

Supplement No. 2

pursuant to § 16 (1) of the German Securities Prospectus Act

dated 24 April 2012

to the already published (single document) Base Prospectus of UBS AG,
[London] [Jersey] [Branch,]

dated 15 November 2011, as supplemented by a Supplement from time to time
(together, the "Base Prospectus")

in relation to the

UBS Structured Note Programme

at the same time**Supplement No. 5**

pursuant to § 16 (1) of the German Securities Prospectus Act

dated 24 April 2012

to the already published (single document) Base Prospectus of UBS AG,
[London] [Jersey] [Branch,]

dated 30 November 2010, as supplemented by a Supplement from time to time
(together, the "Base Prospectus")

in relation to the

UBS Structured Note Programme

at the same time**Supplement No. 7**

pursuant to § 16 (1) of the German Securities Prospectus Act

dated 24 April 2012

to the already published (single document) Base Prospectus of UBS AG,
[London] [Jersey] [Branch,]

dated 30 November 2009, as supplemented by a Supplement from time to time
(together, the "Base Prospectus")

in relation to the

UBS Structured Note Programme

at the same time

Supplement No. 7*

pursuant to § 16 (1) of the German Securities Prospectus Act

dated 24 April 2012

to the already published (single document) Base Prospectus of UBS AG,
[London] [Jersey] [Branch,]

dated 6 April 2009, as supplemented by a Supplement from time to time
(together, the "Base Prospectus")

in relation to the

UBS Structured Note Programme

at the same time

Supplement No. 7

pursuant to § 16 (1) of the German Securities Prospectus Act

dated 24 April 2012

to the already published (single document) Base Prospectus of UBS AG,
[London] [Jersey] [Branch,]

dated 10 April 2008, as supplemented by a Supplement from time to time
(together, the "Base Prospectus")

in relation to the

UBS Structured Note Programme

at the same time

Supplement No. 8

pursuant to § 16 (1) of the German Securities Prospectus Act

dated 24 April 2012

to the already published (single document) Base Prospectus of UBS AG,
[London] [Jersey] [Branch,]

dated 10 April 2007, as supplemented by a Supplement from time to time
(together, the "Base Prospectus")

in relation to the

UBS Structured Note Programme

*Supplement No. 4 does not exist

The attention of the investors is in particular drawn to the following: Investors who have already agreed to purchase or subscribe for the [Notes][Certificates][Bonds][Securities] before this supplement is published have, pursuant to § 16 (3) of the German Securities Prospectus Act, the right, exercisable within a time limit of two working days after the publication of this supplement, to withdraw their acceptances, provided that the securities have not been settled yet. A withdrawal, if any, of an order must be communicated in writing to the Issuer at its registered office specified in the address list hereof.

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- 1a) In the section entitled "Summary of the Base Prospectus of the Programme", the subsection entitled "C. Summary of the Description of UBS AG" in relation to the Base Prospectuses, as listed introductory on pages 1 to 2, as supplemented from time to time, shall be replaced in its entirety by the following wording:

" 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's business strategy is centered on its pre-eminent global wealth management businesses and its universal bank in Switzerland. These businesses, together with a client-focused Investment Bank and a strong, well-diversified Global Asset Management business, will enable UBS to drive further growth and expand its premier wealth management franchise. Headquartered in Zurich and Basel, Switzerland, UBS has offices in more than 50 countries, including all major financial centers.

On 31 December 2011 UBS's Basel 2.5 tier¹ ratio was 15.9%, invested assets stood at CHF 2,167 billion, equity attributable to shareholders was CHF 53,447 million and market capitalization was CHF 42,843 million. On the same date, UBS employed 64,820 people².

Selected Consolidated Financial Data

UBS derived the following selected consolidated financial data from its annual report 2011 containing the audited consolidated financial statements for the fiscal year ended 31 December 2011 (including comparative figures as of 31 December 2010 and 2009). UBS' consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and stated in Swiss francs (CHF).

	As of or for the year ended		
<i>CHF million, except where indicated</i>	31.12.11	31.12.10	31.12.09
	<i>audited, except where indicated</i>		
Group results			
Operating income	27,788	31,994	22,601
Operating expenses	22,439	24,539	25,162
Operating profit from continuing operations before tax	5,350	7,455	(2,561)
Net profit attributable to UBS shareholders	4,159	7,534	(2,736)
Diluted earnings per share (CHF)	1.08	1.96	(0.75)
Key performance indicators, balance sheet and capital management			
Performance			
Return on equity (RoE) (%) ¹	8.5*	16.7*	(7.8)*

¹ From 31 December 2011, UBS capital disclosures fall under the revised Basel II market risk framework, commonly referred to as Basel 2.5. The Basel 2.5 tier 1 ratio is the ratio of eligible Basel 2.5 tier 1 capital to Basel 2.5 risk-weighted assets. Eligible Basel 2.5 tier 1 capital can be calculated by starting with IFRS equity attributable to shareholders, adding treasury shares at cost and equity classified as obligation to purchase own shares, reversing out certain items, and then deducting certain other items. The most significant items reversed out for capital purposes are unrealized gains/losses on cash flow hedges and own credit gains/losses on liabilities designated at fair value. The largest deductions are treasury shares and own shares, goodwill and intangibles and certain securitization exposures.

² Full-time equivalents.

Return on risk-weighted assets, Basel II, gross (%) ²	13.7*	15.5*	9.9*
Return on assets, gross (%) ³	2.1*	2.3*	1.5*
Growth			
Net profit growth (%) ⁴	(44.8)*	N/A*	N/A*
Net new money (CHF billion) ⁵	42.4	(14.3)	(147.3)
Efficiency			
Cost / income ratio (%) ⁶	80.5*	76.5*	103.0*
Capital strength			
BIS tier 1 ratio, Basel 2.5 (%) ^{7, 8}	15.9*		
BIS tier 1 ratio, Basel II (%) ^{7, 8}	19.6*	17.8*	15.4*
FINMA leverage ratio (%) ⁹	5.4*	4.4*	3.9*
Balance sheet and capital management			
Total assets	1,419,162	1,317,247	1,340,538
Equity attributable to UBS shareholders	53,447	46,820	41,013
Total book value per share (CHF)	14.26*	12.35*	11.65*
Tangible book value per share (CHF)	11.68*	9.76*	8.52*
BIS total ratio, Basel 2.5 (%) ⁷	17.2*		
BIS total ratio, Basel II (%) ⁷	21.6*	20.4*	19.8*
BIS risk-weighted assets, Basel 2.5 ⁷	240,962*		
BIS risk-weighted assets, Basel II ⁷	198,494*	198,875*	206,525*
BIS tier 1 capital, Basel 2.5 ⁷	38,370		
BIS tier 1 capital, Basel II ⁷	38,980	35,323	31,798
Additional information			
Invested assets (CHF billion)	2,167	2,152	2,233
Personnel (full-time equivalents)	64,820*	64,617*	65,233*
Market capitalization	42,843*	58,803*	57,108*

*unaudited

1 Net profit attributable to UBS shareholders on a year-to-date basis (annualized as applicable) / average equity attributable to UBS shareholders (year-to-date basis). 2 Operating income before credit loss (expense) or recovery on a year-to-date basis (annualized as applicable) / average risk-weighted assets (year-to-date basis). 3 Operating income before credit loss (expense) or recovery on a year-to-date basis (annualized as applicable) / average total assets (year-to-date basis). 4 Change in net profit attributable to UBS shareholders from continuing operations between current and comparison periods / net profit attributable to UBS shareholders from continuing operations of comparison period. Not meaningful and not included if either the reporting period or the comparison period is a loss period. 5 Inflow of invested assets from new and existing

clients less outflows from existing clients or due to client defection. Excludes interest and dividend income. 6 Operating expenses / operating income before credit loss (expense) or recovery. 7 Capital management data as of 31 December 2011 is disclosed in accordance with the Basel 2.5 framework. Comparative data under the new framework is not available for 31 December 2010 and 31 December 2009. The comparative information under the Basel II framework is therefore provided. 8 BIS tier 1 capital / BIS risk-weighted assets. 9 FINMA tier 1 capital / average adjusted assets as per definition by the Swiss Financial Market Supervisory Authority (FINMA).

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.

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.

In cases where it is impossible or inefficient to operate via the parent bank, 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.

Trend Information

(Outlook statement as presented in UBS's fourth quarter 2011 report issued on 7 February 2012)

As in the fourth quarter of 2011, ongoing concerns surrounding eurozone sovereign debt, the European banking system and US federal budget deficit issues, as well as continued uncertainty about the global economic outlook in general, appear likely to have a negative influence on client activity levels in the first quarter of 2012. Such circumstances would make sustained and material improvements in prevailing market conditions unlikely and would have the potential to generate headwinds for revenue growth, net interest margins and net new money. In light of the above, traditional improvements in first quarter activity levels and trading volumes may fail to materialize fully, which would weigh on overall results for the coming quarter, most notably in the Investment Bank. Nevertheless, UBS believes its asset-gathering businesses as a whole will continue to attract net new money as UBS's clients recognize its efforts and continue to entrust UBS with their assets. UBS is confident that the coming quarters will present additional opportunities for UBS to strengthen its position as one of the best capitalized banks in the world, and it will continue to focus on

reducing its Basel III risk-weighted assets and building its capital ratios. UBS continues to have the utmost confidence in its future.

Administrative, Management and Supervisory Bodies of the Issuer

UBS AG is subject to, and in compliance with, all relevant Swiss legal and regulatory requirements regarding corporate governance. In addition, as a foreign company with shares listed on the New York Stock Exchange (NYSE), UBS AG is in compliance with all relevant corporate governance standards applicable 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") under the leadership of the Group Chief Executive Officer ("Group CEO"). The supervision and control of the GEB 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 to the authorities and responsibilities of the two bodies.

Auditors

On 28 April 2011, the Annual General Meeting 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."

1b) In the section entitled “Summary of the Base Prospectus of the Programme”, the subsection entitled “A. Summary of the Risk Factors, II. Risk Factors Relating to the Issuer” in relation to the Base Prospectuses, as listed introductory on pages 1 to 2, as supplemented from time to time, shall be replaced in its entirety, except for the chapter headed “Potential conflicts of interest” by the following wording:

“As a global financial services provider, the business activities of UBS AG are affected by the prevailing market situation. Different risk factors can impair the UBS AG’s ability to implement business strategies and may have a direct, negative impact on earnings. Accordingly, UBS AG’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 UBS AG’s ability to achieve its strategic objectives.

General insolvency risk

Each Noteholder bears the general risk that the financial situation of the Issuer could deteriorate. The Securities constitute immediate, unsecured and unsubordinated obligations of the Issuer, which, in particular in the case of insolvency of the Issuer, rank *pari passu* with each other 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 obligations of the Issuer created by the Securities are not secured by a system of deposit guarantees or a compensation scheme. In case of an insolvency of the Issuer, Noteholders may, consequently, suffer a **total loss** of their investment in the Securities.

Effect of downgrading of the Issuer’s rating

The general assessment of the Issuer’s creditworthiness may affect the value of the Securities. This assessment generally depends on the ratings assigned to the Issuer or its affiliated companies by rating agencies such as Standard & Poor’s Inc (“**Standard & Poor’s**”), Fitch Ratings (“**Fitch**”) and Moody’s Investor Service Inc. (“**Moody’s**”).

UBS holds legacy and other risk positions that may be adversely affected by conditions in the financial markets; legacy risk positions may be difficult to liquidate

UBS, like other financial market participants, was severely affected by the financial crisis that began in 2007. The deterioration of financial markets since the beginning of the crisis was extremely severe by historical standards, and UBS recorded substantial losses on fixed income trading positions, particularly in 2008 and to a lesser extent in 2009. Although UBS has significantly reduced its risk exposures starting in 2008, in part through transfers in 2008 and 2009 to a fund controlled by the SNB, UBS continues to hold substantial legacy risk positions, the value of which was reduced significantly by the financial crisis. In many cases these risk positions continue to be illiquid and have not recovered much of their lost value. In the fourth quarter of 2008 and the first quarter of 2009, certain of these positions were reclassified for accounting purposes from fair value to amortized cost; these assets are subject to possible impairment due to changes in market interest rates and other factors.

UBS has announced and begun to carry out plans to reduce drastically the risk-weighted assets associated with the legacy risk positions, but the continued illiquidity and complexity of many of these legacy risk positions could make it difficult to sell or otherwise liquidate these exposures. At the same time, UBS’s strategy rests heavily on its ability to reduce sharply the risk-weighted assets associated with these exposures in order to meet its future capital targets and requirements without incurring unacceptable losses.

UBS holds positions related to real estate in various countries, including a very substantial Swiss mortgage portfolio, and UBS could suffer losses on these positions. In addition, UBS is exposed to risk in its prime brokerage, reverse repo and Lombard lending activities, as the value or liquidity of the assets against which UBS provides financing may decline rapidly.”

