BASE PROSPECTUS dated 25 August 2011

UBS AG

(incorporated with limited liability in Switzerland)

Euro Note Programme

Arranger

UBS Investment Bank

Under this Euro Note Programme (the "**Programme**"), UBS AG (the "**Issuer**") (acting through its head offices in Basel and Zurich ("**UBS Head Office**") or its London branch ("**UBS AG London Branch**"), Jersey branch ("**UBS AG Jersey Branch**"), Australian branch ("**UBS AG, Australia Branch**"), or any of its other branches outside Switzerland as it may from time to time determine (UBS AG London Branch, UBS AG Jersey Branch, UBS AG, Australia Branch, or the Issuer acting through such other branch outside of Switzerland, a "**Branch**")) may from time to time issue notes (the "**Notes**") denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below). The Issuer together with its subsidiaries is referred to herein as "**UBS Group**".

This Base Prospectus (the "**Base Prospectus**") has been approved by the Central Bank of Ireland (the "**Central Bank**"), as competent authority under Directive 2003/71/EC (the "**Prospectus Directive**"). The Central Bank only approves this Base Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Such approval relates only to the Notes which are to be admitted to trading on the regulated market of the Irish Stock Exchange (the "**Main Securities Market**") or other regulated markets for the purposes of Directive 2004/39/EC or which are to be offered to the public in any member state of the European Economic Area. There can be no assurance that any such admission to trading will be obtained. Application has been made to the Irish Stock Exchange (the "**Irish Stock Exchange**") for Notes issued under the Programme during the 12 months from the date of the Base Prospectus to be admitted to the official list and trading on its regulated market. References in the Base Prospectus to "Irish Stock Exchange" (and all related references) shall mean the Main Securities Market. This document constitutes a base prospectus for the purposes of the Prospectus Directive.

Application will be made to the Financial Services Authority ("**FSA**") for the Notes to be admitted to the official list (the "**Official List**") of the FSA and to the London Stock Exchange plc (the "**London Stock Exchange**") for Notes to be admitted to trading on the regulated market of the London Stock Exchange (which is a regulated market for the purposes of Directive 2004/39/EC on markets in financial instruments). The Central Bank has been requested to provide the FSA (in its capacity as the United Kingdom's competent authority for the purposes of the Prospectus Directive) with a certificate of approval attesting that the Base Prospectus has been drawn up in accordance with the Prospectus Directive.

Application will be made to list the Notes issued under the Programme on the official list of the Luxembourg Stock Exchange and for Notes to be admitted to trading on the regulated market of the Luxembourg Stock Exchange (*Bourse de Luxembourg*). The Central Bank has been requested to provide the Luxembourg *Commission de Surveillance du Secteur Financier* ("**CSSF**") (in its capacity as Luxembourg's competent authority for the purposes of the Prospectus Directive) with a certificate of approval attesting that the Base Prospectus has been drawn up in accordance with the Prospectus Directive.

In addition, application will be made to list the Notes issued under the Programme on the Luxembourg Stock Exchange Euro MTF Market. The Luxembourg Stock Exchange Euro MTF Market is not a regulated market for the purposes of Directive 2004/39/EC.

It is expected that this Base Prospectus will be submitted to the SIX Swiss Exchange Ltd (the "**SIX Swiss Exchange**") for registration as an "issuance programme" for the listing of bonds on the SIX Swiss Exchange in accordance with the listing rules of the SIX Swiss Exchange (the "**SIX Listing Rules**"). If approved, in respect of any Series (as defined herein) of Notes to be listed on the SIX Swiss Exchange during the 12 months from the date of this Base Prospectus, this Base Prospectus, together with the relevant Final Terms (as defined below), will constitute the listing prospectus for purposes of the SIX Listing Rules.

For each issue of Notes under the Programme, either final terms which contain the information required to complete this Base Prospectus for the relevant issue ("**Final Terms**") or a separate prospectus specific to such issue of Notes (each a "**Drawdown Prospectus**"), will be prepared. In the case of an issue of Notes which is the subject of a Drawdown Prospectus, each reference in this Base Prospectus to information being specified or identified in the relevant Final Terms shall be read and construed as a reference to such information being specified or identified in the relevant Drawdown Prospectus unless the context requires otherwise. In relation to each issue of Notes under the Programme which is the subject of Final Terms, this Base Prospectus should be read in connection with the relevant Final Terms. The relevant Final Terms in respect of the issue of any Notes will specify whether or not such Notes will be listed.

The Issuer has confirmed to the dealers (the "**Dealers**") named under "*Selling Restrictions*" that (i) this Base Prospectus is true and accurate in all material respects and not misleading; (ii) there are no other facts in relation to the information contained or incorporated by reference in this Base Prospectus the omission of which would, in the context of the issue of the Notes, make any statement in the Base Prospectus misleading in any material respect; and (iii) all reasonable enquiries have been made to verify the foregoing. The Issuer has further confirmed

to the Dealers that, in relation to any Notes issued under the Programme, this Base Prospectus (together with the relevant Final Terms) contains all such information as investors and their professional advisers would reasonably require, and reasonably expect to find, for the purpose of making an informed assessment of the assets and liabilities, profits and losses and financial position of the Issuer and its subsidiaries and of the rights attaching to the relevant Notes. The Issuer accepts responsibility for the information contained in this Base Prospectus. To the best of the knowledge and belief of the Issuer (who has taken all reasonable care to ensure that such is the case) the information contained in this Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

Any person (an "**Investor**") intending to acquire or acquiring any Notes from any person (an "**Offeror**") should be aware that, in the context of an offer to the public as defined in section 102B of the FSMA, the Issuer may be responsible to the Investor for the Base Prospectus under section 90 of the FSMA, only if the Issuer has authorised that Offeror to make the offer to the Investor. Each Investor should therefore enquire whether the Offeror is so authorised by the Issuer. If the Offeror is not authorised by the Issuer, the Investor should check with the Offeror whether anyone is responsible for the Base Prospectus for the purposes of section 90 of the FSMA in the context of the offer to the public, and, if so, who that person is. If the Investor is in any doubt about whether it can rely on the Base Prospectus and/or who is responsible for its contents it should take legal advice.

An Investor intending to acquire or acquiring any Notes from an Offeror will do so, and offers and sales of the Notes to an Investor by an Offeror will be made, in accordance with any terms and other arrangements in place between such Offeror and such Investor including as to price, allocations and settlement arrangements. The Issuer will not be a party to any such arrangements with Investors (other than Dealers) in connection with the offer or sale of the Notes and, accordingly, this Base Prospectus and any Final Terms will not contain such information and an Investor must obtain such information from the Offeror.

The Issuer has not authorised the making of any representation, or the provision of information, regarding the Issuer or the Notes other than as contained in the Base Prospectus or the relevant Final Terms or as approved for such purpose by the Issuer. Any such representation or information should not be relied upon as having been authorised by the Issuer, the Dealers or any of them.

Neither this Base Prospectus nor any other information supplied in connection with the Programme or any Notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation or constituting an invitation or offer by the Issuer or any of the Dealers, that any recipient of this Base Prospectus or any other information supplied in connection with the Programme or any Notes, should subscribe for or purchase any Notes or (iii) should be considered as the provision of "financial product advice" for the purposes of Chapter 7 of the Corporations Act 2001 of Australia ("**Corporations Act**"). Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Base Prospectus nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer by or on behalf of the Issuer or any of the Dealers to any person to subscribe for or to purchase any Notes.

The distribution of this Base Prospectus and any Final Terms and the offer, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus comes are required by the Issuer and the Dealers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of this Base Prospectus or any Final Terms and other offering material relating to the Notes, see "*Selling Restrictions*" and the relevant Final Terms. Neither this Base Prospectus nor any Final Terms may be used for the purpose of an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such an offer or solicitation.

This Base Prospectus has not been, nor will be, lodged with the Australian Securities and Investments Commission and is not a 'prospectus' or other 'disclosure document' for the purposes of the Corporations Act.

The Notes have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), or with any securities regulatory authority of any state or other jurisdiction of the United States, and may include Notes in bearer form that are subject to United States tax law requirements. Accordingly, Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("**Regulation S**")), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

The Notes are being offered and sold (A) in registered form in the United States to "qualified institutional buyers" only (as defined in Rule 144A under the Securities Act ("**Rule 144A**")) in reliance on Rule 144A and (B) in

registered, bearer or uncertificated form outside the United States to non-U.S. persons only (as defined in Regulation S) in reliance on Regulation S. Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of section 5 of the Securities Act provided by Rule 144A. See "*Selling Restrictions*".

THE NOTES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER UNITED STATES REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THE OFFERING OF THE NOTES OR THE ACCURACY OR ADEQUACY OF THIS BASE PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

For as long as any of the Notes remain outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, the Issuer has agreed that it will, during any period in which it is neither subject to the reporting requirements of Section 13 or 15(d) of the United States Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, furnish, upon request, to any person in whose name such restricted securities are registered, to any owner of a beneficial interest in such restricted securities, and to any prospective purchaser of such restricted securities or beneficial interest therein designated by any such person or beneficial owner, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

NOTICE TO NEW HAMPSHIRE RESIDENTS ONLY

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ANNOTATED, 1955 ("*RSA 421-B*") WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE OF NEW HAMPSHIRE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

WARNING:

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

All references in this document to "**Member State**" refer to a Member State of the European Economic Area, those to "**US dollars**", "**USD**" and "**US$**" refer to the currency of the United States of America, those to "**Japanese Yen**" and "**JPY**" refer to the currency of Japan, those to "**Pounds sterling**" and "**GBP**" refer to the currency of the United Kingdom, those to "**Swiss francs**" and "**CHF**" refer to the currency of Switzerland, those to "**Australian dollars**", "**AUD**" and "**A$**" refer to the currency of Australia and those to "**euro**" and "**€**" refer to the currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of the Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the euro as amended.

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation or over-allotment must be conducted by the relevant Stabilising Manager(s) (or person(s) acting on behalf of any Stabilising

Manager(s)) in accordance with all applicable laws and rules and, in particular, must not be conducted in Australia or on a market operated inside Australia. Any loss or profit sustained as a consequence of any such over-allotment or stabilisation shall, as against the Issuer, be for the account of the Stabilising Manager(s).

Tranches of Notes issued under the Programme will be rated or unrated. Where a Tranche of Notes is rated, such rating will not necessarily be the same as the rating(s) described below or the rating(s) assigned to Notes already issued. Where a Tranche of Notes is rated, the applicable rating(s) will be specified in the relevant Final Terms. Whether or not each credit rating applied for in relation to a relevant Tranche of Notes will be (1) issued by a credit rating agency established in the European Union and registered (or which has applied for registration and not been refused) under Regulation (EC) No. 1060/2009 on credit rating agencies (the "**CRA Regulation**"), or (2) issued by a credit rating agency which is not established in the European Union but will be endorsed by a credit rating agency which is established in the European Union and registered under the CRA Regulation or (3) issued by a credit rating agency which is not established in the European Union but which is certified under the CRA Regulation will be disclosed in the Final Terms.

In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the CRA Regulation unless (1) the rating is provided by a credit rating agency operating in the European Union before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration has not been refused, or (2) the rating is provided by a credit rating agency not established in the European Union but is endorsed by a credit rating agency established in the European Union and registered under the CRA Regulation or (3) the rating is provided by a credit rating agency not established in the EEA which is certified under the CRA Regulation.

In Australia, credit ratings are for distribution only to a person (a) who is not a "retail client" within the meaning of section 761G of the Corporations Act and is also a sophisticated investor, professional investor or other investor in respect of whom disclosure is not required under Part 6D.2 or 7.9 of the Corporations Act, and (b) who is otherwise permitted to receive credit ratings in accordance with applicable law in any jurisdiction in which the person may be located. Anyone who is not such a person is not entitled to receive this Base Prospectus and anyone who receives this Base Prospectus must not distribute it to any person who is not entitled to receive it.

A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

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PROGRAMME SUMMARY

*This summary must be read as an introduction to this Base Prospectus and any decision to invest in the Notes should be based on a consideration of this Base Prospectus as a whole, including the documents incorporated by reference. No civil liability attaches to the Issuer solely on the basis of the summary, including any translation thereof, unless it is misleading, inaccurate or inconsistent when read together with the other parts of this Base Prospectus. Where a claim relating to the information contained in this Base Prospectus is brought before a court in a Member State, the plaintiff may, under the national legislation of the Member State where the claim is brought, be required to bear the costs of translating the Base Prospectus before the legal proceedings are initiated. Words and expressions defined in the "*General Terms and Conditions of the Notes*" below or elsewhere in this Base Prospectus have the same meanings in this summary.*

THE ISSUER

The legal and commercial name of the Issuer is UBS AG. The Issuer was formed on 29 June 1998, when Union Bank of Switzerland (founded 1862) and Swiss Bank Corporation (founded 1872) merged to form UBS AG.

ESSENTIAL CHARACTERISTICS AND RISKS ASSOCIATED WITH THE NOTES

The Issuer may, subject to compliance with all relevant laws, regulations and directives, from time to time, issue Notes denominated in any currency (including euro) agreed between the Issuer and the relevant Dealer. The Notes may be issued in registered, bearer or, where issued by UBS Head Office, in uncertificated form, with or without interest coupons, in denominations of not less than €1,000 (or nearly equivalent in another currency), if they are to be listed on a regulated market or admitted to listing, trading and/or quotation in a member state of the European Union.

The aggregate principal amount, any interest rate or interest calculation, the issue price, maturity and any other terms and conditions not contained herein with respect to each Series of Notes will be established at the time of issuance and set forth in the applicable Final Terms.

The Notes issued under the Programme are unsecured obligations of the Issuer and rank *pari passu* without any preference among themselves. The Notes may be subordinated or senior obligations of the Issuer as specified in the applicable Final Terms and will have the benefit of the applicable events of default set out in the "*General Terms and Conditions of the Notes*".

The Notes may be redeemed prior to maturity at par or at such other Redemption Amount as may be specified in the applicable Final Terms.

The Notes may be offered for sale (i) in the United States to qualified institutional buyers (as defined in Rule 144A) only in reliance on Rule 144A or (ii) outside the United States to non-U.S. persons only in reliance on Regulation S.

Application has been made to the Irish Stock Exchange for Notes issued under the Programme during the 12 months from the date of the Base Prospectus to be admitted to the official list and trading on its regulated market. In addition, application will be made to (i) the FSA for the Notes to be admitted to the Official List of the FSA and to the London Stock Exchange for Notes to be admitted to trading on the regulated market of the London Stock Exchange, (ii) list the Notes issued under the Programme on the official list of the Luxembourg Stock Exchange and for Notes to be admitted to trading on the regulated market of the Luxembourg Stock Exchange (Bourse de Luxembourg), and (iii) list the Notes issued under the Programme on the Luxembourg Stock Exchange Euro MTF Market. It is expected that this Base Prospectus will be submitted to the SIX Swiss Exchange for registration as an "issuance programme" for the listing of Notes that are bonds on the SIX Swiss Exchange in accordance with the Listing Rules during the 12 months from the date of this Base Prospectus. However, Notes may also be issued under the Programme on an unlisted basis or be admitted to listing, trading and/or quotation by other stock exchanges, listing authorities and/or quotation systems, and the Final Terms applicable to a Series will specify whether or not Notes of such Series have been admitted to trading on the Irish Stock Exchange's Main Securities Market and/or admitted to trading on the regulated market of the Luxembourg Stock Exchange and the Euro MTF Market of the Luxembourg Stock Exchange and/or to listing on the Official List of the FSA and to trading on the regulated market of the London Stock Exchange and/or to trading and listing on the SIX Swiss Exchange or admitted to listing, trading and/or quotation by any other stock exchange, listing authority and/or quotation system.

The Notes shall be accepted for clearing through one or more clearing systems as specified in the applicable Final Terms. These systems shall include, in the United States, the systems operated by The Depositary Trust Company ("**DTC**") and, outside the United States, the systems operated by Euroclear Bank S.A./N.V. ("**Euroclear**"), Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**"), Clearstream Banking AG, Frankfurt ("**Clearstream Frankfurt**") and SIX SIS Ltd, Olten, Switzerland ("**SIS**"). Because Notes in global form (the "**Global Notes**") are to be held by or on behalf of DTC, Euroclear, Clearstream, Luxembourg, Clearstream Frankfurt, and/or SIS, and Notes in uncertificated form are to be registered with SIS, investors in such Notes will have to rely on their procedures for transfer, payment and communications with the Issuer.

There is no active trading market for the Notes unless, in the case of any particular Tranche, such Tranche is to be consolidated with and form a single series with a Tranche of Notes which is already issued.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents are incorporated in and taken to form part of this Base Prospectus:

(a) the Issuer's Annual Report on Form 20-F for the year ended 31 December 2009, which the Issuer filed with the United States' Securities and Exchange Commission (the "**SEC**") on 15 March 2010 and the Issuer's Annual Report on Form 20-F for the year ended 31 December 2010, which the Issuer filed with the SEC on 15 March 2011;

(b) the Issuer's submissions on Form 6-K, which the Issuer filed with the SEC on 22 March 2011, 24 March 2011, 25 March 2011, 28 March 2011, 29 March 2011, 30 March 2011, 31 March 2011, 1 April 2011, 5 April 2011, 12 April 2011, 15 April 2011, 18 April 2011, 20 April 2011, 21 April 2011, 26 April 2011, 28 April 2011, 29 April 2011, 6 May 2011, 10 May 2011, 11 May 2011, 18 May 2011, 20 May 2011, 23 May 2011, 25 May 2011, 26 May 2011, 27 May 2011, 31 May 2011, 1 June 2011, 10 June 2011, 15 June 2011, 20 June 2011, 22 June 2011, 23 June 2011, 27 June 2011, 29 June 2011, 30 June 2011, 1 July 2011, 14 July 2011, 19 July 2011, 20 July 2011, 21 July 2011, 25 July 2011, 26 July 2011, 27 July 2011, 28 July 2011, 29 July 2011, 1 August 2011, 2 August 2011, 3 August 2011, 4 August 2011, 8 August 2011, 9 August 2011, 10 August 2011, 11 August 2011, 12 August 2011, 15 August 2011, 16 August 2011, 17 August 2011, 19 August 2011, 22 August 2011, 23 August 2011 and 24 August 2011; and

(c) the terms and conditions set out on pages 13-32 of the information memorandum dated 29 June 1998, pages 13-31 of the information memorandum dated 11 June 1999, pages 13-31 of the information memorandum dated 7 June 2000, pages 14-33 of the information memorandum dated 7 June 2001, pages 13-32 of the information memorandum dated 7 June 2002, pages 15-34 of the information memorandum dated 9 June 2003, pages 13-30 of the information memorandum dated 9 June 2004, pages 18-35 of the base prospectus dated 1 July 2005, pages 18-36 of the base prospectus dated 3 July 2006, pages 19-37 of the base prospectus dated 4 July 2007, pages 18-35 of the base prospectus dated 4 July 2008, pages 18-35 of the base prospectus dated 20 April 2009, pages 23-42 of the base prospectus dated 27 August 2009 and pages 18-37 of the base prospectus dated 25 August 2010 each relating to the Programme under the heading "General Terms and Conditions", all other information being of no relevance to Investors.

These documents have been filed with the Irish Stock Exchange in accordance with the Prospectus Directive.

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

The Issuer has undertaken, in connection with the admission to trading of the Notes, that if while the Notes are outstanding and admitted to trading on the regulated market of the Luxembourg Stock Exchange and the Euro MTF Market of the Luxembourg Stock Exchange and/or to listing on the Official List of the FSA and to trading on the regulated market of the London Stock Exchange and/or to trading on the Irish Stock Exchange's Main Securities Market and/or to listing on the SIX Swiss Exchange there shall occur any significant new factor which is not reflected in the Base Prospectus (or any supplements thereto or any of the documents incorporated by reference in the Base Prospectus) and/or there shall be any material mistake or inaccuracy relating to the information included in the Base Prospectus (or any supplements thereto or any of the documents incorporated by reference in the Base Prospectus), in each case which is capable of affecting the assessment of the Notes, the Issuer will prepare or procure the preparation of any amendment or supplement to this Base Prospectus or, as the case may be, publish a new Base Prospectus for use in connection with any subsequent offering by the Issuer of Notes to be admitted to trading on the regulated market of the Luxembourg Stock Exchange and the Euro MTF Market of the Luxembourg Stock Exchange and/or to listing on the Official List of the FSA and to trading on the regulated market of the London Stock Exchange and/or to trading on the Irish Stock Exchange's Main Securities Market and/or to listing on the SIX Swiss Exchange.

The Issuer will, at its specified offices in Switzerland and at the specified offices of the Paying Agent in Luxembourg, provide, free of charge, upon the oral or written request, a copy of this Base Prospectus (or any document incorporated by reference in this Base Prospectus). Written or oral requests for such documents should be directed to the specified office of the Listing Agent in Luxembourg.

The reports filed with the SEC can be reviewed and copied at the SEC's office at 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of those reports can be obtained from the Public Reference Section of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549. Reports filed with the SEC can also be accessed at http://www.sec.gov via the internet (the information contained on this website does not form part of this Base Prospectus).

KEY FEATURES OF THE PROGRAMME

The following information is only a summary of the key features of the Programme. To determine the terms and conditions which apply to any issue of Notes it is necessary to read the general terms and conditions (see "General Terms and Conditions") and the relevant Final Terms or the Drawdown Prospectus which will contain the specific terms and conditions of the relevant issue.

