Agent to notify the parties of the occurrence of a Market Disruption Event shall not affect the validity of the occurrence and effect of such Market Disruption Event on the Products.

All determinations made by the Lead Manager or the Calculation Agent pursuant to this section shall be conclusive and binding on the Investor and the Issuer. The Investor will not be entitled to any compensation from the Issuer for any loss suffered as a result of the occurrence of a Market Disruption Event.

4.4.2.2 Consequences of a Market Disruption Event if Underlying of the Products is related to Commodity Indices

If the Lead Manager or Calculation Agent reasonably determines that a Market Disruption Event has occurred then the level of that Index shall not be determined by reference to the official Closing Level of the Index, if any, announced or published by the Index Sponsor on that Valuation Date, but shall instead be determined by the Calculation Agent as follows:

- (i) with respect to each Underlying Component **not affected** by the occurrence of a Market Disruption Event, the level of the Index will be based on the settlement price of such Underlying Component on the relevant Valuation Date;
- (ii) with respect to each Underlying Component which **is affected** by the occurrence of a Market Disruption Event, the level of the Index will be based on the settlement prices of each such Underlying Component on the first Exchange Business Day following the applicable Valuation Date where there is no such Market Disruption Event with respect to such Underlying Component, provided that, if there is still a Market Disruption Event on the immediately following **eight** Exchange Business Days then the price of such Underlying Component to be used in calculating the level of the Index (which for the avoidance of doubt could be zero) shall be determined by the Calculation Agent in its sole discretion and acting in good faith on the **eighth** Exchange Business Day following the relevant Valuation Date

The Calculation Agent shall determine the level of the Index in respect of the applicable Valuation Date using the settlement prices determined in sub-paragraphs (i) and (ii) above in accordance with the formula for and method of calculating the level of the Index last in effect prior to the occurrence of the Market Disruption Event.

In case where a Valuation Date is postponed as a consequence of a Market Disruption Event, the Redemption Date, any coupon payment day or any other date, as applicable, will be postponed accordingly.

Upon the occurrence of a Market Disruption Event, the Lead Manager shall give notice as soon as practicable to the Investors in accordance with the section headed 'Notices' stating that a Market Disruption Event has occurred and providing details thereof. Failure of the Calculation Agent to notify the parties of the occurrence of a Market Disruption Event shall not affect the validity of the occurrence and effect of such Market Disruption Event on the Products.

All determinations made by the Lead Manager or the Calculation Agent pursuant to this section shall be conclusive and binding on the Investor and the Issuer. The Investor will not be entitled to any

compensation from the Issuer for any loss suffered as a result of the occurrence of a Market Disruption Event.

4.5 FX Disruption Event

4.5.1 Meaning of a FX Disruption Event

"FX Disruption Event" means the occurrence of any event on any day or any number of consecutive days as determined by the Calculation Agent in its sole and reasonable discretion that affects the Issuer's currency hedging (if any) with respect to the Products.

4.5.2 Consequences of an FX Disruption Event relating to the Products

Notwithstanding any other provisions contained herein the Calculation Agent may in its sole and reasonable discretion increase or decrease, as the case may be, the redemption amount to account for any income, loss, costs (including hedging costs) and expenses that are in the Calculation Agent's sole and reasonable discretion attributable to, or as a result of, the FX Disruption Event.

4.6 Settlement Disruption Event

4.6.1 Meaning of a Settlement Disruption Event

"Settlement Disruption Event" shall mean an event beyond the control of the Issuer as a result of which the Issuer cannot make delivery of the relevant asset(s) as specified in the relevant Final Terms on the Redemption Date.

4.6.2 Consequences of a Settlement Disruption Event

If the Lead Manager or the Calculation Agent reasonably determines that a Settlement Disruption Event has occurred and is continuing on the Redemption Date, then such Redemption Date shall be postponed to the first Business Day following the termination of the Settlement Disruption Event.

If a Settlement Disruption Event continues for several Business Days, then the Lead Manager or the Calculation Agent shall determine that the Redemption Date may not be further postponed and fix a Redemption Date, as the case may be, despite continuing Settlement Disruption Events. In lieu of physical settlement and notwithstanding any other provision hereof, the Issuer may elect in its sole and absolute discretion but in accordance with established market practice to satisfy and discharge its obligations in respect of the relevant Products.

For the avoidance of doubt, where a Settlement Disruption Event affects some but not all of the relevant assets comprising the redemption entitlement, the Redemption Date for the relevant assets not affected by the Settlement Disruption Event will be the originally designated Redemption Date.

Upon the occurrence of a Settlement Disruption Event, the Lead Manager shall give notice as soon as practicable to the Investors in accordance with the section headed 'Notices' stating that a Settlement Disruption Event has occurred and providing details thereof. Failure of the Calculation Agent to notify the parties of the occurrence of a Settlement Disruption Event shall not affect the validity of the occurrence and effect of such Settlement Disruption Event on the Products.

All determinations made by the Lead Manager or the Calculation Agent pursuant to this section shall be conclusive and binding on the Investor and the Issuer. The Investor will not be entitled to any compensation from the Issuer for any loss suffered as a result of the occurrence of a Settlement Disruption Event.

4.7 Listing

The Listing, if any, of the Products, will be applied for on the relevant Exchange and will be maintained on the relevant Exchange during the life of the Products.

4.8 Taxation/Tax Call

Each Investor shall assume and be responsible for any and all taxes, duties, fees and charges imposed on or levied against (or which could be imposed on or levied against) such Investor in any jurisdiction or by any governmental or regulatory authority.

The Issuer and the Paying Agent shall have the right, but not the duty, to withhold or deduct from any amounts otherwise payable to the Investor such amount as is necessary for the payment of any such taxes, duties, fees and/or charges.

In any case where any governmental or regulatory authority imposes on the Issuer the obligation to pay any such taxes, duties, fees and/or charges the Investor shall promptly reimburse the Issuer.

Potential Investors should inform themselves with regard to any tax consequences particular to their circumstances arising in the jurisdiction in which they are resident or domiciled for tax purposes in connection with the acquisition, ownership, redemption or disposal by them of any Products.

The Issuer may redeem all Products in case any present or future taxes, duties or governmental charges would be imposed by any jurisdiction in which the Issuer is or becomes subject to tax as a result of any change in laws or regulations of the relevant jurisdiction. The Lead Manager shall as soon as practicable notify the Investors of such redemption pursuant to the section headed 'Notices'.

4.9 Further Issues

The Issuer reserves the right to issue at any time, without consent of the Investors, further Products ranking pari passu with previously issued Products.

4.10 Severability and Amendment of Terms and Conditions

In the event any term or condition is, or becomes invalid, the validity of the remaining terms and conditions shall in no manner be affected thereby.

The Issuer shall be entitled to amend any term or condition for the purpose of clarifying any uncertainty, or correcting or supplementing the provisions herein in such manner as the Issuer deems necessary or desirable, provided that the Investor does not incur significant financial loss as a consequence thereof.

However, the Issuer shall at all times be entitled to amend any terms or conditions where, and to the extent, the amendment is necessitated as a consequence of legislation, decisions by courts of law, or decisions taken by governmental authorities.

4.11 Calculation

The Calculation Agent's calculations and determinations hereunder shall (save in the case of manifest error) be final and binding on the Investors. The Calculation Agent will have no responsibility for good faith errors or omissions in calculation of the value of the Underlying as provided herein.

The Investors shall not be entitled to make any claim against the Issuer in the case where the related exchange or any third party shall have made any misstatement as to the Underlying.

4.12 Substitution

The Issuer may at any time and from time to time, without the consent of the Investors, substitute for itself as obligor under the Products any affiliate, branch, subsidiary or holding company of UBS AG (the "New Issuer") provided that (i) the New Issuer shall assume all obligations that the Issuer owes to the Investors under or in relation to the Products, and (ii) such New Issuer shall at all times after such substitution have either:

- a credit rating equivalent to or better than the Issuer, or
- its obligations to Investors under the Products guaranteed by the Issuer.

If such substitution occurs, then any reference in the Product Documentation to the Issuer shall be construed as a reference to the New Issuer. Any substitution will be promptly notified to the Investor in accordance with the section headed 'Notices'. In connection with any exercise by the Issuer of the right of substitution, the Issuer shall not be obliged to carry any consequences suffered by individual Investors as a result of the exercise of such right and, accordingly, no Investor shall be entitled to claim from the Issuer any indemnification or repayment with respect of any consequence.

4.13 Illegality

If the Issuer determines that the performance of its obligations under the Products or that any arrangements made to hedge the Issuer's obligations have become illegal in whole or in part for any reason, the Issuer may cancel the Products by providing notice to Investors in accordance with the section headed 'Notices'.

If the Issuer cancels the Products then the Issuer will, if and to the extent permitted by applicable law, pay an amount to each Investor in respect of each Product held by an Investor. The amount shall be the fair market value of a Product less the costs incurred by the Issuer when unwinding any underlying related hedging arrangements, all as determined by the Lead Manager or Calculation Agent in its sole and absolute discretion. Payments will be made in such manner as will be notified to the Investors in accordance with the section headed 'Notices'.

4.14 Notices

4.14.1 To the Issuer

Notice may be given to the Issuer by delivering such notice in writing to UBS at Bahnhofstrasse 45, P.O.Box, CH-8098 Zurich or such other address as may be notified to the Investors in accordance with this section.

4.14.2 To the Investors

As long as the Products are listed on the official list of the Luxembourg Stock Exchange, notices to Investors will be published in a Luxembourgish Newspaper having general circulation (e.g. Luxemburger Wort) and/or on the website of the Luxembourg Stock Exchange (www.bourse.lu).

4.15 Statutory Period of Limitation

In accordance with Swiss law, claims of any kind against the Issuer in connection with the Products for, inter alia, payment of any amount, or, if applicable, delivery of any Underlying will be prescribed 10 years after the date on which the early or regular redemption of the Products (whichever is applicable), has become due.

4.16 Proceeds from the Sale of Products

The net proceeds from the sale of the Products will amount to approximately **CHF 15,000,000** and will be used by the Issuer for general corporate purposes. The Issuer has taken the necessary steps to secure its obligations. **The issue of these Products was authorised on the Issue Date by two officers of the Issuer.**

4.17 Applicable Law and Jurisdiction

The form and contents of the Products are subject to and governed by Swiss law. Exclusive place of jurisdiction for all disputes affecting the Products and the rights and obligations attached thereto shall be Zurich, Switzerland.

Description of UBS AG

based on the second quarter 2011 report

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1. Overview

UBS AG with its subsidiaries (UBS AG also "Issuer" or "Company"; together with its subsidiaries "UBS Group", "Group" or "UBS") draws on its 150-year heritage to serve private, institutional and corporate clients worldwide, as well as retail clients in Switzerland. UBS combines its wealth management, investment banking and asset management businesses with its Swiss operations to deliver superior financial solutions. Headquartered in Zurich and Basel, Switzerland, UBS has offices in more than 50 countries, including all major financial centers.