- 2a) In the section entitled "Deutsche Übersetzung der Zusammenfassung des Basisprospekts des Programms" the sub-section entitled "C. Zusammenfassung der Beschreibung der UBS AG", in relation to the Base Prospectuses, as listed introductory on pages 1 to 2, as supplemented from time to time, shall be replaced in its entirety by the following wording:

C. Zusammenfassung der "Beschreibung der UBS AG"

Überblick

Die UBS (UBS AG ebenso die "Emittentin" oder die "Gesellschaft" und zusammen mit ihren Tochtergesellschaften "UBS Gruppe", "Gruppe" oder "UBS") bringt ihr 150-jähriges Erbe ein, um weltweit Privat-, Firmen- und institutionelle Kunden sowie Schweizer Kleinkunden zu dienen. Die Strategie der UBS konzentriert sich auf ihr herausragendes globales Wealth-Management-Geschäft und ihre Universalbank in der Schweiz. Diese Geschäfte, zusammen mit einer kundenfokussierten Investmentbank und einem starken, breit abgestützten globalen Asset-Management-Geschäft werden es UBS erlauben, weiteres Wachstum anzustreben und ihr herausragendes Wealth-Management-Geschäft auszuweiten. Mit Hauptsitz in Zürich und Basel, Schweiz, besitzt UBS Geschäftsstellen in mehr als 50 Ländern, einschliesslich allen grossen Finanzmetropolen.

Am 31. Dezember 2011 betrug die Basel 2.5-Kernkapitalquote (Tier1)³ der UBS 15,9%, das verwaltete Vermögen lag bei CHF 2.167 Mrd., das den UBS-Aktionären zurechenbare Eigenkapital betrug CHF 53.447 Mio. und die Marktkapitalisierung betrug CHF 42.843 Mio.⁴

Ausgewählte konsolidierte Finanzdaten

UBS hat die nachstehenden ausgewählten konsolidierten Finanzdaten dem Geschäftsbericht für das Geschäftsjahr 2011 entnommen, der die geprüften konsolidierten Finanzangaben für das am 31. Dezember 2011 endende Geschäftsjahr enthält (einschliesslich der Vergleichszahlen zum 31. Dezember 2010 und 2009). Die konsolidierten Finanzangaben der UBS AG wurden nach den vom International Accounting Standards Board (IASB) herausgegebenen International Financial Reporting Standards (IFRS) erstellt und in Schweizer Franken (CHF) aufgestellt.

	Für das Jahr endend am oder per		
Mio. CHF (Ausnahmen sind angegeben)	31.12.11	31.12.10	31.12.09
	<i>geprüft (Ausnahmen sind angegeben)</i>		
UBS-Konzern			
Geschäftsertrag	27.788	31.994	22.601
Geschäftsaufwand	22.439	24.539	25.162
Ergebnis aus fortzuführenden Geschäftsbereichen vor Steuern	5.350	7.455	(2.561)

³ Seit dem 31. Dezember 2011 fällt die Kommunikation der Kennzahlen zur Kapitalbewirtschaftung von UBS unter das überarbeitete Basel II-Rahmenwerk hinsichtlich des Marktrisikos, bekannt als Basel 2.5. Die Basel 2.5 Kernkapitalquote (Tier 1) gibt das Verhältnis von nach Basel 2.5 anrechenbarem Tier 1 Kernkapital zu den risikogewichteten Aktiven Basel 2.5 wieder. Das nach Basel 2.5 anrechenbare Tier 1 Kernkapital kann ausgehend vom nach IFRS ermittelten den Aktionären zustehenden Eigenkapital errechnet werden, zu dem eigene Aktien zu Anschaffungskosten sowie Eigenkapital, das als Verpflichtung zum Kauf eigener Aktien eingestuft wird, hinzugerechnet werden, das um bestimmte Positionen bereinigt wird und von dem dann bestimmte weitere Positionen abgezogen werden. Die wesentlichen Bereinigungsgrößen für Kapitalzwecke sind unrealisierte Gewinne/Verluste aus Cash Flow Hedges sowie Gewinne/Verluste aus dem eigenen Kreditrisiko betreffend zum Marktwert ausgewiesene Verbindlichkeiten. Die wesentlichen Abzugsgrößen sind Abzüge für eigene Aktien, Goodwill und immaterielle Vermögenswerte sowie Positionen aus gewissen Verbriefungstransaktionen.

⁴ Mitarbeiter auf Vollzeitbasis.

Den UBS-Aktionären zurechenbares Konzernergebnis	4.159	7.534	(2.736)
Verwässertes Ergebnis pro Aktie (CHF)	1,08	1,96	(0,75)
Kennzahlen zur Leistungsmessung, Bilanz- und Kapitalbewirtschaftung			
Performance			
Eigenkapitalrendite (RoE) (%) ¹	8,5*	16,7*	(7,8)*
Risikogewichtete Gesamtkapitalrentabilität, Basel II, brutto (%) ²	13,7*	15,5*	9,9*
Gesamtkapitalrentabilität, brutto (%) ³	2,1*	2,3*	1,5*
Wachstum			
Wachstum des Ergebnisses (%) ⁴	(44,8)*	N/A*	N/A*
Nettoneugelder (Mrd. CHF) ⁵	42,4	(14,3)	(147,3)
Effizienz			
Verhältnis von Geschäftsaufwand / Geschäftsertrag (%) ⁶	80,5*	76,5*	103,0*
Kapitalkraft			
BIZ-Kernkapitalquote (Tier 1), Basel 2.5 (%) ^{7, 8}	15,9*		
BIZ-Kernkapitalquote (Tier 1), Basel II (%) ^{7, 8}	19,6*	17,8*	15,4*
FINMA Leverage Ratio (%) ⁹	5,4*	4,4*	3,9*
Bilanz- und Kapitalbewirtschaftung			
Total Aktiven	1.419.162	1.317.247	1.340.538
Den UBS-Aktionären zurechenbares Eigenkapital	53.447	46.820	41.013
Buchwert des den UBS-Aktionären zurechenbaren Eigenkapitals pro Aktie (CHF)	14,26*	12,35*	11,65*
Buchwert des den UBS-Aktionären zurechenbaren Eigenkapitals abzüglich Goodwill und anderer immaterieller Vermögenswerte pro Aktie (CHF)	11,68*	9,76*	8,52*
BIZ-Gesamtkapitalquote (Tier 1 und 2), Basel 2.5 (%) ⁷	17,2*		
BIZ-Gesamtkapitalquote (Tier 1 und 2), Basel II (%) ⁷	21,6*	20,4*	19,8*
BIZ-Risikogewichtete Aktiven, Basel 2.5 ⁷	240.962*		
BIZ-Risikogewichtete Aktiven, Basel II ⁷	198.494*	198.875*	206.525*
BIZ-Kernkapital (Tier 1), Basel 2.5 ⁷	38.370		

BIZ-Kernkapital (Tier 1), Basel II ⁷	38.980	35.323	31.798
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Zusätzliche Informationen

Verwaltete Vermögen (Mrd. CHF)	2.167	2.152	2.233
Personalbestand (auf Vollzeitbasis)	64.820*	64.617*	65.233*
Börsenkapitalisierung	42.843*	58.803*	57.108*

*ungeprüft

¹ Das den UBS-Aktionären zurechenbare Konzernergebnis seit Jahresbeginn (gegebenenfalls annualisiert) / Das den UBS-Aktionären zurechenbare durchschnittliche Eigenkapital (seit Jahresbeginn). ² Geschäftsertrag vor Wertberichtigungen für Kreditrisiken seit Jahresbeginn (gegebenenfalls annualisiert) / Durchschnittliche risikogewichtete Aktiven (seit Jahresbeginn). ³ Geschäftsertrag vor Wertberichtigungen für Kreditrisiken seit Jahresbeginn (gegebenenfalls annualisiert) / Total durchschnittliche Aktiven (seit Jahresbeginn). ⁴ Veränderung des aktuellen den UBS-Aktionären zurechenbaren Konzernergebnisses aus fortzuführenden Geschäftsbereichen gegenüber einer Vergleichsperiode / Das den UBS-Aktionären zurechenbare Konzernergebnis aus fortzuführenden Geschäftsbereichen in einer Vergleichsperiode. Besitzt keine Aussagekraft und wird nicht ausgewiesen, falls für die laufende Periode oder die Vergleichsperiode ein Verlust verzeichnet wird. ⁵ Zufluss verwalteter Vermögen von neuen und bestehenden Kunden, abzüglich der verwalteten Vermögen, die bestehende Kunden und Kunden, welche die Beziehung zu UBS auflösen, abziehen. Ohne Zins- und Dividendenerträge. ⁶ Geschäftsaufwand / Geschäftsertrag vor Wertberichtigungen für Kreditrisiken. ⁷ Die Zahlen zur Kapitalbewirtschaftung zum 31. Dezember 2011 werden in Einklang mit den Basel-2.5-Richtlinien offengelegt. Vergleichswerte unter den neuen Richtlinien sind für den 31. Dezember 2010 und den 31. Dezember 2009 nicht verfügbar. Daher werden die Vergleichsinformationen gemäss Basel-II-Richtlinien offengelegt. ⁸ BIZ-Kernkapital / Risikogewichtete Aktiven gemäss BIZ. ⁹ FINMA-Kernkapital / Durchschnitt der adjustierten Bilanzsumme gemäss der Eidgenössischen Finanzmarktaufsicht (FINMA).

Unternehmensinformationen

Der rechtliche und kommerzielle Name des Unternehmens lautet UBS AG. Die Bank wurde am 28. Februar 1978 unter dem Namen SBC AG für eine unbegrenzte Dauer gegründet und am gleichen Tag im Handelsregister des Kantons Basel-Stadt eingetragen. Am 8. Dezember 1997 änderte die Bank ihren Namen in UBS AG. In seiner heutigen Form entstand das Unternehmen am 29. Juni 1998 durch die Fusion der 1862 gegründeten Schweizerischen Bankgesellschaft und des 1872 gegründeten Schweizerischen Bankvereins. UBS AG ist in den Handelsregistern des Kantons Zürich und des Kantons Basel-Stadt eingetragen. Die Handelsregisternummer lautet CH-270.3.004.646-4.

UBS AG hat ihren Sitz in der Schweiz, wo sie als Aktiengesellschaft nach schweizerischem Aktienrecht und den schweizerischen bankengesetzlichen Bestimmungen eingetragen ist. Als AG hat UBS Namenaktien an Investoren ausgegeben.

Gemäß Artikel 2 der Statuten der UBS AG ("**Statuten**") ist der Zweck der UBS AG der Betrieb einer Bank. Ihr Geschäftskreis umfasst alle Arten von Bank-, Finanz-, Beratungs-, Dienstleistungs- und Handelsgeschäften im In- und Ausland.

Die Aktien der UBS AG sind an der SIX Swiss Exchange sowie an der Börse in New York kotiert.

Die Adressen und Telefonnummern der beiden Satzungs- und Verwaltungssitze der UBS AG lauten: Bahnhofstrasse 45, CH-8001 Zürich, Schweiz, Telefon +41 44 234 1111, und Aeschenvorstadt 1, CH-4051 Basel, Schweiz, Telefon +41 61 288 5050.

Organisationsstrukturen der Emittentin

Die UBS AG ist das Stammhaus des UBS-Konzerns. Die Konzernstruktur von UBS hat zum Ziel, die Geschäftstätigkeiten des Unternehmens innerhalb eines effizienten rechtlichen, steuerlichen, regulatorischen und finanziellen Rahmens zu unterstützen. Weder die einzelnen Unternehmensbereiche von UBS noch das Corporate Center sind rechtlich unabhängige Einheiten, stattdessen wickeln sie ihre Geschäfte primär über die in- und ausländischen Niederlassungen des Stammhauses ab.

In Fällen, in denen das Agieren über das Stammhaus aufgrund lokaler Rechtsvorschriften, steuerrechtlicher oder regulatorischer Bestimmungen oder neu erworbener Gesellschaften unmöglich oder ineffizient ist, wird die Geschäftstätigkeit vor Ort von rechtlich eigenständigen Konzerngesellschaften übernommen.

Trendinformation

(Ausblick wie im vierten Quartalsbericht 2011 von UBS dargestellt, und am 7. Februar 2012 publiziert)

Wie schon im vierten Quartal 2011 dürften sich die anhaltenden Bedenken betreffend Staatsverschuldung in der Eurozone, das europäische Bankensystem und das Haushaltsdefizit der USA sowie die fortbestehende Unsicherheit über die generelle künftige Entwicklung der Weltwirtschaft auch im ersten Quartal 2012 negativ auf das Ausmass der Kundenaktivität auswirken. Bei solchen Verhältnissen wäre es unwahrscheinlich, dass in Bezug auf die herrschenden Marktbedingungen eine nachhaltige und deutliche Erholung einsetzt, womit Ertragswachstum, Nettozinsmargen und Nettoneugelder potenziell unter Druck kämen. Vor diesem Hintergrund wird ein Anstieg der Kundenaktivität und Handelsvolumen, wie er sich im ersten Quartal üblicherweise beobachten lässt, möglicherweise nicht im gewohnten Umfang stattfinden. Dies würde die Gesamtergebnisse für das Folgequartal belasten, insbesondere in der Investment Bank. UBS geht jedoch davon aus, dass ihre Asset-Gathering-Einheiten insgesamt weiterhin Nettoneugeldzuflüsse generieren werden, weil die Kunden ihre Bemühungen anerkennen und ihr auch weiterhin ihr Vermögen anvertrauen werden. UBS ist überzeugt, dass sich in den kommenden Quartalen weitere Chancen bieten werden, um ihre Position als eine der weltweit bestkapitalisierten Banken zu stärken. Ausserdem wird sich UBS weiterhin auf die Reduktion der risikogewichteten Aktiven gemäss Basel III und den Ausbau ihrer Kapitalquoten konzentrieren. Für die Zukunft des Unternehmens ist UBS nach wie vor höchst zuversichtlich.