Issuer	UBS AG, acting through its head offices in Basel and Zurich ("**UBS Head Office**") or its London branch, Jersey branch, Australian branch or any of its other branches outside Switzerland as it shall determine from time to time (the London branch, Jersey branch, Australia branch or the Issuer acting through such other branch, a "**Branch**").
Programme Arranger and Authorised Adviser	UBS Limited
Dealers	UBS Limited UBS Securities LLC UBS AG Other dealers may be appointed from time to time by the Issuer either generally for the Programme or in relation to a particular Series or Tranche of Notes.
Agent	The Bank of New York Mellon, acting through its London Branch
Luxembourg Paying Agent	The Bank of New York Mellon (Luxembourg) S.A.
Luxembourg Listing Agent	The Bank of New York Mellon (Luxembourg) S.A.
Irish Listing Agent	Arthur Cox Listing Services Limited
Irish Paying Agent	The Bank of New York Mellon (Ireland) Limited
Swiss Listing Agent	UBS Head Office
Principal Swiss Paying Agent	UBS Head Office
Registrars	The Bank of New York Mellon (Luxembourg) S.A. (in respect of Registered Notes held through Euroclear or Clearstream, Luxembourg) and U.S. Bank Trust National Association (in respect of Registered Notes held through DTC).
Programme Amount	The aggregate principal amount outstanding under the Programme at any time is unlimited.
Form of Notes	The Notes may be issued in bearer form ("**Bearer Notes**"), registered form ("**Registered Notes**") or, where issued by UBS Head Office, in uncertificated form. Unless otherwise specified in the relevant Final Terms, Bearer Notes may be exchanged for Registered Notes; however, Registered Notes may not be exchanged for Bearer Notes. Bearer Notes and Registered Notes may be issued in global form or definitive form. The term "**Notes**" refers to Bearer Notes, Registered Notes, Notes in definitive or global form and Uncertificated SIS Notes (as defined below). Notes that are, or are intended to be, deposited or registered with SIS SIX Ltd ("**SIS**") or any other clearing institution recognized by the SIX Swiss Exchange Ltd (the "**SIX Swiss Exchange**") (such Notes, "**SIS Notes**") will be (i) in the case of SIS Notes issued by a Branch, Bearer Notes ("**Bearer SIS Notes**"), or (ii) in the case of SIS Notes issued by UBS Head Office, issued in uncertificated form ("**Uncertificated SIS Notes**").

Bearer Notes	Unless otherwise specified in the Final Terms and except in the case of Bearer SIS Notes, each Tranche of Bearer Notes may initially be represented by any one or more of (i) one or more temporary global Notes or, (ii) one or more permanent global Notes which will be issued in new global note ("**New Global Note**") form. If the Final Terms specify that the New Global Note form is not applicable, then the Bearer Note will be a classic global note ("**Classic Global Note**"). In the case of Bearer Notes initially represented by a temporary or permanent global Note, if the Final Terms specify that the New Global Note form is not applicable, the global Note will be deposited with a depositary for one, or a common depositary for more than one, clearing system, including Euroclear, Clearstream, Luxembourg, Clearstream Frankfurt and SIS. Otherwise, if the Final Terms specify that the New Global Note form is applicable, each global Note will be deposited on or around the relevant issue date with a common safekeeper for Euroclear and/or Clearstream, Luxembourg. Temporary global Notes will be exchanged for either (i) a permanent global Note which will be held by a depositary for one, or a common depositary or common safekeeper for more than one, clearing system, or (ii) definitive Notes, in accordance with the provisions set out in the relevant temporary global Note. A permanent global Note may be exchanged for definitive Notes only in accordance with the provisions set out in the relevant permanent global Note. Bearer Notes are subject to US tax law requirements. See "*Selling Restrictions*" below. Notes that are initially deposited with a common depositary or a common safekeeper may also be credited to the accounts of subscribers with (if indicated in the relevant Final Terms) other clearing systems through direct or indirect accounts with Euroclear, Clearstream, Luxembourg or any accounts held with other clearing systems. Conversely, Notes that are initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream, Luxembourg or other clearing systems. Since 1 January 2007 the central banking system for the euro (the "**Eurosystem**") ceased to accept bearer debt securities in Classic Global Note form as eligible collateral for the Eurosystem's monetary policy and intraday credit operations by the Eurosystem. The New Global Note form has been introduced so that Bearer Notes may continue to be issued and held in a manner which will permit them to be recognised as eligible collateral for monetary policy of the Eurosystem and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. However in any particular case such recognition will depend upon satisfaction of the Eurosystem eligibility criteria at the relevant time. Each Tranche of Bearer SIS Notes will be represented exclusively by a permanent global Note which shall be deposited with SIS or such other intermediary in Switzerland recognized for such purposes by the SIX Swiss Exchange. The permanent global Note will only be exchangeable, in whole but not in part, for definitive Notes if the Principal Swiss Paying Agent determines, after consultation with the Issuer, that the printing of definitive Notes is necessary or useful, or the presentation of definitive Notes is required by applicable laws and regulations in connection with the enforcement of the rights of noteholders. Neither the Issuer nor any holder of Bearer SIS Notes will at any time have the right to effect or demand the conversion of the permanent global Note documenting such Bearer SIS Notes into, or the delivery of, Notes in definitive or uncertificated form.

Registered Notes	Registered Notes which are sold in reliance on Regulation S, will initially be represented by an unrestricted global note ("**Unrestricted Global Note**") which will either be: (a) in the case of a Note which is not to be held under the new safekeeping structure ("**New Safekeeping Structure**" or "**NSS**"), registered in the name of a common depositary (or its nominee) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and the relevant Unrestricted Global Note will be deposited on or about the issue date with the common depositary; or (b) in the case of a Note to be held under the New Safekeeping Structure, be registered in the name of a common safekeeper (or its nominee) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and the relevant Unrestricted Global Note will be deposited on or about the issue date with the common safekeeper for Euroclear and/or Clearstream, Luxembourg. Registered Notes sold in reliance upon Rule 144A will initially be represented by a single, permanent global restricted registered Note (each, a "**Restricted Global Note**" and, together with any Unrestricted Global Notes, the "**Global Registered Notes**"), without Coupons or Talons, which will be deposited with a custodian for, and registered in the name of Cede & Co. as nominee for DTC or, subject to compliance with applicable legal, regulatory and clearing system requirements, deposited with a depositary for, and registered in the name of a nominee of, Euroclear or Clearstream, Luxembourg.
Uncertificated SIS Notes	Uncertificated SIS Notes will be offered and sold in reliance on Regulation S only and will be entered into the main register (*Hauptregister*) of SIS or any other intermediary in Switzerland recognized for such purposes by the SIX Swiss Exchange. Neither the Issuer nor any holder of an Uncertificated SIS Note nor any third party will at any time have the right to effect or demand the conversion of such Uncertificated SIS Note into, or the delivery of, a Note in global or definitive form.
Series and Tranches	The Notes will be issued in series (each a "**Series**"). Each Series may comprise one or more tranches of Notes issued on different issue dates (each a "**Tranche**"). The Notes of each Tranche will have identical terms and conditions; however, except in the case of SIS Notes, a Tranche may comprise Notes in bearer form and Notes in registered form. Other than the issue date, the issue price and the date for the first payment of interest, the Notes of each Series will have identical terms, however, except in the case of SIS Notes, a Series may comprise Notes in bearer form and Notes in registered form.
Issue Price	Notes may be issued at par or at a discount or premium to par and either on a fully or partly paid basis.
Currencies	Notes may be denominated in any currency agreed between the Issuer and the relevant Dealer subject to compliance with all relevant legal or regulatory requirements.
Multi-Currency Notes	Subject to compliance with all relevant legal and regulatory requirements, Notes may be denominated in one currency and payments in relation to the Notes may be made in one or more different currencies.
Denominations	Notes which may be listed on the Irish Stock Exchange's Main Securities Market and/or admitted to trading on the regulated market of the London Stock Exchange and/or admitted to trading on the regulated market of the Luxembourg Stock Exchange and/or admitted to trading on a regulated market (for the purposes of Directive 2004/39/EC)

	situated or operating in a member state of the European Union may not (a) have a minimum denomination of less than €1,000 (or nearly equivalent in another currency), or (b) carry the right to acquire shares (or transferable securities equivalent to shares) issued by the Issuer or by any entity to whose group the Issuer belongs. Subject thereto, Notes will be issued in such denominations as may be specified in the relevant Final Terms, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. Notes in registered form sold pursuant to Rule 144A shall be issued in denominations of US$100,000 (or its equivalent in any other currency rounded upwards as specified in the relevant Final Terms) and higher integral multiples of US$1,000 (or its equivalent as aforesaid).
Maturity of Notes	The Notes may be issued with any maturity subject to compliance with all relevant legal or regulatory requirements. The minimum maturity for Subordinated Notes (as defined below) is 5 years.
Redemption	Notes may be redeemed at par or at such other redemption amount above or below par as may be determined by the Issuer.
Early Redemption	Early redemption will be permitted for taxation reasons and, subject to all relevant legal and regulatory requirements, will otherwise be permitted at the option of the Issuer or a Noteholder to the extent specified in the relevant Final Terms.
Index-linked and credit-linked Notes	Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of index-linked Notes or credit-linked Notes will be calculated by reference to such stock, commodity, obligation, index, currency exchange rate or formula as determined by the Issuer (all specified in the relevant Final Terms).
Equity Linked Notes	In respect of Equity Linked Notes payments of principal in respect thereof will be calculated by reference to the value of an Underlying Share and/or a formula (all as indicated in the applicable Final Terms). Equity Linked Notes will be settled on a cash basis only.
Redenomination	If so specified in the relevant Final Terms, the Issuer may, on giving at least 30 days' prior notice to the Noteholders, elect that the Notes be redenominated in euro with effect from the Redenomination Date.
Exchangeability	If so specified in the relevant Final Terms, the Issuer may, on giving at least 30 days' prior notice to the Noteholders, elect that the Notes shall be exchangeable for Notes expressed to be denominated in euro, with effect from the Redenomination Date.
Interest	Notes may or may not bear interest. Interest (if any) may be at a fixed or floating rate and may vary during the lifetime of the relevant Series.
Fixed Interest Rate Notes	Fixed interest will be payable in arrear on the date or dates in each year specified in the relevant Final Terms and at maturity.
Floating Rate Notes	Floating rate Notes will bear interest by reference to LIBOR, LIBID, LIMEAN or EURIBOR (or such other benchmark as may be specified in the relevant Final Terms) as adjusted for any applicable margin. Interest Periods will be selected by the Issuer prior to issue and specified in the relevant Final Terms. Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both.
Other Notes	Subject to compliance with all relevant legal and regulatory requirements, Notes may be issued with such terms and conditions as may be determined by the Issuer. The terms and conditions of these Notes will be set out in the relevant Final Terms.

Status	The Notes and Coupons are unsecured obligations of the Issuer and rank *pari passu* without any preference among themselves. The Notes may be senior notes ("**Senior Notes**") or subordinated notes ("**Subordinated Notes**") as specified in the relevant Final Terms.
Senior Notes	Except as may be provided by any legislation, the payment obligations of the Issuer under Senior Notes and their Coupons will at all times rank at least equally with all other present and future unsecured and unsubordinated obligations of the Issuer.
Subordinated Notes	The payment obligations of the Issuer under Subordinated Notes and their Coupons will at all times rank equally with all other subordinated obligations of the Issuer other than subordinated obligations which are expressed to rank junior to the Notes.
Taxation	Payments in respect of Notes will be made free and clear of future taxes, duties or other withholdings imposed by or in (i) in the case of Notes issued through a Branch, the location of the relevant Branch, (ii) Switzerland and (iii) any other jurisdiction in which the Issuer is or becomes subject to tax unless such withholding or deduction is required by law. If such taxes are required to be withheld, the Issuer will pay additional amounts in respect of the Notes subject to the customary exceptions.
ERISA	In certain circumstances, employee benefit plans subject to Title I of the U.S. Employee Retirement Income Security Act of 1974, as amended ("**ERISA**") and any "plan" as defined in and subject to the provisions of Section 4975 of the Code (including any entity deemed to constitute the assets of any such employee benefit plan or plan), may not be permitted to purchase or hold Notes (or any interest therein). See "*United States Employee Benefit Plan Considerations*".
Listing	Each Series may be admitted to trading on the Irish Stock Exchange's Main Securities Market and/or, after the Central Bank has provided the FSA and the CSSF with a certificate of approval attesting that the Base Prospectus has been drawn up in accordance with the Prospectus Directive, admitted to the Official List of the FSA and to trading on the regulated market of the London Stock Exchange and/or the regulated market of the Luxembourg Stock Exchange and/or the Euro MTF Market of the Luxembourg Stock Exchange and/or trading and listing on the SIX Swiss Exchange or may be unlisted. Notes may also be admitted to listing, trading and/or quotation by any other listing authority, stock exchange and/or quotation system.
Governing Law	The issuing and paying agency agreement and the deed of covenant entered into in relation to the Programme and all non-contractual obligations arising out of or in connection with them are governed by English law. The Notes (other than SIS Notes) and all non-contractual obligations arising out of or in connection with the Notes (other than SIS Notes) are governed by English law. SIS Notes are governed by Swiss law.
Selling and Transfer Restrictions	The Notes are subject to restrictions on their offer, sale, delivery and transfer both generally and specifically in the United States of America, the United Kingdom, the Republic of Ireland, Australia, Singapore, Japan and the European Economic Area. These restrictions are described under "*Selling Restrictions*" and "*Transfer Restrictions*". Further restrictions may be required in connection with particular Series or Tranches of Notes, and, if so, will be specified in the documentation relating to the relevant Series or Tranche.

Enforcement of Bearer Notes in Global Form	In the case of Bearer Notes (other than Bearer SIS Notes) in global form, held in a clearing system, investors will have certain direct rights of enforcement against the Issuer in the event of such global note becoming void ("**Direct Rights**"). The Direct Rights are contained in a Deed of Covenant executed by the Issuer, copies of which are available for inspection during normal business hours at the office of the Agent.
Clearing Systems	Euroclear, Clearstream, Luxembourg, DTC, Clearstream Frankfurt, SIS and any other clearing system as may be specified in the relevant Final Terms.
Distribution	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
Rule 144A	Offers and sales in accordance with Rule 144A under the Securities Act will be permitted, if specified in the relevant Final Terms, subject to compliance with all relevant, legal and regulatory requirements of the United States of America.
Final Terms or Drawdown Prospectus	Notes issued under the Programme may be issued (i) pursuant to this Base Prospectus and associated Final Terms or (ii) pursuant to a Drawdown Prospectus prepared in connection with a particular Tranche of Notes. Each Drawdown Prospectus may incorporate by reference all or any part of this Base Prospectus. Accordingly, references to terms and conditions and other items being as set out in this Base Prospectus and associated Final Terms should, as the context requires, be construed as being as set out in the relevant Drawdown Prospectus.
Ratings	Notes issued under the Programme may be rated or unrated. Unless otherwise specified in the applicable Final Terms or Drawdown Prospectus, rated Notes to be issued under the Programme will be rated as follows: Standard & Poor's Credit Market Services Europe Limited: Long-term Senior Notes A+ Fitch Ratings Limited: Long-term Senior Notes (excluding Notes issued by UBS AG, Australia Branch): A+ Fitch Australia Pty Ltd.: Long-term Senior Notes issued by UBS AG, Australia Branch: A+ Moody's Investors Service Limited: Long-term Senior Notes: Aa3 In general, European regulated investors are restricted under the CRA Regulation from using a credit rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the CRA Regulation unless (1) the rating is provided by a credit rating agency operating in the European Union before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration has not been refused, or (2) the rating is provided by a credit rating agency not established in the European Union but is endorsed by a credit rating agency established in the European Union and registered under the CRA Regulation or (3) the rating is provided by a credit rating agency not established in the EEA which is certified under the CRA Regulation.

In Australia, credit ratings are for distribution only to a person (a) who is not a "retail client" within the meaning of section 761G of the Corporations Act and is also a sophisticated investor, professional investor or other investor in respect of whom disclosure is not required under Part 6D.2 or 7.9 of the Corporations Act, and (b) who is otherwise permitted to receive credit ratings in accordance with applicable law in any jurisdiction in which the person may be located. Anyone who is not such a person is not entitled to receive this Base Prospectus and anyone who receives this Base Prospectus must not distribute it to any person who is not entitled to receive it.

Each of Fitch Ratings Limited, Moody's Investors Service Limited and Standard & Poor's Credit Market Services Europe Limited is established in the European Union and has applied for registration under the CRA Regulation, although notification of the registration decision has not yet been provided by the relevant competent authority.

Fitch Australia Pty Ltd. is not established in the European Union and is not certified under the CRA Regulation and the rating it has given to the Long-term Senior Notes to be issued under the Programme is not endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation.

Where an issue of Notes is rated, its rating will not necessarily be the same as the rating described above or the rating(s) assigned to Notes already issued. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.

RISK FACTORS

Prospective investors should read the entire Base Prospectus. Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in this Base Prospectus have the same meanings in this section. Investing in the Notes involves certain risks. Prospective investors should consider, among other things, the following:

RISKS RELATING TO THE NOTES

General

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

(i) have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the currency in which such investor's financial activities are principally denominated;

(iv) understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of any relevant indices and financial markets; and

(v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with the assistance of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

There is no active trading market for the Notes

Notes issued under the Programme will be new securities which may not be widely distributed and for which there is currently no active trading market (unless in the case of any particular Tranche, such Tranche is to be consolidated with and form a single series with a Tranche of Notes which is already issued). If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer. Although applications have been made for the Notes issued under the Programme to be admitted to the Official List of the FSA and to trading on the regulated market of the London Stock Exchange, the Luxembourg Stock Exchange's regulated market, the Euro MTF Market of the Luxembourg Stock Exchange and the Irish Stock Exchange's Main Securities Market, there is no assurance that such applications will be accepted, that any particular Tranche of Notes will be so admitted or that an active trading market will develop. Accordingly, there is no assurance as to the development or liquidity of any trading market for any particular Tranche of Notes.

In addition, holders of Notes should be aware that, in view of the prevailing and widely reported global credit market conditions (which continue at the date hereof), the secondary market for Notes and instruments of this kind may be illiquid. The Issuer cannot predict when these circumstances will change.

Rating

A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.

In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the CRA Regulation unless (1) the rating is provided by a credit rating agency operating in the European Union before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration has not been refused, or (2) the rating is provided by a credit rating agency not established in the European Union but is endorsed by a credit rating agency established in the European Union and registered under the CRA Regulation or (3) the rating is provided by a credit rating agency not established in the EEA which is certified under the CRA Regulation. Certain information with respect to the credit rating agencies and ratings will be disclosed in the Final Terms.

In Australia, credit ratings are for distribution only to a person (a) who is not a "retail client" within the meaning of section 761G of the Corporations Act and is also a sophisticated investor, professional investor or other investor in respect of whom disclosure is not required under Part 6D.2 or 7.9 of the Corporations Act, and (b) who is otherwise permitted to receive credit ratings in accordance with applicable law in any jurisdiction in which the person may be located. Anyone who is not such a person is not entitled to receive this Base Prospectus and anyone who receives this Base Prospectus must not distribute it to any person who is not entitled to receive it.

Interest rate risks

Investment in fixed rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of fixed rate Notes.

Index Linked Notes and Dual Currency Notes

If, in the case of any particular Tranche of Notes, the relevant Final Terms specify that the interest or redemption amount of the Notes is linked to an index, formula or other variable (each a "**Relevant Factor**") or may be paid in one or more currencies which may be different from the currency in which the Notes are denominated, potential investors should be aware that:

(i) the market price of such Notes may be volatile;

(ii) they may receive no interest;

(iii) payment of principal or interest may occur at a different time or in a different currency than expected;

(iv) the amount of principal payable at redemption may be less than the nominal amount of such Notes or even zero;

(v) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;

(vi) if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable is likely to be magnified; and

(vii) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

Notes issued at a substantial discount or premium

The market values of securities issued at a substantial discount or premium to their nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

Loss of Investment

If, in the case of any particular Tranche of Notes, the relevant Final Terms specify that the Notes are Index Linked, there is a risk that any investor may lose the value of their entire investment or part of it.

The Notes may be redeemed prior to maturity

Unless in the case of any particular Tranche of Notes the relevant Final Terms specifies otherwise, in the event that the Issuer would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed by or on behalf of the jurisdiction of establishment of the relevant Branch through which the Issuer is acting (if applicable), Switzerland, or any other jurisdiction in which the Issuer is or becomes subject to tax, or any political subdivision thereof or any authority therein or thereof having power to tax as a result of any change in laws or regulations of the relevant jurisdiction, the Issuer may redeem all outstanding Notes in accordance with the Conditions.

In addition, if in the case of any particular Tranche of Notes the relevant Final Terms specifies that the Notes are redeemable at the Issuer's option in certain other circumstances the Issuer may choose to redeem the Notes at times when prevailing interest rates may be relatively low. In such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the relevant Notes.