On 30 June 2011 UBS's BIS Tier1¹ ratio was 18.1%, invested assets stood at CHF 2,069 billion, equity attributable to UBS shareholders was CHF 47,263 million and market capitalization was CHF 58,745 million. On the same date, UBS employed 65,707 people².

The rating agencies Standard & Poor's Inc. ("Standard & Poor's"), Fitch Ratings ("Fitch") and Moody's Investors Service Inc. ("Moody's") have assessed the creditworthiness of UBS, i.e. the ability of UBS to fulfill payment obligations, such as principal or interest payments on long-term loans, also known as debt servicing, in a timely manner. The ratings from Fitch and Standard & Poor's may be attributed a plus or minus sign, and those from Moody's a number. These supplementary attributes indicate the relative position within the respective rating class. UBS has long-term senior debt ratings of A+ (outlook stable) from Standard & Poor's, Aa3 (outlook negative) from Moody's and A+ (outlook stable) from Fitch.

¹ BIS Tier 1 ratio is the ratio of eligible Tier 1 capital to BIS risk-weighted assets, calculated under Basel II standards. Eligible Tier 1 capital comprises paid-in share capital, share premium, retained earnings including current year profit, foreign currency translation, trust preferred securities (innovative and non-innovative capital instruments) and non-controlling interests, less deductions for treasury shares and own shares, goodwill and intangibles and other deduction items such as for certain securitization exposures. It excludes own credit effects on liabilities designated at fair value, which are reversed for capital purposes.

² Full-time equivalents.

2. Corporate Information

The legal and commercial name of the Company is UBS AG. The Company was incorporated under the name SBC AG on 28 February 1978 for an unlimited duration and entered in the Commercial Register of Canton Basel-City on that day. On 8 December 1997, the Company changed its name to UBS AG. The Company in its present form was created on 29 June 1998 by the merger of Union Bank of Switzerland (founded 1862) and Swiss Bank Corporation (founded 1872). UBS AG is entered in the Commercial Registers of Canton Zurich and Canton Basel-City. The registration number is CH-270.3.004.646-4.

UBS AG is incorporated and domiciled in Switzerland and operates under Swiss Code of Obligations and Swiss Federal Banking Law as an Aktiengesellschaft, a corporation that has issued shares of common stock to investors.

According to Article 2 of the Articles of Association of UBS AG ("Articles of Association") the purpose of UBS AG is the operation of a bank. Its scope of operations extends to all types of banking, financial, advisory, trading and service activities in Switzerland and abroad.

UBS AG shares are listed on the SIX Swiss Exchange and the New York Stock Exchange.

The addresses and telephone numbers of UBS AG's two registered offices and principal places of business are: Bahnhofstrasse 45, CH-8001 Zurich, Switzerland, telephone +41 44 234 1111; and Aeschenvorstadt 1, CH-4051 Basel, Switzerland, telephone +41 61 288 5050.

3. Business Overview

3.1 Business Divisions and Corporate Center

UBS operates as a group with four business divisions (Wealth Management & Swiss Bank, Wealth Management Americas, Global Asset Management and the Investment Bank) and a Corporate Center. Each of the business divisions and the Corporate Center are described below. A full description of their businesses, strategies and clients, organizational structures, products and services can be found in the Annual Report 2010 of UBS AG published on 15 March 2011 (the "Annual Report 2010"), on pages 71–111 (inclusive) of the English version.

3.1.1 Wealth Management & Swiss Bank

Wealth Management & Swiss Bank focuses on delivering comprehensive financial services to high net worth and ultra high net worth individuals around the world - except to those served by Wealth Management Americas - as well as private and corporate clients in Switzerland. The Wealth Management business unit provides clients in over 40 countries, including Switzerland, with financial advice, products and tools to fit their individual needs. The Retail & Corporate business unit provides individual and business clients with an array of banking services, such as deposits and lending, and maintains, in its own opinion, a leading position across its clients segments in Switzerland.

3.1.2 Wealth Management Americas

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

3.1.3 Global Asset Management

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

3.1.4 Investment Bank

The Investment Bank provides securities and other financial products and research in equities, fixed income, rates, foreign exchange and commodities. It also provides advisory services and access to the world's capital markets for corporate and institutional clients, sovereign and governmental bodies, financial intermediaries, alternative asset managers and private investors.

3.1.5 Corporate Center

The Corporate Center provides and manages support and control functions for the Group in such areas as risk control, finance, legal and compliance, funding, capital and balance sheet management, management of non-trading risk, communication and branding, human resources, information technology, real estate, procurement, corporate development and service centers. Most costs and personnel of the Corporate Center are allocated to the business divisions.

3.2 Organizational Structure of the Issuer

UBS AG is the parent company of the UBS Group. The objective of UBS's group structure is to support the business activities of the Company within an efficient legal, tax, regulatory and funding framework. None of the individual business divisions of UBS or the Corporate Center are legally independent entities; instead, they primarily perform their activities through the domestic and foreign offices of the parent bank.

The parent bank structure allows UBS to fully exploit the advantages generated for all business divisions through the use of a single legal entity. In cases where it is impossible or inefficient to operate via the parent, due to local legal, tax or regulatory provisions, or where additional legal entities join the Group through acquisition, the business is operated on location by legally independent Group companies. UBS AG's significant subsidiaries are listed in the Annual Report 2010, on pages 362-364 (inclusive) of the English version.

3.3 Competition

UBS faces stiff competition in all business areas. Both in Switzerland and abroad, it competes with asset management companies, commercial, investment and private banks, brokerages and other financial services providers. Competitors include not only local banks, but also global financial institutions, which are similar to UBS in terms of both size and services offered.

In addition, the consolidation trend in the global financial services sector is introducing new competition, which may have a greater impact on prices, as a result of an expanded range of products and services and increased access to capital and growing efficiency.

3.4 Recent Developments

On 26 July 2011, UBS published its second quarter 2011 report and reported a net profit attributable to UBS shareholders for the second quarter of 2011 of CHF 1,015 million, compared with CHF 1,807 million in the first quarter of 2011. Revenues for the Group were CHF 7.2 billion compared with CHF 8.3 billion in the first quarter. The result reflects, in particular, lower levels of client activity and weak trading performance in UBS's Fixed Income, Currencies and Commodities ("FICC") business. Operating expenses were down for the Group as a whole, partly as a result of currency movements and lower personnel-related expenses. Moreover, UBS recorded a tax expense of CHF 377 million in the second quarter of 2011.

Risk weighted assets ("RWA") were CHF 206 billion on a Basel II basis, broadly in line with the level recorded at the end of the first quarter. Based on 30 June 2011 exposures, UBS's BIS RWA calculated under the enhanced Basel II framework (commonly referred to as Basel 2.5)³ were CHF 278.2 billion, CHF 72.0 billion higher than under the standard Basel II framework. The increased RWA is composed of a new incremental risk charge which accounts for default and rating migration risk of trading book positions (CHF 34.8 billion of RWA), an additional stressed value-at-risk (VaR) requirement taking into account a one year observation period relating to significant losses (CHF 33.2 billion of RWA), a comprehensive risk measure requirement (CHF 10.3 billion of

³ In line with the BIS transition requirement, the impact of the enhanced Basel II market risk framework will be included in the financial statements disclosures as of 31 December 2011.

RWA) and a revised requirement for securitization positions held for trading that will attract banking book capital charges as well as higher risk weights for re-securitization exposures (CHF 6.5 billion of RWA), to better reflect the inherent risk in these products. These increases were partially offset by a RWA relief in VaR of CHF 12.7 billion. Furthermore, UBS's BIS tier 1 capital calculated under the enhanced Basel II framework was CHF 0.7 billion lower than under the standard Basel II framework and UBS's BIS total capital was lower by CHF 1.4 billion. As a result, UBS's pro forma BIS tier 1 capital ratio including the effects of the enhanced Basel II market risk framework was 13.2%, UBS's BIS core tier 1 capital ratio was 11.7% and UBS's BIS total capital ratio stood at 13.9%.

At the close of the second quarter, UBS's balance sheet stood at CHF 1,237 billion, a decrease of CHF 55 billion on the first quarter, mainly as a result of currency movements.

UBS's Basel II tier 1 capital ratio stood at 18.1% at the end of the quarter. UBS's FINMA leverage ratio for second quarter 2011 improved to 4.8%, compared with 4.6% in the first quarter of 2011 as a result from an increase in FINMA tier 1 capital and a decrease in total adjusted assets.

Net new money inflows for the Group were CHF 8.7 billion in the second quarter of 2011 as clients continued to entrust UBS more of their assets, albeit at lower levels than in the first quarter. Wealth Management achieved net new money inflows of CHF 5.6 billion, primarily from its strategic growth areas of the Asia Pacific region, the emerging markets and in the ultra high net worth client segment. Net new money inflows in the first quarter of 2011 were CHF 2.6 billion for Wealth Management Americas, mainly as a result of UBS's success in recruiting new financial advisors, and CHF 1.1 billion for Global Asset Management (compared with net inflows of CHF 3.6 billion and CHF 5.6 billion in first quarter, respectively).

During the second quarter, the Board of Directors ("BoD") of UBS AG and senior management reconfirmed UBS's broad strategic direction. UBS is confident that it will create the most value for its clients and shareholders as an integrated bank with a client-focused business model. In order to ensure continued improvements in its profitability, UBS will develop its leading wealth management businesses, including further investing in its onshore businesses and the ultra high net worth client segment, while expanding its activities in the Asia-Pacific region and the emerging markets. The benefits of a globally competitive investment bank and a successful asset management business are also crucial to UBS's future. In its home market, Switzerland, UBS aims to maintain its leading position.

Over the last four quarters, a decline in returns for the banking industry as a whole has been witnessed, reflecting deleveraging and actions being taken in advance of increased capital requirements. A weakening economic outlook and higher future capital requirements may extend or exacerbate these trends. Given these circumstances, UBS will continue to evaluate potential changes to its businesses, corporate structure and booking model. The fundamental shift in the global financial environment also has implications for UBS's medium-term targets, which were set in 2009 and based on market and regulatory assumptions that are now outdated. While UBS continues to be optimistic that it will deliver higher profitability, UBS believes that its 2009 target for pre-tax profits is unlikely to be achieved in the time period originally envisaged.

In the current environment, UBS needs to be ever more vigilant around its levels of expenditure. As a result, UBS will initiate further cost reductions to align its expense base to current market conditions. Over the next 2 to 3 years, UBS will eliminate costs of CHF 1.5–2.0 billion, while remaining committed to investing in key growth areas that underpin its long-term success.