Verwaltungs-, Management-, und Aufsichtsorgane der Emittentin

UBS AG unterliegt den relevanten rechtlichen und regulatorischen Corporate-Governance-Anforderungen in der Schweiz und kommt diesen nach. Ausserdem hat UBS AG aufgrund ihrer Kotierung an der New York Stock Exchange (NYSE) als ausländisches Unternehmen alle relevanten Corporate-Governance-Kotierungsstandards einzuhalten, die für ausländische kotierte Unternehmen gelten.

UBS AG verfügt über zwei streng getrennte Führungsgremien, wie dies von der schweizerischen Bankengesetzgebung vorgeschrieben ist. Diese Struktur schafft gegenseitige Kontrolle («Checks and Balances») und macht den Verwaltungsrat unabhängig vom Tagesgeschäft des Unternehmens, für das die Konzernleitung die Verantwortung trägt unter der Führung des Group Chief Executive Officer („Group CEO“). Die Aufsicht und Kontrolle der operativen Unternehmensführung liegt beim Verwaltungsrat. Niemand kann Mitglied beider Gremien sein.

Sämtliche Verantwortlichkeiten und Befugnisse der beiden Gremien sind in den Statuten sowie im Organisationsreglement der UBS AG mit seinen Anhängen geregelt.

Abschlussprüfer

Am 28. April 2011 wurde die Ernst & Young AG, Aeschengraben 9, 4002 Basel, Schweiz, auf der Generalversammlung der UBS AG als Abschlussprüferin der Emittentin und der UBS Gruppe in Übereinstimmung mit den gesellschaftsrechtlichen und bankengesetzlichen Vorgaben für den Zeitraum eines weiteren Jahres wiedergewählt. Ernst & Young AG, Basel, ist Mitglied der Treuhand-Kammer der Schweiz mit Sitz in Zürich, Schweiz.“

- 2b) In the section entitled "Deutsche Übersetzung der Zusammenfassung des Basisprospekts des Programms" the sub-section entitled "C. Zusammenfassung der Risikofaktoren, II. Risikofaktoren in Bezug auf die Emittentin", in relation to the Base Prospectuses, as listed introductory on pages 1 to 2, as supplemented from time to time, shall be replaced in its entirety, except for the chapter headed "Potentielle Interessenkonflikte", by the following wording:**

„Als globales Finanzdienstleistungsunternehmen wird die Geschäftstätigkeit der UBS AG von den herrschenden Marktverhältnissen beeinflusst. Verschiedene Risikofaktoren können die effektive Umsetzung der Geschäftsstrategien und direkt die Erträge beeinträchtigen. Dementsprechend waren und sind die Erträge und das Ergebnis der UBS AG Schwankungen unterworfen. Die Ertrags- und Gewinnzahlen für einen bestimmten Zeitraum liefern daher keinen Hinweis auf nachhaltige Resultate, können sich von einem Jahr zum andern ändern und die Erreichung der strategischen Ziele der UBS AG beeinflussen.

Allgemeines Insolvenzrisiko

Jeder Gläubiger trägt allgemein das Risiko, dass sich die finanzielle Situation der Emittentin verschlechtern könnte. Die Wertpapiere begründen unmittelbare, unbesicherte und nicht nachrangige Verbindlichkeiten der Emittentin, die - auch im Fall der Insolvenz der Emittentin - untereinander und mit allen sonstigen gegenwärtigen und künftigen unbesicherten und nicht nachrangigen Verbindlichkeiten der Emittentin gleichrangig sind, ausgenommen solche Verbindlichkeiten, denen aufgrund zwingender gesetzlicher Vorschriften Vorrang zukommt. Die durch die Wertpapiere begründeten Verbindlichkeiten der Emittentin sind nicht durch ein System von Einlagensicherungen oder eine Entschädigungseinrichtung geschützt. Im Falle der Insolvenz der Emittentin könnte es folglich sein, dass die Gläubiger einen **Totalverlust** ihrer Investition in die Wertpapier erleiden.

Auswirkung einer Herabstufung des Ratings der Emittentin

Die allgemeine Einschätzung der Kreditwürdigkeit der Emittentin kann möglicherweise den Wert der Wertpapiere beeinflussen. Diese Einschätzung hängt im Allgemeinen von Ratings ab, die der Emittentin oder mit ihr verbundenen Unternehmen von Rating-Agenturen wie Standard & Poor's Inc ("**Standard & Poor's**"), Fitch Ratings ("**Fitch**") und Moody's Investor Service Inc. ("**Moody's**").

UBS hält Legacy- und andere Risikopositionen, die von den Bedingungen an den Finanzmärkten negativ beeinflusst werden könnten; Legacy-Risikopositionen könnten schwierig zu liquidieren sein

Die Finanzkrise, die 2007 einsetzte, hat UBS wie auch andere Finanzmarktteilnehmer schwer getroffen. Die Finanzmärkte haben seit Ausbruch der Krise historisch gesehen extrem hohe Verluste erlitten, und UBS verzeichnete insbesondere 2008 und in geringerem Ausmaß auch 2009 beträchtliche Verluste auf Positionen im Fixed-Income-Handel. Obwohl UBS ihre Risikopositionen ab 2008 deutlich abgebaut hat – teilweise durch Übertragungen bestimmter Positionen 2008 und 2009 an eine von der SNB kontrollierte Zweckgesellschaft – hält UBS nach wie vor beträchtliche Legacy-Risikopositionen, deren Wert durch die Finanzkrise stark beeinträchtigt wurde. In vielen Fällen sind diese Positionen nach wie vor illiquide und haben nicht viel der erlittenen Werteinbußen aufgeholt. Im vierten Quartal 2008 und im ersten Quartal 2009 wurden gewisse dieser Positionen für Rechnungslegungszwecke reklassifiziert, von zum Fair Value auf zu amortisierten Anschaffungskosten bewertete Forderungen und Ausleihungen; diese Vermögenswerte sind Gegenstand möglicher Wertberichtigungen aufgrund von Änderungen der Marktzinssätze und anderen Faktoren.

UBS hat Pläne angekündigt und mit deren Umsetzung begonnen, die zum Ziel haben, die risikogewichteten Aktiven der UBS im Zusammenhang mit den Legacy-Risikopositionen sehr stark abzubauen. Die anhaltende Illiquidität und Komplexität viele dieser Legacy-Risikopositionen könnte es schwierig machen, diese Engagements zu verkaufen oder anderweitig zu liquidieren. Gleichzeitig ist die Strategie der UBS stark davon abhängig, ob UBS in der Lage ist, die risikogewichteten Aktiven im Zusammenhang mit diesen Engagements in großem Umfang zu reduzieren, ohne dabei inakzeptable Verluste einzufahren, um die künftigen Kapitalziele der UBS zu erreichen.

UBS hält Positionen in Verbindung mit Immobilien in verschiedenen Ländern, darunter ein äußerst umfangreiches Portfolio von Schweizer Hypotheken. Auf diesen Positionen könnte UBS Verluste erleiden. Außerdem ist UBS in ihrem Prime-Brokerage-, Reverse-Repo- und Lombardkreditgeschäft Risiken ausgesetzt, da der Wert oder die Liquidität von zur Finanzierung hinterlegten Vermögenswerten rasch abnehmen kann.“

3) In the section entitled "Risk Factors" the sub-section entitled "II. Risk Factors Relating to the Issuer", in relation to the Base Prospectuses, as listed introductory on pages 1 to 2, as supplemented from time to time, shall be replaced in its entirety, except for the chapter headed "Potential conflicts of interest", by the following wording:

"As a global financial services provider, the business activities of UBS are affected by the prevailing market situation. Different risk factors can impair the company's ability to implement business strategies and may have a direct, negative impact on earnings. Accordingly, UBS AG'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 UBS AG's ability to achieve its strategic objectives.

General insolvency risk

Each investor bears the general risk that the financial situation of the Issuer could deteriorate. The Notes constitute immediate, unsecured and unsubordinated obligations of the Issuer, which, in particular in the case of insolvency of the Issuer, rank *pari passu* with each other 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 obligations of the Issuer created by the Notes are not secured by a system of deposit guarantees or a compensation scheme. In case of an insolvency of the Issuer, Noteholders may, consequently, suffer a **total loss** of their investment in the Notes.

Effect of downgrading of the Issuer's rating

The general assessment of the Issuer's creditworthiness may affect the value of the Notes. This assessment generally depends on the ratings assigned to the Issuer or its affiliated companies by rating agencies such as Standard & Poor's, Fitch and Moody's. As a result, any downgrading of the Issuer's rating by a rating agency may have a negative impact on the value of the Notes.

Regulatory changes may adversely affect UBS's business and ability to execute its strategic plans

Fundamental changes in the laws and regulations affecting financial institutions could have a material and adverse effect on UBS's business. In the wake of the recent financial crisis, and in light of the current instability in global financial markets, regulators and legislators have proposed, adopted, or are actively considering, a wide range of changes to these laws and regulations. The measures are generally designed to address the perceived causes of the crisis and to limit the systemic risks posed by major financial institutions. These measures include the following:

- significantly higher regulatory capital requirements;
- changes in the definition and calculation of regulatory capital, including the capital treatment of certain capital instruments issued by UBS and other banks;
- changes in the calculation of risk-weighted assets (RWA);
- new or significantly enhanced liquidity requirements;
- requirements to maintain liquidity and capital in multiple jurisdictions where activities are conducted and booked;
- limitations on principal trading and other activities;
- new licensing, registration and compliance regimes;
- limitations on risk concentrations and maximum levels of risk;
- taxes and government levies that would effectively limit balance sheet growth;
- a variety of measures constraining, taxing or imposing additional requirements relating to compensation;
- requirements to adopt structural and other changes designed to reduce systemic risk and to make major financial institutions easier to wind down or disassemble.

A number of measures have been adopted and will be implemented in the next several years; some are subject to legislative action or to further rulemaking by regulatory authorities before final implementation. As a result, there is a high level of uncertainty regarding a number of the measures referred to above, including the timing of their implementation.

Notwithstanding attempts by regulators to coordinate their efforts, the proposals differ by jurisdiction and therefore enhanced regulation may be imposed in a manner that makes it more difficult to manage a global institution. The absence of a coordinated approach is also likely to disadvantage certain banks, such as UBS, as they attempt to compete with less strictly regulated financial institutions and unregulated non-bank competitors.

In September 2011, the Swiss parliament adopted the "too-big-to-fail" law to address the issues posed by large banks. The law became effective on 1 March 2012. Accordingly, Swiss regulatory change efforts are generally proceeding more quickly than those in other major jurisdictions, and the Swiss Financial Market Supervisory Authority (FINMA), the Swiss National Bank (SNB) and the Swiss Federal Council are implementing requirements that are significantly more onerous and restrictive for major Swiss banks, such as UBS, than those adopted, proposed or publicly espoused by regulatory authorities in other major global banking centers.

The Swiss Federal Department of Finance has consulted on proposed changes to the banking ordinance and capital adequacy ordinance. These ordinances, when final, could in effect result in higher capital adequacy requirements than the 19% of RWA that has been publicly discussed. In particular, de facto higher capital requirements (to be fulfilled at the level of the Group and the parent holding systemically relevant functions) may be the result of the leverage ratio if implemented as currently proposed, or of the planned early implementation in Switzerland of the anticyclical buffer requirement recommended by the Basel Committee on Banking Supervision. In addition, the Swiss Government's proposed changes to the risk weighting of residential mortgages would significantly increase the capital requirements for our Swiss mortgage book.

The new ordinances will, among other things, contain provisions regarding emergency plans for systemically important functions, recovery and resolution planning and intervention measures that may be triggered when certain capital thresholds are breached. Those intervention levels may be set at higher capital levels than under current law, and may depend upon the capital structure and type of buffer capital the bank will have to issue to meet the specific Swiss requirements (6% to cover systemic risk in addition to the 13% to be required due to the combination of Basel III and the "Swiss finish"). The Swiss Federal Council will have to present the revised ordinances to the Swiss parliament for approval; the ordinances are expected to come into force on 1 January 2013.

If UBS is not able to demonstrate that its systemically relevant functions in Switzerland can be maintained even in case of a threatened insolvency, FINMA may impose more onerous requirements on it. Although the actions that FINMA may take in such circumstances are not yet defined, UBS could be required directly or indirectly, for example, to alter its legal structure (e.g., separate lines of business into dedicated entities, possibly with limitations on intra-group funding and guarantees), or in some manner to reduce business risk levels.