Because the Global Notes are held by or on behalf of Euroclear, Clearstream, Luxembourg, Clearstream Frankfurt, SIS and/or DTC and the Uncertificated SIS Notes are registered with SIS, investors will have to rely on their procedures for transfer, payment and communication with the Issuer

Notes issued under the Programme may be represented by one or more Global Notes or issued in uncertificated form. In the case of Global Notes, if the Final Terms specify that the New Global Note form is not applicable or the Global Registered Notes are not to be held under the New Safekeeping Structure, such Global Notes will be deposited with a common depositary for Euroclear, Clearstream, Luxembourg, Clearstream Frankfurt or with or on behalf of DTC or, in the case of Bearer SIS Notes, with SIS. If the Final Terms specify that the New Global Note form is applicable or the relevant Global Registered Note is held under the New Safekeeping Structure, then the Global Notes will be deposited with a common safekeeper for Euroclear and/or Clearstream, Luxembourg. If the Final Terms specify that the Notes are Uncertificated SIS Notes, such Notes will be registered in the main register (*Hauptregister*) of SIS. Except in the circumstances described in the relevant Conditions, investors will not be entitled to receive definitive Notes. Euroclear, Clearstream, Luxembourg, Clearstream Frankfurt, SIS and/or DTC will maintain records of the beneficial interests in the Global Notes and Notes issued in uncertificated form. While the Notes are represented by one or more Global Notes or in uncertificated form, investors will be able to trade their beneficial interests only through Euroclear, Clearstream, Luxembourg, Clearstream Frankfurt, SIS and/or DTC.

While the Notes are represented by one or more Global Notes or in uncertificated form, the Issuer will discharge its payment obligations under the Notes by making payments (through, in the case of SIS Notes, the Principal Swiss Paying Agent) to the common depositary, common safekeeper or the relevant clearing system, as applicable, for Euroclear, Clearstream, Luxembourg, Clearstream Frankfurt and SIS or to DTC or a nominee thereof for distribution to their account holders. A holder of a beneficial interest in a Global Note or Notes in uncertificated form must rely on the procedures of Euroclear, Clearstream, Luxembourg, Clearstream Frankfurt, SIS and/or DTC to receive payments under the relevant Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes or Notes in uncertificated form.

Holders of beneficial interests in the Global Notes will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear, Clearstream, Luxembourg, Clearstream Frankfurt and/or DTC to appoint appropriate proxies. Similarly, holders of beneficial interests in the Global Notes (except SIS Notes) will not have a direct right under the Global Notes to take enforcement action against the Issuer in the event of a default under the relevant Notes but will have to rely upon their rights under the Deed of Covenant (in the case of Bearer Notes in global form only), or mandatory rules in accordance with international private law.

Subordinated Notes are subordinated to most of the Issuer's liabilities

If in the case of any particular Tranche of Notes the relevant Final Terms specifies that the Notes are subordinated obligations of the Issuer and the Issuer is declared insolvent and a winding up is initiated, it will be required to pay the holders of senior debt and meet its obligations to all its other creditors (including unsecured creditors but excluding any obligations in respect of subordinated debt) in full before it can make any payments on the relevant Notes. If this occurs, the Issuer may not have enough assets remaining after these payments to pay amounts due under the relevant Notes.

Payments to, on, and with respect to Notes issued after 18 March 2012 may be subject to US withholding tax when paid to certain investors

Starting in 2015, US withholding tax may be imposed on a portion of any interest, principal or disposition proceeds received with respect to Notes issued after 18 March 2012. Significant details about the relevant rules are not yet know. Investors will not be entitled to receive additional amounts or otherwise be compensated by the Issuer with respect to this tax. Prospective investors in Notes issued after 18 March 2012 should consult their own advisors about this new regime, which is commonly referred to as FATCA.

EU SAVINGS TAX DIRECTIVE

Under EC Council Directive 2003/48/EC on the taxation of savings income (the "**EU Savings Tax Directive**"), each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State; however, for a transitional period, Austria, Belgium and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35 per cent. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments. Belgium has replaced this withholding tax with a regime of exchange of information to the Member States of residence as from 1 January 2010.

A number of non-EU countries including Switzerland, and certain dependent or associated territories of certain Member States including Jersey, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

The European Commission has proposed certain amendments to the EU Savings Tax Directive which may, if implemented, amend or broaden the scope of the requirements described above. Investors who are in any doubt as to their position should consult their professional advisers.

TERMS AND CONDITIONS OF THE NOTES

UBS AG (the "**Issuer**") has established a programme (the "**Programme**") under which it will issue notes and other debt securities (the "**Notes**"), in each case acting through its head offices in Basel and Zurich ("**UBS Head Office**") or its London branch ("**UBS AG London Branch**"), Jersey branch ("**UBS AG Jersey Branch**"), Australia branch ("**UBS AG, Australia Branch**") or one of its other branches outside of Switzerland as it may from time to time determine (UBS AG London Branch, UBS AG Jersey Branch, UBS AG, Australia Branch or the Issuer acting through such other branch outside of Switzerland, a "**Branch**"). The Notes will be issued in series (each a "**Series**"). Each Series may comprise one or more tranches of Notes issued on different issue dates (each a "**Tranche**"). The Notes of each Tranche will have identical terms and conditions; however, except in the case of SIS Notes (as defined below), a Tranche may comprise Notes in bearer form and Notes in registered form. The Notes of each Series will have identical terms; however, the issue date for each Tranche will, and the issue price and the date for the first payment of interest of each Tranche may, be different from the issue date, the issue price and the date for the first payment of interest in other Tranches of the same Series.

In connection with the Programme, the Issuer has entered into an amended and restated issuing and paying agency agreement dated 25 August 2010 (as further amended and restated from time to time, the "**Agency Agreement**") with The Bank of New York Mellon, acting through its London Branch as issuing and paying agent (the "**Agent**" which expression includes any successor to The Bank of New York Mellon), U.S. Bank Trust National Association and The Bank of New York Mellon (Luxembourg) S.A. as registrars (the "**Registrars**" which expression includes any successor Registrar appointed in accordance with the terms of the Agency Agreement), The Bank of New York Mellon (Ireland) Limited as Irish paying agent (the "**Irish Paying Agent**" which expression includes any successor of The Bank of New York Mellon (Ireland) Limited as Irish Paying Agent), certain other paying agents (the "**Paying Agents**" which expression shall include the Agent and any other paying agent appointed in accordance with the terms of the Agency Agreement) and transfer agents (the "**Transfer Agents**" which expression shall include The Bank of New York Mellon and any other transfer agent appointed in accordance with the terms of the Agency Agreement) named in the Agency Agreement.

References to the parties herein and in the General Terms and Conditions (as defined below) include references to their successors, including without limitation, an entity which assumes the rights and obligations of the relevant party by operation of the law of the jurisdiction of incorporation or domicile of such party.

The Agency Agreement contains a set of general terms and conditions (the "*General Terms and Conditions*"). The General Terms and Conditions do not reflect the terms and conditions of any specific issue of Notes. The General Terms and Conditions may be amended from time to time.

For the purposes of Notes that are, or are intended to be, deposited or registered with SIS (as defined below) or any other clearing institution recognized by the SIX Swiss Exchange Ltd (the "**SIX Swiss Exchange**") (such Notes, "**SIS Notes**"), the Issuer will, together with the Agent, the other parties to the Agency Agreement, UBS Head Office as principal Swiss paying agent (the "**Principal Swiss Paying Agent**") and the other agents acting as Swiss paying agents, if any (together with the Principal Swiss Paying Agent, the "**Swiss Paying Agents**"), enter into a supplemental issuing and paying agency agreement substantially in the form attached to the Agency Agreement (the "**Supplemental Agency Agreement**"). In addition, for the purposes of the relevant SIS Notes, all references in the Terms and Conditions of the Notes to (i) the Agency Agreement shall be construed as references to the Agency Agreement as supplemented by the relevant Supplemental Agency Agreement, (ii) the Agent and the Paying Agents shall, so far as the context permits, be construed as references only to the Principal Swiss Paying Agent and the relevant Swiss Paying Agents, respectively, in each case as set out in paragraph 9 of Part B of the Final Terms, and (iii) "Euroclear", "Clearstream, Luxembourg" and "DTC" shall be construed as including references to SIX SIS Ltd, Olten, Switzerland ("**SIS**") or such other clearing system approved by the SIX Swiss Exchange, which shall be considered an additional or alternative clearance system for the purposes of the final paragraph of Condition 2(b)(vi) of the General Terms and Conditions of the Notes.

In connection with each issue of Notes, the Issuer will prepare final terms which will contain the information which specifically relates to that issue of Notes (the "**Final Terms**"). In relation to any issue of Notes, the Final Terms may contain provisions which supplement, modify or replace all or any part of the General Terms and Conditions for the purpose of that issue alone. The applicable provisions of the relevant Final Terms will be endorsed upon, or attached to, each temporary global Note, permanent global Note, definitive Bearer Note and Registered Note. A copy of the Final Terms for each issue of Notes will be available for inspection at the specified office of the Agent and, in the case of Notes in registered form, the relevant Registrar. In addition, where Notes are admitted to the Official List of the FSA and to trading on the regulated market of the London Stock Exchange, a copy of the Final Terms will be lodged with the FSA. In respect of Notes listed on the Luxembourg Stock

Exchange, a copy of the Final Terms will be lodged with the Luxembourg Stock Exchange and will be available free of charge at the specified office of the Paying Agent and the Transfer Agent in Luxembourg. In respect of Notes listed on the Irish Stock Exchange, a copy of the Final Terms will be delivered to the Irish Stock Exchange. In respect of Notes listed on the SIX Swiss Exchange, a copy of the Final Terms will be delivered to the SIX Swiss Exchange.

To determine the terms and conditions which apply to a particular issue of Notes, it is necessary (i) to refer to the General Terms and Conditions in force on the date the Notes were issued and (ii) to consider the extent to which the General Terms and Conditions have been supplemented, modified or replaced by the information contained in the relevant Final Terms.

In relation to the terms and conditions of any issue of Notes, to the extent that there is any inconsistency between the General Terms and Conditions and the terms and conditions which appear in the relevant Final Terms the terms and conditions which appear in the Final Terms shall prevail.

In relation to an issue of Notes where the Notes are printed in definitive form, for the purpose of printing the terms and conditions on the definitive Notes, a set of terms and conditions which apply specifically to the relevant issue may be prepared ("**Specific Terms and Conditions**"). If Specific Terms and Conditions are prepared, then, to the extent that there is any inconsistency between the Specific Terms and Conditions and either the General Terms and Conditions or the relevant Final Terms, the Specific Terms and Conditions shall prevail.

Each issue of Notes may be (i) represented by Notes in bearer form ("**Bearer Notes**") or (ii) represented by Notes in registered form ("**Registered Notes**") or (iii) represented by Bearer Notes or Registered Notes or (iv) in the case of SIS Notes issued by UBS Head Office, issued in uncertificated form ("**Uncertificated SIS Notes**"), as indicated in the relevant Final Terms. If the Final Terms for an issue of Notes specifies that the Notes may be represented by Bearer Notes or Registered Notes, then unless otherwise specified in the relevant Final Terms, Bearer Notes may be exchanged for Registered Notes of the same Series; however, it will not be possible to exchange Registered Notes for Bearer Notes.

Bearer Notes

Unless otherwise specified in the Final Terms, in relation to each issue of Notes for which Bearer Notes are available, the Bearer Notes may initially be represented by any one or more of (i) one or more temporary global Notes (each, a "**Temporary Global Note**"), (ii) one or more permanent global Notes (each, a "**Permanent Global Note**") or (iii) definitive Notes. In the case of Bearer Notes initially represented by a Temporary or Permanent Global Note, if the Final Terms specify that the New Global Note form is not applicable, the Global Note will be deposited with a depositary for one, or a common depositary for more than one, clearing system, including Euroclear Bank S.A./N.V. ("**Euroclear**"), Clearstream Banking, société anonyme, ("**Clearstream, Luxembourg**"), Clearstream Banking AG ("**Clearstream Frankfurt**") and SIS. Otherwise, if the Final Terms specify that the New Global Note form is applicable, the Global Note will be deposited with a common safekeeper for Euroclear and/or Clearstream, Luxembourg. Temporary Global Notes will be exchanged for either (i) a Permanent Global Note which, if the Final Terms specify that the New Global Note form is not applicable, will be held by a depositary for one, or a common depositary for more than one, clearing system, or if the Final Terms specify that the New Global Note form is applicable, will be held by a common safekeeper or clearing system, as the case may be, or (ii) definitive Notes in accordance with the provisions set out in the relevant Temporary Global Note. A Permanent Global Note may be exchanged for definitive Notes only in accordance with the provisions set out in the relevant Permanent Global Note. As a result of the issue of global Notes, rights conferred by Euroclear, Clearstream, Luxembourg or Clearstream Frankfurt in relation to the Notes will be created in favour of Noteholders.

In the case of each Tranche of Bearer Notes that are SIS Notes ("**Bearer SIS Notes**"), such Bearer SIS Notes will be (i) issued by a Branch, and (ii) represented exclusively by a Permanent Global Note, which will be deposited with SIS or, as the case may be, with any other intermediary in Switzerland recognised for such purposes by SIX Swiss Exchange (SIS or any such other intermediary, the "**Intermediary**"). Once the Permanent Global Note is deposited with the Intermediary and entered into the accounts of one or more participants of the Intermediary, the Bearer SIS Notes represented thereby will constitute intermediated securities (*Bucheffekten*) within the meaning of the Swiss Federal Intermediated Securities Act (*Bucheffektengesetz*) ("**Intermediated Securities**").

Each holder of Bearer SIS Notes shall have a quotal co-ownership interest (*Miteigentumsanteil*) in the Permanent Global Note documenting such Bearer SIS Notes to the extent of his or her claim against the Issuer, **provided that** for so long as the Permanent Global Note remains deposited with the Intermediary the co-ownership interest shall be suspended and such Bearer SIS Notes may only be transferred by the entry of the transferred Bearer SIS Notes

in a securities account of the transferee.

The records of the Intermediary will determine the number of Bearer SIS Notes held through each participant in that Intermediary. In respect of the Bearer SIS Notes held in the form of Intermediated Securities, the holders of such Bearer SIS Notes will be the persons holding such Bearer SIS Notes in a securities account (*Effektenkonto*) or, in the case of intermediaries (*Verwahrungsstellen*), the intermediaries (*Verwahrungsstellen*) holding such Bearer SIS Notes in a securities account (*Effektenkonto*) (and the expressions "Noteholder", "Holder" and "holder of Notes" and related expressions shall be construed accordingly).

Neither the Issuer nor any holder of Bearer SIS Notes will at any time have the right to effect or demand the conversion of the Permanent Global Note documenting such Bearer SIS Notes into, or the delivery of, Notes in uncertificated or definitive form.

No physical delivery of the Bearer SIS Notes shall be made unless and until Bearer SIS Notes in definitive form ("**Definitive Bearer SIS Notes**") are printed. Definitive Bearer SIS Notes may only be printed, in whole, but not in part, if the Principal Swiss Paying Agent determines, after consultation with the Issuer, that the printing of the definitive Notes is necessary or useful or the presentation of definitive Notes is required by Swiss or other applicable laws and regulations in connection with the enforcement of the rights of Noteholders. Should the Principal Swiss Paying Agent so determine, it shall provide for the printing of Definitive Bearer SIS Notes without cost to the holders of the relevant Bearer SIS Notes. If Definitive Bearer SIS Notes are printed, the Principal Swiss Paying Agent will (i) cancel the Permanent Global Note documenting the relevant Bearer SIS Notes and (ii) deliver the Definitive Bearer SIS Notes documenting such Bearer SIS Notes to the relevant Noteholders against cancellation of such Notes in the Noteholders' securities accounts.

Payments of principal, interest (if any) or any other amounts on a Permanent Global Note documenting Bearer SIS Notes will be made through SIS (or any other relevant Intermediary) without any requirement for certification.

Registered Notes

Registered Notes which are sold outside the United States (as defined in Regulation S ("**Regulation S**") under the United States Securities Act of 1933, as amended (the "**Securities Act**")) to non-US persons only in reliance on Regulation S, will initially be represented by interests in a single, permanent global unrestricted registered Note (each an "**Unrestricted Global Note**"), without Coupons or Talons, which will be deposited with a depositary for, and registered in the name of a nominee of, Euroclear, Clearstream, Luxembourg and Clearstream Frankfurt. Interests in each such Unrestricted Global Note may be held only through Euroclear, Clearstream, Luxembourg or Clearstream Frankfurt.

Registered Notes sold in the United States to "qualified institutional buyers" (as defined in Rule 144A under the Securities Act ("**Rule 144A**")) only in reliance upon Rule 144A will initially be represented by a single, permanent global restricted registered Note (each, a "**Restricted Global Note**" and, together with any Unrestricted Global Notes, the "**Global Registered Notes**"), without Coupons or Talons, which will be deposited with a custodian for, and registered in the name of Cede & Co. as nominee for The Depository Trust Company ("**DTC**") or, subject to compliance with applicable legal, regulatory and clearing system requirements, deposited with a depositary for, and registered in the name of, a nominee of Euroclear or Clearstream, Luxembourg. Holders of interests in a global Note representing Registered Notes may apply for definitive Registered Notes only in the limited circumstances set out in the relevant global Note.

In a press release dated 22 October 2008, "Evolution of the custody arrangement for international debt securities and their eligibility in Eurosystem credit operations", the ECB announced that it has assessed the new holding structure and custody arrangements for registered notes which the ICSDs had designed in cooperation with market participants and that Notes to be held under the new structure (the "**New Safekeeping Structure**" or "**NSS**") would be in compliance with the "Standards for the use of EU securities settlement systems in ESCB credit operations" of the central banking system for the euro (the "**Eurosystem**"), subject to the conclusion of the necessary legal and contractual arrangements. The press release also stated that the new arrangements for Notes to be held in NSS form will be offered by Euroclear and Clearstream, Luxembourg as of 30 June 2010 and that registered debt securities in global registered form held issued through Euroclear and Clearstream, Luxembourg after 30 September 2010 will only be eligible as collateral in Eurosystem operations if the New Safekeeping Structure is used.

Each Note represented by an Unrestricted Global Note will either be: (a) in the case of a Note which is not to be held under the new safekeeping structure, registered in the name of a common depositary (or its nominee) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and the relevant

Unrestricted Global Note will be deposited on or about the issue date with the common depositary; or (b) in the case of a Note to be held under the New Safekeeping Structure, be registered in the name of a common safekeeper (or its nominee) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and the relevant Unrestricted Global Note will be deposited on or about the issue date with the common safekeeper for Euroclear and/or Clearstream, Luxembourg.

Uncertificated SIS Notes

Uncertificated SIS Notes will be sold outside the United States only to non-US persons in reliance on Regulation S and will be issued as uncertificated securities (*Wertrechte*), which will be created by the Issuer by means of a registration in its register of uncertificated securities (*Wertrechtebuch*) maintained at the Issuer's registered office. The Uncertificated SIS Notes will be entered into the main register (*Hauptregister*) of the Intermediary. Once the Uncertificated SIS Notes are entered into the main register (*Hauptregister*) of the Intermediary, the Uncertificated SIS Notes will constitute Intermediated Securities.

So long as Uncertificated SIS Notes remain registered with the Intermediary, they may only be transferred by the entry of the transferred Uncertificated SIS Notes in a securities account of the transferee.

The records of the Intermediary will determine the number of Uncertificated SIS Notes held through each participant in such Intermediary. In respect of Uncertificated SIS Notes held in the form of Intermediated Securities, the holders of such Uncertificated Notes will be the persons holding such Uncertificated SIS Notes in a securities account (*Effektenkonto*), or, in the case of intermediaries (*Verwahrungsstellen*), the intermediaries (*Verwahrungsstellen*) holding such Uncertificated SIS Notes in a securities account (*Effektenkonto*) (and the expressions "Noteholder", "Holder" and "holder of Notes" and related expressions shall be construed accordingly).

Neither the Issuer nor any holder of an Uncertificated SIS Note nor any third party will at any time have the right to effect or demand the conversion of such Uncertificated SIS Note into, or the delivery of, a Note in definitive or global form.

GENERAL TERMS AND CONDITIONS

The terms and conditions which are set out below are the General Terms and Conditions which appear in the Agency Agreement. The General Terms and Conditions may be amended, supplemented, modified or replaced from time to time.

1. DEFINITIONS

"**Agency Agreement**" means the amended and restated issuing and paying agency agreement for the Programme dated 25 August 2010 (as further amended and restated from time to time) between, *inter alios*, the Issuer, the Agent, the Registrars and the Paying Agents; **provided, however**, that with respect to SIS Notes, all references to the Agency Agreement herein shall be to the Agency Agreement as supplemented by the relevant Supplemental Agency Agreement.

"**Agent**" means The Bank of New York Mellon, acting through its London Branch as issuing and paying agent for the Programme and includes any successor to The Bank of New York Mellon in its capacity as Agent; **provided, however**, that with respect to any Series of SIS Notes, all references to the Agent herein shall be to the Principal Swiss Paying Agent.

"**Bearer Notes**" means Notes in bearer form.

"**Bearer SIS Notes**" means SIS Notes that are Bearer Notes.