On 1 July 2011, UBS announced that Axel Weber, former President of the German Bundesbank, will be nominated for election to the BoD of UBS AG at the Annual General Meeting on 3 May 2012. Subject to his election, he will be appointed as non-independent Vice Chairman and is then expected to become Chairman of the Board in 2013.

At the UBS Annual General Meeting in April UBS shareholders approved the 2010 Annual Report and Group Financial Statements, elected Joseph Yam to the BoD and re-elected the incumbent members of the BoD.

3.5 Trend Information (Outlook statement as presented in UBS's second quarter 2011 report issued on 26 July 2011)

Current economic uncertainty shows little sign of abating. UBS therefore does not envisage material improvements in market conditions in the third quarter of 2011, particularly given the seasonal decline in activity levels traditionally associated with the summer holiday season, and expect these conditions to continue to constrain its results. In the second half of 2011, UBS may recognize deferred tax assets that could reduce its full-year effective tax rate. The levy imposed by the United Kingdom on bank liabilities, formally introduced just after the end of the second quarter, is expected to reduce the Investment Bank's performance before tax by approximately CHF 100 million before the end of 2011. As a result of UBS's intention to initiate cost reduction measures, it is likely that UBS will book significant restructuring charges later this year. Going forward, UBS's solid capital position and financial stability as well as its sharpened focus on cost discipline will enable UBS to build further on the progress it has already made.

4. Administrative, Management and Supervisory Bodies of the Issuer

UBS AG is subject to, and fully complies with, the applicable Swiss regulatory requirements regarding corporate governance. In addition, as a foreign company with shares listed on the New York Stock Exchange (NYSE), UBS AG complies with the NYSE corporate governance standards with regard to foreign listed companies.

UBS AG operates under a strict dual board structure, as mandated by Swiss banking law. This structure establishes checks and balances and preserves the institutional independence of the Board of Directors ("BoD") from the day-to-day management of the firm, for which responsibility is delegated to the Group Executive Board ("GEB"). The supervision and control of the executive management remains with the BoD. No member of one board may be a member of the other.

The Articles of Association and the Organization Regulations of UBS AG with their annexes govern the authorities and responsibilities of the two bodies.

4.1 Board of Directors

The BoD is the most senior body of UBS AG. The BoD consists of at least six and a maximum of twelve members. All the members of the BoD are elected individually by the Annual General Meeting ("AGM") for a term of office of one year. The BoD's proposal for election must be such that three quarters of the BoD members will be independent. Independence is determined in accordance with the Swiss Financial Market Supervisory Authority (FINMA) circular 08/24, the NYSE rules and the rules and regulations of other securities exchanges on which UBS shares are listed, if any. The Chairman does not need to be independent.

The BoD has ultimate responsibility for the success of the UBS Group and for delivering sustainable shareholder value within a framework of prudent and effective controls. It decides on UBS's strategic aims and the necessary financial and human resources upon recommendation of the Group Chief Executive Officer ("Group CEO") and sets the UBS Group's values and standards to ensure that its obligations to its shareholders and others are met.

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

4.1.1 Members of the Board of Directors

Member and business addresses	Title	Term of office	Current positions outside UBS AG ¹
Kaspar Villiger UBS AG, Bahnhofstrasse 45, P.O. Box, CH-8001, Zurich, Switzerland	Chairman	2012	None
Michel Demaré ABB Ltd., Affolternstrasse 44, P.O. Box 5009, CH-8050 Zurich, Switzerland	Independent Vice Chairman	2012	CFO and member of the Group Executive Committee of ABB; President Global Markets at ABB; member of the IMD Foundation Board, Lausanne.
David Sidwell	Senior Independent	2012	Director and Chairperson of the Risk Policy and Capital Committee of Fannie Mae, Washington D.C.; Senior Advisor at Oliver Wyman, New

Member and business addresses	Title	Term of office	Current positions outside UBS AG¹
UBS AG, Bahnhofstrasse 45, P.O. Box, CH-8001, Zurich, Switzerland	Director		York; trustee of the International Accounting Standards Committee Foundation, London; Chairman of the board of Village Care, New York; Director of the National Council on Aging, Washington D.C.
Rainer-Marc Frey Office of Rainer-Marc Frey, Seeweg 39, CH-8807 Freienbach Switzerland	Member	2012	Founder and Chairman of Horizon21 and its related entities and subsidiaries; member of the board of DKSH Group, Zurich, and of the Frey Charitable Foundation, Freienbach.
Bruno Gehrig Swiss International Air Lines AG, Obstgartenstrasse 25, CH-8302 Kloten, Switzerland	Member	2012	Chairman of the board of Swiss International Air Lines; Vice Chairman and Chairperson of the Remuneration Committee of Roche Holding Ltd., Basel.
Ann F. Godbehere UBS AG, Bahnhofstrasse 45, P.O. Box, CH-8001, Zurich, Switzerland	Member	2012	Board member and Chairperson of the Audit Committees of Prudential plc, Rio Tinto plc and Rio Tinto Limited, London; board member of Atrium Underwriters Ltd., Atrium Underwriting Group Ltd., London, member of the board and Chairperson of the Audit Committee of Ariel Holdings Ltd., Bermuda.
Axel P. Lehmann Zurich Financial Services, Mythenquai 2, CH-8002, Zurich, Switzerland	Member	2012	Group Chief Risk Officer of Zurich Financial Services; Chairman of the board of Farmers Group, Inc. and of the Institute of Insurance Economics at the University of St. Gallen and Chairman of the Chief Risk Officer Forum.
Wolfgang Mayrhuber Deutsche Lufthansa AG, Flughafen Frankfurt am Main 302, D-60549 Frankfurt am Main Germany	Member	2012	Chairman of the supervisory board and Chairperson of the Mediation, the Nomination and the Executive Committees of Infineon Technologies AG, as well as member of the supervisory boards of Munich Re Group, BMW Group, Lufthansa Technik AG and Austrian Airlines AG; member of the board of SN Airholding SA/NV, Brussels, and HEICO Corporation, Hollywood, FL.
Helmut Panke BMW AG, Petuelring 130, D-80788 Munich Germany	Member	2012	Member of the board of Microsoft Corporation and Chairperson of the Antitrust Compliance Committee; member of the board of Singapore Airlines Ltd.; member of the supervisory board of Bayer AG.
William G. Parrett UBS AG, Bahnhofstrasse 45, P.O. Box, CH-8001, Zurich, Switzerland	Member	2012	Independent Director, and Chairperson of the Audit Committee, of the Eastman Kodak Company, the Blackstone Group LP and Thermo Fisher Scientific Inc.; Immediate Past Chairman of the board of the United States Council for International Business and of United Way Worldwide; member of the Board of Trustees of Carnegie Hall.
Joseph Yam	Member	2012	Executive Vice President of the China Society for Finance and Banking; Chairman of the board of Macroprudential Consultancy Limited and member of the International Advisory Councils of a number of government and academic institutions. Board member and

Member and business addresses	Title	Term of office	Current positions outside UBS AG ¹
18 B South Bay Towers 59 South Bay Rd. Hong Kong			chairperson of the Risk Committee of China Construction Bank. Member of the board of Johnson Electric Holdings Limited.
¹ Positions outside UBS held by members of the BoD in the last five years are indicated in their respective curriculum vitae below			

On 1 July 2011, UBS announced that Axel Weber, former President of the German Bundesbank, will be nominated for election to the BoD of UBS AG at the Annual General Meeting on 3 May 2012. Subject to his election, he will be appointed as non-independent Vice Chairman and is then expected to become Chairman of the Board in 2013.

4.1.2 Organizational principles and structure

Following each AGM, the BoD meets to appoint its Chairman, Vice Chairman, Senior Independent Director, the BoD Committees members and their respective Chairpersons. At the same meeting, the BoD appoints a Company Secretary, who acts as secretary to the BoD and its Committees.

The BoD committees comprise the Audit Committee, the Corporate Responsibility Committee, the Governance and Nominating Committee, the Human Resources and Compensation Committee and the Risk Committee.

4.1.3 Audit Committee

The Audit Committee ("AC") comprises at least three independent BoD members, with all members having been determined by the BoD to be fully independent and financially literate.

The AC does not itself perform audits, but monitors the work of UBS auditors. Its function is to serve as an independent and objective body with oversight of: (i) the Group's accounting policies, financial reporting and disclosure controls and procedures, (ii) the quality, adequacy and scope of external audit, (iii) the Issuer's compliance with financial reporting requirements, (iv) management's approach to internal controls with respect to the production and integrity of the financial statements and disclosure of the financial performance, and (v) the performance of UBS's Group Internal Audit in conjunction with the Chairman of the BoD and the Risk Committee.

The AC, together with the external auditors and Group Internal Audit, reviews the annual and quarterly financial statements of UBS AG and the Group as proposed by management in order to recommend their approval, including any adjustments it considers appropriate, to the BoD. Moreover, periodically, and at least annually, the AC assesses the qualifications, expertise, effectiveness, independence and performance of the external auditors and their lead audit partner, in order to support the BoD in reaching a decision in relation to the appointment or removal of the external auditors and the rotation of the lead audit partner. The BoD then submits these proposals at the AGM.

The members of the AC are William G. Parrett (Chairperson), Ann F. Godbehere, Michel Demaré and Rainer-Marc Frey.

4.2 Group Executive Board

Under the leadership of the Group CEO, the GEB has executive management responsibility for the UBS Group and its business. It assumes overall responsibility for the development of the UBS

Group and business division strategies and the implementation of approved strategies. All GEB members (with the exception of the Group CEO) are proposed by the Group CEO. The appointments are approved by the BoD.

The business address of the members of the GEB is UBS AG, Bahnhofstrasse 45, CH-8001 Zurich, Switzerland.

4.2.1 Members of the Group Executive Board

Oswald J. Grübel	Group Chief Executive Officer
Tom Naratil	Group Chief Financial Officer
Markus U. Diethelm	Group General Counsel
Sergio P. Ermotti	Chairman and Chief Executive Officer UBS Group EMEA
John A. Fraser	Chairman and Chief Executive Officer Global Asset Management
Lukas Gähwiler	Chief Executive Officer UBS Switzerland, co-CEO Wealth Management & Swiss Bank
Carsten Kengeter	Chairman and Chief Executive Officer Investment Bank
Ulrich Körner	Group Chief Operating Officer and Chief Executive Officer Corporate Center
Philip J. Loftis	Chief Executive Officer UBS Group Americas
Robert J. McCann	Chief Executive Officer Wealth Management Americas
Maureen Miskovic	Group Chief Risk Officer
Alexander Wilmot-Sitwell	Co-Chairman and co-Chief Executive Officer UBS Group Asia Pacific
Chi-Won Yoon	Co-Chairman and Co-Chief Executive Officer UBS Group Asia Pacific
Jürg Zeltner	Chief Executive Officer UBS Wealth Management, co-CEO Wealth Management & Swiss Bank

No member of the GEB has any significant business interests outside the Bank.