Regulatory changes in other locations in which UBS operates may subject it to requirements to move activities from UBS AG branches into subsidiaries, which in turn creates operational, risk control, capital and tax inefficiencies, as well as higher local capital requirements and potentially client and counterparty concerns about the credit quality of the subsidiary. Such changes could also negatively impact UBS's funding model and severely limit its booking flexibility. For example, UBS has significant operations in the UK and use London as a global booking center for many types of products. The UK Independent Commission on Banking (ICB) has recommended structural and non-structural reform of the banking sector to promote financial stability and competition. Key measures proposed include the ring-fencing of retail activities in the UK, additional common equity tier 1 capital requirements of up to 3% of RWA for retail banks, and the issuance of debt subject to "bail-in" provisions. Such measures could have a material effect on UBS's businesses located or booked in the UK, although the applicability and implications of such changes to offices and subsidiaries of foreign banks are not yet entirely clear. Already, UBS is being required by regulatory authorities to increase the capitalization of its UK bank subsidiary, UBS Limited, and expect to be required to change its booking practices to reduce or even eliminate its utilization of UBS AG London branch as a global booking center for the Investment Bank.

The adoption of the Dodd-Frank Act in the US will also affect a number of UBS's activities as well as those of other banks. The implementation of the Volcker Rule as of July 2012, for example, is one reason for UBS's announced decision to exit equities proprietary trading business segments within the Investment

Bank. For other trading activity, UBS will be required to implement a compliance regime, including the calculation of detailed metrics for each trading book, and may be required to implement a compliance plan globally. Depending on the nature of the final rules, as well as the manner in which they are implemented, the Volcker Rule could have a substantial impact on market liquidity and the economics of market-making activities. The Volcker Rule broadly limits investments and other transactional activities between banks and covered funds. The proposed implementing regulations both expand the scope of covered funds and provide only a very limited exclusion for activities of UBS outside the US. If adopted as proposed, the regulations could limit certain of our activities in relation to funds, particularly outside the US.

Because many of the regulations that must be adopted to implement the Dodd-Frank Act have not yet been finalized, the effect on business booked or conducted by UBS in whole or in part outside the US cannot yet be determined fully.

In addition, in 2009 the G20 countries committed to move all standardized over-the-counter (OTC) derivative contracts on exchange and clear them through central counterparties by the end of 2012. This commitment is being implemented through the Dodd-Frank Act in the US and corresponding legislation in the European Union and other jurisdictions, and will have a significant impact on UBS's OTC derivatives business, primarily in the Investment Bank. For example, most OTC derivatives trading will move toward a central clearing model, increasing transparency through trading on exchanges or swap execution facilities. Although UBS is preparing for these thematic market changes, they are likely to reduce the revenue potential of certain lines of business for market participants generally, and UBS may be adversely affected.

In connection with the rules being adopted on swaps and derivative markets in the US as part of the Dodd-Frank Act, UBS AG could be required to register as a swap dealer in the US during 2012. The new regulations will impose substantial new requirements on registered swap dealers, but no guidance has been issued yet on their application to the activities of swap dealers outside the US. The potential extra-territorial application of the new rules could create a significant operational and compliance burden and potential for duplicative and conflicting regulation.

UBS is currently required to produce recovery and resolution plans in the US, UK and Switzerland. Resolution plans may increase the pressure for structural change if UBS's analysis identifies impediments that are not acceptable to regulators. Such structural changes may negatively impact UBS's ability to benefit from synergies between business units.

The planned and potential regulatory and legislative developments in Switzerland and in other jurisdictions in which UBS has operations may have a material adverse effect on its ability to execute its strategic plans, on the profitability or viability of certain business lines globally or in particular locations, and in some cases on its ability to compete with other financial institutions. They are likely to be costly to implement and could also have a negative impact on UBS's legal structure or business model. Finally, the uncertainty related to legislative and regulatory changes may have a negative impact on UBS's relationships with clients and its success in attracting client business.

Due to recent changes in Swiss regulatory requirements, and due to liquidity requirements imposed by certain jurisdictions in which UBS operates, UBS has been required to maintain substantially higher levels of liquidity overall than had been its usual practice in the past. Like increased capital requirements, higher liquidity requirements make certain lines of business, particularly in the Investment Bank, less attractive and may reduce UBS's overall ability to generate profits.

UBS's reputation is critical to the success of UBS's business

Damage to UBS's reputation can have fundamental negative effects on its business and prospects. UBS's reputation is critical to the success of its strategic plans. Reputational damage is difficult to reverse, and improvements tend to be slow and difficult to measure. This was demonstrated in recent years as UBS's very large losses during the financial crisis, the US cross-border matter and other events seriously damaged its reputation. Reputational damage was an important factor in UBS's loss of clients and client assets across its asset-gathering businesses, and contributed to its loss of and difficulty in attracting staff, in 2008 and 2009. These developments had short-term and also more lasting adverse effects on UBS's financial performance. UBS recognized that restoring its reputation would be essential to maintaining its relationships with clients, investors, regulators and the general public, as well as with its employees. The unauthorized trading incident that UBS announced in September 2011 also adversely affected its reputation. Any further reputational damage could have a material adverse effect on UBS's operational results and financial condition and on its ability to achieve its strategic goals and financial targets.

UBS's capital strength is important in supporting UBS's strategy, client franchise and competitive position

UBS's capital position, as measured by the BIS tier 1 and total capital ratios, is determined by (i) RWA (credit, non-counterparty related, market and operational risk positions, measured and risk-weighted according to regulatory criteria) and (ii) eligible capital. Both RWA and eligible capital are subject to change. Eligible capital would be reduced if UBS experiences net losses, as determined for the purpose of the regulatory capital calculation. Eligible capital can also be reduced for a number of other reasons, including certain reductions in the ratings of securitization exposures, adverse currency movements directly affecting the value of equity and prudential adjustments that may be required due to the valuation uncertainty associated with certain types of positions. RWA, on the other hand, are driven by UBS's business activities and by changes in the risk profile of its exposures. For instance, substantial market volatility, a widening of credit spreads (the major driver of UBS's value-at-risk), a change in regulatory treatment of certain positions (such as the application of market stresses in accordance with Basel 2.5 adopted in the last quarter of 2011), adverse currency movements, increased counterparty risk or a deterioration in the economic environment could result in a rise in RWA. Any such reduction in eligible capital or increase in RWA could materially reduce UBS's capital ratios.

The required levels and calculation of UBS's regulatory capital and the calculation of its RWA are also subject to changes in regulatory requirements or their interpretation. UBS is subject to regulatory capital requirements imposed by FINMA, under which UBS has higher RWA than would be the case under BIS guidelines. Forthcoming changes in the calculation of RWA under Basel III and FINMA requirements will significantly increase the level of UBS's RWA and, therefore, have an adverse effect on its capital ratios. UBS has announced plans to reduce RWA very substantially and to mitigate the effects of the changes in the RWA calculation. However, there is a risk that UBS will not be successful in pursuing its plans, either because UBS is unable to carry out fully the actions it has planned or because other business or regulatory developments to some degree counteract the benefit of UBS's actions.

In addition to the risk-based capital requirements, FINMA has introduced a minimum leverage ratio, which must be achieved by 1 January 2013. The leverage ratio operates separately from the risk-based capital requirements, and, accordingly, under certain circumstances could constrain UBS's business activities even if UBS is able to satisfy the risk-based capital requirements.

Changes in the Swiss requirements for risk-based capital or leverage ratios, whether pertaining to the minimum levels required for large Swiss banks or to the calculation thereof (including changes of the banking law under the "too-big-to-fail" measures), could have a material adverse effect on UBS's business and could affect its competitive position internationally compared with institutions that are regulated under different regimes. Moreover, although UBS has recently identified certain businesses that it plans to exit in response to regulatory and business changes, changes in the calculation and level of capital requirements or other regulatory changes may render uneconomic certain other businesses conducted in UBS's Investment Bank or in other business divisions, or may undermine their viability in other ways. The reduction or elimination of lines of business could adversely affect UBS's competitive position, particularly if competitors are subject to different requirements under which those activities continue to be sustainable.

Performance in the financial services industry is affected by market conditions and the economic climate

The financial services industry prospers in conditions of economic growth; stable geopolitical conditions; transparent, liquid and buoyant capital markets and positive investor sentiment. An economic downturn, inflation or a severe financial crisis can negatively affect UBS's revenues and ultimately its capital base.

A market downturn can be precipitated by a number of factors, including geopolitical events, changes in monetary or fiscal policy, trade imbalances, natural disasters, pandemics, civil unrest, war or terrorism. Because financial markets are global and highly interconnected, even local and regional events can have widespread impacts well beyond the countries in which they occur. A crisis could develop, regionally or globally, as a result of disruptions in emerging markets which are susceptible to macroeconomic and political developments, or as a result of the failure of a major market participant. UBS has material exposures to certain emerging market economies, both as a wealth manager and as an investment bank. As UBS's presence and business in emerging markets increases, and as UBS's strategic plans depend more heavily upon its ability to generate growth and revenue in the emerging markets, UBS becomes more exposed to these risks. The ongoing eurozone crisis demonstrates that such developments, even in more developed markets, can have similarly unpredictable and destabilizing effects. Adverse developments of these kinds have affected UBS's businesses in a number of ways, and may continue to have further adverse effects on its businesses as follows:

- a general reduction in business activity and market volumes, as UBS has experienced in recent quarters, affects fees, commissions and margins from market-making and client-driven transactions and activities; local or regional economic factors, such as the ongoing eurozone sovereign debt and banking industry concerns, could also have an effect on UBS;
- a market downturn is likely to reduce the volume and valuations of assets UBS manages on behalf of clients, reducing UBS's asset- and performance-based fees;
- reduced market liquidity limits trading and arbitrage opportunities and impedes UBS's ability to manage risks, impacting both trading income and performance-based fees;
- assets UBS owns and account for as investments or trading positions could fall in value;
- impairments and defaults on credit exposures and on trading and investment positions could increase, and losses may be exacerbated by falling collateral values; and
- if individual countries impose restrictions on cross-border payments or other exchange or capital controls, or change their currency (for example, if one or more countries should leave the euro), UBS could suffer losses from enforced default by counterparties, be unable to access its own assets, or be impeded in – or prevented from – managing its risks.

Because UBS has very substantial exposures to other major financial institutions, the failure of one or more of such institutions could have a material effect on UBS.

The developments mentioned above can materially affect the performance of UBS's business units and of UBS as a whole, and ultimately its financial condition. There is also a somewhat related risk that the carrying value of goodwill of a business unit might suffer impairments and deferred tax assets levels may need to be adjusted.

UBS holds legacy and other risk positions that may be adversely affected by conditions in the financial markets; legacy risk positions may be difficult to liquidate

UBS, like other financial market participants, was severely affected by the financial crisis that began in 2007. The deterioration of financial markets since the beginning of the crisis was extremely severe by historical standards, and UBS recorded substantial losses on fixed income trading positions, particularly in 2008 and to a lesser extent in 2009. Although UBS has significantly reduced its risk exposures starting in 2008, in part through transfers in 2008 and 2009 to a fund controlled by the SNB, UBS continues to hold substantial legacy risk positions, the value of which was reduced significantly by the financial crisis. In many cases these risk positions continue to be illiquid and have not recovered much of their lost value. In the fourth quarter of 2008 and the first quarter of 2009, certain of these positions were reclassified for accounting purposes from fair value to amortized cost; these assets are subject to possible impairment due to changes in market interest rates and other factors.

UBS has announced and begun to carry out plans to reduce drastically the risk-weighted assets associated with the legacy risk positions, but the continued illiquidity and complexity of many of these legacy risk positions could make it difficult to sell or otherwise liquidate these exposures. At the same time, UBS's strategy rests heavily on UBS's ability to reduce sharply the risk-weighted assets associated with these exposures in order to meet UBS's future capital targets and requirements without incurring unacceptable losses.

UBS holds positions related to real estate in various countries, including a very substantial Swiss mortgage portfolio, and UBS could suffer losses on these positions. In addition, UBS is exposed to risk in its prime brokerage, reverse repo and Lombard lending activities, as the value or liquidity of the assets against which UBS provides financing may decline rapidly.

UBS's global presence subjects it to risk from currency fluctuations

UBS prepares its consolidated financial statements in Swiss francs. However, a substantial portion of its assets, liabilities, invested assets, revenues and expenses are denominated in other currencies, particularly the US dollar, the euro and the British pound. Accordingly, changes in foreign exchange rates, particularly between the Swiss franc and the US dollar (US dollar revenue accounts for the largest portion of UBS non-Swiss franc revenue) have an effect on its reported income and expenses, and on other reported figures such as invested assets, balance sheet assets, RWA and tier 1 capital. For example, the strengthening of the Swiss franc especially against the US dollar and euro, which occurred during 2011, had an adverse effect

on UBS's revenues and invested assets. Since exchange rates are subject to constant change, sometimes for completely unpredictable reasons, UBS's results are subject to risks associated with changes in the relative values of currencies.

UBS is dependent upon its risk management and control processes to avoid or limit potential losses in its trading and counterparty credit businesses

Controlled risk-taking is a major part of the business of a financial services firm. Credit is an integral part of many of UBS's retail, wealth management and Investment Bank activities. This includes lending, underwriting and derivatives businesses and positions. Changes in interest rates, credit spreads, equity prices and liquidity, foreign exchange levels and other market fluctuations can adversely affect UBS's earnings. Some losses from risk-taking activities are inevitable, but to be successful over time, UBS must balance the risks it takes against the returns it generates. UBS must, therefore, diligently identify, assess, manage and control its risks, not only in normal market conditions but also as they might develop under more extreme (stressed) conditions, when concentrations of exposures can lead to severe losses.