"**Business Day**" means a day on which (i) commercial banks are open for business in the financial centres referred to in the Business Days section of the Final Terms, and (ii) foreign exchange markets settle payments generally in the currencies referred to in the Business Days section of the Final Terms. In relation to Notes denominated in euro, a "**Business Day**" is a day on which the TARGET2 System is operating, **provided that**, if the Issuer determines, with the agreement of the Agent, that the market practice in respect of internationally offered euro-denominated securities is different from that specified herein, the definition of "Business Day" shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Noteholders, the stock exchange (if any) on which the Notes may be listed and the Paying Agents of such deemed amendment.

"**Calculation Agent**" means the calculation agent specified in the relevant Final Terms.

"**Calculation Amount**" has the meaning given in the relevant Final Terms.

"**Condition**" means one of the Terms and Conditions of the Notes.

"**Couponholder**" means the bearer of a Coupon.

"**Coupon**" means a coupon entitling the holder to receive a payment of interest in relation to an interest bearing Bearer Note in definitive form. Interest bearing Bearer Notes in definitive form will be issued with Coupons attached. Any reference herein to a Coupon shall, unless the context otherwise requires, be deemed to include a reference to a Talon.

"**Day Count Fraction**" means, in respect of the calculation of an amount for any period of time (the "**Calculation Period**"):

(i) if "**Actual/Actual (ICMA)**" is specified in the applicable Final Terms:

(a) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and

(b) where the Calculation Period is longer than one Regular Period, the sum of:

(A) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and

(B) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year;

(ii) if "**Actual/365**", "**Actual/Actual**" or "**Actual/Actual (ISDA)**" is specified in the applicable Final Terms, the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

(iii) if "**Actual/360**" is specified in the applicable Final Terms, the actual number of days in the Calculation Period divided by 360; and

(iv) if "**30/360**" is specified in the applicable Final Terms and unless otherwise specified in the applicable Final Terms, the number of days in the Calculation Period from and including the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to but excluding the relevant payment date (such number of days being calculated on the basis of 12 30-day months) divided by 360.

"**Final Terms**" means the final terms prepared in connection with an issue of the Notes. A copy of the Final Terms is available for inspection at the specified office of the Agent and, in the case of Registered Notes, the relevant Registrar and is available free of charge at the specified office of the Paying Agent and the Transfer Agent in Luxembourg.

"**Instalment Note**" means a Note, the principal amount of which is payable by instalments.

"**Interest Determination Date**" has the meaning given in the relevant Final Terms.

"**Irish Stock Exchange**" means the Irish Stock Exchange.

"**Issuer**" means UBS AG (acting through its head offices in Basel and Zurich ("**UBS Head Office**") or its London branch ("**UBS AG London Branch**"), Jersey branch ("**UBS AG Jersey Branch**"), Australian branch ("**UBS AG, Australia Branch**") or any of its other branches outside of Switzerland as it may from time to time determine (UBS AG London Branch, UBS AG Jersey Branch, UBS AG, Australia Branch or the Issuer acting through such other branch outside of Switzerland, a "**Branch**") as specified in the relevant Final Terms).

"**London Banking Day**" means a day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in London.

"**Noteholder**" or "**Holders**" means (i) in relation to a Bearer Note, the bearer of the Bearer Note, and (ii) in relation to a Registered Note, the person in whose name the Registered Note is registered.

"**Notes**" means the notes or debt securities of the Tranche or Series specified in the Final Terms. Any reference to Notes includes a reference to (i) Bearer Notes, (ii) Registered Notes, (iii) notes in global form and notes in definitive form and (iv) Uncertificated SIS Notes.

"**Paying Agent**" means the paying agents named in the Agency Agreement and includes the Agent and any other paying agent appointed in accordance with the terms of the Agency Agreement.

"**Principal Swiss Paying Agent**" means UBS Head Office, as principal Swiss paying agent for SIS Notes and includes any successor to UBS Head Office in such capacity.

"**Programme**" means the programme for issuing notes and other debt instruments established by the Issuer, under which the Notes are issued.

"**Receipt**" means the payment receipt entitling the holder to receive payment of an instalment of principal in relation to an Instalment Note in definitive form. Instalment Notes in definitive form will be issued with Receipts attached.

"**Receiptholder**" means the bearer of a Receipt.

"**Regular Period**" means:

(i) in the case of Notes where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;

(ii) in the case of Notes where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "**Regular Date**" means the day and month (but not the year) on which any Interest Payment Date falls; and

(iii) in the case of Notes where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "**Regular Date**" means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period.

"**Registered Notes**" means Notes in registered form.

"**Registrar**" means, in relation to Registered Notes held through Euroclear or Clearstream, Luxembourg, The Bank of New York Mellon (Luxembourg) S.A. and, in relation to Registered Notes held through DTC, U.S. Bank Trust National Association and includes any successor Registrar appointed in accordance with the terms of the Agency Agreement.

"**Relevant Financial Centre**" means the financial centre or centres to the relevant currency for the purposes of the definition of "Business Day" in the 2000 ISDA Definitions (as amended and updated as at the date specified in the Final Terms), as published by the International Swaps and Derivatives Association, Inc. or if so specified in the relevant Final Terms, the 2006 ISDA definitions (as amended and updated as at the date specified in the Final Terms), as published by the International Swaps and Derivatives Association, Inc.

"**Series**" means the series specified in the Final Terms.

"**SIS Notes**" means Notes that are, or are intended to be, deposited or registered with SIS (as defined below) or any other clearing institution recognized by the SIX Swiss Exchange Ltd (the "**SIX Swiss Exchange**").

"**Supplemental Agency Agreement**" means, with respect to any Series of SIS Notes, the relevant supplemental issuing and paying agency agreement to the Agency Agreement executed by, amongst others, the Issuer, the Agent, and the Principal Swiss Paying Agent.

"**Talon**" means a talon entitling the holder to receive further Coupons in relation to an interest bearing Bearer Note in definitive form. Where a Talon is required, interest bearing Bearer Notes in definitive form will be issued with a Talon attached.

"**Talonholder**" means the bearer of a Talon.

"**TARGET2 System**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007.

"**Terms and Conditions of the Notes**" means these general terms and conditions as amended, supplemented, modified or replaced from time to time by the information contained in the relevant Final Terms. To the extent that the information in a Final Terms supplements, modifies or replaces the general terms and conditions, it shall do so only for the purpose of the issue of Notes to which the relevant Final Terms relates. To the extent that there is any inconsistency between the General Terms and Conditions and the terms and conditions which appear in the relevant Final Terms, the terms and conditions which appear in the Final Terms shall prevail.

"**Tranche**" means the tranche specified in the Final Terms.

"**Transfer Agent**" means the transfer agents named in the Agency Agreement and includes each Registrar and any substitute or additional agents appointed in accordance with the terms of the Agency Agreement.

"**Uncertificated SIS Notes**" means SIS Notes in uncertificated form.

References to the Issuer include references to its successors, including, without limitation, an entity which assumes the rights and obligations of the Issuer by operation of the law of jurisdiction or domicile of the Issuer.

2. FORM AND DENOMINATION

(a) *General*

(i) The Aggregate Nominal Amount of the Notes is specified in the Final Terms. All payments in relation to the Notes will be made in the same currency as the Aggregate Nominal Amount unless otherwise specified in the Final Terms. The Notes are available in the Specified Denominations specified in the Final Terms.

(ii) Unless otherwise specified in the Final Terms, each Issue of Notes may be represented by (i) Bearer Notes or (ii) Registered Notes or (iii) Bearer Notes or Registered Notes or (iv) issued in the form of Uncertificated SIS Notes, as indicated in the Final Terms. If an issue of Notes is represented by Bearer Notes or Registered Notes, then unless otherwise specified in the Final Terms, Bearer Notes may be exchanged for Registered Notes. However, Registered Notes may not be exchanged for Bearer Notes.

(b) *Bearer Notes*

(i) Unless otherwise specified in the Final Terms, in relation to each issue of Notes for which Bearer Notes are available, the Bearer Notes may initially be represented by any one or more of (i) one or more Temporary Global Notes, (ii) one or more Permanent Global Notes or (iii) serially numbered definitive Notes.

(ii) In the case of Bearer Notes initially represented by a Temporary Global Note or Permanent Global Note, such global note will be deposited with a depositary for one, or a common depositary or common safekeeper for more than one, clearing system, including Euroclear Bank S.A./N.V. ("**Euroclear**"), Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**") and Clearstream Banking AG ("**Clearstream Frankfurt**").

(iii) As specified in the Final Terms, Temporary Global Notes will be exchanged for either (i) a Permanent Global Note which will be held by a depositary for one, or a common depositary or common safekeeper for more than one, clearing system (including Euroclear, Clearstream, Luxembourg and Clearstream Frankfurt), or (ii) serially numbered definitive notes, in accordance with the provisions set out in the Temporary Global Note. A copy of the Temporary Global Note will be available for inspection at the office of the Agent and, in the case of Notes listed on the Luxembourg Stock Exchange, the Paying Agent in Luxembourg.

(iv) As specified in the Final Terms, a Permanent Global Note may be exchanged for serially numbered definitive Notes only in accordance with the provisions set out in the relevant Permanent Global Note. A copy of the Permanent Global Note will be available for inspection at the office of the Agent and, in the case of Notes listed on the Luxembourg Stock Exchange, the Paying Agent in Luxembourg.

(v) If so specified in the Final Terms, the Bearer Notes may be represented on issue by one or more Permanent Global Notes.

(vi) In the case of Bearer SIS Notes, such Notes will be (i) issued by a Branch and (ii) represented exclusively by a Permanent Global Note, which shall be deposited with SIX SIS Ltd, Olten, Switzerland ("**SIS**"), or such other intermediary in Switzerland as may be recognized for such purposes by the SIX Swiss Exchange. The Permanent Global Note will only be exchangeable, in whole but not in part, for definitive Bearer SIS Notes if the Principal Swiss Paying Agent determines, after consultation with the Issuer, that the printing of definitive Notes is necessary or useful, or the presentation of definitive Notes is required by Swiss or other applicable laws and regulations in connection with the enforcement of the rights of Noteholders. Neither the Issuer nor any holder of Bearer SIS Notes will at any time have the right to effect or demand the conversion of the Permanent Global Note documenting such Bearer SIS Notes into, or the delivery of, Notes in uncertificated or definitive form.

(c) *Registered Notes*

In relation to each issue of Notes for which Registered Notes are available, the Registered Notes may initially be represented by (i) one or more global Notes, (ii) one or more definitive Notes or (iii) both. Holders of Registered Notes represented by a global Note may apply for definitive Registered Notes in accordance with the limited circumstances set out in the relevant global Note. A copy of the global Note will be available for inspection at the office of the Agent and the relevant Registrar and, in the case of Notes listed on the Luxembourg Stock Exchange, the Transfer Agent in Luxembourg.

(d) *Uncertificated SIS Notes*

In the case of Uncertificated SIS Notes, such Notes will be (i) issued by UBS Head Office as uncertificated securities (*Wertrechte*), which will be created by the Issuer by means of a registration in its register of uncertificated securities (*Wertrechtebuch*), and (ii) entered into the main register (*Hauptregister*) of SIS or such other intermediary in Switzerland recognized for such purposes by the SIX Swiss Exchange. Neither the Issuer nor any holder of an Uncertificated SIS Note will at any time have the right to effect or demand the conversion of such Uncertificated SIS Note into, or the delivery of, a Note in definitive or global form.

3. TITLE

(a) Subject to the following sentence, title to Bearer Notes, Coupons and Receipts will pass by delivery. Transfers of Bearer SIS Notes documented by a Permanent Global Note deposited with SIS or such other intermediary recognized for such purposes by the SIX Swiss Exchange (which Bearer SIS Notes constitute intermediated securities (*Bucheffekten*) within the meaning of the Swiss Federal Intermediated Securities Act (*Bucheffektengesetz*) ("**Intermediated Securities**")) will only be effected by the entry of the transferred Bearer SIS Notes in a securities account of the transferee.

(b) Title to Registered Notes will pass by registration in the register which is maintained by the relevant Registrar.

(c) Transfers of Uncertificated SIS Notes deposited with SIS or such other intermediary recognized for such purposes by the SIX Swiss Exchange (which Uncertificated SIS Notes constitute Intermediated Securities) will only be effected by the entry of the transferred Uncertificated SIS Notes in a securities account of the transferee.

(d) In relation to any Note, Coupon or Receipt (except as ordered by a court of competent jurisdiction or required by law), the relevant Noteholder, Couponholder or Talonholder shall be deemed to be, and the Issuer, Registrars and Paying Agents shall be entitled to treat the relevant Noteholder, Couponholder and Talonholder as, the absolute owner of the relevant Note, Coupon or Receipt for all purposes whether or not the relevant Note, Coupon or Talon is overdue and notwithstanding any notice of ownership, theft or loss of, or any writing on, the relevant Note, Coupon or Receipt. In addition, in relation to any Note, Coupon or Receipt, no one shall be required to obtain any proof of (i) ownership of the relevant Note, Coupon or Receipt or (ii) the identity of the relevant Noteholder, Couponholder or Receiptholder. No person shall have any right to enforce any term or condition of any Note under the Contracts (Rights of Third Parties) Act 1999.

4. TRANSFER OF REGISTERED NOTES

(a) A Registered Note may, upon the terms and subject to the conditions set forth in the Agency Agreement, be transferred in whole or in part only (**provided that** such part is, or is an integral multiple of, the minimum denomination specified in the relevant Final Terms) upon the surrender of the Registered Note to be transferred, together with the form of transfer endorsed on it duly completed and executed, at the specified office of the relevant Registrar or any Transfer Agent. A new Registered Note will be issued to the transferee and, in the case of a transfer of part only of a Registered Note, a new Registered Note in respect of the balance not transferred will be issued to the transferor.

(b) Each new Registered Note to be issued upon the transfer of Registered Notes will, upon the effective receipt of such form of transfer by the relevant Registrar at its specified office, be available for delivery at the specified office of the relevant Registrar or any Transfer Agent. For these purposes, a form of transfer received by the relevant Registrar or any Transfer Agent during the period of fifteen London Banking Days or, as the case may be, Relevant Banking Days ending on the due date for any payment on the relevant Registered Notes shall be deemed not to be effectively received by the relevant Registrar or any Transfer

Agent until the day following the due date for such payment. For the purposes of these Terms and Conditions, "**London Banking Day**" means a day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in London and "**Relevant Banking Day**" means a day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in the place where the specified office of the relevant Registrar or any Transfer Agent is located.

(c) The issue of new Registered Notes on transfer will be effected without charge by or on behalf of the Issuer or the relevant Registrar or any Transfer Agent, but upon payment by the applicant of (or the giving by the applicant of such indemnity as the relevant Registrar or Transfer Agent may require in respect of) any tax or other governmental charges which may be imposed in relation thereto.

(d) For so long as any of the Registered Notes remain outstanding and are "**restricted securities**" within the meaning of Rule 144(a)(3) under the Securities Act, the Issuer has agreed that it will, during any period in which it is neither subject to the reporting requirements of Section 13 or 15(d) under the United States Securities Exchange Act of 1934, as amended (the "**Exchange Act**") nor exempt from reporting under the Exchange Act pursuant to Rule 12g3-2(b) thereunder, furnish, upon request, to any person in whose name such restricted securities are registered, to any owner of a beneficial interest in such restricted securities, and to any prospective purchaser of such restricted securities or beneficial interest therein designated by any such person or beneficial owner, the information specified in Rule 144A(d)(4) under the Securities Act.

(e) Registered Notes will, if so specified in the relevant Final Terms, be the subject of an application by the Issuer to DTC for the acceptance of such Registered Notes into DTC's book-entry settlement system. If such application is accepted, one or more registered Notes (each a "**DTC Note**") in denominations equivalent in aggregate to the aggregate principal amount of relevant Registered Notes which are to be held in such system will be issued to DTC and registered in the name of Cede & Co., or such other person as may be nominated by DTC for the purpose, as nominee for DTC, **provided that** no DTC Note may have a denomination of more than US$500,000,000 and that, subject to such restriction, DTC Notes will always be issued in the largest possible denomination. Thereafter, such registered nominee will be the holder of record and entitled to rights in respect of each DTC Note.

Accordingly, each person having a beneficial interest in a DTC Note must rely on the procedures of the institutions having accounts with DTC to exercise any rights of such person. So long as Registered Notes are traded through DTC's book-entry settlement system, ownership of a beneficial interest in the relevant DTC Note will (unless otherwise required by applicable law or regulatory requirement) be shown on, and transfers of such beneficial interest may be effected only through, records maintained by (i) DTC or its registered nominee (as to participant-interests) or (ii) institutions having accounts with DTC.

5. STATUS OF THE NOTES

(a) *In the case of Senior Notes*

If the Notes are specified as senior Notes ("**Senior Notes**") in the Final Terms, the Notes and the relevant Receipts and Coupons are direct, unconditional, unsubordinated and unsecured obligations of the Issuer and rank *pari passu* among themselves and (save for certain debts required to be preferred by law) equally with all other outstanding unsecured and unsubordinated obligations of the Issuer.

(b) *In the case of Subordinated Notes*

(i) Subordinated Notes issued by UBS AG London Branch, UBS AG Jersey Branch, UBS AG, Australia Branch or UBS Head Office:

If the Notes are specified as subordinated Notes ("**Subordinated Notes**"), the Subordinated Notes constitute unsecured obligations of UBS AG London Branch, UBS AG Jersey Branch, UBS AG, Australia Branch or UBS Head Office, as the case may be, and UBS AG and rank *pari passu* without any preference among themselves. The Subordinated Notes constitute subordinated debt obligations and rank *pari passu* with all other subordinated debt obligations of the Issuer other than subordinated debt obligations which rank below the Notes. Accordingly, payments of principal and interest are conditional upon the Issuer being solvent at the time of payment by the Issuer and no principal or interest shall be payable in respect of the Notes except to the extent that the Issuer could make such payment and still be solvent immediately thereafter. For the purpose of this Condition 5(b), the Issuer shall be solvent if (i) it is able to pay its debts as they fall due and (ii) its Assets exceed its Liabilities (in each case as defined below) (other than its Liabilities which are not Senior Claims).

For the purposes of these Conditions, "**Senior Claims**" means the aggregate amount of all claims in respect of the deposit liabilities of the Issuer and all other liabilities of the Issuer (including all deposit liabilities and other liabilities of UBS Head Office, the Branches and all other branches and offices of the Issuer wherever located), except those liabilities which by their terms rank *pari passu* with or are subordinated to the Notes; "**Assets**" means the non-consolidated total assets of the Issuer and "**Liabilities**" means the nonconsolidated total liabilities of the Issuer, all as shown by the latest published audited balance sheet of the Issuer but adjusted for contingencies and for subsequent events.

Subject to applicable law, no Noteholder may exercise or claim any right of set-off, compensation or retention in respect of any amount owed to it by the Issuer, arising under or in connection with the Notes and each Noteholder shall, by virtue of his subscription, purchase or holding of any Note, be deemed to have waived all such rights of set-off, compensation or retention.

(ii) Subordinated Notes issued by a Branch (other than any Branch referred to in paragraph (i) of this Condition 5(b)):

Where Subordinated Notes are to be issued by a Branch (other than UBS AG London Branch, UBS AG Jersey Branch, or UBS AG, Australia Branch), the provisions dealing with subordination will be included in the Final Terms.

6. INTEREST

(a) *Interest – Fixed Rate*

If the Interest Basis specified in the Final Terms is "Fixed", then the Notes shall bear interest from and including the Issue Date or, if different, the Interest Commencement Date specified in the Final Terms at the Rate of Interest specified in the Final Terms. Interest will be payable in arrear on the Interest Payment Dates specified in the Final Terms and on the Maturity Date specified in the Final Terms. Interest will be calculated on the Day Count Fraction specified in the Final Terms.

Except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount so specified.

If interest is required to be calculated for a period ending other than on an Interest Payment Date, such interest shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying such sum by the applicable Day Count Fraction, rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Note divided by the Calculation Amount.

For the purposes of these Conditions, "**sub-unit**" with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, means one cent.

(b) *Interest – Floating Rate*

(i) If the Interest Basis specified in the Final Terms is "Floating" then the Notes shall bear interest from the Interest Commencement Date specified in the Final Terms.

(ii) If the Business Day Convention specified in the Final Terms is "FRN Convention", then interest shall be payable in arrear on each date (each, an "**FRN Interest Payment Date**") which numerically corresponds to the Interest Commencement Date or, as the case may be, the preceding FRN Interest Payment Date in the calendar month which is the number of months specified in the Final Terms after the calendar month in which the Interest Commencement Date or, as the case may be, the preceding FRN Interest Payment Date occurred.

(A) If there is no such numerically corresponding day in the calendar month in which an Interest Payment Date should occur, then the relevant FRN Interest Payment Date will be the last day which is a Business Day in that calendar month.

(B) If an FRN Interest Payment Date would otherwise fall on a day which is not a Business Day, then the relevant FRN Interest Payment Date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day.

(C) If the Interest Commencement Date or the preceding FRN Interest Payment Date occurred on the last day in a calendar month which was a Business Day, then all subsequent FRN Interest Payment Dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the Interest Commencement Date or, as the case may be, the preceding FRN Interest Payment Date occurred.

(iii) If the Business Day Convention specified in the Final Terms is "Following Business Day Convention", then interest shall be payable in arrear on such dates (each a "**Following Interest Payment Date**") as are specified in the Final Terms; **provided that** if any Interest Payment Date would otherwise fall on a date which is not a Business Day, the relevant Following Interest Payment Date will be the first following day which is a Business Day.