4.3 Potential conflicts of interest

Members of the BoD and GEB may act as directors or executive officers of other companies (for current positions outside UBS AG (if any) of BoD members, please see above under "Board of Directors of UBS AG") and may have economic or other private interests that differ from those of UBS AG. Potential conflicts of interest may arise from these positions or interests. UBS is confident that its internal corporate governance practices and its compliance with relevant legal and regulatory provisions reasonably ensure that any conflicts of interest of the type described above are appropriately managed, including through disclosure when appropriate.

5. Auditors

On 28 April 2011, the AGM of UBS AG re-elected Ernst & Young Ltd, Aeschengraben 9, 4002 Basel, Switzerland ("Ernst & Young") as auditors for the Financial Statements of UBS AG and the Consolidated Financial Statements of the UBS Group for a further one-year term. Ernst & Young Ltd., Basel, is a member of the Swiss Institute of Certified Accountants and Tax Consultants based in Zurich, Switzerland.

6. Major Shareholders of the Issuer

Under the Swiss Stock Exchange Act (the Federal Act on Stock Exchanges and Securities Trading of 24 March 1995, as amended), anyone holding shares in a company listed in Switzerland, or derivative rights related to shares of such a company, has to notify the company and the SIX Swiss Exchange if the holding attains, falls below or exceeds one of the following thresholds: 3, 5, 10, 15, 20, 25, 33 1/3, 50, or 66 2/3% of the voting rights, whether they are exercisable or not.

The following are the most recent notifications of holdings in UBS AG's share capital filed in accordance with the Swiss Stock Exchange Act, based on UBS AG's registered share capital at the time of the disclosure:

- 12 March 2010: Government of Singapore Investment Corp., 6.45%;
- 17 December 2009: BlackRock Inc., New York, USA, 3.45%.

Voting rights may be exercised without any restrictions by shareholders entered into UBS's share register, if they expressly render a declaration of beneficial ownership according to the provisions of the Articles of Association. Special provisions exist for the registration of fiduciaries and nominees. Fiduciaries and nominees are entered in the share register with voting rights up to a total of 5% of all shares issued if they agree to disclose upon UBS's request beneficial owners holding 0.3% or more of all UBS shares. An exception to the 5% voting limit rule exists for securities clearing organizations such as The Depository Trust Company in New York.

As of 30 June 2011, the following shareholders were registered in the share register with 3% or more of the total share capital of UBS AG: Chase Nominees Ltd., London (10.07%); the US securities clearing organization DTC (Cede & Co.) New York, "The Depository Trust Company" (7.32%); Government of Singapore Investment Corp. (6.41%) and Nortrust Nominees Ltd, London (3.79%).

UBS holds its own shares primarily to hedge employee share and option participation plans. A smaller number is held by the Investment Bank in its capacity as a market-maker in UBS shares and related derivatives. As of 30 June 2011, UBS held a stake of UBS AG's shares, which corresponded to less than 3.00% of its total share capital. As of 31 December 2010, UBS had disposal positions relating to 508,052,477 voting rights, corresponding to 13.26% of the total voting rights of UBS AG. They consisted mainly of 9.66% of voting rights on shares deliverable in respect of employee awards and included the number of shares that may be issued, upon certain conditions, out of conditional capital to the Swiss National Bank ("SNB") in connection with the transfer of certain illiquid and other positions to a fund owned and controlled by the SNB.

Further details on the distribution of UBS AG's shares, also by region and shareholders' type, and on the number of shares registered, non registered and carrying voting rights as of 31 December 2010 can be found in the Annual Report 2010, on pages 193-195 (inclusive) of the English version.

7. Financial Information concerning the Issuer's Assets and Liabilities, Financial Position and Profits and Losses

7.1 Historical Annual Financial Information

A description of the Issuer's assets and liabilities, financial position and profits and losses for financial year 2009 is available in the Annual Report 2009 of UBS AG (Financial Information section), and for financial year 2010 in the Annual Report 2010 (Financial Information section). The Issuer's financial year is the calendar year.

With respect to the financial year 2009, reference is made to the following parts of the Annual Report 2009 (Financial Information section), in English:

- (i) the Consolidated Financial Statements of UBS Group, in particular to the Income Statement on page 255, the Balance Sheet on page 257, the Statement of Cash Flows on pages 261-262 (inclusive) and the Notes to the Consolidated Financial Statements on pages 263-370 (inclusive), and
- (ii) the Financial Statements of UBS AG (Parent Bank), in particular to the Income Statement on page 372, the Balance Sheet on page 373, the Statement of Appropriation of Retained Earnings on page 373, the Notes to the Parent Bank Financial Statements on pages 374-392 (inclusive) and the Parent Bank Review on page 371, and
- (iii) the sections entitled "Introduction and accounting principles" on page 244 and "Critical accounting policies" on pages 245-248 (inclusive).

With respect to the financial year 2010, reference is made to the following parts of the Annual Report 2010 (Financial Information section), in English:

- (i) the Consolidated Financial Statements of UBS Group, in particular to the Income Statement on page 265, the Balance Sheet on page 267, the Statement of Cash Flows on pages 271-272 (inclusive) and the Notes to the Consolidated Financial Statements on pages 273-378 (inclusive), and
- (ii) the Financial Statements of UBS AG (Parent Bank), in particular to the Income Statement on page 380, the Balance Sheet on page 381, the Statement of Appropriation of Retained Earnings on page 382, the Notes to the Parent Bank Financial Statements on pages 383-399 (inclusive) and the Parent Bank Review on page 379, and
- (iv) the sections entitled "Introduction and accounting principles" on page 254 and "Critical accounting policies" on pages 255-258 (inclusive).

The annual financial reports form an essential part of UBS's reporting. They include the audited Consolidated Financial Statements of UBS Group, prepared in accordance with International Financial Reporting Standards and the audited Financial Statements of UBS AG (Parent Bank), prepared according to Swiss banking law provisions. The financial statements also include certain additional disclosures required under Swiss and US regulations. The annual reports also include discussions and analysis of the financial and business results of UBS, its business divisions and the Corporate Center.

7.2 Auditing of Historical Annual Financial Information

The Consolidated Financial Statements of UBS Group and the Financial Statements of UBS AG (Parent Bank) for financial years 2009 and 2010 were audited by Ernst & Young. The reports of the auditors on the Consolidated Financial Statements can be found on pages 252-253 (inclusive) of

the Annual Report 2009 in English (Financial Information section) and on pages 262-263 (inclusive) of the Annual Report 2010 in English (Financial Information section). The reports of the auditors on the Financial Statements of UBS AG (Parent Bank) can be found on pages 393-394 of the Annual Report 2009 in English (Financial Information section) and on pages 400-401 of the Annual Report 2010 in English (Financial Information section).

7.3 Interim Financial Information

Reference is also made to UBS's first and second quarter 2011 reports, which contain information on the financial condition and the results of operation of the UBS Group as of and for the three months ended on 31 March 2011 and 30 June 2011, respectively. The interim financial statements are not audited.

7.4 Incorporation by reference

UBS's Annual Report 2009, Annual Report 2010 and the first and second quarter 2011 reports form an integral component of this document, and are therefore fully incorporated in this document.

7.5 Litigation and regulatory matters

UBS operates in a legal and regulatory environment that exposes it to significant litigation risks. As a result, UBS (which for purposes of this note may refer to UBS AG and/or one or more of its subsidiaries, as applicable) is involved in various disputes and legal proceedings, including litigation, arbitration, and regulatory and criminal investigations. Such cases are subject to many uncertainties, and the outcome is often difficult to predict, including the impact on operations or on the financial statements, particularly in the earlier stages of a case. In certain circumstances, to avoid the expense and distraction of legal proceedings, UBS may, based on a cost-benefit analysis, enter into a settlement even though denying any wrongdoing. UBS makes provisions for cases brought against it when, in the opinion of management after seeking legal advice, it is probable that a liability exists, and the amount can be reliably estimated.

Certain potentially significant legal proceedings or threatened proceedings as of the last twelve months until the date of this document are described below. In some cases UBS provides the amount of damages claimed, the size of a transaction or other information in order to assist investors in considering the magnitude of any potential exposure. UBS is unable to provide an estimate of the possible financial effect of particular claims or proceedings (where the possibility of an outflow is more than remote) beyond the level of current reserves established. Doing so would require UBS to provide speculative legal assessments as to claims and proceedings which involve unique fact patterns or novel legal theories, which have not yet been initiated or are at early stages of adjudication, or as to which alleged damages have not been quantified by the claimants. In many cases a combination of these factors impedes UBS's ability to estimate the financial effect of contingent liabilities. UBS also believes that such estimates could seriously prejudice its position in these matters.

1. Municipal bonds

In November 2006, UBS and others received subpoenas from the Antitrust Division of the US Department of Justice (DOJ) and the US Securities and Exchange Commission (SEC) seeking information relating to the investment of proceeds of municipal bond issuances and associated derivative transactions. In addition, various state Attorneys General issued subpoenas seeking similar information. Several putative class actions also have been filed in Federal District Courts

against UBS and numerous other firms. In December 2010, three former UBS employees were indicted in connection with the Federal criminal antitrust investigation. On 4 May 2011, UBS announced a settlement with the SEC, DOJ, the US Internal Revenue Service (IRS) and a group of state Attorneys General under which UBS would pay a total of USD 140.3 million to resolve the regulatory, antitrust and securities law issues. The class action litigations remain pending; however, approximately USD 63 million of the regulatory settlement will be made available to potential claimants through a settlement fund, and payments made through the fund should reduce the total monetary amount at issue in the class action.

2. Auction rate securities

UBS was the subject of an SEC investigation and state regulatory actions relating to the marketing and sale of auction rate securities (ARS) to clients, and to UBS's role and participation in ARS auctions and underwriting of ARS. UBS was also named in several putative class actions and individual civil suits and arbitrations. The regulatory actions and investigations and the civil proceedings followed the disruption in the markets for these securities and related auction failures since mid-February 2008. At the end of 2008, UBS entered into settlements with the SEC, the New York Attorney General (NYAG) and the Massachusetts Securities Division whereby UBS agreed to offer to buy back ARS from eligible customers within certain time periods, the last of which began on 30 June 2010, and to pay penalties of USD 150 million (USD 75 million to the NYAG and USD 75 million to the other states). UBS's settlement is largely in line with similar industry regulatory settlements. UBS has settled with the majority of states and is continuing to finalize settlements with the rest. The fines being paid in these state settlements are being charged against the USD 150 million provision that was established in 2008. The SEC continues to investigate individuals affiliated with UBS regarding the trading in ARS and disclosures. In 2010, a claimant alleging consequential damages from the illiquidity of ARS was awarded approximately USD 80 million by an arbitration panel. UBS moved in state court to vacate the award, and the matter was thereafter settled. UBS is the subject of other pending arbitration and litigation claims by clients and issuers relating to ARS.