As seen during the financial crisis of 2007-2009, UBS is not always able to prevent serious losses arising from extreme or sudden market events that are not anticipated by its risk measures and systems. Value-at-risk, a statistical measure for market risk, is derived from historical market data, and thus by definition could not have anticipated the losses suffered in the stressed conditions of the financial crisis. Moreover, stress loss and concentration controls and the dimensions in which UBS aggregates risk to identify potentially highly correlated exposures proved to be inadequate. Notwithstanding the steps UBS has taken to strengthen its risk management and control framework, UBS could suffer further losses in the future if, for example:

- UBS does not fully identify the risks in its portfolio, in particular risk concentrations and correlated risks;
- UBS's assessment of the risks identified or its response to negative trends proves to be inadequate or incorrect;
- markets move in ways that UBS does not expect – in terms of their speed, direction, severity or correlation – and UBS's ability to manage risks in the resultant environment is, therefore, affected;
- third parties to whom UBS has credit exposure or whose securities UBS holds for its own account are severely affected by events not anticipated by UBS's models, and accordingly UBS suffers defaults and impairments beyond the level implied by its risk assessment; or
- collateral or other security provided by UBS's counterparties proves inadequate to cover their obligations at the time of their default.

UBS also manages risk on behalf of its clients in its asset and wealth management businesses. UBS's performance in these activities could be harmed by the same factors. If clients suffer losses or the performance of their assets held with UBS is not in line with relevant benchmarks against which clients assess investment performance, UBS may suffer reduced fee income and a decline in assets under management, or withdrawal of mandates.

If UBS decides to support a fund or another investment that UBS sponsors in its asset or wealth management businesses (such as the property fund to which Wealth Management & Swiss Bank has exposure), UBS might, depending on the facts and circumstances, incur charges that could increase to material levels.

Investment positions, such as equity holdings made as a part of strategic initiatives and seed investments made at the inception of funds that UBS manages, may also be affected by market risk factors. These investments are often not liquid and generally are intended or required to be held beyond a normal trading horizon. They are subject to a distinct control framework. Deteriorations in the fair value of these positions would have a negative impact on UBS's earnings.

Valuations of certain assets rely on models; models have inherent limitations and may use inputs which have no observable source

Where possible, UBS marks its trading book assets at their quoted market price in an active market. Such price information may not be available for certain instruments and, therefore, UBS applies valuation techniques to measure such instruments. Valuation techniques use "market observable inputs" where available, derived from similar assets in similar and active markets, from recent transaction prices for comparable items or from other observable market data. In the case of positions for which some or all of

the inputs required for the valuation techniques are not observable or have limited observability, UBS uses valuation models with non-market observable inputs. There is no single market standard for valuation models of this type. Such models have inherent limitations; different assumptions and inputs would generate different results, and these differences could have a significant impact on UBS's financial results. UBS regularly reviews and updates its valuation models to incorporate all factors that market participants would consider in setting a price, including factoring in current market conditions. Judgment is an important component of this process. Changes in model inputs or in the models themselves, or failure to make the changes necessary to reflect evolving market conditions, could have a material adverse effect on UBS's financial results.

UBS is exposed to possible outflows of client assets in its wealth management and asset management businesses

UBS experienced substantial net outflows of client assets in its wealth management and asset management businesses in 2008 and 2009. The net outflows resulted from a number of different factors, including UBS's substantial losses, the damage to its reputation, the loss of client advisors, difficulty in recruiting qualified client advisors and developments concerning its cross-border private banking business. Many of these factors have been successfully addressed, as evidenced by UBS's overall net new money inflows in 2011, but others, such as the long-term changes affecting the cross-border private banking business model, will continue to affect client flows for an extended period of time. If UBS experiences again material net outflows of client assets, the results of its wealth management and asset management businesses are likely to be adversely affected.

Liquidity and funding management are critical to UBS's ongoing performance

The viability of UBS's business depends upon the availability of funding sources, and its success depends upon its ability to obtain funding at times, in amounts, for tenors and at rates that enable UBS to efficiently support its asset base in all market conditions. A substantial part of UBS's liquidity and funding requirements is met using short-term unsecured funding sources, including wholesale and retail deposits and the regular issuance of money market securities. The volume of UBS's funding sources has generally been stable, but could change in the future due to, among other things, general market disruptions, which could also influence the cost of funding. A change in the availability of short-term funding could occur quickly.

Reductions in UBS's credit ratings can increase its funding costs, in particular with regard to funding from wholesale unsecured sources, and can affect the availability of certain kinds of funding. In addition, as UBS experienced in recent years, ratings downgrades can require UBS to post additional collateral or make additional cash payments under master trading agreements relating to its derivatives businesses. UBS's credit ratings, together with its capital strength and reputation, also contribute to maintaining client and counterparty confidence and it is possible that ratings changes could influence the performance of some of UBS's businesses.

The more stringent Basel III capital and liquidity requirements will likely lead to increased competition for both secured funding and deposits as a stable source of funding, and to higher funding costs.

Operational risks may affect UBS's business

All of UBS's businesses are dependent on its ability to process a large number of complex transactions across multiple and diverse markets in different currencies, to comply with requirements of many different legal and regulatory regimes to which UBS is subject and to prevent, or promptly detect and stop, unauthorized, fictitious or fraudulent transactions. UBS's operational risk management and control systems and processes are designed to help ensure that the risks associated with its activities, including those arising from process error, failed execution, unauthorized trading, fraud, system failures, cyber-attacks and failure of security and physical protection, are appropriately controlled. If UBS's internal controls fail or prove ineffective in identifying and remedying such risks we could suffer operational failures that might result in material losses, such as the loss from the unauthorized trading incident announced in September 2011.

Certain types of operational control weaknesses and failures could also adversely affect UBS's ability to prepare and publish accurate and timely financial reports. UBS identified control deficiencies following the unauthorized trading incident announced in September 2011, and management determined that it had a material weakness in its internal control over financial reporting as of the end of 2010 and 2011, although this has not affected the reliability of UBS's financial statements for either year.

Legal claims and regulatory risks and restrictions arise in the conduct of UBS's business

Due to the nature of UBS's business, it is subject to regulatory oversight and liability risk. UBS is involved in a variety of claims, disputes, legal proceedings and government investigations in jurisdictions where UBS is

active. These proceedings expose UBS to substantial monetary damages and legal defense costs, injunctive relief and criminal and civil penalties, in addition to potential regulatory restrictions on UBS's businesses. The outcome of these matters cannot be predicted and they could adversely affect UBS's future business or financial results. UBS continues to be subject to government inquiries and investigations, and are involved in a number of litigations and disputes, many of which arose out of the financial crisis of 2007-2009. The unauthorized trading incident announced in September 2011 has triggered a joint investigation by FINMA and the UK Financial Services Authority and separate enforcement proceedings by the two authorities. UBS is also subject to potentially material exposure in connection with claims relating to US RMBS and mortgage loan sales, the Madoff investment fraud, Lehman principal protection notes, LIBOR rate submissions and other matters.

UBS is in active dialogue with its regulators concerning the actions that it is taking to improve its operational and risk management controls, processes and systems. Ever since UBS's losses in 2007 and 2008, UBS has been subject to a very high level of regulatory scrutiny and to certain regulatory measures that constrain its strategic flexibility. While UBS believes that it has largely remediated the deficiencies that led to the material losses during the recent financial crisis, the unauthorized trading incident announced in September 2011 has revealed different shortcomings that UBS is also urgently addressing. The unauthorized trading incident has presented UBS with further challenges and potential constraints on the execution of its business strategy, as UBS seeks once again to enhance its operational and control framework and demonstrate its effectiveness to regulatory authorities. Notwithstanding the remediation UBS has already completed and which is in process, the consequences of the ongoing regulatory review and enforcement proceedings arising from the incident cannot be predicted.

UBS might be unable to identify or capture revenue or competitive opportunities, or retain and attract qualified employees

The financial services industry is characterized by intense competition, continuous innovation, detailed (and sometimes fragmented) regulation and ongoing consolidation. UBS faces competition at the level of local markets and individual business lines, and from global financial institutions that are comparable to UBS in their size and breadth. Barriers to entry in individual markets are being eroded by new technology. UBS expects these trends to continue and competition to increase.

UBS's competitive strength and market position could be eroded if UBS is unable to identify market trends and developments, do not respond to them by devising and implementing adequate business strategies or are unable to attract or retain the qualified people needed to carry them out.

The amount and structure of UBS's employee compensation are affected not only by its business results but also by competitive factors and regulatory considerations. Constraints on the amount of employee compensation, higher levels of deferral and claw-backs and performance conditions may adversely affect UBS's ability to retain and attract key employees, and may in turn negatively affect our business performance. Starting with the performance year 2009, the portion of variable compensation granted in the form of deferred shares was much higher than in the past. Although UBS's peers have over time also increased their deferral percentages, UBS continues to be subject to the risk that key employees will be attracted by competitors and decide to leave UBS, or that UBS may be less successful than its competitors in attracting qualified employees. Regulatory constraints and pressure from regulators and other stakeholders affect not only UBS but also the other major international banks, but some of UBS's peers may have a competitive advantage due to differences in the requirements and intensity of pressure among different jurisdictions.

UBS's financial results may be negatively affected by changes to accounting standards

UBS is required to report its results and financial position in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. Changes to IFRS may mean that UBS's reported results and financial position differ in the future from those expected. Such changes also may affect UBS's regulatory capital and ratios. When accounting changes are finalized, UBS assesses the potential impact and discloses significant future changes in its financial statements. Currently, there are a number of finalized and potential accounting changes that are expected to impact UBS's reported results, financial position and regulatory capital in the future.

UBS's financial results may be negatively affected by changes to assumptions supporting the value of its goodwill

The goodwill UBS has recognized on its balance sheet is tested for impairment at least annually. UBS's impairment test in respect of the assets recognized as of 31 December 2011 indicated that the value of its goodwill is not impaired. The impairment test is based on assumptions regarding estimated earnings, discount rates and long-term growth rates impacting the recoverable amount of each segment and on

estimates of the carrying amounts of the segments to which the goodwill relates. If the estimated earnings and other assumptions in future periods deviate from the current outlook, the value of UBS's goodwill may become impaired in the future, giving rise to losses in the income statement.

UBS is exposed to risks arising from the different regulatory, legal and tax regimes applicable to its global businesses

UBS operates in more than 50 countries, earn income and hold assets and liabilities in many different currencies and is subject to many different legal, tax and regulatory regimes. UBS's ability to execute its global strategy depends on obtaining and maintaining local regulatory approvals. This includes the approval of acquisitions or other transactions and the ability to obtain and maintain the necessary licenses to operate in local markets. Changes in local tax laws or regulations and their enforcement may affect the ability or the willingness of its clients to do business with UBS or the viability of UBS's strategies and business model.

The effects of taxes on UBS's financial results are significantly influenced by changes in UBS's deferred tax assets and final determinations on audits by tax authorities

The deferred tax assets UBS has recognized on its balance sheet as of 31 December 2011 in respect of prior years' tax losses are based on profitability assumptions over a five-year horizon. If the business plan earnings and assumptions in future periods substantially deviate from the current outlook, the amount of deferred tax assets may need to be adjusted in the future. This could include write-offs of deferred tax assets through the income statement if actual results come in substantially below the business plan forecasts and/or if future business plan forecasts are revised downward substantially.

In the coming years, UBS's effective tax rate will be highly sensitive both to its performance and to the development of new business plan forecasts. Currently unrecognized deferred tax assets in the UK and especially the US could be recognized if UBS's actual and forecasted performance in those countries is strong enough to justify further recognition of deferred tax assets under the governing accounting standard. UBS's results in recent periods have demonstrated that changes in the recognition of deferred tax assets can have a very significant effect on its reported results. If, for example, the Group's performance in the UK and especially in the US is strong, UBS could be expected to write up additional US and/or UK deferred tax assets in the coming years. The effect of doing so would significantly reduce the Group's effective tax rate in years in which any write ups are made. Conversely, if UBS's performance in those countries does not justify additional deferred tax recognition, but nevertheless supports its maintaining current deferred tax levels, UBS expects the Group's effective tax rate to be in the range of 20–25% (although the tax rate may differ if there are significant book tax adjustments, which generally mainly affect Swiss taxable profits, for example own credit gains/losses).

UBS's effective tax rate is also sensitive to any future reductions in tax rates, particularly in the US and Switzerland, which would cause the expected future tax saving from items such as tax loss carry-forwards in those locations to diminish in value. This in turn would cause a write-down of deferred tax assets.

Additionally, the final effect of income taxes UBS accrues in the accounts is often only determined after the completion of tax audits (which generally takes a number of years) or the expiry of statutes of limitations. In addition, changes to, and judicial interpretation of, tax laws or policies and practices of tax authorities could cause the amount of taxes ultimately paid by UBS to materially differ from the amount accrued.