(iv) If the Business Day Convention specified in the Final Terms is "Modified Following Business Day Convention", then interest shall be payable in arrear on such dates (each, a "**Modified Interest Payment Date**") as are specified in the Final Terms; **provided that**, if any Modified Interest Payment Date would otherwise fall on a date which is not a Business Day, the relevant Modified Interest Payment Date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case the relevant Modified Interest Payment Date will be the first preceding day which is a Business Day.

(v) The period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Payment Date and each period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next Interest Payment Date is herein called an "**Interest Period**".

(vi) In relation to Floating Rate Notes, the Final Terms will specify the Interest Basis. The Calculation Agent will calculate the rate of interest which will apply to the Notes for each Interest Period (the "**Rate of Interest**") in accordance with the following terms, unless otherwise specified in the Final Terms.

(A) *ISDA Determination for Floating Rate Notes*

Where ISDA Determination is specified in the Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the Final Terms) the Margin (if any). For the purposes of this subparagraph (A), "**ISDA Rate**" for an Interest Period means a rate equal to the Floating Rate that would be determined by the Agent under an interest rate swap transaction if the Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(1) the Floating Rate Option is as specified in the Final Terms;

(2) the Designated Maturity is a period specified in the Final Terms; and

(3) the relevant Reset Date is either (i) if the applicable Floating Rate Option is based on the London inter-bank offered rate (LIBOR) for a currency, the first day of that Interest Period or (ii) in any other case, as specified in the Final Terms.

For the purposes of this sub-paragraph (A), "**Floating Rate**", "**Calculation Agent**", "**Floating Rate Option**", "**Designated Maturity**" and "**Reset Date**" have the meanings given to those terms in the ISDA Definitions.

(B) *Screen Rate Determination for Floating Rate Notes*

Where Screen Rate Determination is specified in the Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

(1) the offered quotation; or

(2) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (London time or, in the case of EURIBOR, Brussels time) on the Interest Determination Date in question plus or minus

(as indicated in the Final Terms) the Margin (if any), all as determined by the Agent or such other person specified in the Final Terms. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (1) above, no such quotation appears or, in the case of (2) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the Final Terms as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the Final Terms.

(vii) The Calculation Agent will, as soon as practicable after determining the Rate of Interest in relation to each Interest Period, calculate the amount of interest (the "**Interest Amount**") payable in respect of the principal amount of the smallest or minimum denomination of such Notes specified in the Final Terms for the relevant Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount, multiplying the product by Day Count Fraction and rounding the resulting figure to the nearest sub-unit of the currency in which such Notes are denominated or, as the case may be, in which such interest is payable (one half of any such sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Note divided by the Calculation Amount.

(c) *Notification of Rates of Interest, Interest Amounts and Interest Payment Dates*

(i) The Calculation Agent will cause each Rate of Interest, Interest Payment Date, Interest Amount or floating amount, and such other information as may be determined by it, to be notified to the Paying Agents and, in the case of Registered Notes, the relevant Registrar and the Transfer Agents (from whose respective specified offices such information will be available) as soon as practicable after such determination but in any event not later than the fourth London Banking Day after the Interest Determination Date and, in the case of Notes admitted to the Official List of the FSA and to trading on the regulated market of the London Stock Exchange, the Luxembourg Stock Exchange's regulated market, the Euro MTF Market of the Luxembourg Stock Exchange or the Irish Stock Exchange's Main Securities Market, cause each such Rate of Interest, Interest Amount and such other information as the case may be, to be notified to the FSA, Luxembourg Stock Exchange or Irish Stock Exchange no later than the first day of the relevant Interest Period. The Calculation Agent will be entitled to amend any Rate of Interest, Interest Amount, Interest Payment Date or other information (or to make appropriate alternative arrangements by way of adjustment) without notice in the event of the extension or abbreviation of the relevant Interest Period or calculation period. Notice of any amendment will be given in accordance with this Condition.

(ii) All determinations made by the Calculation Agent for the purposes of this Condition shall, in the absence of manifest error, be final and binding on all parties.

(d) *Dual Currency Notes*

In the case of Dual Currency Notes, if the rate or amount of interest falls to be determined by reference to an exchange rate, the rate or amount of interest payable shall be determined in the manner specified in the Final Terms.

(e) *Partly Paid Notes*

In the case of partly paid Notes (other than partly paid Notes which are zero coupon Notes) interest will accrue as aforesaid on the paid-up principal amount of such Notes and otherwise as indicated in the Final Terms.

7. REDEMPTION AND PURCHASE

(a) *Final Redemption*

Unless previously redeemed, or purchased and cancelled, Notes shall be redeemed by the Issuer at the Redemption Amount as specified in, or determined in the manner specified in, the Final Terms on the Maturity Date or Dates specified in the Final Terms.

(b) *Redemption for Taxation Reasons*

The Issuer may at any time redeem all of the Notes (but may not partially redeem the Notes) at their principal amount or the Tax Redemption Amount specified in the Final Terms (together in each case with accrued interest in the case of interest bearing Notes), on giving not less than 30 and not more than 45 days' notice to the Noteholders and the Agent (and in the case of Registered Notes, the relevant Registrar) of its intention to redeem the Notes in accordance with this Condition, if:

(i) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay Additional Amounts as provided or referred to in Condition 10 (Taxation) as a result of any change in, or amendment to, the laws or regulations of the Relevant Jurisdiction (as defined in Condition 10 (Taxation) below) or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date of the first Tranche of the Notes; and

(ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; **provided that** no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Amounts were a payment in respect of the Notes then due.

(c) *Redemption at the Option of the Issuer*

If the Issuer is specified in the Final Terms as having an option to redeem, the Issuer may, having given:

(i) not less than 15 nor more than 35 days' notice to the Noteholders in accordance with this Condition; and

(ii) not less than 15 days before the giving of the notice referred to in (i), notice to the Agent and the relevant Registrar, (which notices shall be irrevocable), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date; **provided that**, in the case of Subordinated Notes, the Optional Redemption Date may not fall earlier than five years and one day after the Issue Date. Any such redemption must be of a nominal amount equal to the Minimum Redemption Amount or a Higher Redemption Amount each as indicated in the Final Terms.

(d) *The Appropriate Notice*

The notice referred to in paragraphs (b) and (c) of this Condition is a notice given by the Issuer to the Noteholders, the Agent and the relevant Registrar (in the case of Registered Notes), which shall be signed by two authorised signatories of the Issuer and shall specify the following details:

(i) the Series of Notes subject to redemption;

(ii) whether such Series is to be redeemed in whole or in part only and, if in part only, the aggregate principal amount of the Notes of the relevant Series which are to be redeemed;

(iii) the due date for such redemption, which shall be a Business Day; and

(iv) the circumstances giving rise to the Issuer's entitlement to effect such redemption.

Any such notice shall be irrevocable, and the delivery thereof shall oblige the Issuer to make the redemption therein specified.

(e) *Redemption at the Option of the Noteholders*

If the Noteholders are specified in the Final Terms as having an option to redeem, upon the holder of any Note giving to the Issuer not less than 15 nor more than 30 days' notice prior to the relevant Optional Redemption Date or such other period of notice as is specified in the Final Terms the Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the Final Terms, in whole (but not in part), such Note on the Optional Redemption Date and at the Optional Redemption Amount specified in, or determined in the manner specified in, the Final Terms together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date; **Provided that**, in the case of Subordinated Notes, the Optional Redemption Date shall not fall earlier than five years and one day after the Issue Date.

If this Note is in definitive form, to exercise the right to require redemption of this Note, the holder of this Note must deliver such Note at the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the notice period, accompanied by a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent (a "**Put Notice**") and in which the holder must specify a bank account (or, if payment is by cheque, an address) to which payment is to be made under this Condition.

Any Put Notice given by a holder of any Note pursuant to this paragraph shall be irrevocable except where prior to the due date of redemption an Event of Default shall have occurred and be continuing in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this paragraph and instead to declare such Note forthwith due and payable pursuant to Condition 12 (Events of Default).

(f) *Purchases*

The Issuer or any of its subsidiaries or affiliates may at any time purchase Notes at any price in the open market or otherwise. Such Notes may be held, reissued, resold or, at the option of the Issuer, surrendered to any Paying Agent for cancellation.

(g) *Instalment Notes*

If the Notes are repayable in instalments, they will be redeemed in the Instalment Amounts specified in the Final Terms and on the Instalment Dates specified in the Final Terms. In the case of early redemption, the Early Redemption Amount will be determined pursuant to paragraph (i) below.

(h) *Cancellation*

All Notes redeemed in accordance with this Condition 7 shall be cancelled (together with all unmatured Receipts, Coupons and Talons attached thereto or surrendered therewith at the time of redemption) and may not be reissued or resold.

(i) *Early Redemption Amounts*

For the purpose of paragraph (g) above and Condition 12, the Notes will be redeemed at the Early Redemption Amount calculated as follows:

(i) in the case of Notes with a Redemption Amount equal to the Issue Price, at the Redemption Amount thereof; or

(ii) in the case of index linked Notes, credit linked Notes or otherwise (other than Zero Coupon Notes but including Instalment Notes and Partly Paid Notes) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Notes are denominated, at the amount specified in, or determined in the manner specified in, the Final Terms or, if no such amount or manner is so specified in the Final Terms, at their nominal amount; or

(iii) in the case of Zero Coupon Notes, at an amount (the "**Amortized Face Amount**") equal to the sum of:

(A) the Reference Price specified in the Final Terms (the "**Reference Price**"); and

(B) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable.

Where such calculation is to be made for a period which is not a whole number of years, it shall be made on the basis of a 360-day year consisting of 12 months of 30 days each or such other calculation basis as may be specified in the Final Terms.

8. REDENOMINATION AND EXCHANGEABILITY

Where Redenomination is specified in the Final Terms as being applicable and notwithstanding the provisions of Condition 15, the Issuer may, without the consent of the Noteholders, on giving at least 30 days' prior notice to the Noteholders in accordance with Condition 14, designate a Redenomination Date.

With effect from the Redenomination Date:

(i) each Note and, in the case of a Fixed Rate Note, each amount of interest specified in the Coupons, shall (unless already so provided by mandatory provisions of applicable law) be deemed to be redenominated into such amount of euro in the denomination of euro 0.01 with a principal amount of each Note equal to the principal amount of that Note in the relevant currency (as specified in the Final Terms) converted into euro at the rate for the conversion of the relevant currency into euro established by the Council of the European Union pursuant to Article 123(4) of the Treaty establishing the European Communities, as amended (the "**Treaty**") (including compliance with rules relating to roundings in accordance with European Community regulations) **provided however**, **that** if the Issuer determines, with the agreement of the Agent that market practice in respect of the redenomination into euro 0.01 of internationally offered securities is different from that specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Noteholders and Couponholders, each stock exchange (if any) on which the Notes are then listed and the Paying Agents of such deemed amendments;

(ii) all payments in respect of the Notes, other than payments of interest in respect of periods commencing before the Redenomination Date, will be made solely in euro, as though references in the Notes to the relevant currency were to euro. Such payments will be made in euro by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee;

(iii) where Exchangeability is specified in the Final Terms as being applicable, the Issuer may elect that the Notes shall be exchangeable for Notes, expressed to be denominated in euro in accordance with such arrangements as the Issuer may decide, having regard to the then prevailing market practice after consultation with the Agent, and as may be specified in the notice, including arrangements under which Receipts and Coupons unmatured at the date so specified become void;

(iv) if the Notes are Fixed Rate Notes and interest is required to be calculated for a period of less than one year, it will be calculated in accordance with Condition 6(a)(i) (Interest-Fixed Rate);

(v) if the Notes are Floating Rate Notes, any applicable changes to the provisions relating to interest will be specified in the Final Terms; and

(vi) such other changes will be made to the terms and conditions of the Notes as the Issuer may decide, after consultation with the Agent, to conform such Notes to conventions then applicable to instruments denominated in euro. Any such other change will not take effect until they have been notified to the Noteholders in accordance with Condition 14 (Notices).

Neither the Issuer nor any Paying Agent will be liable to any Noteholder or other person for any commissions, costs, losses or expenses in relation to or resulting from the credit or transfer of euro or any currency conversion or rounding effected in connection therewith.

As used in these Conditions:

"**Participating Member State**" means a member state of the European Communities which adopts the euro as its lawful currency in accordance with the Treaty.

"**Redenomination Date**" means a date which:

(i) in relation to interest-bearing Notes, shall be an Interest Payment Date;

(ii) is specified by the Issuer in the notice given to the Noteholders pursuant to this Condition; and

(iii) falls on or after the country of the relevant currency becomes or announces its intention of becoming a Participating Member State.

9. PAYMENTS

(a) *Payments – Bearer Notes*

(i) Payment of amounts (including accrued interest) due on the redemption of Bearer Notes will be made against presentation and, save in the case of a partial redemption, surrender of the relevant Bearer Notes at the specified office of any of the Paying Agents or to the order of any Paying Agents.

(ii) Payment of amounts due in respect of interest on Bearer Notes will be made in accordance with the following provisions:

(A) In the case of a Temporary Global Note or Permanent Global Note, against presentation of the relevant Temporary Global Note or Permanent Global Note at the specified office of any of the Paying Agents outside the United States or its possessions and, in the case of a Temporary Global Note, upon due certification as required therein.

(B) In the case of definitive Bearer Notes without Coupons attached thereto at the time of their initial delivery, against presentation of the relevant definitive Bearer Notes at the specified office of any of the Paying Agents outside the United States or its possessions.

(C) In the case of definitive Bearer Notes delivered with Coupons attached thereto, against surrender of the relevant Coupons at the specified office of any of the Paying Agents outside the United States or its possessions.

(iii) If the due date for payment of any amount due (whether in respect of principal, interest or otherwise) in respect of any Bearer Notes is not a Payment Business Day in the place of presentation, then the Noteholder will not be entitled to payment thereof until the next following such Payment Business Day and no further payment shall be due in respect of such delay save in the event that there is a subsequent failure to pay in accordance with these Terms and Conditions.

(iv) As used in Condition 9(a)(iii), "**Payment Business Day**" means:

(A) if the currency of payment is euro, any day which is:

(1) in the case of definitive Bearer Notes, a day on which the banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and

(2) a day on which the TARGET2 System is operating; or

(B) if the currency of payment is not euro, any day which is:

(1) in the case of definitive Bearer Notes, a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and

(2) a day on which dealings in foreign currencies may be carried on in the principal financial centre of the currency of payment.

(v) Each definitive Bearer Note initially delivered with Coupons attached thereto should be surrendered for final redemption together with all unmatured Coupons appertaining thereto, failing which:

(A) in the case of definitive Bearer Notes which bear interest at a fixed rate or rates, the amount of any missing unmatured Coupons will be deducted from the amount otherwise payable on such final redemption, the amount so deducted being payable against surrender of the

relevant Coupon at the specified office of any of the Paying Agents outside the United States or its possessions at any time prior to the tenth anniversary of the due date of such final redemption or, if later, the fifth anniversary of the date of maturity of such Coupon; and

(B) in the case of definitive Bearer Notes which bear interest at, or at a margin above or below, a floating rate, all unmatured Coupons relating to such definitive Bearer Notes (whether or not surrendered therewith) shall become void and no payment shall be made thereafter in respect of them.

(vi) The receipt by the Principal Swiss Paying Agent of the due and punctual payment of funds in Swiss Francs in Switzerland shall release the Issuer from its obligations under the Bearer SIS Notes (and the Receipts and Coupons appertaining to them) for the payment of principal and interest to the extent of such payment. Payment of principal and/or interest under Bearer SIS Notes (and any Receipts and Coupons appertaining to them) shall be payable in freely transferable Swiss Francs without collection costs (in the case of Definitive Bearer SIS Notes) in Switzerland at the specified offices located in Switzerland of the Principal Swiss Paying Agent upon their surrender without any restrictions and whatever the circumstances may be, irrespective of nationality, domicile or residence of the holders of the Bearer SIS Notes (and any Coupons and Receipts appertaining to them) and without any certification, affidavit or the fulfillment of any other formality.

(b) *Payments – Registered Notes*

(i) Payment of amounts (including accrued interest) due on the final redemption of Registered Notes will be made against presentation and, save in the case of a partial redemption, surrender of the relevant Registered Notes at the specified office of the relevant Registrar or any Transfer Agent. If the due date for payment of the final redemption amount of Registered Notes is not a Business Day, the Holder thereof will not be entitled to payment thereof until the next following such Business Day and no further payment shall be due in respect of such delay save in the event that there is a subsequent failure to pay in accordance with these Terms and Conditions.

(ii) Payment of amounts (whether principal, interest or otherwise) due in respect of Registered Notes will be paid to the Holders thereof (or, in the case of joint Holders, the first-named) as appearing in the register kept by the relevant Registrar as at close of business (local time) on the Clearing System Business Day before the due date for such payment (the "**Record Date**") where "**Clearing System Business Day**" means a day on which each clearing system for which the Global Registered Note is being held is open for business.

(iii) Notwithstanding the provisions of Condition 9(b)(i), payments of interest in respect of Registered Notes will be made by a cheque drawn on a bank in the Relevant Financial Centre and posted to the address (as recorded in the register held by the relevant Registrar) of the Holder thereof (or, in the case of joint-Holders, the first named) on the Business Day immediately preceding the relevant date for payment unless at least four Business Days prior to such date the Holder thereof (or, in the case of joint Holders, the first named) has applied to the relevant Registrar for payment to be made to a designated account.

(c) *Payments – Uncertificated SIS Notes*

The receipt by the Principal Swiss Paying Agent of the due and punctual payment of funds in Swiss Francs in Switzerland shall release the Issuer from its obligations under the Uncertificated SIS Notes for the payment of principal and interest to the extent of such payment, except to the extent that there is a default in the subsequent payment thereof to the holders of the Notes. Payment of principal and/or interest under Uncertificated SIS Notes shall be payable in freely transferable Swiss Francs without collection costs in Switzerland without any restrictions and whatever the circumstances may be, irrespective of nationality, domicile or residence of the holders of the Uncertificated SIS Notes and without any certification, affidavit or the fulfillment of any other formality.

(d) *Payments – General Provisions*

(i) Payments of amounts due (whether in respect of principal, interest or otherwise) in respect of Notes will be made in the currency in which it is denominated by cheque drawn on, or by transfer to an account maintained by the payee with, a bank in the Relevant Financial Centre (or, if such currency is euro, to any account to which euro may be credited or transferred). Payments will be subject in all cases to any applicable issuing and paying or other laws and regulations.

(ii) The Issuer reserves the right to vary or terminate the appointment of an Agent or any other Paying Agent or Transfer Agent, or any Registrar and to appoint additional or other Paying Agents or Transfer Agents, or another Registrar. The Issuer will at all times maintain (i) an Agent, (ii) a Registrar, (iii) a Paying Agent with a specified office in a European city (but outside the United Kingdom), (iv) so long as any Notes are listed on the Official List of the FSA and admitted to trading on the regulated market of the London Stock Exchange, the Luxembourg Stock Exchange's regulated market, the Euro MTF Market of the Luxembourg Stock Exchange or Irish Stock Exchange's Main Securities Market, a Paying Agent and (in the case of Registered Notes) a Transfer Agent with a specified office in London, Luxembourg or Dublin, as the case may be, and (v) a Paying Agent in an EU member state that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced to conform to, such Directive. Any variation, termination or appointment shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not more than 45 nor less than 30 days' notice thereof shall have been given to the Noteholders in accordance with Condition 14 (Notices).

(iii) In respect of SIS Notes, the Issuer will at all times maintain at least one Swiss paying agent having a specified office in Switzerland.

(e) *Interpretation of Principal and Interest*

Any reference in these Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

(i) any Additional Amounts which may be payable with respect to principal under Condition 10;

(ii) the Final Redemption Amount of the Notes;

(iii) the Early Redemption Amount of the Notes;

(iv) the Optional Redemption Amount(s) (if any) of the Notes;

(v) in relation to Instalment Notes, the Instalment Amounts;

(vi) in relation to Zero Coupon Notes, the Amortised Face Amount; and

(vii) any premium and any other amounts which may be payable by the Issuer under or in respect of the Notes.

Any reference in these Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any Additional Amounts which may be payable with respect to interest under Condition 10. (Taxation).

10. TAXATION

(a) All sums payable by or on behalf of the Issuer pursuant to the Terms and Conditions of the Notes will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or other government charges of any nature ("**Taxes**") imposed by or on behalf of a Relevant Jurisdiction (as defined below), or any authority thereof or therein having power to impose Taxes unless such withholding or deduction is required by law.

(b) If the Issuer is required by law to deduct or withhold any Taxes imposed by or on behalf of a Relevant Jurisdiction then the Issuer will pay such additional amounts as will result in the Noteholders, the Couponholders or the Receiptholders receiving the amounts they would have received if no withholding or deduction of Taxes had been required ("**Additional Amounts**").