3. US cross-border

UBS has been the subject of a number of governmental inquiries and investigations relating to its crossborder private banking services to US private clients during the years 2000–2007. On 18 February 2009, UBS announced that it had entered into a Deferred Prosecution Agreement (DPA) with the US Department of Justice Tax Division (DOJ) and the United States Attorney's Office for the Southern District of Florida, and a Consent Order with the SEC, relating to these investigations. Pursuant to the DPA, the DOJ agreed that any further prosecution of UBS would be deferred for a period of at least 18 months, subject to extension in certain circumstances. The DPA provided that, if UBS satisfied all of its obligations thereunder, the DOJ would refrain permanently from pursuing charges against UBS relating to the investigation of its US cross-border business. As part of the resolution of an SEC claim that UBS acted as an unregulated broker dealer and investment advisor in connection with its US cross-border business, UBS reached a consent agreement with the SEC on the same date. On 15 September 2010, the independent consultant appointed pursuant to the DPA and SEC Consent Order to review UBS's compliance with its exit-related obligations submitted its final report to both the DOJ and the SEC, finding that UBS had substantially complied in all material respects with these obligations under these settlements. Because UBS fully complied with its commitments under the DPA, the US DOJ moved to dismiss all of the previously filed charges that had been deferred under the DPA. On 25 October 2010, the Court dismissed all the charges, marking the closure of the DPA.

On 19 August 2009, UBS executed a settlement agreement with the US Internal Revenue Service (IRS) and the DOJ, to resolve the previously reported enforcement action relating to the "John Doe" summons served on UBS in July 2008 (UBS-US Settlement Agreement). At the same time, the United States and Switzerland entered into a separate but related agreement (Swiss-US Government Agreement), providing that the Swiss Federal Tax Administration (SFTA) process a request for administrative assistance under the Swiss-US Double Taxation Treaty related to an estimated number of approximately 4,450 accounts held by US taxpayers. Because UBS complied with all of its obligations set forth in the UBS-US Settlement Agreement required to be completed by the end of 2009, the IRS withdrew the "John Doe" summons with prejudice as to all accounts not covered by the treaty request. In March 2010, the Swiss and US governments signed a protocol amending the Swiss-US Government Agreement, and the agreement, as amended by the protocol, was approved by the Swiss Parliament on 17 June 2010. In August 2010, the IRS withdrew with prejudice the Notice of Default it had served on UBS in May 2008 with respect to the Qualified Intermediary Agreement between UBS and the IRS. On 15 November 2010, the IRS withdrew the "John Doe" summons in its entirety and with prejudice. This represented the final formal step in the comprehensive resolution of the US cross-border matter.

4. Inquiries regarding Non-US cross-border wealth management businesses

Following the disclosure and the settlement of the US cross-border matter, tax and regulatory authorities in a number of countries have made inquiries and served requests for information located in their respective jurisdictions relating to the cross-border wealth management services provided by UBS and other financial institutions. UBS is cooperating with these requests within the limits of financial privacy obligations under Swiss and other applicable laws.

5. Matters related to the credit crisis

UBS is responding to a number of governmental inquiries and investigations and is involved in a number of litigations, arbitrations and disputes related to the credit crisis and in particular mortgage-related securities and other structured transactions and derivatives. In particular, the SEC is investigating UBS's valuation of super senior tranches of collateralized debt obligations (CDO) during the third quarter of 2007 and UBS's reclassification of financial assets pursuant to amendments to IAS 39 during the fourth quarter of 2008. UBS has provided documents and testimony to the SEC and is continuing to cooperate with the SEC in its investigation. UBS has also communicated with and has responded to other inquiries by various governmental and regulatory authorities, including the Swiss Financial Market Supervisory Authority (FINMA), the UK Financial Services Authority (FSA), the SEC, the US Financial Industry Regulatory Authority (FINRA), the Financial Crisis Inquiry Commission (FCIC), the New York Attorney General, and the US Department of Justice, concerning various matters related to the credit crisis. These matters concern, among other things, UBS's (i) disclosures and writedowns, (ii) interactions with rating agencies, (iii) risk control, valuation, structuring and marketing of mortgage-related instruments, and (iv) role as underwriter in securities offerings for other issuers.

6. Lehman principal protection notes

From March 2007 through September 2008, UBS sold approximately USD 1 billion face amount of structured notes issued by Lehman Brothers Holdings Inc. (Lehman), a majority of which were referred to as "principal protection notes," reflecting the fact that while the notes' return was in some manner linked to market indices or other measures, some or all of the investor's principal was an unconditional obligation of Lehman as issuer of the notes. UBS has been named along with other defendants in a putative class action alleging materially misleading statements and omissions

in the prospectuses relating to these notes and asserting claims under US securities laws. UBS has also been named in numerous individual civil suits and customer arbitrations (some of which have resulted in settlements or adverse judgments), was named in a proceeding brought by the New Hampshire Bureau of Securities, and is responding to investigations by other state regulators relating to the sale of these notes to UBS's customers. The customer litigations and regulatory investigations relate primarily to whether UBS adequately disclosed the risks of these notes to its customers. In April 2011, UBS entered into a settlement with FINRA related to the sale of these notes, pursuant to which UBS agreed to pay a USD 2.5 million fine and approximately USD 8.25 million in restitution and interest to a limited number of investors in the US.

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

From 2002 through about 2007, UBS was a substantial underwriter and issuer of US residential mortgage-backed securities (RMBS). UBS has been named as a defendant relating to its role as underwriter and issuer of RMBS in a large number of lawsuits relating to approximately USD 39 billion in original face amount of RMBS underwritten or issued by UBS. Most of the lawsuits are in their early stages. Many have not advanced beyond the motion to dismiss phase; others are in varying stages of discovery. Of the original face amount of RMBS at issue in these cases, approximately USD 4.8 billion was issued in offerings in which a UBS subsidiary transferred underlying loans (the majority of which were purchased from third-party originators) into a securitization trust and made representations and warranties about those loans. The remaining USD 34 billion of RMBS to which these cases relate was issued by third parties in securitizations in which UBS acted as underwriter. In connection with certain of these lawsuits, UBS has indemnification rights against solvent third-party issuers or originators for any loss or liability incurred by UBS. Additionally, UBS is named as a defendant in three lawsuits brought by insurers of RMBS seeking recovery of insurance paid to RMBS investors. These insurers allege that UBS and other RMBS underwriters aided and abetted misrepresentations and fraud by RMBS issuers, and claim equitable and contractual subrogation rights. UBS has also been contacted by certain government-sponsored enterprises requesting that UBS repurchase USD 2 billion of securities issued in UBS-sponsored RMBS offerings.

As described in the section "Other contingent liabilities - Demands related to sales of mortgages and RMBS" below, UBS also has contractual obligations to repurchase US residential mortgage loans as to which UBS's representations made at the time of transfer prove to have been materially inaccurate.

8. Claims related to UBS disclosure

A putative consolidated class action has been filed in the United States District Court for the Southern District of New York against UBS, a number of current and former directors and senior officers and certain banks that underwrote UBS's May 2008 Rights Offering (including UBS Securities LLC) alleging violation of the US securities laws in connection with UBS's disclosures relating to UBS's positions and losses in mortgage-related securities, UBS's positions and losses in auction rate securities, and UBS's US crossborder business. Defendants have moved to dismiss the complaint for failure to state a claim. UBS, a number of senior officers and employees and various UBS committees have also been sued in a putative consolidated class action for breach of fiduciary duties brought on behalf of current and former participants in two UBS Employee Retirement Income Security Act (ERISA) retirement plans in which there were purchases of UBS stock. In March 2011, the court dismissed the ERISA complaint. The plaintiffs have sought leave to file an amended complaint.

9. Madoff

In relation to the Bernard L. Madoff Investment Securities LLC (BMIS) investment fraud, UBS AG, UBS (Luxembourg) SA and certain other UBS subsidiaries have been subject to inquiries by a number of regulators, including FINMA and the Luxembourg Commission de Surveillance du Secteur Financier (CSSF). Those inquiries concerned two third-party funds established under Luxembourg law, substantially all assets of which were with BMIS, as well as certain funds established under offshore jurisdictions with either direct or indirect exposure to BMIS. These funds now face severe losses, and the Luxembourg funds are in liquidation. The last reported net asset value of the two Luxembourg funds before revelation of the Madoff scheme was approximately USD 1.7 billion in the aggregate, although that figure likely includes fictitious profit reported by BMIS. The documentation establishing both funds identifies UBS entities in various roles including custodian, administrator, manager, distributor and promoter, and indicates that UBS employees serve as board members. Between February and May 2009, UBS (Luxembourg) SA responded to criticisms made by the CSSF in relation to its responsibilities as custodian bank and demonstrated to the satisfaction of the CSSF that it has the infrastructure and internal organization in place in accordance with professional standards applicable to custodian banks in Luxembourg. UBS (Luxembourg) SA and certain other UBS subsidiaries are also responding to inquiries by Luxembourg investigating authorities, without however being named as parties in those investigations. In December 2009 and March 2010, the liquidators of the two Luxembourg funds filed claims on behalf of the funds against UBS entities, non-UBS entities and certain individuals including current and former UBS employees. The amounts claimed are approximately EUR 890 million and EUR 305 million respectively. In addition, a large number of alleged beneficiaries have filed claims against UBS entities (and non-UBS entities) for purported losses relating to the Madoff scheme. The majority of these cases are pending in Luxembourg, where appeals have been filed against the March 2010 decisions of the court in which the claims in a number of test cases were held to be inadmissible. In the US, the BMIS Trustee has filed claims against UBS entities, amongst others, in relation to the two Luxembourg funds and one of the offshore funds. A claim was filed in November 2010 against 23 defendants including UBS entities, the Luxembourg and offshore funds concerned and various individuals, including current and former UBS employees. The total amount claimed against all defendants is no less than USD 2 billion. A second claim was filed in December 2010 against 16 defendants including UBS entities and the Luxembourg fund concerned. The total amount claimed against all defendants is not less than USD 555 million. UBS has filed motions requesting that these complaints be moved from the Bankruptcy Court to the Federal District Court. In Germany, certain clients of UBS are exposed to Madoff-managed positions through third-party funds and funds administered by UBS entities in Germany. A small number of claims have been filed with respect to such funds.