In 2011 the UK government introduced a balance sheet based levy payable by banks operating and/or resident in the UK. An expense for the year of CHF 109 million has been recognized in operating expenses (within pre-tax profit) in the fourth quarter of 2011. In November 2011 the UK government announced its intention to increase the rate of the levy by 17% from 1 January 2012. The Group's bank levy expense for future years will depend on both the rate and the Group's taxable UK liabilities at each year end: changes to either factor could increase the cost. Whilst not yet certain, UBS expects that the annual bank levy expense will continue to be recognized for IFRS purposes as a one-off cost arising in the final quarter of each financial year, rather than being accrued throughout the year, as it is charged by reference to the year-end balance sheet position."

4) In the Base Prospectuses, as listed introductory on pages 1 to 2, the section 'Description of UBS AG' is completely replaced as follows:

"Description of UBS AG

The following description contains general information on UBS AG, Bahnhofstrasse 45, 8001 Zurich, Switzerland, and Aeschenvorstadt 1, 4051 Basel, Switzerland.

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's business strategy is centered on its pre-eminent global wealth management businesses and its universal bank in Switzerland. These businesses, together with a client-focused Investment Bank and a strong, well-diversified Global Asset Management business, will enable UBS to drive further growth and expand its premier wealth management franchise. Headquartered in Zurich and Basel, Switzerland, UBS has offices in more than 50 countries, including all major financial centers.

On 31 December 2011 UBS's Basel 2.5 tier¹⁵ ratio was 15.9%, invested assets stood at CHF 2,167 billion, equity attributable to shareholders was CHF 53,447 million and market capitalization was CHF 42,843 million. On the same date, UBS employed 64,820 people⁶.

The rating agencies Standard & Poor's, Fitch Ratings and Moody's have published credit ratings reflecting their assessment of the creditworthiness of UBS AG, i.e. its ability to fulfill in a timely manner payment obligations, such as principal or interest payments on long-term loans, also known as debt servicing. The ratings from Fitch Ratings 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 AG has long-term senior debt ratings of A (negative outlook) from Standard & Poor's, Aa3 (under review for possible downgrade) from Moody's and A (stable outlook) from Fitch Ratings.

I. 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.

⁵ From 31 December 2011, UBS capital disclosures fall under the revised Basel II market risk framework, commonly referred to as Basel 2.5. The Basel 2.5 tier 1 ratio is the ratio of eligible Basel 2.5 tier 1 capital to Basel 2.5 risk-weighted assets. Eligible Basel 2.5 tier 1 capital can be calculated by starting with IFRS equity attributable to shareholders, adding treasury shares at cost and equity classified as obligation to purchase own shares, reversing out certain items, and then deducting certain other items. The most significant items reversed out for capital purposes are unrealized gains/losses on cash flow hedges and own credit gains/losses on liabilities designated at fair value. The largest deductions are treasury shares and own shares, goodwill and intangibles and certain securitization exposures.

⁶ Full-time equivalents.

II. BUSINESS OVERVIEW

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 2011, on pages 30 – 45 (inclusive) of the English version.

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. Starting with the first quarter of 2012, we will report Wealth Management and Retail & Corporate as separate business divisions, and will no longer report Wealth Management & Swiss Bank which will cease to be a business division.

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 and high net worth individuals and families. It includes the domestic US business, the domestic Canadian business and international business booked in the US.

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, infrastructure and private equity 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.

Investment Bank

The Investment Bank provides a broad range of products and services in equities, fixed income, foreign exchange and commodities to corporate and institutional clients, sovereign and government bodies, financial intermediaries, alternative asset managers and UBS's wealth management clients. The Investment Bank is an active participant in capital markets flow activities, including sales, trading and market-making across a broad range of securities. It provides financial solutions to a wide range of clients, and offers advisory and analytics services in all major capital markets.

Corporate Center

The Corporate Center provides treasury services, and manages support and control functions for the business divisions and the Group in such areas as risk control, finance, legal and compliance, funding, capital and balance sheet management, management of non-trading risk, communications and branding, human resources, information technology, real estate, procurement, corporate development and service centers. It allocates most of the treasury income, operating expenses and personnel associated with these activities to the businesses based on capital and service consumption levels. The Corporate Center also encompasses certain centrally managed positions, including the SNB StabFund option and (starting with the first quarter 2012 reporting) the legacy portfolio formerly in the Investment Bank.

Competition

The financial services industry is characterized by intense competition, continuous innovation, detailed (and sometimes fragmented) regulation and ongoing consolidation. UBS faces competition at the level of local markets and individual business lines, and from global financial institutions that are comparable to UBS in their size and breadth. Barriers to entry in individual markets are being eroded by new technology. UBS expects these trends to continue and competition to increase in the future.

RECENT DEVELOPMENTS

Results as of and for the Year Ended 31 December 2011

On 15 March 2012, UBS published its Annual Report 2011 and reported a Group net profit attributable to UBS shareholders of CHF 4,159 million in 2011 compared with CHF 7,534 million in 2010. Pre-tax profit declined to CHF 5,350 million from CHF 7,455 million, reflecting lower operating income primarily in the Investment Bank, partly offset by cost reductions.

The 2011 Group results also reflected a pre-tax loss of CHF 1,849 million related to the unauthorized trading incident announced in September 2011, and an own credit gain on financial liabilities designated at fair value of CHF 1,537 million, compared with an own credit loss of CHF 548 million in 2010, with both items impacting the Investment Bank's 2011 pre-tax profit. Moreover, 2011 Group results included a pre-tax gain of CHF 722 million on the sale of a strategic investment portfolio comprised of long-term, fixed-interest-rate US Treasury securities and UK Government bonds. This gain impacted Wealth Management's and Retail & Corporate's 2011 pre-tax profit. As a result of the cost reduction program announced in July 2011, UBS recognized restructuring charges totaling CHF 403 million in 2011, the majority of which was recognized in the Investment Bank with the remainder recognized in the other business divisions and in the Corporate Center. The Group also recognized a net tax expense of CHF 923 million for 2011 compared with a net tax benefit of CHF 381 million for 2010.

By reporting business divisions and units, 2011 results were as follows: Wealth Management reported a pre-tax profit of CHF 2,676 million, up from CHF 2,308 million in 2010; Wealth Management Americas reported a pre-tax profit of CHF 534 million compared with a pre-tax loss of CHF 130 million in the prior year; Retail & Corporate recorded a pre-tax profit of CHF 1,919 million compared with CHF 1,772 million in 2010; Global Asset Management reported a pre-tax profit of CHF 428 million, compared with CHF 516 million in 2010; and the Investment Bank reported a pre-tax profit of CHF 154 million, compared with CHF 2,197 million in 2010.

Net new money in Wealth Management improved, with net inflows of CHF 23.5 billion compared with net outflows of CHF 12.1 billion in 2010 due to improvements in all regions and client segments. Net new money inflows in Wealth Management Americas were CHF 12.1 billion compared with net outflows of CHF 6.1 billion in 2010, reflecting the effects of both retention and recruitment of experienced financial advisors during the year. In Global Asset Management, excluding money market flows, net new money inflows from third parties were CHF 12.2 billion in 2011 compared with net inflows of CHF 16.2 billion in 2010, and net outflows from clients of UBS's wealth management businesses were CHF 3.1 billion compared with net outflows of CHF 8.1 billion.

From 31 December 2011, UBS capital disclosures fall under the revised Basel II market risk framework, commonly referred to as Basel 2.5. On 31 December 2011, UBS's Basel II tier 1 capital ratio stood at 19.6%, compared with 17.8% on 31 December 2010. On a Basel 2.5 basis, the tier 1 ratio was 15.9% on 31 December 2011. This difference was the result of Basel 2.5 risk-weighted assets being significantly higher than under Basel II and due to increased tier 1 deductions under Basel 2.5 for securitization exposures.

III. Organisational 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.

In cases where it is impossible or inefficient to operate via the parent bank, 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 as of 31 December 2011 are listed in the Annual Report as of 31 December 2011 published on 15 March 2012 (the "Annual Report 2011"), on pages 394-396 (inclusive) of the English version.

IV. Trend Information

(Outlook statement as presented in UBS's fourth quarter 2011 report issued on 7 February 2012)

As in the fourth quarter of 2011, ongoing concerns surrounding eurozone sovereign debt, the European banking system and US federal budget deficit issues, as well as continued uncertainty about the global economic outlook in general, appear likely to have a negative influence on client activity levels in the first quarter of 2012. Such circumstances would make sustained and material improvements in prevailing market conditions unlikely and would have the potential to generate headwinds for revenue growth, net interest margins and net new money. In light of the above, traditional improvements in first quarter activity levels and trading volumes may fail to materialize fully, which would weigh on overall results for the coming quarter, most notably in the Investment Bank. Nevertheless, UBS believes its asset-gathering businesses as a whole will continue to attract net new money as UBS's clients recognize its efforts and continue to entrust UBS with their assets. UBS is confident that the coming quarters will present additional opportunities for UBS to strengthen its position as one of the best capitalized banks in the world, and it will continue to focus on reducing its Basel III risk-weighted assets and building its capital ratios. UBS continues to have the utmost confidence in its future.

V. Administrative, Management and Supervisory Bodies of the Issuer

UBS AG is subject to, and in compliance with, all relevant Swiss legal and regulatory requirements regarding corporate governance. In addition, as a foreign company with shares listed on the New York Stock Exchange ("NYSE"), UBS AG is in compliance with all relevant corporate governance standards applicable 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") under the leadership of the Group Executive Officer ("Group CEO"). The supervision and control of the GEB 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 to the authorities and responsibilities of the two bodies.

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 of Shareholders ("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, applying the stricter standard. The Chairman is not required 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 Group's strategic aims and the necessary financial and human resources upon recommendation of the Group CEO ("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.

Members of the Board of Directors

Members and business addresses	Title	Term of office	Current positions outside UBS AG
Kaspar Villiger UBS AG, Bahnhofstrasse 45, P.O. Box, CH-8001 Zurich,	Chairman	2012	None

Members and business addresses	Title	Term of office	Current positions outside UBS AG
Switzerland			
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; member of the IMD Foundation Board, Lausanne.
David Sidwell UBS AG, Bahnhofstrasse 45, P.O. Box, CH-8001 Zurich, Switzerland	Senior Independent Director	2012	Director and Chairperson of the Risk Policy and Capital Committee of Fannie Mae, Washington D.C.; Senior Advisor at Oliver Wyman, New 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 of Horizon21 AG; Chairman of Horizon 21 AG, its holding company and 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 and Chairperson of the Audit and Conflicts Committees of Atrium Underwriters Ltd. and Atrium Underwriting Group Ltd., London; member of the board and Chairperson of the Audit Committee of Ariel Holdings Ltd., Bermuda; member of the board of British American Tobacco plc.
Axel P. Lehmann Zurich Financial Services, Mythenquai 2, CH-8002, Zurich, Switzerland	Member	2012	Member of the Group Executive Committee, Group Chief Risk Officer and Regional Chairman Europe of Zurich Financial Services; Chairman of the board of Farmers Group, Inc.; Chairman of the Institute of Insurance Economics at the University of St. Gallen; member and past Chairman of the Chief Risk Officer Forum and member of the executive committee of the International Financial Risk Institute Foundation.
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 HEICO Corporation, Hollywood, FL; member of the executive board of Acatech (Deutsche Akademie der Technikwissenschaften) and trustee of the American Academy of Berlin.
Helmut Panke BMW AG, Petuelring 130, D-80788 Munich Germany	Member	2012	Member of the board and Chairperson of the Antitrust Compliance Committee of Microsoft Corporation; member of the board and Chairperson of the Board Safety & Risk Committee 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.; 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 18 B South Bay Towers 59 South Bay Rd. Hong Kong	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 chairperson of the Risk Committee of China Construction Bank. Member of the board of Johnson Electric Holdings Limited.

On 15 November 2011, UBS announced that Kaspar Villiger, Chairman of the BoD, will not stand for re-election to the BoD at the AGM on 3 May 2012. Axel Weber, who was to have been nominated to be Vice

Chairman of the BoD, has now been proposed to succeed Mr. Villiger as its Chairman should he be elected at the AGM.

On 3 February 2012, UBS announced that the UBS AG Board of Directors will nominate Beatrice Weder di Mauro and Isabelle Romy for election as new members of the Board at the Annual General Meeting of Shareholders on 3 May 2012. Bruno Gehrig, along with Kaspar Villiger, will not stand for re-election.

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. The BoD has also established a Special Committee in connection with the unauthorized trading incident announced in September 2011.

Audit Committee

The Audit Committee ("**AC**") comprises at least three 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 the external auditors who in turn are responsible for auditing UBS AG's and the Group's financial statements and for reviewing the quarterly financial statements. The function of the AC 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 Group'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 reviews the annual and quarterly financial statements of UBS AG and the Group as proposed by management, with the external auditors and Group Internal Audit, in order to recommend their approval (including any adjustments the AC considers appropriate) to the BoD.

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 dismissal 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.

Group Executive Board

Under the leadership of the Group Chief Executive Officer ("**CEO**"), the GEB has executive management responsibility for 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.