(c) The Issuer will not be required to pay any Additional Amounts pursuant to Condition 10(b) in relation to a Note, Receipt or Coupon, (i) to a Noteholder, Receiptholder or Couponholder who is liable to such Taxes on the Note, Receipt or Coupon as a result of having some connection with the Relevant Jurisdiction other than its mere ownership or possession of the Note, Receipt or Coupon or the receipt of principal or interest in respect thereof, or (ii) where such withholding or deduction is required to be made pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive, or (iii) which is presented for payment by or on behalf of a Noteholder, Receiptholder or Couponholder who would have been able to avoid such withholding or deduction by

presenting the relevant Note, Receipt or Coupon to, or arranging to receive payment through, another Paying Agent in a Member State of the EU, or (iv) which is presented for payment more than 30 days after the Relevant Date except to the extent that the Noteholder, Receiptholder or Couponholder would have been entitled to receive the Additional Amounts if it had presented the Note or Coupon for payment on the last day of the 30-day period, or (v) with respect to any tax collected pursuant to the provisions of, or an agreement with the Relevant Jurisdiction relating to, Sections 1471 through 1474, of the U.S. Internal Revenue Code (commonly referred to as FATCA), or (vi) where the Issuer is UBS AG, Australia Branch, to a Noteholder, Receiptholder or Couponholder who is liable to such taxes on the Note, Receipt or Coupon by reason of his being an Offshore Associate of the Issuer, other than acting in the capacity of a clearing house, paying agent, custodian, funds manager or responsible entity of a registered managed investments scheme within the meaning of the Corporations Act 2001 of Australia or (vii) (in the case of Registered Notes) where the Issuer is UBS AG, Australia Branch, to a Noteholder, Receiptholder or Couponholder who is an Australian resident or non-resident holder carrying on business in Australia at or through a permanent establishment of the non-resident in Australia, if that person has not supplied an appropriate tax file number, Australian business number, or details of an applicable exemption from these requirements, or (viii) where the Issuer is UBS Head Office and payments which qualify as interest for Swiss withholding tax purposes are subject to Swiss withholding tax according to Swiss Federal Withholding Tax Law of 13 October, 1965, or (ix) where such withholding or deduction is required to be made pursuant to laws enacted by Switzerland providing for the taxation of payments according to principles similar to those laid down (a) in the EU Savings Tax Directive or (b) in the draft legislation proposed by the Swiss Federal Council on December 22, 2010, in particular the principle to have a person other than the Issuer such as, without limitation, any paying agent, withhold or deduct tax, or (x) in such other circumstance as may be specified in the Final Terms.

(i) "**Offshore Associate**" means an associate (as defined in section 128F(9) of the Australian Tax Act) that is either:

(a) a non-resident of Australia which does not acquire the Notes in carrying on a business at or through a permanent establishment in Australia; or

(b) a resident of Australia that acquires the Notes in carrying on a business at or through a permanent establishment outside Australia.

(ii) "**Australian Tax Act**" means the Income Tax Assessment Act 1936 of Australia and where applicable any replacement legislation including, but not limited to, the Income Tax Assessment Act 1997 of Australia.

(iii) "**Relevant Date**" means the date on which the payment first becomes due. If the full amount of the moneys payable on the due date has not been received by the Agent on or before the due date, then "**Relevant Date**" means the date on which notice to the effect that the full amount of the money due has been received by the Agent is published in accordance with the Terms and Conditions of the Notes.

(iv) "**Relevant Jurisdiction**" means (i) United Kingdom and Switzerland, where the Issuer is UBS AG, London Branch, (ii) Jersey and Switzerland, where the Issuer is UBS AG Jersey Branch, (iii) Australia and Switzerland, where the Issuer is UBS AG, Australia Branch, (iv) Switzerland, where the Issuer is UBS Head Office, (v) the jurisdiction of establishment of the relevant Branch and Switzerland where the Issuer is a Branch other than UBS AG London Branch, UBS AG Jersey Branch or UBS AG, Australia Branch, and (vi) any other jurisdiction imposing withholding or deduction on the payments in question as a result of the Issuer being considered to be resident or doing business in such jurisdiction for tax purposes.

(d) Any reference in the Terms and Conditions of the Notes to amounts payable by the Issuer pursuant to the Terms and Conditions of the Notes includes (i) any Additional Amount payable pursuant to this Condition 10 and (ii) any sum payable pursuant to an obligation taken in addition to or in substitution for the obligation in this Condition 10.

11. PRESCRIPTION

(a) Bearer Notes will become void unless presented for payment within a period of ten years from the Relevant Date. Coupons will become void unless presented for payment within five years of the Relevant Date.

(b) The rights of holders of Registered Notes to make claims against the Issuer for payments of principal will become void ten years after the Relevant Date. The rights of holders of Registered Notes to make claims against the Issuer for payments other than for payments of principal will become void five years after the Relevant Date.

12. EVENTS OF DEFAULT

(a) *In the case of Senior Notes*

The following events shall constitute an "**Event of Default**" for the purposes of Senior Notes:

(i) there is a default for more than 30 days in the payment of any principal or interest due in respect of the Notes; or

(ii) there is a default in the performance by the Issuer of any other obligation under the Notes which is incapable of remedy or which, being a default capable of remedy, continues for 60 days after written notice of such default has been given by any Noteholder to the Issuer; or

(iii) any order shall be made by any competent court or other authority or resolution passed by the Issuer for the dissolution or winding-up of the Issuer or for the appointment of a liquidator, receiver, administrator or manager of the Issuer or of all or a substantial part of their respective assets, or anything analogous occurs, in any jurisdiction, to the Issuer, other than in connection with a solvent reorganisation, reconstruction, amalgamation or merger; or

(iv) the Issuer shall stop payment or shall be unable to, or shall admit to creditors generally its inability to, pay its debts as they fall due, or shall be adjudicated or found bankrupt or insolvent, or shall enter into any composition or other arrangements with its creditors generally.

If an Event of Default in relation to Senior Notes shall have occurred and be continuing, any Noteholder may, at such Noteholder's option, declare the Note held by the Noteholder to be forthwith due and payable at the Early Redemption Amount (as described in Condition 7(i)), together with accrued interest (if any) to the date of repayment, without presentment, demand, protest or other notice of any kind, by written notice to the Issuer and the Agent at its specified office.

(b) *In the case of Subordinated Notes*

The following events shall constitute an "**Event of Default**" for the purposes of the Subordinated Notes:

(i) there is a default for more than 30 days in the payment of any principal or interest due in respect of the Notes; or

(ii) there is a default in the performance by the Issuer of any other obligation under the Notes which is incapable of remedy or which, being a default capable of remedy, continues for 60 days after written notice of such default has been given by any Noteholder to the Issuer; or

(iii) except in the case of Perpetual Subordinated Notes, an order is made in Switzerland or, in the case of Perpetual Subordinated Notes issued by a Branch, the country where the relevant Branch is located by any competent court or other authority for the dissolution, administration or winding-up of the Issuer (other than in connection with a solvent reorganisation, reconstruction, amalgamation or merger) or for the appointment of a liquidator, provisional liquidator, receiver, administrator or manager of the Issuer or of all or a substantial part of its assets, or the Issuer shall be adjudicated or found bankrupt or insolvent, or anything analogous occurs to the Issuer; or

(iv) the Issuer stops payment, or is unable to, or admits to creditors generally an inability to, pay its debts as they fall due, or passes a resolution for the dissolution, administration or winding-up of the Issuer, or shall enter into any composition or other arrangements with its creditors generally, other than in connection with a solvent reorganisation, reconstruction, amalgamation or merger.

If an Event of Default in relation to Subordinated Notes shall have occurred and be continuing, any Noteholder may, at such Noteholder's option, declare the Note held by the Noteholder to be forthwith (subject always to Condition 5(b) above) due and payable at the Early Redemption Amount (as described

in Condition 7(i)), together with accrued interest (if any) to the date of repayment, without presentment, demand, protest or other notice of any kind by written notice to the Issuer and the Agent at its specified office.

13. REPLACEMENT

If any Note, Coupon, Receipt or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Agent upon payment by the claimant of the expenses incurred in connection therewith and on such terms as to evidence, security and indemnity as the Issuer may require. Mutilated or defaced Notes, Coupons, Receipts or Talons must be surrendered before replacements will be issued.

14. NOTICES

(a) *Bearer Notes*

In relation to Bearer Notes (other than Bearer SIS Notes), notices to Noteholders will, save where another means of effective communication has been specified in the Final Terms, be deemed to be validly given if (i) published in one leading English language daily newspaper with circulation in London or, if this is not possible, in one other leading English language daily newspaper with circulation in Europe which, so long as Notes are admitted to the Official List of the FSA and to trading on the regulated market of the London Stock Exchange, is expected to be the Financial Times, and (ii) in the case of Notes which are listed on the Luxembourg Stock Exchange's regulated market or the Euro MTF Market of the Luxembourg Stock Exchange (so long as such Notes are listed on the Luxembourg Stock Exchange and the rules of such stock exchange so require), in a leading newspaper having general circulation in Luxembourg (which is expected to be the Luxemburger Wort) or published on the website of the Luxembourg Stock Exchange (www.bourse.lu).

(b) *Registered Notes*

In relation to Registered Notes, notices to Noteholders will be deemed to be validly given if sent by first class mail to Noteholders (or, in the case of joint Noteholders, to the first-named in the register kept by the relevant Registrar) at the respective addresses as recorded in the register kept by the relevant Registrar, and will be deemed to have been validly given on the fourth Business Day after the date of such mailing. With respect to Registered Notes listed on the Luxembourg Stock Exchange, any notices to Noteholders must also be published in a leading newspaper having general circulation in Luxembourg (which is expected to be the Luxemburger Wort) or published on the website of the Luxembourg Stock Exchange (www.bourse.lu) and, in addition to the foregoing will be deemed validly given only after the date of such publication.

If any of the Notes are represented by a global note which is held by a depositary on behalf of Euroclear or Clearstream, Luxembourg or both and/or a nominee on behalf of DTC and/or any other relevant clearing system or a common safekeeper then in relation to such Notes, notice may be given to the Noteholders by being delivered to Euroclear and Clearstream, Luxembourg, DTC and/or any other relevant clearing system for communication by them to the persons shown in their respective records as having interests therein (**provided that**, (i) in the case of Notes admitted to the Official List of the FSA and to trading on the regulated market of the London Stock Exchange, the requirements of the FSA have been complied with, and (ii) in the case of Notes which are listed on the Luxembourg Stock Exchange's regulated market or the Euro MTF Market of the Luxembourg Stock Exchange (so long as such Notes are listed on the Luxembourg Stock Exchange and the rules of such stock exchange so require), a notice is published in a daily newspaper having general circulation in Luxembourg, which is expected to be the Luxemburger Wort) or published on the website of the Luxembourg Stock Exchange (www.bourse.lu). Any notice shall be deemed to have been given on the date of such publication or, if so published more than once, on the date of first publication. If publication is not practicable in any such newspaper, notice will be validly given if made in such other manner, and shall be deemed to have been given on such date as the Agent may approve.

(c) *SIS Notes*

For SIS Notes listed on the SIX Swiss Exchange, notices to Noteholders will be deemed to have been given if published by the Principal Swiss Paying Agent at the expense of the Issuer, (i) by means of electronic publication on the internet website of the SIX Swiss Exchange (www.six-swiss-exchange.com), where notices are currently published under the address www.six-swissexchange.com/news/official

notices/search en.html or (ii) otherwise in accordance with the regulations of the SIX Swiss Exchange. Any notice so given shall be deemed to be validly given on the date of such publication or, if published more than once, on the date of the first such publication.

For SIS Notes that are not listed on the SIX Swiss Exchange, notices to Noteholders shall be given by communication through the Principal Swiss Paying Agent to SIS (or such other intermediary) for forwarding to the holders of the Notes. Any notice so given shall be deemed to be validly given with the communication to SIS (or such other intermediary).

15. MEETINGS OF NOTEHOLDERS AND MODIFICATIONS OF TERMS AND CONDITIONS

(a) The Agency Agreement contains provisions for convening meetings of the Noteholders to consider any matters affecting their interests, including modification of the Notes and any provisions of the Agency Agreement applicable to the Notes. Any such modification must be authorised by an extraordinary resolution of the Noteholders (an "**Extraordinary Resolution**", which means a resolution passed by a majority consisting of not less than 75 per cent. of the votes cast thereon). The quorum at any meeting will be two or more persons present in person holding or representing a clear majority in principal amount of the Notes for the time being outstanding, and at any adjourned meeting two or more persons being or representing holders of the Notes whatever the principal amount of Notes so held or represented **provided that** at any such meeting, the business of which includes the modification of certain of these Terms and Conditions, the necessary quorum for passing an Extraordinary Resolution is two or more persons holding or representing not less than 75 per cent. or, at any adjourned meeting, one or more persons holding or representing a clear majority, in principal amount of the Notes for the time being outstanding. An Extraordinary Resolution duly passed at a meeting will be binding on all the Noteholders (whether present at the meeting or not) and on all the Receiptholders and Couponholders.

(b) The Notes and the terms and conditions of the Notes may be amended without the consent of the Noteholders or the Couponholders to correct a manifest error. In addition, the parties to the Agency Agreement may agree without the consent of the Noteholders, Receiptholders or the Couponholders to any modification to the Agency Agreement which, in the reasonable opinion of such parties, is not materially prejudicial to the interest of the Noteholders or the Couponholders or which is of a formal, minor or technical nature or to any modification which is necessary, to correct a manifest error.

(c) Article 1157 et seq. of the Swiss Code of Obligations includes mandatory provisions on bondholder meetings which may apply instead of the provisions described in clause (a) above in relation to meetings of holders of Notes issued by the Issuer.

16. FURTHER ISSUES

The Issuer may from time to time without the consent of the Noteholders, Receiptholders or the Couponholders create and issue further notes and, **provided that** such further notes have the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest on them), the further notes shall be consolidated and form a single series with the Notes. In such circumstances, references in these Conditions to "**Notes**" include (unless the context requires otherwise) any other notes issued pursuant to this Condition and forming a single series with the Notes.

17. GOVERNING LAW AND JURISDICTION

(a) The Agency Agreement and the Notes (other than SIS Notes) and any related Coupons and Talons and all non-contractual obligations arising out of or in connection with the Agency Agreement, the Notes (other than SIS Notes) and any related Coupons and Talons are governed by English law. SIS Notes shall be governed by Swiss law.

(b) The courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Notes, the Coupons or the Talons (including a dispute relating to the existence, validity or termination of the Notes, the Coupons or the Talons or any non-contractual obligation arising out of or in connection with the Notes, the Coupons or the Talons) or the consequences of the nullity of the Notes, the Coupons or the Talons and accordingly any legal action or proceedings arising out of or in connection with the Notes, the Coupons or the Talons ("**Proceedings**") may be brought in such courts. The Issuer irrevocably submits to the jurisdiction of such courts and waives any objection to Proceedings in any such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. This submission is made for the benefit of each of the Noteholders, the Couponholders

and the Talonholders and shall not limit the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not) **provided that** the commercial court of Zurich (venue being Zurich 1) shall have jurisdiction in relation to disputes which may arise out of or in connection with any SIS Notes.

(c) The Issuer agrees that, except in relation to SIS Notes, the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to it at 1 Finsbury Avenue, London EC2M 2PP or at any other address of the Issuer in Great Britain at which service of process may be served on it in accordance with the Companies Act 2006. Nothing herein shall affect the right to serve process in any other manner permitted by law.

USE OF PROCEEDS

The net proceeds of the issue of each Series or Tranche of Notes issued by any Branch will be used by the Issuer for its general corporate purposes or towards meeting the general financing requirements of the UBS Group, in each case outside Switzerland unless use in Switzerland is permitted under the Swiss taxation laws in force from time to time without payments in respect of the Notes becoming subject to withholding or deduction for Swiss withholding tax as a consequence of such use of proceeds in Switzerland. The net proceeds of the issue of each Series or Tranche of Notes issued by UBS Head Office will be used by the Issuer for its general corporate purposes or towards meeting the general financing requirements of the UBS Group.

DESCRIPTION OF UBS AG

1. Overview

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

On 30 June 2011 UBS's BIS Tier1[5] ratio was 18.1%, invested assets stood at CHF 2,069 billion, equity attributable to UBS shareholders was CHF 47,263 million and market capitalization was CHF 58,745 million. On the 30 June 2010, UBS employed 65,707 people[6].

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

2. Corporate Information

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

UBS AG is incorporated and domiciled in Switzerland and operates under Swiss Code of Obligations and Swiss Federal Banking Law as an Aktiengesellschaft, a corporation that has issued shares of common stock to investors. The Articles of Association of UBS AG ("**Articles of Association**") which are as of the date hereof dated 22 February 2011.

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

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

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

3. Business Overview

3.1 Business Divisions and Corporate Center

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

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

[6] Full-time equivalents.

3.1.1 Wealth Management & Swiss Bank

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

3.1.2 Wealth Management Americas

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

3.1.3 Global Asset Management

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

3.1.4 Investment Bank

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

3.1.5 Corporate Center

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

3.2 Organizational Structure of the Issuer

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

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

3.3 Competition

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

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

3.4 Recent Developments

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

Risk weighted assets ("**RWA**") were CHF 206 billion on a Basel II basis, broadly in line with the level recorded at the end of the first quarter. Based on 30 June 2011 exposures, UBS's BIS RWA calculated under the enhanced Basel II framework (commonly referred to as Basel 2.5)[8] were CHF 278.2 billion, CHF 72.0 billion higher than under the standard Basel II framework. The increased RWA is composed of a new incremental risk charge which accounts for default and rating migration risk of trading book positions (CHF 34.8 billion of RWA), an additional stressed value-at-risk (VaR) requirement taking into account a one year observation period relating to significant losses (CHF 33.2 billion of RWA), a comprehensive risk measure requirement (CHF 10.3 billion of RWA) and a revised requirement for securitization positions held for trading that will attract banking book capital charges as well as higher risk weights for re-securitization exposures (CHF 6.5 billion of RWA), to better reflect the inherent risk in these products. These increases were partially offset by a RWA relief in VaR of CHF 12.7 billion. Furthermore, UBS's BIS tier 1 capital calculated under the enhanced Basel II framework was CHF 0.7 billion lower than under the standard Basel II framework and UBS's BIS total capital was lower by CHF 1.4 billion. As a result, UBS's pro forma BIS tier 1 capital ratio including the effects of the enhanced Basel II market risk framework was 13.2%, UBS's BIS core tier 1 capital ratio was 11.7% and UBS's BIS total capital ratio stood at 13.9%.

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

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

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

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

Over the last four quarters, a decline in returns for the banking industry as a whole has been witnessed, reflecting deleveraging and actions being taken in advance of increased capital requirements. A weakening economic outlook and higher future capital requirements may extend or exacerbate these trends. Given these circumstances, UBS will continue to evaluate potential changes to its businesses, corporate structure and booking model. The fundamental shift in the global financial environment also has implications for UBS's medium-term targets, which were set in 2009 and based on market and regulatory assumptions that

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

are now outdated. While UBS continues to be optimistic that it will deliver higher profitability, UBS believes that its 2009 target for pre-tax profits is unlikely to be achieved in the time period originally envisaged.

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

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

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

3.5 Trend Information (Outlook)

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

4. Administrative, Management and Supervisory Bodies of the Issuer

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

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

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

4.1 Board of Directors

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

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

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

4.1.1 Members of the Board of Directors

Member and business addresses	Title	Term of office	Position outside UBS AG[1]
Kaspar Villiger UBS AG, Bahnhofstrasse 45, P.O.Box, CH-8001, Zurich, Switzerland	Chairman	2012	None
Michel Demaré ABB Ltd., Affolternstrasse 44, P.O. Box 5009, CH-8050, Zurich, Switzerland	Independent Vice Chairman	2012	CFO and member of the Group Executive Committee of ABB; President Global Markets at ABB; member of the IMD Foundation Board, Lausanne.
David Sidwell 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 and Chairman of Horizon21 and its related entities and subsidiaries; member of the board of DKSH Group, Zurich and of the Frey Charitable Foundation, Freienbach.
Bruno Gehrig Swiss International Air Lines AG, Obstgartenstrasse 25, CH-8302 Kloten, Switzerland	Member	2012	Chairman of the board of Swiss International Air Lines; Vice Chairman and Chairperson of the Remuneration Committee of Roche Holding Ltd., Basel.
Ann F. Godbehere UBS AG, Bahnhofstrasse 45, P.O. Box, CH-8001, Zurich, Switzerland	Member	2012	Board member and Chairperson of the Audit Committees of Prudential plc, Rio Tinto plc and Rio Tinto Limited, London; board member of Atrium Underwriters Ltd., Atrium Underwriting Group Ltd., London, member of the board and Chairperson of the Audit Committee of Ariel Holdings Ltd, Bermuda.
Axel P. Lehmann Zurich Financial Services, Mythenquai 2, CH-8002, Zurich, Switzerland	Member	2012	Group Chief Risk Officer of Zurich Financial Services; Chairman of the board of Farmers Group, Inc. and of the Institute of Insurance Economics at the University of St. Gallen and Chairman of the Chief Risk Officer Forum.