10. Transactions with City of Milan and other Italian public sector entities

In January 2009, the City of Milan filed civil proceedings against UBS Limited, UBS Italia SIM Spa and three other international banks in relation to a 2005 bond issue and associated derivatives transactions entered into with the City between 2005 and 2007. The claim is to recover alleged damages in an amount which will compensate for terms of the related derivatives which the City claims to be objectionable. In the alternative, the City seeks to recover alleged hidden profits asserted to have been made by the banks in an amount of approximately EUR 88 million (of which UBS Limited is alleged to have received approximately EUR 16 million) together with further damages of not less than EUR 150 million. The claims are made against all of the banks on a joint and several basis. The case is currently stayed following a petition filed by the four banks to the Italian basis Court of Cassation challenging the jurisdiction of the Italian courts. In addition, two current UBS employees and one former employee, together with employees from other banks, a former City officer and a former adviser to the City, are facing a criminal trial for alleged

“aggravated fraud” in relation to the City’s 2005 bond issue and the execution, and subsequent restructuring, of certain related derivative transactions. The primary allegation is that UBS Limited and the other international banks obtained hidden and/or illegal profits by entering into the derivative contracts with the City. The banks also face an administrative charge of failing to have in place a business organizational model to avoid the alleged misconduct by employees, the sanctions for which could include a limitation on activities in Italy. The City has separately asserted claims for damages against UBS Limited and UBS individuals in those proceedings. A number of transactions with other public entity counterparties in Italy have also been called into question or become the subject of legal proceedings and claims for damages and other awards. These include derivative transactions with the Regions of Calabria, Tuscany, Lombardy and Lazio and the City of Florence. UBS has itself issued proceedings before English courts in connection with a number of derivative transactions with Italian public entities, including some of those mentioned above, aimed at obtaining declaratory judgments as to the legitimacy of UBS’s behavior.

11. HSH Nordbank AG (HSH)

HSH has filed an action against UBS in New York State court relating to USD 500 million of notes acquired by HSH in a synthetic CDO transaction known as North Street Referenced Linked Notes, 2002-4 Limited (NS4). The notes were linked through a credit default swap between the NS4 issuer and UBS to a reference pool of corporate bonds and asset-backed securities. HSH alleges that UBS knowingly misrepresented the risk in the transaction, sold HSH notes with “embedded losses”, and improperly profited at HSH’s expense by misusing its right to substitute assets in the reference pool within specified parameters. HSH is seeking USD 500 million in compensatory damages plus pre-judgment interest. The case was initially filed in 2008. Following orders issued in 2008 and 2009, in which the court dismissed most of HSH’s claims and its punitive damages demand and later partially denied a motion to dismiss certain repleaded claims, the claims remaining in the case are for fraud, breach of contract and breach of the implied covenant of good faith and fair dealing. Both sides have appealed the court’s most recent partial dismissal order, and a decision on the appeal is pending.

12. Kommunale Wasserwerke Leipzig GmbH (KWL)

In 2006 and 2007, KWL entered into a series of Credit Default Swap (CDS) transactions with bank swap counterparties, including UBS. Under the CDS contracts between KWL and UBS, the last of which were terminated by UBS in October 2010, a net sum of approximately USD 138 million has fallen due from KWL but not been paid. In January 2010, UBS issued proceedings in the English High Court against KWL seeking various declarations from the English court, in order to establish that the swap transaction between KWL and UBS is valid, binding and enforceable as against KWL. In October 2010, the English court ruled that it has jurisdiction and will hear the proceedings, and UBS issued a further claim seeking declarations concerning the validity of its early termination of the remaining CDS transactions with KWL. Whilst KWL appealed from that decision, it has recently informed UBS that in light of a recent decision of the European Court of Justice (ECJ) in another case not involving UBS, it does not intend to proceed with the jurisdictional appeal in the English courts. The civil dispute will now proceed before the English court with UBS’s two claims now consolidated together and amended to include a claim for payment from KWL of the net principal sum outstanding plus interest. In March 2010, KWL issued proceedings in Leipzig, Germany, against UBS and other banks involved in these contracts, claiming that the swap transactions are void and not binding on the basis of KWL’s allegation that KWL did not have the capacity or the necessary internal authorization to enter into the transactions and that the banks knew this. Upon and as a consequence of KWL withdrawing its appeal on jurisdiction in England (and the same ECJ ruling referred to above), it is expected that the Leipzig court will dismiss KWL’s

civil claim against UBS and one of the other banks in the German courts and that no civil claim will proceed against either of them in Germany. The proceedings by KWL against the third bank will now proceed before the German courts following a preliminary order by the Leipzig court that it has jurisdiction to hear this case.

The other two banks that entered into CDS transactions with KWL entered into back-to-back CDS transactions with UBS. In April 2010, UBS issued separate proceedings in the English High Court against those bank swap counterparties seeking declarations as to the parties' obligations under those transactions. The back-to-back CDS transactions were subsequently terminated in April and June 2010. The aggregate amount that UBS contends is outstanding under those transactions is approximately USD 189 million plus interest. These English court proceedings are currently stayed.

In January 2011, the former managing director of KWL and two financial advisers were convicted on criminal charges related to certain KWL transactions, including swap transactions with UBS and other banks.

13. Puerto Rico

The SEC has been investigating UBS's secondary market trading and associated disclosures involving shares of closed-end funds managed by UBS Asset Managers of Puerto Rico, principally in 2008 and 2009. In November 2010, the SEC issued a "Wells notice" to two UBS subsidiaries, advising them that the SEC staff is considering whether to recommend that the SEC bring a civil action against them relating to these matters.

14. LIBOR

Several government agencies, including the SEC, the US Commodity Futures Trading Commission, the DOJ and the FSA, are conducting investigations regarding submissions to the British Bankers' Association, which sets LIBOR rates. UBS understands that the investigations focus on whether there were improper attempts by UBS (among others), either acting on its own or together with others, to manipulate LIBOR rates at certain times. In addition, UBS has received an order to provide information to the Japan Financial Services Agency concerning similar matters.

UBS has recently been informed that UBS has been granted conditional leniency or conditional immunity from authorities in certain jurisdictions, including the Antitrust Division of the DOJ, in connection with potential antitrust or competition law violations related to submissions for Yen LIBOR and Euroyen TIBOR (Tokyo Interbank Offered Rate). As a result of these conditional grants, UBS will not be subject to prosecutions, fines or other sanctions for antitrust or competition law violations in connection with the matters UBS reported to those authorities, subject to UBS' continuing cooperation. However, the conditional leniency and conditional immunity grants UBS has received do not bar government agencies from asserting other claims against UBS. In addition, as a result of the conditional leniency agreement with the DOJ, UBS is eligible for a limit on liability to actual rather than treble damages were damages to be awarded in any civil antitrust action under US law based on conduct covered by the agreement and for relief from potential joint-and-several liability in connection with such civil antitrust action, subject to UBS satisfying the DOJ and the court presiding over the civil litigation of UBS' cooperation. The conditional leniency and conditional immunity grants do not otherwise affect the ability of private parties to assert civil claims against UBS.

A number of putative class actions have been filed in federal courts in the US against UBS and numerous other banks on behalf of certain parties who transacted in LIBOR-based derivatives. The complaints allege manipulation, through various means, of the US dollar LIBOR rate and prices of US dollar LIBOR-based derivatives in various markets. Claims for damages are asserted under various legal theories, including violations of the US Commodity Exchange Act and antitrust laws.

Besides the proceedings specified above under (1) through (14) no governmental, legal or arbitration proceedings, which may significantly affect UBS's financial position, are or have been pending during the last twelve months until the date of this document, nor is the Issuer aware that any such governmental, legal or arbitration proceedings are threatened.

7.6 Other contingent liabilities

Demands related to sales of mortgages and RMBS

For several years prior to the crisis in the US residential mortgage loan market, UBS sponsored securitizations of US residential mortgage-backed securities (RMBS) and were a purchaser and seller of US residential mortgages. A subsidiary of UBS, UBS Real Estate Securities Inc. ("UBS RESI"), acquired pools of residential mortgage loans from originators and (through an affiliate) deposited them into securitization trusts. In this manner, from 2004 through 2007 UBS RESI sponsored approximately USD 80 billion in RMBS, based on the original principal balances of the securities issued. The overall market for privately issued US RMBS during this period was approximately USD 3.9 trillion.

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

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

When UBS acted as an RMBS sponsor or mortgage seller, UBS generally made certain representations relating to the characteristics of the underlying loans. In the event of a material breach of these representations, UBS was in certain circumstances contractually obligated to repurchase the loans to which they related or to indemnify certain parties against losses. UBS has been notified by certain institutional purchasers and insurers of mortgage loans and RMBS that possible breaches of representations may entitle the purchasers to require that UBS repurchase the loans or to other relief. Loan repurchase demands increased in the second quarter, as reflected in the table below, which summarizes repurchase demands received by UBS and UBS's repurchase activity from 2006 through 15 July 2011.

As of the end of the second quarter of 2011, UBS's balance sheet reflects a provision of USD 87.5 million based on its best estimate of the loss arising from loan repurchase demands received from 2006 through 2011 to which UBS has agreed or which remain unresolved, and for certain anticipated loan repurchase demands of which it has been informed. A counterparty has advised UBS that it intends to make loan repurchase demands that are currently estimated to amount to at least USD 900 million in original principal balance, but it is not yet clear when or to what extent these demands will be made. UBS also cannot reliably estimate when or to what extent the provision will be utilized in connection with actual loan repurchases or payments for liquidated loans, because both the submission of loan repurchase demands and the timing of resolution of such demands are uncertain.

Payments made by UBS to date to resolve repurchase demands have been for liquidated adjustable rate mortgages that provide the borrower with a choice of monthly payment options (Option ARM loans). These payments were equivalent to approximately 62% of the original principal balance of the Option ARM loans. The corresponding percentages for other loan types can be expected to vary. With respect to unliquidated Option ARM loans that UBS has agreed to repurchase, UBS expects severity rates will be similar to payments made for liquidated loans. Actual losses upon repurchase will reflect the estimated value of the loans in question at the time of repurchase as well as, in some cases, partial repayment by the borrowers or advances by servicers prior to repurchase. It is not possible to predict future indemnity rates or percentage losses upon

repurchase for reasons including timing and market uncertainties as well as possible differences in the characteristics of loans that may be the subject of future demands compared with those that have been the subject of past demands.

In most instances in which UBS would be required to repurchase loans or indemnify against losses due to misrepresentations, it would be able to assert demands against third-party loan originators who provided representations when selling the related loans to UBS. However, many of these third parties are insolvent or no longer exist. UBS estimates that, of the total original principal balance of loans sold or securitized by UBS from 2004 through 2007, less than 50% was purchased from third-party originators that remain solvent. UBS has asserted indemnity or repurchase demands against originators equivalent to approximately 60% of the original principal balance of the liquidated loans for which UBS has made payment in response to demands received in 2010 and 2011. Only a small number of UBS' demands have been resolved, and UBS has not recognized any asset in respect of the unresolved demands.

UBS cannot reliably estimate the level of future repurchase demands, and does not know whether its past success rate in rebutting such demands will be a good predictor of future success. UBS also cannot reliably estimate the timing of any such demands.