Members of the Group Executive Board

Sergio P. Ermotti	Group Chief Executive Officer
Markus U. Diethelm	Group General Counsel
John A. Fraser	Chairman and Chief Executive Officer Global Asset Management
Lukas Gähwiler	Chief Executive Officer UBS Switzerland, Chief Executive Officer Retail &

	Corporate,
Carsten Kengeter	Chief Executive Officer Investment Bank
Ulrich Körner	Group Chief Operating Officer, Chief Executive Officer Corporate Center, Chief Executive Officer UBS Group EMEA
Philip J. Lofts	Group Chief Risk Officer
Robert J. McCann	Chief Executive Officer UBS Group Americas ,Chief Executive Officer Wealth Management Americas
Tom Naratil	Group Chief Financial Officer
Chi-Won Yoon	Chief Executive Officer UBS Group Asia Pacific
Jürg Zeltner	Chief Executive Officer UBS Wealth Management

On 22 March 2012, UBS announced that effective 1 July 2012, Andrea Orcel, currently Executive Chairman of Bank of America Merrill Lynch, will join UBS and lead the Investment Bank as co-CEO jointly with Carsten Kengeter. He will become a member of the GEB, reporting to Group CEO Sergio P. Ermotti.

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

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) please see above under "Members of the Board of Directors") and may have economic or other private interests that differ from those of UBS. 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 disclosure when appropriate.

VI. 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, is a member of the Swiss Institute of Certified Accountants and Tax Consultants based in Zurich, Switzerland.

VII. Major Shareholders of the Issuer

Under the Federal Act on Stock Exchanges and Securities Trading of 24 March 1995, as amended (the "Swiss Stock Exchange Act"), 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:

- 30 September 2011: Norges Bank (the Central Bank of Norway), 3.04%;
- 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 AG's request beneficial owners holding 0.3% or more of all UBS AG 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 31 December 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 (10.95%); the US securities clearing organization DTC (Cede & Co.) New York, "The Depository Trust Company" (7.07%); Government of Singapore Investment Corp., Singapore (6.41%) and Nortrust Nominees Ltd, London (4.20%).

UBS holds UBS AG shares primarily to cover employee share and option programs. A smaller number is held by the Investment Bank in its capacity as a market-maker in UBS AG shares and related derivative products. As of 31 December 2011, UBS held a stake of UBS AG's shares, which corresponded to less than 3.00% of UBS AG's total share capital. At the same time, UBS had disposal positions relating to 467,465,923 voting rights, corresponding to 12.20% of the total voting rights of UBS AG. They consisted mainly of 9.12% 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 securities 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, not registered and carrying voting rights as of 31 December 2011 can be found in the Annual Report 2011, on pages 199-203 (inclusive) of the English version.

VIII. FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS AND LIABILITIES; FINANCIAL POSITION AND PROFITS AND LOSSES

A description of UBS AG and UBS Group assets and liabilities, financial position and profits and losses for financial year 2010 is available in the Annual Report 2010 of UBS AG (Financial Information section), and for financial year 2011 in the Annual Report 2011 (Financial Information section). The Issuer's financial year is the calendar year.

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
- (iii) the sections entitled "Introduction and accounting principles" on page 254 and "Critical accounting policies" on pages 255-258 (inclusive).

With respect to the financial year 2011, reference is made to the following parts of the Annual Report 2011 (Financial Information section), in English:

- (i) the Consolidated Financial Statements of UBS Group, in particular to the Income Statement on page 289, the Balance Sheet on page 291, the Statement of Cash Flows on pages 295-296 (inclusive) and the Notes to the Consolidated Financial Statements on pages 297-410 (inclusive), and
- (ii) the Financial Statements of UBS AG (Parent Bank), in particular to the Income Statement on page 414, the Balance Sheet on page 415, the Statement of Appropriation of Retained Earnings on page 416, the Notes to the Parent Bank Financial Statements on pages 417-434 (inclusive) and the Parent Bank Review on pages 411-413 (inclusive), and
- (iii) the section entitled "Introduction and accounting principles" on page 282.

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.

The Consolidated Financial Statements of UBS Group and the Financial Statements of UBS AG (Parent Bank) for financial years 2010 and 2011 were audited by Ernst & Young. The reports of the auditors on the Consolidated Financial Statements can be found on pages 262-263 (inclusive) of the Annual Report 2010 in English (Financial Information section) and on pages 287-288 (inclusive) of the Annual Report 2011 in English (Financial Information section). The reports of the auditors on the Financial Statements of UBS AG (Parent Bank) can be found on pages 400-401 (inclusive) of the Annual Report 2010 in English (Financial Information section) and on pages 435-436 (inclusive) of the Annual Report 2011 in English (Financial Information section).

Reference is also made to UBS's first, second, third and fourth 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, the three and six months ended 30 June 2011 the three and nine months ended 30 September 2011, and the three months and the year ended 31 December 2011, respectively. The interim financial statements are not audited.

UBS's Annual Report 2010 and Annual Report 2011 form an integral component of this document, and are therefore fully incorporated in this document.

1. Litigation and regulatory matters

UBS operates in a legal and regulatory environment that exposes it to significant litigation risks. As a result, UBS is involved in various disputes and legal proceedings, including litigation, arbitration, and regulatory and criminal investigations. Such cases are subject to many uncertainties, and their 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 UBS denies 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.

Listed below are legal proceedings, pending or threatened within the last twelve months until the date of this document, which may have or have had significant effects on UBS' financial position. 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

On 4 May 2011, UBS announced a USD 140.3 million settlement with the US Securities and Exchange Commission ("**SEC**"), the Antitrust Division of the US Department of Justice ("**DOJ**"), the Internal Revenue Service ("**IRS**") and a group of state attorneys general relating to the investment of proceeds of municipal bond issuances and associated derivative transactions. The settlement resolves the investigations by those regulators which had commenced in November 2006. Several related putative class actions, which were filed in Federal District Courts against UBS and numerous other firms, 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 actions for UBS. In December 2010, three former UBS employees were indicted in connection with the Federal criminal antitrust investigation; those individual matters also remain pending.

2. Auction rate securities

In late 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 Auction Rate Securities (ARS) from eligible customers, and to pay penalties of USD 150 million (USD 75 million to the NYAG and USD 75

million to the other states). UBS has since finalized settlements with all of the states. The settlements resolved investigations following the industry-wide disruption in the markets for ARS and related auction failures beginning in mid-February 2008. The SEC continues to investigate individuals affiliated with UBS regarding the trading in ARS and disclosures. UBS was also named in (i) several putative class actions; (ii) arbitration and litigation claims asserted by investors relating to ARS, including a pending consequential damages claim by a former customer for damages of USD 76 million; and (iii) arbitration and litigation claims asserted by issuers, including a pending litigation under state common law and a state racketeering statute seeking at least USD 40 million in compensatory damages, plus exemplary and treble damages, and several recently filed arbitration claims alleging violations of state and federal securities law that seek compensatory and punitive damages, among other relief.

3. Inquiries regarding 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.

4. 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, UBS's structuring and underwriting of certain CDOs during the first and second quarters 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 investigations. 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.

5. Lehman principal protection notes

From March 2007 through September 2008, UBS Financial Services Inc. ("**UBSFS**") 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. UBSFS 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. UBSFS 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 which was settled for USD 1 million, and is responding to investigations by other state regulators relating to the sale of these notes to UBSFS's customers. The customer litigations and regulatory investigations relate primarily to whether UBSFS adequately disclosed the risks of these notes to its customers. In April 2011, UBSFS entered into a settlement with FINRA related to the sale of these notes, pursuant to which UBSFS 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.

6. 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 45 billion in original face amount of RMBS underwritten or issued by UBS. Many of the lawsuits are in their early stages, and 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 9 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 ("**UBS-sponsored RMBS**"). The remaining USD 36 billion of RMBS to which these cases relate was issued by third parties in securitizations in which UBS acted as underwriter ("**third-party RMBS**"). In connection with certain of these lawsuits, UBS has indemnification rights against surviving third-party issuers or originators for losses or liabilities incurred by UBS, but UBS cannot predict the extent to which it will succeed in enforcing those rights.

These lawsuits include an action brought by the Federal Housing Finance Agency ("**FHFA**"), as conservator for the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac and collectively with Fannie Mae, the "**GSEs**") in connection with the GSEs' investments in USD 4.5 billion in original face amount of UBS-sponsored RMBS and USD 1.8 billion in original face amount of third-party RMBS. These suits, which were initially filed in July 2011 and then amended in September 2011, assert claims for damages and rescission under federal and state securities laws and state common law and allege losses of approximately USD 1.2 billion. The FHFA also filed suits in September 2011 against UBS and other financial institutions relating to their role as underwriters of third-party RMBS purchased by the GSEs asserting claims under various legal theories, including violations of the federal and state securities laws and state common law. 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.

On 29 September 2011 a federal court in New Jersey dismissed on statute of limitations grounds a putative class action lawsuit that asserted violations of the federal securities laws against various UBS entities, among others, in connection with USD 2.6 billion in original face amount of UBS-sponsored RMBS. The plaintiff filed an amended complaint on 31 October 2011, which UBS has again moved to dismiss on statute of limitations grounds, among others. The motion remains pending.

As described in section 2. "Other contingent liabilities" below, UBS has also received demands to repurchase US residential mortgage loans as to which UBS made certain representations at the time the loans were transferred to the securitization trust.

On 2 February 2012, Assured Guaranty Municipal Corp. ("**Assured Guaranty**"), a financial guaranty insurance company, filed suit against UBS Real Estate Securities Inc. ("**UBS RESI**") in a New York State Court asserting claims for breach of contract and declaratory relief based on UBS RESI's alleged failure to repurchase allegedly defective mortgage loans with an original principal balance of at least USD 997 million that serve as collateral for UBS-sponsored RMBS insured by Assured Guaranty. Assured Guaranty also claims that UBS RESI breached representations and warranties concerning the mortgage loans and breached certain obligations under commitment letters. Assured Guaranty seeks unspecified damages that include payments on current and future claims made under Assured Guaranty insurance policies totaling approximately USD 308 million to date, compensatory and consequential losses, fees, expenses and pre-judgment interest.

7. 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 cross-border business. In September 2011, the court dismissed all claims based on purchases or sales of UBS ordinary shares made outside of US. On 15 December 2011, Defendants moved to dismiss the claims based on purchases or sales of UBS ordinary shares made in the US 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.

8. 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 in 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. The liquidators have filed supplementary claims for amounts that the funds may possibly be held liable to pay the BMIS Trustee. The amounts claimed by the liquidator are approximately EUR 564 million and EUR 370 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, among 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 was not 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 was not less than USD 555 million. Following a motion by UBS, in November 2011 the District Court dismissed all of the Trustee's claims other than claims for recovery of fraudulent conveyances and preference payments that were allegedly transferred to UBS on the ground that the Trustee lacks standing to bring such claims. 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.

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

In January 2009, the City of Milan ("**City**") 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 Court of Cassation challenging the jurisdiction of the Italian courts but is likely to be resumed following the recent decision of the Court which confirmed 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. In the criminal proceedings, UBS Limited also faces 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. UBS is engaged in discussions with the City in relation to a possible settlement of the City's claims. 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. Florence and Tuscany have also attempted to invoke

Italian administrative law remedies which purport to allow a public entity to challenge its own decision to enter into the relevant contracts and avoid their obligations thereunder. UBS is resisting these attempts.

UBS has itself commenced proceedings before English courts against the City of Milan and certain other Italian public entities in connection with various derivative transactions with Italian public entities. These proceedings are aimed at obtaining declaratory judgments as to the validity and enforceability of UBS's English law contractual arrangements with its counterparties and, to the extent relevant, the legitimacy of UBS's conduct in respect of those counterparties. The English proceedings against the City of Milan and the Region of Tuscany have been stayed by agreement of the parties.

10. 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 prejudgment 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.

11. 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. KWL withdrew its appeal from that decision and the civil dispute is now proceeding before the English court. UBS has served Particulars of Claim and KWL has served its Defence and Counterclaim which also joins UBS Limited and another bank to the proceedings.

In March 2010, KWL commenced 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, KWL has also withdrawn its civil claims against UBS and one of the other banks in the German courts and no civil claim will proceed against either of them in Germany. The proceedings brought by KWL against the third bank are now proceeding before the German courts. In December 2011, the Leipzig court ruled that it is for the London court and not the Leipzig court to determine the validity and effect of a Third Party Notice served by Landesbank BadenWuerttemberg on UBS in the Leipzig proceedings.

The other two banks that entered into CDS transactions with KWL entered into back-to-back CDS transactions with UBS. In April 2010, UBS commenced 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 terminated in April and June 2010. The aggregate amount that UBS contends is outstanding under those transactions is approximately USD 183 million plus interest. The stay of the court proceedings against one of the bank swap counterparties has been terminated by UBS, and UBS has added a money claim to the proceedings. The other swap counterparty has terminated the stay of the proceedings brought against it by UBS Limited and has added a claim against KWL to those proceedings, which will now proceed.

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.

In November 2011, the SEC commenced an inquiry regarding the KWL transactions and UBS is providing information to the SEC relating to those transactions.

12. 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. UBS is engaged in settlement discussions with the SEC staff; however, there is no assurance that a settlement will be reached. UBS and several unrelated parties were also sued in Puerto Rico superior court in October 2011 in a purported civil derivative action seeking to bring claims on behalf of the Employee Retirement System of Puerto Rico related to, among other things, the issuance of the bonds underwritten by UBS and the investment of the proceeds of those bond issuances.