Member and business addresses	Title	Term of office	Position outside UBS AG[1]
Wolfgang Mayrhuber Deutsche Lufthansa AG, Flughafen Frankfurt am Main 302, D-60549 Frankfurt am Main Germany	Member	2012	Chairman of the supervisory board and Chairperson of the Mediation, the Nomination and the Executive Committees of Infineon Technologies AG, as well as member of the supervisory boards of Munich Re Group, BMW Group Lufthansa Technik AG and Austrian Airlines AG, member of the board of SN Airholding SA/NV, Brussels, and HEICO Corporation, Hollywood, FL, USA.
Helmut Panke BMW AG, Petuelring 130, D-80788 Munich Germany	Member	2012	Member of the board of Microsoft Corporation and Chairperson of the Antitrust Compliance Committee; member of the board of Singapore Airlines Ltd.; member of the supervisory board of Bayer AG.
William G. Parrett UBS AG, Bahnhofstrasse 45, P.O. Box, CH-8001, Zurich, Switzerland	Member	2012	Independent Director, and Chairperson of the Audit Committee, of the Eastman Kodak Company, the Blackstone Group LP and Thermo Fisher Scientific Inc.; Immediate Past Chairman of the board of the United States Council for International Business and of United Way Worldwide; member of the Board of Trustees of Carnegie Hall.
Joseph Yam 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.

[1] Positions outside UBS held by members of the BoD in the last five years are indicated in their respective curriculum vitae below

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

4.1.2 Organizational principles and structure

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

The BoD constitutes itself at its first meeting following the AGM. In this meeting the Chairman, the Vice Chairman, the Senior Independent Director, the Committee Chairpersons and the Committee members are appointed among and by the BoD members. The BoD committees comprise the Audit Committee, the

Corporate Responsibility Committee, the Governance and Nominating Committee, the Human Resources and Compensation Committee and the Risk Committee.

4.1.3 Audit Committee

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

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

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

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

4.2 Group Executive Board

Under the leadership of the Group CEO, the GEB has executive management responsibility for the UBS Group and its business. It assumes overall responsibility for the development of the UBS Group and business division strategies and the implementation of approved strategies. All GEB members (with the exception of the Group CEO) are proposed by the Group CEO. The appointments are approved by the BoD.

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

4.2.1 Members of the Group Executive Board

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

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

4.3 Potential conflicts of interest

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

5. Auditors

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

6. Major Shareholders of the Issuer

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

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

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

Voting rights may be exercised without any restrictions by shareholders entered into UBS's share register, if they expressly render a declaration of beneficial ownership according to the provisions of the Articles of Association.

Special provisions exist for the registration of fiduciaries and nominees. Fiduciaries and nominees are entered in the share register with voting rights up to a total of 5% of all shares issued if they agree to disclose upon UBS's request beneficial owners holding 0.3% or more of all UBS shares. An exception to the 5% voting limit rule exists for securities clearing organizations such as The Depository Trust Company in New York.

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

UBS holds its own shares primarily to hedge employee share and option participation plans. A smaller number is held by the Investment Bank in its capacity as a market-maker in UBS shares and related derivatives.

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

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

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

7.1 Historical Annual Financial Information

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

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

(i) the Consolidated Financial Statements of UBS Group, in particular to the Income Statement on page 255, the Balance Sheet on page 257, the Statement of Cash Flows on pages 261–262 (inclusive) and the Notes to the Consolidated Financial Statements on pages 263–370 (inclusive), and

(ii) the Financial Statements of UBS AG (Parent Bank), in particular to the Income Statement on page 372, the Balance Sheet on page 373, the Statement of Appropriation of Retained Earnings on page 373, the Notes to the Parent Bank Financial Statements on pages 374–392 (inclusive) and the Parent Bank Review on page 371, and

(iii) the sections entitled "Introduction and accounting principles" on page 244 and "Critical accounting policies" on pages 245–248 (inclusive).

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

(i) the Consolidated Financial Statements of UBS Group, in particular to the Income Statement on page 265, the Balance Sheet on page 267, the Statement of Cash Flows on pages 271–272 (inclusive) and the Notes to the Consolidated Financial Statements on pages 273–378 (inclusive), and

(ii) the Financial Statements of UBS AG (Parent Bank), in particular to the Income Statement on page 380, the Balance Sheet on page 381, the Statement of Appropriation of Retained Earnings on page 382, the Notes to the Parent Bank Financial Statements on pages 383–399 (inclusive) and the Parent Bank Review on page 379, and

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

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

7.2 Auditing of Historical Annual Financial Information

The Consolidated Financial Statements of UBS Group and the Financial Statements of UBS AG (Parent Bank) for financial years 2009 and 2010 were audited by Ernst & Young. The reports of the auditors on the Consolidated Financial Statements can be found on pages 252–253 (inclusive) of the Annual Report 2009 in English (Financial Information section) and on pages 262–263 (inclusive) of the Annual Report 2010 in English (Financial Information section). The reports of the auditors on the Financial Statements of UBS AG (Parent Bank) can be found on pages 393–394 of the Annual Report 2009 in English (Financial Information section) and on pages 400–401 of the Annual Report 2010 in English (Financial Information section).

7.3 Interim Financial Information

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

7.4 Incorporation by reference

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

7.5 Litigation and regulatory matters

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

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

1. Municipal bonds

   In November 2006, UBS and others received subpoenas from the Antitrust Division of the US Department of Justice (DOJ) and the US Securities and Exchange Commission (SEC) seeking information relating to the investment of proceeds of municipal bond issuances and associated derivative transactions. In addition, various state Attorneys General issued subpoenas seeking similar information. Several putative class actions also have been filed in Federal District Courts against UBS and numerous other firms. In December 2010, three former UBS employees were indicted in connection with the Federal criminal antitrust investigation. On 4 May 2011, UBS announced a settlement with the SEC, DOJ, the US Internal Revenue Service (IRS) and a group of state Attorneys General under which UBS would pay a total of USD 140.3 million to resolve the regulatory, antitrust and securities law issues. The class action litigations remain pending; however, approximately USD 63 million of the regulatory settlement will be made available to potential claimants through a settlement fund, and payments made through the fund should reduce the total monetary amount at issue in the class action.

2. Auction rate securities

   UBS was the subject of an SEC investigation and state regulatory actions relating to the marketing and sale of auction rate securities (ARS) to clients, and to UBS's role and participation in ARS auctions and underwriting of ARS. UBS was also named in several putative class actions and individual civil suits and arbitrations. The regulatory actions and investigations and the civil proceedings followed the disruption in the markets for these securities and related auction failures since mid-February 2008. At the end of 2008, UBS entered into settlements with the SEC, the New York Attorney General (NYAG) and the Massachusetts Securities Division whereby UBS agreed to offer to buy back ARS from eligible customers within certain time periods, the last of which began on 30 June 2010, and to pay penalties of USD 150 million (USD 75 million to the NYAG and USD

75 million to the other states). UBS's settlement is largely in line with similar industry regulatory settlements. UBS has settled with the majority of states and is continuing to finalize settlements with the rest. The fines being paid in these state settlements are being charged against the USD 150 million provision that was established in 2008. The SEC continues to investigate individuals affiliated with UBS regarding the trading in ARS and disclosures. In 2010, a claimant alleging consequential damages from the illiquidity of ARS was awarded approximately USD 80 million by an arbitration panel. UBS moved in state court to vacate the award, and the matter was thereafter settled. UBS is the subject of other pending arbitration and litigation claims by clients and issuers relating to ARS.

3. US cross-border

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

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

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

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

5. Matters related to the credit crisis

UBS is responding to a number of governmental inquiries and investigations and is involved in a number of litigations, arbitrations and disputes related to the credit crisis and in particular mortgage-related securities and other structured transactions and derivatives. In particular, the SEC is

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

6. Lehman principal protection notes

From March 2007 through September 2008, UBS sold approximately USD 1 billion face amount of structured notes issued by Lehman Brothers Holdings Inc. (Lehman), a majority of which were referred to as "principal protection notes," reflecting the fact that while the notes' return was in some manner linked to market indices or other measures, some or all of the investor's principal was an unconditional obligation of Lehman as issuer of the notes. UBS has been named along with other defendants in a putative class action alleging materially misleading statements and omissions in the prospectuses relating to these notes and asserting claims under US securities laws. UBS has also been named in numerous individual civil suits and customer arbitrations (some of which have resulted in settlements or adverse judgments), was named in a proceeding brought by the New Hampshire Bureau of Securities, and is responding to investigations by other state regulators relating to the sale of these notes to UBS's customers. The customer litigations and regulatory investigations relate primarily to whether UBS adequately disclosed the risks of these notes to its customers. In April 2011, UBS entered into a settlement with FINRA related to the sale of these notes, pursuant to which UBS agreed to pay a USD 2.5 million fine and approximately USD 8.25 million in restitution and interest to a limited number of investors in the US.

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

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

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

8. Claims related to UBS disclosure

A putative consolidated class action has been filed in the United States District Court for the Southern District of New York against UBS, a number of current and former directors and senior

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

9. Madoff

In relation to the Bernard L. Madoff Investment Securities LLC (BMIS) investment fraud, UBS AG, UBS (Luxembourg) SA and certain other UBS subsidiaries have been subject to inquiries by a number of regulators, including FINMA and the Luxembourg Commission de Surveillance du Secteur Financier (CSSF). Those inquiries concerned two third-party funds established under Luxembourg law, substantially all assets of which were with BMIS, as well as certain funds established under offshore jurisdictions with either direct or indirect exposure to BMIS. These funds now face severe losses, and the Luxembourg funds are in liquidation. The last reported net asset value of the two Luxembourg funds before revelation of the Madoff scheme was approximately USD 1.7 billion in the aggregate, although that figure likely includes fictitious profit reported by BMIS. The documentation establishing both funds identifies UBS entities in various roles including custodian, administrator, manager, distributor and promoter, and indicates that UBS employees serve as board members. Between February and May 2009, UBS (Luxembourg) SA responded to criticisms made by the CSSF in relation to its responsibilities as custodian bank and demonstrated to the satisfaction of the CSSF that it has the infrastructure and internal organization in place in accordance with professional standards applicable to custodian banks in Luxembourg.

UBS (Luxembourg) SA and certain other UBS subsidiaries are also responding to inquiries by Luxembourg investigating authorities, without however being named as parties in those investigations. In December 2009 and March 2010, the liquidators of the two Luxembourg funds filed claims on behalf of the funds against UBS entities, non-UBS entities and certain individuals including current and former UBS employees. The amounts claimed are approximately EUR 890 million and EUR 305 million respectively. In addition, a large number of alleged beneficiaries have filed claims against UBS entities (and non-UBS entities) for purported losses relating to the Madoff scheme. The majority of these cases are pending in Luxembourg, where appeals have been filed against the March 2010 decisions of the court in which the claims in a number of test cases were held to be inadmissible. In the US, the BMIS Trustee has filed claims against UBS entities, amongst others, in relation to the two Luxembourg funds and one of the offshore funds. A claim was filed in November 2010 against 23 defendants including UBS entities, the Luxembourg and offshore funds concerned and various individuals, including current and former UBS employees. The total amount claimed against all defendants is no less than USD 2 billion. A second claim was filed in December 2010 against 16 defendants including UBS entities and the Luxembourg fund concerned. The total amount claimed against all defendants is not less than USD 555 million. UBS has filed motions requesting that these complaints be moved from the Bankruptcy Court to the Federal District Court. In Germany, certain clients of UBS are exposed to Madoff-managed positions through third-party funds and funds administered by UBS entities in Germany. A small number of claims have been filed with respect to such funds.

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

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

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

11. HSH Nordbank AG (HSH)

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

12. Kommunale Wasserwerke Leipzig GmbH (KWL)

In 2006 and 2007, KWL entered into a series of Credit Default Swap (CDS) transactions with bank swap counterparties, including UBS. Under the CDS contracts between KWL and UBS, the last of which were terminated by UBS in October 2010, a net sum of approximately USD 138 million has fallen due from KWL but not been paid. In January 2010, UBS issued proceedings in the English High Court against KWL seeking various declarations from the English court, in order to establish that the swap transaction between KWL and UBS is valid, binding and enforceable as against KWL. In October 2010, the English court ruled that it has jurisdiction and will hear the proceedings, and UBS issued a further claim seeking declarations concerning the validity of its early termination of the remaining CDS transactions with KWL. Whilst KWL appealed from that decision, it has recently informed UBS that in light of a recent decision of the European Court of Justice (ECJ) in another case not involving UBS, it does not intend to proceed with the jurisdictional appeal in the English courts. The civil dispute will now proceed before the English court with UBS's two claims now consolidated together and amended to include a claim for payment from KWL of the net principal sum outstanding plus interest. In March 2010, KWL issued proceedings in Leipzig, Germany, against UBS and other banks involved in these contracts, claiming that the swap transactions are void and not binding on the basis of KWL's allegation that KWL did not have the capacity or the necessary internal authorization to enter into the transactions and that the banks knew this. Upon and as a consequence of KWL withdrawing its appeal on jurisdiction in England (and the same ECJ ruling referred to above), it is expected that the Leipzig court will dismiss KWL's civil claim against UBS and one of the other banks in the German courts and that no civil claim will proceed against either of them in Germany. The proceedings by KWL against the third bank will now proceed before the German courts following a preliminary order by the Leipzig court that it has jurisdiction to hear this case.

The other two banks that entered into CDS transactions with KWL entered into back-to-back CDS transactions with UBS. In April 2010, UBS issued separate proceedings in the English High Court

against those bank swap counterparties seeking declarations as to the parties' obligations under those transactions. The back-to-back CDS transactions were subsequently terminated in April and June 2010. The aggregate amount that UBS contends is outstanding under those transactions is approximately USD 189 million plus interest. These English court proceedings are currently stayed.

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

13. Puerto Rico

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

14. LIBOR

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

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

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

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

7.6 Other contingent liabilities

Demands related to sales of mortgages and RMBS

For several years prior to the crisis in the US residential mortgage loan market, UBS sponsored securitizations of US residential mortgage- backed securities (RMBS) and were a purchaser and seller of US residential mortgages. A subsidiary of UBS, UBS Real Estate Securities Inc. ("UBS RESI"), acquired pools of residential mortgage loans from originators and (through an affiliate) deposited them into securitization trusts. In this manner, from 2004 through 2007 UBS RESI sponsored approximately

USD 80 billion in RMBS, based on the original principal balances of the securities issued. The overall market for privately issued US RMBS during this period was approximately USD 3.9 trillion.

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

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

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

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

USD million	*2006–2008*	*2009*	*2010*	*2011 through 15 July*	*Total*
Actual or agreed loan repurchases/ make whole payments by UBS	11.7	1.4	47.7		60.8
Demands resolved directly by third-party originators		1.1	20.4	0.4	21.9
Demands resolved in litigation	0.6	20.7			21.4
Demands rebutted by UBS but not yet rescinded by counterparty		60.3	255.8	1.3	317.3
Demands rescinded by counterparty[1]	110.2	97.2	11.8	6.0	225.2
Demands in review by UBS[2]		52.1	36.9	589.5	678.5
Total	122.5	232.8	372.5	597.2	1,325.1

1 Includes demands that were not pursued by the counterparty following rebuttal by UBS.

2 Includes loans totaling USD 20.6 million in original principal balance for which a provision was made in 2010 and which remain in review.

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

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

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

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

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

7.7 Material Contracts

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

7.8 Significant Changes in the Financial Situation

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

8. Share Capital

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

9. Documents on Display

- The Annual Report of UBS AG as of 31 December 2009, comprising the sections (i) Strategy, performance and responsibility, (ii) UBS business divisions and Corporate Center (iii) Risk and treasury management, (iv) Corporate governance and compensation, (v) Financial information (including the "Report of the Statutory Auditor and the Independent Registered Public Accounting Firm on the Consolidated Financial Statements" and the "Report of the Statutory Auditor on the Financial Statements");

- The Annual Report of UBS AG as of 31 December 2010, comprising the sections (i) Strategy, performance and responsibility, (ii) UBS business divisions and Corporate Center (iii) Risk and treasury management, (iv) Corporate governance and compensation, (v) Financial information (including the "Report of the Statutory Auditor and the Independent Registered Public Accounting Firm on the Consolidated Financial Statements" and the "Report of the Statutory Auditor on the Financial Statements");

- the Review 2009 and 2010 and the Compensation Report 2009 and 2010;

- the quarterly reports of UBS AG as at 31 March 2011 and 30 June 2011; and

- The Articles of Association of UBS AG, as the Issuer,

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

PRO FORMA FINAL TERMS

The Final Terms dated [•]

UBS AG,
acting through its [head offices in Basel and Zurich] [[•] branch]

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the Euro Note Programme

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 25 August 2011 [and the supplemental Base Prospectus dated [•]] which [together] constitute[s] a base prospectus for the purposes of Directive 2003/71/EC (the "**Prospectus Directive**"). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Base Prospectus [as so supplemented].

Full information on the Issuer and the offer of the Notes described herein is only available on the basis of the combination of these Final Terms and the Base Prospectus [as so supplemented]. The Base Prospectus [and the supplemental Base Prospectus] [is] [are] [available for viewing at [*website of the Irish Competent Authority* (www.centralbank.ie)] and copies may be obtained from the offices of the Paying Agents, The Bank of New York Mellon, acting through its London Branch, One Canada Square, London E14 5AL, The Bank of New York Mellon (Luxembourg) S.A., Vertigo Building – Polaris, 2-4 rue Eugène Ruppert, L-2453 Luxembourg and The Bank of New York Mellon (Ireland) Limited, 4th Floor, Hanover Building, Windmill Lane, Dublin 2, Ireland.] [are available at UBS Investment Bank, a business division of UBS AG, P.O. Box CH-8001, Zurich, Switzerland, or can be ordered by telephone (+41 44 239 47 03), fax (+41 44 239 69 14) or by e-mail to swiss-prospectus ubs.com.]

The following alternative language applies if the first tranche of an issue which is being increased was issued under a Base Prospectus with an earlier date.

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Base Prospectus dated [*original date*] [and the supplemental Base Prospectus dated [•]]. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of Directive 2003/71/EC (the "**Prospectus Directive**") and must be read in conjunction with the Base Prospectus dated [current date] [and the supplemental Base Prospectus dated [date]], save in respect of the Conditions which are extracted from the Base Prospectus dated [*original date*] and are attached hereto. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectuses dated [original date] and [*current date*] [and the supplemental Base Prospectuses dated [•] and [•]]. [The Base Prospectuses [and the supplemental Base Prospectuses] are available for viewing at [*website of the Irish Competent Authority* (www.centralbank.ie)] and copies may be obtained from the offices of the Paying Agents, The Bank of New York Mellon, acting through its London Branch, One Canada Square, London E14 5AL, The Bank of New York Mellon (Luxembourg) S.A., Vertigo Building – Polaris, 2-4 rue Eugène Ruppert, L-2453 Luxembourg and The Bank of New York Mellon (Ireland) Limited, 4th Floor, Hanover Building, Windmill Lane, Dublin 2, Ireland.]