As described above under section 7.5 "Litigation and regulatory matters", UBS is also subject to claims and threatened claims in connection with UBS's role as underwriter and issuer of RMBS.

7.7 Material Contracts

No material agreements have been concluded outside of the normal course of business which could lead to UBS being subjected to an obligation or obtaining a right, which would be of key significance to the Issuer's ability to meet its obligations to the investors in relation to the issued securities.

7.8 Significant Changes in the Financial Situation

There has been no material change in the financial position of UBS since the publication of UBS's second quarter 2011 report (including non-audited consolidated financial statements) for the period ending on 30 June 2011.

8. Share Capital

As of the date of this document, UBS AG had (i) fully paid and issued share capital of CHF 383,084,051.30, divided into 3,830,840,513 registered shares with a par value of CHF 0.10 each, (ii) no authorized capital and (iii) conditional share capital in the amount of CHF 62,992,071.20, comprising 629,920,712 registered shares with a par value of CHF 0.10 each, as reflected in its Articles of Associations most recently registered with the Commercial Register of Zurich and the Commercial Register of Basel-City.

9. Documents on Display

- The Annual Report of UBS AG as of 31 December 2009, comprising the sections (i) Strategy, performance and responsibility, (ii) UBS business divisions and Corporate Center (iii) Risk and treasury management, (iv) Corporate governance and compensation, (v) Financial information (including the "Report of the Statutory Auditor and the Independent Registered Public Accounting Firm on the Consolidated Financial Statements" and the "Report of the Statutory Auditor on the Financial Statements");
- The Annual Report of UBS AG as of 31 December 2010, comprising the sections (i) Strategy, performance and responsibility, (ii) UBS business divisions and Corporate Center (iii) Risk and treasury management, (iv) Corporate governance and compensation, (v) Financial information (including the "Report of the Statutory Auditor and the Independent Registered Public Accounting Firm on the Consolidated Financial Statements" and the "Report of the Statutory Auditor on the Financial Statements");
- the Review 2009 and 2010 and the Compensation Report 2009 and 2010;
- the quarterly reports of UBS AG as at 31 March 2011 and 30 June 2011; and
- The Articles of Association of UBS AG, as the Issuer,

shall be maintained in printed format, for free distribution, at the offices of the Issuer for a period of twelve months after the publication of this document. In addition, the annual and quarterly reports of UBS AG (and related review and compensation report) are published on UBS's website, at www.ubs.com/investors or a successor address. The Articles of Association of UBS AG are also available on UBS's Corporate Governance website, at www.ubs.com/governance.



Extract of Financial Information

- *Quarterly Report as per 30 June 2011*
- *Income statements and Balance sheets as per 31 December 2008, 2009 and 2010*

In addition, the full annual and quarterly reports of UBS AG (and related review and compensation report) are published on UBS 's website, at www.ubs.com/investors or a successor address.

Financial statements (unaudited)

Income statement

CHF million, except per share data	Note	For the quarter ended			% change from		Year-to-date	
		30.6.11	31.3.11	30.6.10	1Q11	2Q10	30.6.11	30.6.10
Continuing operations								
Interest income	3	4,880	4,578	4,864	7	0	9,457	9,661
Interest expense	3	(3,440)	(2,796)	(3,771)	23	(9)	(6,236)	(6,751)
Net interest income	3	1,440	1,781	1,093	(19)	32	3,221	2,911
Credit loss (expense)/recovery		16	3	(48)	433		19	68
Net interest income after credit loss expense		1,456	1,784	1,045	(18)	39	3,240	2,979
Net fee and commission income	4	3,879	4,240	4,366	(9)	(11)	8,119	8,738
Net trading income	3	1,724	2,203	3,450	(22)	(50)	3,928	5,818
Other income	5	112	117	324	(4)	(65)	228	660
Total operating income		7,171	8,344	9,185	(14)	(22)	15,515	18,195
Personnel expenses	6	3,925	4,407	4,645	(11)	(16)	8,332	9,166
General and administrative expenses	7	1,408	1,488	1,638	(5)	(14)	2,896	3,057
Depreciation of property and equipment		161	191	257	(16)	(37)	352	491
Amortization of intangible assets		22	24	31	(8)	(29)	46	58
Total operating expenses		5,516	6,110	6,571	(10)	(16)	11,626	12,772
Operating profit from continuing operations before tax		1,654	2,235	2,614	(26)	(37)	3,889	5,424
Tax expense/(benefit)	9	377	426	311	(12)	21	803	914
Net profit from continuing operations		1,277	1,809	2,303	(29)	(45)	3,086	4,509
Discontinued operations								
Profit from discontinued operations before tax		0	0	0			0	2
Tax expense		0	0	0			0	0
Net profit from discontinued operations		0	0	0			0	2
Net profit		1,278	1,809	2,303	(29)	(45)	3,087	4,511
Net profit attributable to non-controlling interests		263	2	298		(12)	265	304
from continuing operations		262	2	298		(12)	264	303
from discontinued operations		0	0	0			0	1
Net profit attributable to UBS shareholders		1,015	1,807	2,005	(44)	(49)	2,822	4,207
from continuing operations		1,015	1,807	2,005	(44)	(49)	2,822	4,207
from discontinued operations		0	0	0			0	1
Earnings per share (CHF)								
Basic earnings per share	8	0.27	0.48	0.53	(44)	(49)	0.74	1.11
from continuing operations		0.27	0.48	0.53	(44)	(49)	0.74	1.11
from discontinued operations		0.00	0.00	0.00			0.00	0.00
Diluted earnings per share	8	0.26	0.47	0.52	(45)	(50)	0.73	1.10
from continuing operations		0.26	0.47	0.52	(45)	(50)	0.73	1.10
from discontinued operations		0.00	0.00	0.00			0.00	0.00

Statement of comprehensive income

CHF million	For the quarter ended			Year-to-date			
	30.6.11	31.3.11	30.6.10	30.6.11	30.6.10		
	Total	UBS share-holders	Non-controlling interests	Total	Total	Total	Total
Net profit	1,278	1,015	263	1,809	2,303	3,087	4,511
Other comprehensive income							
Foreign currency translation							
Foreign currency translation movements, before tax	(1,127)	(1,244)	117	(76)	(33)	(1,203)	8
Foreign exchange amounts reclassified to the income statement from equity	13	13		(2)	(13)	11	20
Income tax relating to foreign currency translation movements	15	15		0	(6)	16	(8)
Subtotal foreign currency translation movements, net of tax ¹	(1,099)	(1,216)	117	(78)	(52)	(1,176)	20
Financial investments available-for-sale							
Net unrealized gains / (losses) on financial investments available-for-sale, before tax	548	548		(118)	72	430	61
Impairment charges reclassified to the income statement from equity	1	1		4	24	5	50
Realized gains reclassified to the income statement from equity	(56)	(56)		(44)	(108)	(100)	(162)
Realized losses reclassified to the income statement from equity	2	2		18	70	20	76
Income tax relating to net unrealized gains / (losses) on financial investments available-for-sale	(13)	(13)		20	(8)	7	(21)
Subtotal net unrealized gains / (losses) on financial investments available-for-sale, net of tax ¹	482	482		(121)	50	361	4
Cash flow hedges							
Effective portion of changes in fair value of derivative instruments designated as cash flow hedges, before tax	1,035	1,035		(510)	948	525	1,707
Net realized (gains) / losses reclassified to the income statement from equity	(519)	(519)		(297)	(321)	(816)	(657)
Income tax effects relating to cash flow hedges	(112)	(112)		168	(126)	57	(214)
Subtotal changes in fair value of derivative instruments designated as cash flow hedges ¹	404	404		(639)	501	(235)	836
Total other comprehensive income	(213)	(330)	117	(837)	499	(1,050)	860
Total comprehensive income	1,065	685	380	971	2,802	2,036	5,371
Total comprehensive income attributable to non-controlling interests	380			106	101	486	21
Total comprehensive income attributable to UBS shareholders	685			865	2,701	1,551	5,350

¹ Other comprehensive income attributable to UBS shareholders related to foreign currency translations was negative CHF 182 million (first quarter 2011) and positive CHF 135 million (second quarter 2010). Other comprehensive income attributable to UBS shareholders related to financial investments available-for-sale was negative CHF 121 million (first quarter 2011) and positive CHF 60 million (second quarter 2010). For cash flow hedges, total other comprehensive income was in all periods identical with other comprehensive income attributable to UBS shareholders.

Balance sheet

CHF million					% change from	
	Note	30.6.11	31.3.11	31.12.10	31.3.11	31.12.10
Assets						
Cash and balances with central banks		13,574	27,041	26,939	(50)	(50)
Due from banks		21,412	16,340	17,133	31	25
Cash collateral on securities borrowed		60,661	61,453	62,454	(1)	(3)
Reverse repurchase agreements		156,321	158,405	142,790	(1)	9
Trading portfolio assets	10	159,926	180,327	167,463	(11)	(5)
Trading portfolio assets pledged as collateral	10	62,652	55,761	61,352	12	2
Positive replacement values	13	335,169	358,643	401,146	(7)	(16)
Cash collateral receivables on derivative instruments		34,520	34,453	38,071	0	(9)
Financial assets designated at fair value		8,119	8,539	8,504	(5)	(5)
Loans		264,522	267,313	262,877	(1)	1
Financial investments available-for-sale		71,604	71,079	74,768	1	(4)
Accrued income and prepaid expenses		5,851	6,278	5,466	(7)	7
Investments in associates		732	778	790	(6)	(7)
Property and equipment		5,322	5,442	5,467	(2)	(3)
Goodwill and intangible assets		8,857	9,649	9,822	(8)	(10)
Deferred tax assets		8,341	9,115	9,522	(8)	(12)
Other assets	14	19,186	20,670	22,681	(7)	(15)
Total assets		1,236,770	1,291,286	1,317,247	(4)	(6)
Liabilities						
Due to banks		32,361	34,159	41,490	(5)	(22)
Cash collateral on securities lent		5,873	7,008	6,651	(16)	(12)
Repurchase agreements		105,214	96,743	74,796	9	41
Trading portfolio liabilities	10	50,761	55,158	54,975	(8)	(8)
Negative replacement values	13	329,431	349,563	393,762	(6)	(16)
Cash collateral payables on derivative instruments		53,710	54,599	58,924	(2)	(9)
Financial liabilities designated at fair value		92,251	103,073	100,756	(10)	(8)
Due to customers		323,034	335,333	332,301	(4)	(3)
Accrued expenses and deferred income		6,626	7,143	7,738	(7)	(14)
Debt issued		122,765	130,878	130,271	(6)	(6)
Other liabilities	14, 15	63,105	65,788	63,719	(4)	(1)
Total liabilities		1,185,130	1,239,444	1,265,384	(4)	(6)
Equity						
Share capital		383	383	383	0	0
Share premium		33,652	33,231	34,393	1	(2)
Cumulative net income recognized directly in equity, net of tax		(7,805)	(7,475)	(6,534)	(4)	(19)
Retained earnings		22,107	21,092	19,285	5	15
Equity classified as obligation to purchase own shares		(53)	(41)	(54)	(29)	2
Treasury shares		(1,022)	(495)	(654)	(106)	(56)
Equity attributable to UBS shareholders		47,263	46,695	46,820	1	1
Equity attributable to non-controlling interests		4,377	5,147	5,043	(15)	(13)
Total equity		51,640	51,842	51,863	0	0
Total liabilities and equity		1,236,770	1,291,286	1,317,247	(4)	(6)