13. LIBOR

Several government agencies, including the SEC, the US Commodity Futures Trading Commission, the DOJ and the FSA, are conducting investigations regarding submissions with respect to British Bankers' Association 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, the Swiss Competition Commission ("**WEKO**") has commenced an investigation of numerous banks and financial intermediaries concerning possible collusion relating to LIBOR and TIBOR reference rates and certain derivatives transactions.

UBS has been granted conditional leniency or conditional immunity from authorities in certain jurisdictions, including the Antitrust Division of the DOJ and WEKO, in connection with potential antitrust or competition law violations related to submissions for Yen LIBOR and Euroyen TIBOR. WEKO has also granted UBS conditional immunity in connection with potential competition law violations related to submissions for Swiss franc LIBOR and certain transactions related to Swiss franc LIBOR. The Canadian Competition Bureau has granted UBS conditional immunity in connection with potential competition law violations related to submissions for Yen LIBOR. 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 the jurisdictions where UBS has conditional immunity or leniency in connection with the matters it reported to those authorities, subject to its 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's satisfying the DOJ and the court presiding over the civil litigation of its cooperation. The conditional leniency and conditional immunity grants do not otherwise affect the ability of private parties to assert civil claims against UBS.

On 16 December 2011, the Japan Financial Services Agency ("**JFSA**") commenced an administrative action against UBS Securities Japan Ltd ("**UBS Securities Japan**") based on findings by the Japan Securities and Exchange Surveillance Commission ("**SESC**") that (i) a trader of UBS Securities Japan engaged in inappropriate conduct relating to Euroyen TIBOR ("**Tokyo Interbank Offered Rate**") and Yen LIBOR, including approaching UBS AG, Tokyo Branch, and other banks to ask them to submit TIBOR rates taking into account requests from the trader for the purpose of benefiting trading positions; and (ii) serious problems in the internal controls of UBS Securities Japan resulted in its failure to detect this conduct. Based on the findings, the JFSA issued a Business Suspension Order requiring UBS Securities Japan to suspend trading in derivatives transactions related to Yen LIBOR and Euroyen TIBOR from 10 January to 16 January 2012 (excluding transactions required to perform existing contracts). The JFSA also issued a Business Improvement Order that requires UBS Securities Japan to (i) develop a plan to ensure compliance with its legal and regulatory obligations and to establish a control framework that is designed to prevent recurrences of the conduct identified in the JFSA's administrative action, and (ii) provide periodic written reports to the JFSA regarding the company's implementation of the measures required by the order. On the same day the JFSA also commenced an administrative action against UBS AG, Tokyo Branch, based on a

finding that an employee of the Tokyo branch “continuously received approaches” from an employee of UBS Securities Japan regarding Euroyen TIBOR rate submissions, which was determined to be an inappropriate practice that was not reported to the branch’s management. Pursuant to this administrative action, the JFSA issued an order under the Japan Banking Act which imposes requirements similar to those imposed under the Business Improvement Order directed to UBS Securities Japan.

A number of putative class actions and other 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.

14. SinoTech Energy Limited

Since August 2011, multiple putative class action complaints have been filed, and have since been consolidated, in the United States District Court for the Southern District of New York against Sino-Tech Energy Limited (“**SinoTech**”), its officers and directors, its auditor at the time of the offering, and its underwriters, including UBS, alleging, among other claims, that the registration statement and prospectus in connection with SinoTech’s 3 November 2010 USD 168 million initial public offering of American Depositary Shares contained materially misleading statements and omissions, in violation of the US federal securities laws. UBS underwrote 70% of the offering. Plaintiffs seek unspecified compensatory damages, among other relief.

15. Swiss retrocessions

The Zurich High Court decided in January 2012, in a test case, that fees received by a bank for the distribution of financial products issued by third parties should be considered to be “retrocessions” unless they are received by the bank for genuine distribution services. Fees considered to be retrocessions would have to be disclosed to the affected clients and, absent specific client consent, surrendered to them. If the holding in this case is not reversed on appeal and is followed in other cases, UBS (like other banks in Switzerland) could be subject to reimbursement claims by certain clients for fees retained in the past.

16. Unauthorized trading incident

FINMA and the FSA have been conducting a joint investigation of the unauthorized trading incident that occurred in the Investment Bank and was announced in September 2011. In addition, FINMA and the FSA have announced that they have commenced enforcement proceedings against UBS in relation to this matter.

Besides the proceedings specified above under (1) through (16) 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.

2. 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 was a purchaser and seller of US residential mortgages. A subsidiary of 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, it 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, including a GSE, that possible breaches of representations may entitle the purchasers to require that UBS repurchase the loans or to other relief. UBS has tolling agreements with some of these institutional purchasers and insurers concerning their potential claims. The table below summarizes repurchase demands received by UBS and UBS's repurchase activity from 2006 through 29 February 2012.

Loan repurchase demands by year received – original principal balance of loans

<i>USD million</i>	2006–2008	2009	2010	2011	through 29 February 2012	Total
Actual or agreed loan repurchases / make whole payments by UBS	11.7	1.4				13.1
Demands resolved or expected to be resolved through enforcement of indemnification rights against third party originators		77.4	1.8	46.2	5.3	130.7
Demands resolved in litigation	0.6	20.7				21.3
Demands in litigation ²			345.6	652.1		997.1
Demands rebutted by UBS but not yet rescinded by counterparty		4.0	1.8	368.5	12.1	386.4
Demands rescinded by counterparty	110.2	99.6	18.8	8.1		236.8
Demands in review by UBS		2.1	0.1	9.1	85.6	97.5
Total	122.5	205.1	368.2	1,084.1	103.1	1,882.9

¹ Loans submitted by multiple counterparties are counted only once. This is a change from UBS's prior practice in the presentation of this information. For this reason, the comparable table in UBS's fourth quarter 2011 report included double-counted loans with an original principal balance of approximately USD 42.4 million. ² Includes (i) USD 124.9 million of demands in litigation which were previously classified as *Demands resolved or expected to be resolved through enforcement of UBS's indemnification rights against third-party originators*; and (ii) USD 47.7 million of demands in litigation which were previously classified as *Actual or agreed loan repurchases / make whole payments by UBS*.

UBS's balance sheet as of 31 December 2011 reflected a provision of USD 104 million (adjusted from USD 93 million previously reported) based on UBS's best estimate of the loss arising from certain loan repurchase demands received since 2006 to which it has agreed or which remain unresolved, and for certain anticipated loan repurchase demands of which it has been informed. Assured Guaranty advised UBS in 2011 that it intended to make loan repurchase demands that were estimated to be at least USD 900 million in original principal balance. Of the USD 598 million (by original principal balance) of purported loan repurchase demands received in the fourth quarter of 2011 and through 29 February 2012, approximately USD 489 million of such demands were received from Assured Guaranty. As described in the section 7.4 "Litigation and regulatory matters" above, Assured Guaranty filed a lawsuit against UBS RESI on 2 February 2012 relating to certain of these repurchase demands, among others. It is not clear when or to what extent additional demands will be made by Assured Guaranty or others. 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 surviving third-party originators. In connection with approximately 60% of the loans (by original principal balance) for which UBS has made payment or agreed to make payment in response to demands received in 2010 and 2011, UBS has in turn asserted indemnity or repurchase demands against originators. Only a small number of UBS's demands have been resolved, and UBS has not recognized any asset on its balance sheet in respect of the unresolved demands. UBS has also advised certain surviving originators of repurchase demands made against UBS for which UBS would be entitled to indemnity and has asserted that such demands should be resolved directly by the originator and the party making the demand.

UBS cannot reliably estimate the level of future repurchase demands, and does not know whether its rebuttals of such demands will be a good predictor of future rates of rebuttal. UBS also cannot reliably estimate the timing of any such demands.

As described above, under section "1. Litigation and regulatory matters", UBS is also subject to claims and threatened claims in connection with its role as underwriter and issuer of RMBS.

3. Significant changes in the Financial Situation of the Issuer

There has been no significant change in UBS' financial position since 31 December 2011 (the end of the last financial period for which financial information has been published)

IX. 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.

X. Documents on Display

- The Annual Report of UBS AG as of 31 December 2010, comprising the sections (1) Strategy, performance and responsibility, (2) UBS business divisions and Corporate Center (3) Risk and treasury management, (4) Corporate governance and compensation, (5) 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 2011, comprising the sections (1) Operating environment and strategy, (2) Financial and operating performance (3) Risk, treasury and capital management, (4) Corporate governance, responsibility and compensation, (5) 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"); and
- The Articles of Association of UBS AG,

shall be maintained in printed format, for free distribution, at the offices of the Issuer [as well as UBS Deutschland AG, Bockenheimer Landstrasse 2 - 4, 60306 Frankfurt am Main, Federal Republic of Germany, 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' website, at www.ubs.com/investors or a successor address. UBS AG's Articles of Association are also available on UBS' Corporate Governance website, at www.ubs.com/governance."

5) In the Base Prospectuses, as listed introductory on pages 1 to 2, in the section “GENERAL INFORMATION” the paragraph headed “Incorporation by Reference” is completely replaced as follows:

“Incorporation by Reference

The following documents shall be incorporated in, and form part of, this Base Prospectus and may be obtained free of charge at the registered offices of the Issuer as well as UBS Deutschland AG, Bockenheimer Landstrasse 2 - 4, 60306 Frankfurt am Main, Federal Republic of Germany, for a period of twelve months after the publication of this Base Prospectus:

Incorporated document	Referred to in	Information
- UBS Annual Report 2011, in English; page 30 - 46	- Business Overview	- Description of the Issuer's business groups
- UBS Annual Report 2011, in English; pages 394 – 397 (inclusive)	- Organisational Structure of the Issuer	- Illustration of the key subsidiaries
- UBS Annual Report 2011, in English; pages 199 – 203 (inclusive)	- Major Shareholders of the Issuer	- Further details on UBS shares
- UBS Annual Report 2011 (Financial Information Section), in English:	- Financial Information concerning the Issuer's Assets and Liabilities, Financial Position and Profits and Losses	- Financial Statements of UBS AG (Group) for the financial year :
(i) page 289,		(i) Income Statement,
(ii) page 291,		(ii) Balance Sheet,
(iii) pages 295 - 296 (inclusive),		(iii) Statement of Cash Flows,
(iv) pages 297 - 410 (inclusive),		(iv) Notes to the Financial Statements,
(v) page 282,		(v) Accounting Standards and Policies,
(vi) pages 287 - 288 (inclusive).		(vi) Report of the Group Auditors.
		- Financial Statements of UBS AG (Parent Bank) for the financial year 2011:
(i) page 414,		(i) Income Statement,
(ii) page 415,		(ii) Balance Sheet,
(iii) page 416		(iii) Statement of Appropriation of Retained Earnings,
(iv) pages 417 – 434 (inclusive),		(iv) Notes to the Financial Statements,
(v) page 411 – 413 (inclusive),		(v) Parent Bank Review,
(vi) page 282,		(vi) Accounting Standards and Policies,
(vii) pages 435 – 436 (inclusive).		(vii) Report of the Statutory Auditors.
- UBS Annual Report 2010 (Financial Information Section), in English:	- Financial Information concerning the Issuer's Assets and Liabilities, Financial Position and Profits and Losses	- Financial Statements of UBS AG (Group) for the financial year :
(i) page 265,		(i) Income Statement,
(ii) page 267,		(ii) Balance Sheet,
(iii) pages 271 - 272 (inclusive),		(iii) Statement of Cash Flows,
(iv) pages 273 - 378 (inclusive),		(iv) Notes to the Financial Statements,
(v) pages 254 - 258 (inclusive),		(v) Accounting Standards and Policies,
(vi) pages 262 - 263 (inclusive).		(vi) Report of the Group Auditors
		- Financial Statements of UBS AG

		(Parent Bank) for the financial year 2010:
(i) page 380,		(i) Income Statement,
(ii) page 381,		(ii) Balance Sheet,
(iii) page 382,		(iii) Statement of Appropriation of Retained Earnings,
(iv) pages 383 - 399 (inclusive),		(iv) Notes to the Financial Statements,
(v) page 379,		(v) Parent Bank Review,
(vi) pages 254 - 258 (inclusive),		(vi) Accounting Standards and Policies,
(vii) pages 400 - 401 (inclusive).		(vii) Report of the Statutory Auditors.

(a) the Quarterly Report of UBS AG as of 31 December 2011 has been filed with the BaFin as appendix to Supplement No. 4 as of 17 February 2012 in relation to the Short Form Prospectus dated 12 May 2011;

(a) the Annual Report 2011 of UBS AG has been filed with the BaFin as appendix to the Supplement dated 19 April 2012 in relation to various Base Prospectuses;

(b) the Annual Report 2010 of UBS AG has been filed with the BaFin as appendix to Supplement No. 1 dated 20 April 2011 to the Structured Note Programme dated 30 November 2010.”

ADDRESS LIST

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United Kingdom

The Base Prospectus and all supplements thereto, 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 and are published on the website www.ubs.com/keyinvest, or a successor website.

In addition, the annual and quarterly reports of UBS AG are published on UBS' website, at www.ubs.com/investors or a successor address.

Zurich, 24 April 2012

UBS AG



signed by Philippe Adam

signed by René Scheidegger