Income statement

			For the year ended		% change from
CHF million, except per share data	Note	31.12.10	31.12.09	31.12.08	31.12.09
Continuing operations					
Interest income	3	18,872	23,461	65,679	(20)
Interest expense	3	(12,657)	(17,016)	(59,687)	26
Net interest income	3	6,215	6,446	5,992	(4)
Credit loss (expense) / recovery		(66)	(1,832)	(2,996)	96
Net interest income after credit loss expense		6,149	4,614	2,996	33
Net fee and commission income	4	17,160	17,712	22,929	(3)
Net trading income	3	7,471	(324)	(25,820)	
Other income	5	1,214	599	692	103
Total operating income		31,994	22,601	796	42
Personnel expenses	6	16,920	16,543	16,262	2
General and administrative expenses	7	6,585	6,248	10,498	5
Depreciation of property and equipment	15	918	1,048	1,241	(12)
Impairment of goodwill	16	0	1,123	341	(100)
Amortization of intangible assets	16	117	200	213	(42)
Total operating expenses		24,539	25,162	28,555	(2)
Operating profit from continuing operations before tax		7,455	(2,561)	(27,758)	
Tax expense / (benefit)	22	(381)	(443)	(6,837)	14
Net profit from continuing operations		7,836	(2,118)	(20,922)	
Discontinued operations					
Profit from discontinued operations before tax	37	2	(7)	198	
Tax expense	22	0	0	1	
Net profit from discontinued operations		2	(7)	198	
Net profit		7,838	(2,125)	(20,724)	
Net profit attributable to non-controlling interests		304	610	568	(50)
from continuing operations		303	600	520	(50)
from discontinued operations		1	10	48	(90)
Net profit attributable to UBS shareholders		7,534	(2,736)	(21,292)	
from continuing operations		7,533	(2,719)	(21,442)	
from discontinued operations		1	(17)	150	
Earnings per share (CHF)					
Basic earnings per share	8	1.99	(0.75)	(7.63)	
from continuing operations		1.99	(0.74)	(7.68)	
from discontinued operations		0.00	0.00	0.05	
Diluted earnings per share	8	1.96	(0.75)	(7.63)	
from continuing operations		1.96	(0.74)	(7.69)	
from discontinued operations		0.00	0.00	0.05	

Statement of comprehensive income

	For the year ended		
CHF million	31.12.10	31.12.09	31.12.08
Net profit	7,838	(2,125)	(20,724)
Other comprehensive income			
Foreign currency translation			
Foreign currency translation movements, before tax	(2,044)	(35)	(4,509)
Foreign exchange amounts reclassified to the income statement from equity	237	(259)	202
Income tax relating to foreign currency translation movements	121	22	(17)
Subtotal foreign currency translation movements, net of tax	(1,686) ¹	(272)	(4,324)
Financial investments available-for-sale			
Net unrealized gains/(losses) on financial investments available-for-sale, before tax	(499)	157	(903)
Impairment charges reclassified to the income statement from equity	72	70	47
Realized gains reclassified to the income statement from equity	(357)	(147)	(645)
Realized losses reclassified to the income statement from equity	153	1	6
Income tax relating to net unrealized gains/(losses) on financial investments available-for-sale	13	(54)	341
Subtotal net unrealized gains/(losses) on financial investments available-for-sale, net of tax	(618) ¹	27	(1,154)
Cash flow hedges			
Effective portion of changes in fair value of derivative instruments designated as cash flow hedges, before tax	927	78	2,001
Net realized (gains)/ losses reclassified to the income statement from equity	(1,108)	(756)	178
Income tax effects relating to cash flow hedges	38	257	(520)
Subtotal changes in fair value of derivative instruments designated as cash flow hedges	(143)	(421)	1,659
Total other comprehensive income	(2,447)	(667)	(3,818)
Total comprehensive income	5,391	(2,792)	(24,542)
Total comprehensive income attributable to non-controlling interests	(484)	484	(77)
Total comprehensive income attributable to UBS shareholders	5,875	(3,276)	(24,465)

¹ Other comprehensive income attributable to UBS shareholders related to foreign currency translations is negative CHF 909 million and related to financial investments available-for-sale is negative CHF 607 million.

Balance sheet

CHF million	Note	31.12.10	31.12.09	31.12.08	% change from 31.12.09
Assets					
Cash and balances with central banks		26,939	20,899	32,744	29
Due from banks	9	17,133	16,804	17,694	2
Cash collateral on securities borrowed	10	62,454	63,507	122,897	(2)
Reverse repurchase agreements	10	142,790	116,689	224,648	22
Trading portfolio assets	11	167,463	188,037	271,838	(11)
Trading portfolio assets pledged as collateral	11	61,352	44,221	40,216	39
Positive replacement values	23	401,146	421,694	854,100	(5)
Cash collateral receivables on derivative instruments	10	38,071	53,774	85,703	(29)
Financial assets designated at fair value	12	8,504	10,223	12,882	(17)
Loans	9	262,877	266,477	291,456	(1)
Financial investments available-for-sale	13	74,768	81,757	5,248	(9)
Accrued income and prepaid expenses		5,466	5,816	6,141	(6)
Investments in associates	14	790	870	892	(9)
Property and equipment	15	5,467	6,212	6,706	(12)
Goodwill and intangible assets	16	9,822	11,008	12,935	(11)
Deferred tax assets	22	9,522	8,868	8,880	7
Other assets	17	22,681	23,682	19,837	(4)
Total assets		1,317,247	1,340,538	2,014,815	(2)
Liabilities					
Due to banks	18	41,490	31,922	76,822	30
Cash collateral on securities lent	10	6,651	7,995	14,063	(17)
Repurchase agreements	10	74,796	64,175	102,561	17
Trading portfolio liabilities	11	54,975	47,469	62,431	16
Negative replacement values	23	393,762	409,943	851,864	(4)
Cash collateral payables on derivative instruments	10	58,924	66,097	92,937	(11)
Financial liabilities designated at fair value	19	100,756	112,653	101,546	(11)
Due to customers	18	332,301	339,263	362,639	(2)
Accrued expenses and deferred income		7,738	8,689	10,196	(11)
Debt issued	19	130,271	131,352	197,254	(1)
Other liabilities	20, 21, 22	63,719	72,344	101,969	(12)
Total liabilities		1,265,384	1,291,905	1,974,282	(2)
Equity					
Share capital		383	356	293	8
Share premium		34,393	34,824	25,288	(1)
Cumulative net income recognized directly in equity, net of tax		(6,534)	(4,875)	(4,335)	(34)
Retained earnings		19,285	11,751	14,487	64
Equity classified as obligation to purchase own shares		(54)	(2)	(46)	
Treasury shares		(654)	(1,040)	(3,156)	37
Equity attributable to UBS shareholders		46,820	41,013	32,531	14
Equity attributable to non-controlling interests		5,043	7,620	8,002	(34)
Total equity		51,863	48,633	40,533	7
Total liabilities and equity		1,317,247	1,340,538	2,014,815	(2)

Incorporation by Reference

The audited consolidated financial statements of the Issuer for the years ended 31 December 2008, 31 December 2009 and 31 December 2010 as well as the interim financials as per 30 June 2011 are incorporated by reference in this Prospectus.

So long as the Products are listed on the official list of the Luxembourg Stock Exchange, the audited consolidated and non consolidated annual financial statements for the years ended 31 December 2008, 31 December 2009 and 31 December 2010, of the Issuer may be obtained free of charge from the offices of the Lead Manager. The Issuer publishes unaudited consolidated and non-consolidated quarterly financial statements for the four three month periods ended 31 March, 30 June, 30 September and 31 December and audited annual consolidated and non-consolidated financial statements for the years ended 31 December. The future consolidated and non-consolidated annual audited financial accounts and future consolidated and non-consolidated quarterly non-audited financial accounts of the Issuer will be available at the offices of the Lead Manager.

So long as the Certificates are listed on the official list of Luxembourg Stock Exchange, the articles of association of the Issuer will be available free of charge at the office of Lead Manager.

Any statement contained in this Prospectus or in a document incorporated or deemed incorporated by reference into this Prospectus will be deemed to be modified or superseded for purposes of this Prospectus to the extent that a statement contained in any subsequent document modifies or supersedes that statement. Any statement that is modified or superseded in this manner will no longer be a part of this Prospectus, except as modified or superseded.

You may request a copy, at no cost, of any or all of the documents that are incorporated by reference into this prospectus, excluding exhibits (other than those that we specifically incorporate by reference into the documents that you request) by contacting UBS AG, orally or in writing, at the following address:

UBS AG
Investor Relations G41B
P.O. Box
CH-8098 Zurich
Switzerland
Phone: ++41-44-234 41 00
Fax: ++41-44-234 34 15

Documents incorporated by reference will be also published on the website of the Luxembourg Stock Exchange (www.bourse.lu).

Underlying Information

General

The S&P High Yield Dividend Aristocrats Index (Bloomberg: SPHYDATR) is designed to measure the performance of the 60 highest dividend yielding S&P Composite 1500 constituents which have followed a managed dividends policy of consistently increasing dividends every year for at least 25 years.

Detailed documentation on index construction and methodology is available on www.standardandpoors.com

Performance of the Index

The highest and lowest prices of the Index for 2008, 2009 and 2010 are set out below.

	2008	2009	2010
High	2314.10	2081.09	2404.81
Low	1451.03	1159.51	1978.60

The highest and lowest levels for each of the past months of **2011** are set out below:

Month	High	Low
January	2429.22	2383.13
February	2497.18	2418.71
March	2515.48	2393.55
April	2577.94	2485.74
May	2585.89	2534.60
June	2533.08	2442.08
July	2590.20	2445.99
August	2430.63	2172.01

(data source: Bloomberg)

The closing level of the Underlying on 5 September 2011 was 1850.54.

Index Disclaimer

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Issuer

UBS AG

London Branch
1 Finsbury Avenue
GB-London EC2M 2PP
Great Britain

Paying Agent

UBS AG, acting through UBS Investment Bank

Bahnhofstrasse 45, P.O. Box
CH-8098 Zurich
Switzerland

Issuer's Auditors

Ernst & Young Ltd.

Aeschengraben 9
CH-4002 Basel
Switzerland