[*Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or subparagraphs. Italics denote guidance for completing these Final Terms.*]

[*When completing any final terms, or adding any other final terms or information, consideration should be given as to whether such terms or information constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.*]

1.	Issuer:		UBS AG, acting through its [head offices in Basel and Zurich][[•] branch]
2.	[(i)]	Series Number:	[number/year, e.g. 1/00]
	[(ii)]	Tranche Number: (If fungible with existing Series, details of that Series, including the date on which the Notes become fungible)	[number, e.g. 1]
3.	Currency or Currencies:		[ ]
4.	Aggregate Nominal Amount:		
	[(i)]	Series:	[ ]
	[(ii)	Tranche:	[ ]
5.	Issue Price:		[ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (in the case of fungible issues only, if applicable)]
6.	(i)	Specified Denominations:	[Bearer Notes/Uncertificated SIS Notes] [currency/amount for each denomination] [Registered Notes] [The Notes may be issued, traded and redeemed in integral multiples of currency/amount (e.g. US$1,000) subject to a minimum lot of currency/amount (e.g. US$100,000)] Notes which may be listed on the Irish Stock Exchange's regulated market and/or admitted to listing on the Official List of the FSA and to trading on the regulated market of the London Stock Exchange and/or listed on the Luxembourg Stock Exchange's regulated market or the Euro MTF Market of the Luxembourg Stock Exchange and/or admitted to listing, trading and/or quotation by any other listing authority, stock exchange and/or quotation system situated or operating in a member state of the European Union may not have a minimum denomination of less than €1,000 (or nearly equivalent in another currency). [If the Notes will be issued in Australia, the denominations may be any amount **provided that** the minimum aggregate consideration payable by each offeree is at least A$500,000 (or the equivalent in another currency, in either case disregarding moneys lent by the offeror or to its associates) or the offer or invitation otherwise does not require disclosure to investors in accordance with Part 6D.2 or Chapter 7 of the Corporations Act 2001 of Australia.]
	(ii)	Calculation Amount:	[ ]]
7.	[(i)]	Issue Date:	[day/month/year]
	[(ii)	Interest Commencement Date:	[day/month/year]
8.	Maturity Date:		[day/month/year] [For Floating Rate Notes, the Interest Payment Date falling in or nearest to [specify month and year]]

9.	Interest Basis:		[[ ] % Fixed Rate] [[LIBOR] [EURIBOR] +/-[ ] % Floating Rate] [Zero Coupon] [Index Linked Interest] [Other (specify)] (further particulars specified below)
10.	Redemption/Payment Basis:		[Redemption at par] [Index Linked Redemption] [Dual Currency] [Partly Paid] [Instalment] [Other (Specify)]
11.	Change of Interest or Redemption/Payment Basis:		[*Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis*]
12.	Put/Call Options:		[Investor Put] [Issuer Call] [(further particulars specified below)]
13.	[(i)]	Status of the Notes:	[Senior/Subordinated]
	[(ii)]	[Date [Board] approval for issuance of Notes obtained:	[ ] [and [ ], respectively]] (*N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes*)]
14.	Method of distribution:		[Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15.	Fixed Rate Note Provisions:		[Applicable/Not applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(i)	Rate[(s)] of Interest:	[ ] per cent. per annum [payable [annually/semi-annually/ quarterly/monthly/other (*specify*)] in arrears]
	(ii)	Interest Payment Date(s):	[ ] in each year [adjusted in accordance with [*Specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"*]/not adjusted]
	(iii)	Fixed Coupon Amount[(s)]:	[ ] per Calculation Amount
	(iv)	Broken Amount:	[ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ] [*insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount(s)*]
	(v)	Day Count Fraction:	[30/360/(Actual/Actual (ICMA/ISDA)]/other (*insert details. If the specified Day Count Fraction is not defined in the Conditions, define it here.*)]
	(vi)	Other terms relating to the method of calculating interest for Fixed Rate Notes:	[Not Applicable/*give details*]

16.	Floating Rate Note Provisions:		[Applicable/Not applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Interest Payment Dates:	[*insert details of the dates on which interest will be paid*]
	(ii)	Business Day Convention:	[FRN Convention/Following Business Day Convention/Modified Following Business Day/other (*give details*)]
	(iii)	Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination/other (*give details*)]
	(iv)	Calculation Agent responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Agent):	[ ]
	(v)	If ISDA Determination: (a) Floating Rate Option: (b) Designated Maturity: (c) Reset Date(s):	
	(vi)	if Screen Rate Determination (a) Reference Rate: (b) Interest Determination Date: (c) Relevant Screen Page:	
	(vii)	Margin(s):	[+/-] [ ] per cent. per annum
	(viii)	Minimum Rate of Interest:	[ ]
	(ix)	Maximum Rate of Interest:	[ ]
	(x)	Day Count Fraction:	[30/360 Actual/360 Actual/365 Actual/Actual (ICMA) Actual/Actual (ISDA) (other. *Insert details*. *If the specified Day Count Fraction is not defined in the Conditions, define it here.*)
	(xi)	Fall back provisions. rounding provisions, denominator and any other terms relating the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions and the Agency Agreement:	[ ]

17.	Zero Coupon Note Provisions:		[Applicable/Not applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(i)	[Amortisation/ Accrual] Yield:	[ ] per cent. per annum
	(ii)	Reference Price:	[ ]
	(iii)	Any other formula/basis of determining amount payable:	[*e.g. consider whether it is necessary to specify an alternative Day Count Fraction*]
18.	Index/Credit-Linked Note Provisions:		[Applicable/Not applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(i)	Index/formula:	[(*give or annex details*)]
	(ii)	Calculation Agent responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Agent):	[ ]
	(iii)	Provisions for determining coupon or redemption amount where calculation by reference to Index and/or formula is impossible or impracticable:	[ ]
	(iv)	Interest Period(s):	[ ]
	(v)	Specified Interest Payment Dates:	[ ]
	(vi)	Business Day Convention:	[FRN Convention/Following Business Day Convention/Modified Following Business Convention/Preceding Business Day Convention/other (*give details*)]
	(vii)	Minimum Rate of Interest:	[ ]
	(viii)	Maximum Rate of Interest:	[ ]
	(ix)	Day Count Fraction:	[*Insert Day Count Fraction and if not defined in the Conditions, define it here.*]
19.	Dual Currency note Provisions:		[Applicable/Not applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(i)	Rate of Exchange/method of calculating Rate of Exchange:	[(*give details*)]

	(ii)	Calculation Agent responsible for calculating the Rates(s) of Interest and Interest Amount(s) (not the Agent):	[ ]
	(iii)	Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:	[ ]
	(iv)	Person at whose option Currency(ies) is/are payable:	[ ]

PROVISIONS RELATING TO REDEMPTION

20.	Redemption Amount:	[currency/amount e.g. US$1,000,000] [ ] per cent. Other (*insert details, e.g. to be determined in accordance with the following formula* [ ])
21.	Tax Redemption Amount:	If the Notes are redeemed as a result of the Issuer being required to pay Additional Amounts then the Redemption Amount will be [ ] (*insert details*)
22.	Optional Redemption (Call):	[(*Insert details (e.g. the Issuer may call for redemption of any one or more of the Notes at any time by giving [ ] days' notice to the Noteholders and the Agent (and, in the case of Registered Notes, the relevant Registrar*)]
23.	Optional Redemption (Put):	[(*Insert details (e.g. a Noteholder may call for redemption of any one or more Notes held by the Noteholder to the Issuer and the Agent (and, in the case of Registered Notes, the relevant Registrar)*)]
24.	Optional Redemption Amount:	[(*Insert details (e.g. to be determined in accordance with the following formula [ ])*)]
25.	Optional Redemption Date:	[ ]
26.	Minimum/Higher Redemption Amount:	[ ]
27.	Other Redemption details:	[(*Insert details*)]
28.	Final Redemption Amount of each Note: In cases where the Final Redemption Amount is Index-Linked or other variable-linked:	[ ] per Calculation Amount [[ ] per Note of [ ] specified denomination/other/see Appendix]
	(i) Index/Formula/variable:	[*give or annex details*]
	(ii) Calculation Agent responsible for calculating the Final Redemption Amount:	[ ]

(iii)	Provisions for determining Final Redemption amount where calculated by reference to Index and/or Formula and/or other variable:	[ ]	
(iv)	Determination Date(s):	[ ]	
(v)	Provisions for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted:	[ ]	
(vi)	Payment Date:	[ ]	
(vii)	Minimum Final Redemption Amount:	[ ] per Calculation Amount	
(viii)	Maximum Final Redemption Amount:	[ ] per Calculation Amount	
29.	Early Redemption Amount:	[ ]	
	Early Redemption Amount(s) of each Note payable on event of default or other early redemption and/or the method of calculating the same (if required or if different from that set out in the Conditions):	[ ]	

GENERAL PROVISIONS APPLICABLE TO THE NOTES

30.	Form of Notes:	Registered Notes[1]: [[Unrestricted Global Note] registered in the name of a nominee for [DTC/a common depositary for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg (that is, held under the New Safekeeping Structure (NSS))]]

1 Notes may be issued in bearer form also, subject to the receipt of written pre-approval by the UBS Group Tax-Americas.

Optional wording for bearer Notes:

Bearer Notes:

[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for definitive Notes on [45] days' notice/in the limited circumstances specified in the Permanent Global Note]

[Temporary Global Note exchangeable for definitive Notes]

[Permanent Global Note exchangeable for definitive Notes on [45] days' notice/in the limited circumstances specified in the Permanent Global Note]

[in the case of SIS Notes issued by the Issuer acting through a non-Swiss branch: Bearer SIS Notes]

(No Bearer SIS Notes are to be issued by the Issuer acting through its head offices in Basel and Zurich)

		[[Restricted Global Note] registered in the name of a nominee for [DTC].] [*in the case of SIS Notes issued by the Issuer acting through its head offices in Basel and Zurich:* Uncertificated SIS Notes]
31.	New Global Note:	[Yes/No]
32.	Business Days:	[*Insert Financial Centres*] [*Insert Currencies – e.g. US$ and CHF*]
33.	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	[Yes/No. *If yes, give details*]
34.	Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:	[Not Applicable/*give details*]
35.	Redenomination applicable:	[Yes/No] [(*specify any modifications*)]
36.	Exchangeability applicable:	[Yes/No] [(*specify any modifications*)]
37.	Other final terms or special conditions:	[Not Applicable/*give details*] [*Where the Notes are to be issued in Australia (other than by UBS AG, Australia Branch) and it is necessary or intended that the Notes should satisfy the requirements of Prudential Standard GPS 120, additional terms/provisions will need to be incorporated to ensure that the Notes are (1) in registered form, (2) evidenced by entries in a register kept in Australia, (3) cleared through the Austraclear system, (4) constituted by an Australian law governed deed poll kept in Australia and (5) expressed to be payable in Australia except where prohibited by law.*]

DISTRIBUTION

38.	(i)	If syndicated, names and addresses of Managers and underwriting commitments:	[Not Applicable/*give names*] (*Include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis and names and addresses of the entities agreeing to place the issue without a firm commitment or on a "best efforts" basis if such entities are not the same as the Managers.*)
	(ii)	Date of Subscription Agreement:	[ ]
	(iii)	Stabilising Manager (if any):	[Not Applicable/*give name*]
39.	If non-syndicated, name		[UBS Limited]

40.	Total commission and concession:	[ ] per cent. of the Aggregate Nominal Amount
41.	U.S. Selling Restrictions:	[Reg. S Compliance Category; TEFRA C/TEFRA D/TEFRA not applicable; Rule 144A]
42.	Non-exempt Offer:	[Not Applicable] [An offer of the Notes may be made by the Managers [and [*specify, if applicable*]] other than pursuant to Article 3(2) of the Prospectus Directive in [*specify relevant Member State(s) – which must be jurisdictions where the Prospectus and any supplements have been passported*] ("**Public Offer Jurisdictions**") during the period from [specify date] until [*specify date*] ("**Offer Period**"). See further Paragraph 10 of Part B below.
43.	Additional selling restrictions:	[Not Applicable/*give details*]

[LISTING AND ADMISSION TO TRADING APPLICATION

These Final Terms comprise the final terms required for the Notes described herein to be [listed on the official list and admitted to trading on the Irish Stock Exchange's Main Securities Market and/or to be admitted to the Official List of the UK Financial Services Authority and admitted to trading on the regulated market of the London Stock Exchange and/or to be admitted to trading on the Luxembourg Stock Exchange's regulated market] [or the Euro MTF Market of the Luxembourg Stock Exchange] [admitted to trading and listed on the SIX Swiss Exchange] pursuant to the Euro Note Programme of UBS AG.]

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in [the Base Prospectus as amended and supplemented as of the date hereof and][2] these Final Terms. [To the best of the knowledge and belief of the Issuer (who has taken all reasonable care to ensure that such is the case) the information contained in the Base Prospectus as amended and supplemented as of the date hereof together with these Final Terms is correct and no material facts or circumstances have been omitted therefrom.][3]. [[•] has been extracted from [•]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [•], no facts have been omitted which would render the reproduction inaccurate or misleading.]

(*In the case of SIX-listed Notes, insert the section below entitled "Material Changes".*)

[MATERIAL CHANGES

Except as disclosed in the Base Prospectus as amended and supplemented as of the date hereof, no material changes have occurred in the Issuer's assets and liabilities, financial position or profits and losses since [*insert the later of (i) 30 June 2011 and (ii) the balance sheet date of the Issuer's most recently published annual or interim financial statements*].]

GOVERNING LAW

[*Insert in the case of Notes which are not SIS Notes:* English law][*Insert in the case of SIS Notes:* Swiss law.]

PLACE OF JURISDICTION

[*Insert in the case of Notes which are not SIS Notes:* England][*Insert in the case of SIS Notes:* Zurich]

Signed on behalf of the Issuer:

By:
Duly authorised

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[2] Insert in the case of SIX-listed Notes.

[3] Insert in the case of SIX-listed Notes.

PART B – OTHER INFORMATION

1. LISTING

(i)	Listing	[London/Luxembourg/Ireland/SIX Swiss Exchange, other (*specify*)/None]
(ii)	Admission to trading:	[Application has been made for the Notes to be admitted to trading on [ ] with effect from [ ].] [The Notes have been provisionally admitted to trading with effect from [ ].] [Not Applicable.] (*Where documenting a fungible issue need to indicate that original securities are already admitted to trading.*)
[(iii)	Period of trading:]	[First trading date until] (*Include for SIX listed Notes.*)

2. RATINGS

Ratings: The Notes to be issued have been rated:
[S&P*: [ ]]
[Moody's*: [ ]]
[Fitch*: [ ]]
[[Other]*: [ ]]

**The exact legal name of the rating agency entity providing the rating should be specified – for example "Standard & Poor's Credit Market Services Europe Limited", rather than just Standard and Poor's.*

[*Need to include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider.*]

(*The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.*)

[*Insert legal name of particular credit rating agency entity providing rating*] is established in the European Union and registered under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**").

[*Insert legal name of particular credit rating agency entity providing rating*] is established in the European Union and has applied for registration under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**"), although notification of the corresponding registration decision has not yet been provided by the [relevant competent authority]/[European Securities and Markets Authority].

[*Insert legal name of particular credit rating agency entity providing rating*] is established in the European Union and is neither registered nor has it applied for registration under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**").

[*Insert legal name of particular credit rating agency entity providing rating*] is not established in the European Union but the rating it has given to the Notes is endorsed by [*insert legal name of credit rating agency*], which is established in the European Union and registered under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**").

[*Insert legal name of particular credit rating agency entity providing rating*] is not established in the European Union but is certified under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**").

[*Insert legal name of particular credit rating agency entity providing rating*] is not established in the European Union and is not certified

under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**") and the rating it has given to the Notes is not endorsed by a credit rating agency established in the European Union and registered under the CRA Regulation.

In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the CRA Regulation unless (1) the rating is provided by a credit rating agency operating in the EEA before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration has not been refused, or (2) the rating is provided by a credit rating agency not established in the EEA but is endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation or (3) the rating is provided by a credit rating agency not established in the EEA which is certified under the CRA Regulation.

In Australia, credit ratings are for distribution only to a person (a) who is not a "retail client" within the meaning of section 761G of the Corporations Act 2001 of Australia ("**Corporations Act**") and is also a sophisticated investor, professional investor or other investor in respect of whom disclosure is not required under Part 6D.2 or 7.9 of the Corporations Act, and (b) who is otherwise permitted to receive credit ratings in accordance with applicable law in any jurisdiction in which the person may be located. Anyone who is not such a person is not entitled to receive the Base Prospectus or these Final Terms and anyone who receives the Base Prospectus and these Final Terms must not distribute it to any person who is not entitled to receive it.

3. [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]

Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:

"Save as discussed in "*Subscription and Sale*", so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer."]

[(*When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.*)]

4. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

[(i) Reasons for the offer [ ]

(*See "Use of Proceeds" wording in Base Prospectus if reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.*)]

[(ii)] Estimated net proceeds: [ ]

(*If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.*)

[(iii)] Estimated total expenses: [ ]

[*Include breakdown of expenses.*]

(*If the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies it is only necessary to include*

disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is included at (i) above.)

5. [FIXED RATE NOTES ONLY – YIELD

Indication of yield: [ ]

Calculated as [*include details of method of calculation in summary form*] on the Issue Date.

As set out above, the yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

6. [FLOATING RATE NOTES – HISTORIC INTEREST RATES

Details of historic [LIBOR/EURIBOR/other] rates can be obtained from [Reuters].]

7. [INDEX-LINKED OR OTHER VARIABLE-LINKED NOTES ONLY – PERFORMANCE OF INDEX/FORMULA/OTHER VARIABLE, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE UNDERLYING

Need to include details of where past and future performance and volatility of the index/formula/other variable can be obtained and a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident. [Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained. Where the underlying is a security need to include the name of the issuer of the security and the ISIN (International Security Identification Number) or other such security identification code. Where the underlying is an interest rate need to include a description of the interest rate. Where the underlying is a basket of underlyings need to include disclosure of the relative weightings of each underlying in the basket. Where the underlying is not an index, a security or an interest rate need to include equivalent information.]]

[(*When completing this paragraph, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.*)]

The Issuer [intends to provide post-issuance information [specify what information will be reported and where it can be obtained]] [does not intend to provide post-issuance information]

8. [DUAL CURRENCY NOTES ONLY – PERFORMANCE OF RATE[S] OF EXCHANGE AND EXPLANATION OF EFFECT ON VALUE OF INVESTMENT

Need to include details of where past and future performance and volatility of the relevant rate[s] can be obtained and a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident.]

[(*When completing this paragraph, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.*)]

9. OPERATIONAL INFORMATION

CUSIP:

ISIN Code:

Common Code:

Swiss Valor:

Intended to be held in a manner which would allow Eurosystem eligibility:	[Not Applicable/Yes/No] Note that the designation "Yes" simply means that the Notes are intended upon issue to be deposited with Euroclear or Clearstream, Luxembourg as common safekeeper or directly with Clearstream Frankfurt, as applicable, [and registered in the name of a nominee of one of the ICSDs acting as common safekeeper,] [*include this text for registered notes*] and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.] [*Include this text if "Yes" selected, in which case the bearer global Notes must be issued in New Global Note form or the registered global Notes must be held under the New Safekeeping Structure*]
Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking Société Anonyme and the Depositary Trust Company and the relevant identification number(s):	[Not Applicable]/[SIX SIS Ltd, Olten Switzerland]/[*give name(s) and number(s)*]
Delivery:	Delivery [against/free of] payment
Names and addresses of additional Paying Agent(s) (if any):	[*Insert Swiss paying agent(s) for SIS Notes and specify principal Swiss paying agent, if applicable*]/[ ]

10. TERMS AND CONDITIONS OF THE OFFER

Offer Price:	[Issue Price] [*specify*]
Conditions to which the offer is subject:	[Not Applicable/*give details*]
Description of the application process:	[Not Applicable/*give details*]
Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants:	[Not Applicable/*give details*]
Details of the minimum and/or maximum amount of application:	[Not Applicable/*give details*]
Details of the method and time limits for paying up and delivering the Notes:	[Not Applicable/*give details*]
Manner in and date on which results of the offer are to be made public:	[Not Applicable/*give details*]

Procedure for exercise of any right of preemption, negotiability of subscription rights and treatment of subscription rights not exercised:	[Not Applicable/*give details*]
Categories of potential investors to which the Notes are offered and whether tranche(s) have been reserved for certain countries:	[Not Applicable/*give details*]
Process for notification to applicants of the [Not Applicable/give details] amount allotted and the indication whether dealing may begin before notification is made:	[Not Applicable/*give details*]
Amount of any expenses and taxes specifically charged to the subscriber or purchaser:	[Not Applicable/*give details*]
Name(s) and address(es), to the extent known [None/give details] to the Issuer, of the placers in the various countries where the offer takes place:	[None/*give details*]

TAXATION

The following is a general description of certain tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes. Prospective purchasers of Notes who are in any doubt as to their tax positions should consult their professional advisers.

SWITZERLAND

(a) Withholding tax

Notes issued by Issuers other than UBS Head Office: according to the present law and practice of the Swiss Federal Tax Administration, **provided that** the net proceeds from the issue of Notes are used at all times while they are outstanding outside Switzerland, payments in respect of the Notes by the Issuer are not subject to Swiss withholding tax.

On December 22, 2010 the Swiss Federal Council issued draft legislation, which, if enacted, may require a paying agent in Switzerland to deduct Swiss withholding tax at a rate of 35 per cent. on any payment of interest in respect of a Note to an individual resident in Switzerland or to a person resident in a country which has no double tax treaty with Switzerland. If this legislation or similar legislation were enacted and a payment in respect of a Note were to be made or collected through Switzerland and an amount of, or in respect of, Swiss withholding tax were to be deducted or withheld from that payment, neither the Issuer nor any paying agent nor any other person would pursuant to the Terms and Conditions of the Notes be obliged to pay additional amounts with respect to any Note as a result of the deduction or imposition of such withholding tax.

Notes issued by UBS Head Office: according to the present Swiss law and practice of the Swiss Federal Tax Administration, payments of interest on the Notes and payments which qualify as interest for Swiss withholding tax purposes, are subject to Swiss withholding tax at a rate of currently 35 per cent. If the respective requirements are met, the holder of a Note residing in Switzerland is entitled to a full refund or tax credit for the Swiss withholding tax whereas a holder of a Note who is not resident in Switzerland may be entitled to claim a full or partial refund of the Swiss withholding tax by virtue of the provisions of an applicable double taxation treaty, if any, concluded between Switzerland and the country of residence of such holder.

(b) Transfer Stamp Tax

Notes issued by Issuers other than UBS Head Office: there is no transfer stamp tax liability in Switzerland in connection with the issue and redemption of the Notes.

Notes with a term of more than 12 months which are sold through a Swiss or a Liechtenstein domestic bank or a Swiss or a Liechtenstein domestic securities dealer (as defined in the Swiss Federal Stamp Duty Law), are subject to the Swiss securities transfer stamp tax (turnover tax) of presently 0.3 per cent. with some exceptions as detailed in the Swiss Federal Stamp Duty Law.

Notes issued by UBS Head Office: there is no transfer stamp tax liability in Switzerland in connection with the issue and redemption of the Notes.

Notes with a term of more than 12 months which are sold through a Swiss or a Liechtenstein domestic bank or a Swiss or a Liechtenstein domestic securities dealer (as defined in the Swiss Federal Stamp Duty Law), are subject to the Swiss securities transfer stamp tax (turnover tax) of presently 0.15 per cent. with some exceptions as detailed in the Swiss Federal Stamp Duty Law.

(c) Other Taxes

Under current Swiss law, a Noteholder who is a non-resident of Switzerland and who, during the taxable year, has not engaged in trade or business through a permanent establishment or fixed place in Switzerland to which the Notes are attributable and who is not subject to taxation by Switzerland for any other reason will not be subject to Swiss Federal, Cantonal or Municipal income or other tax on gains on the sale of, or payment received under, any Notes.

Notes without a "predominant one-time interest payment": Holders of Notes without a predominant onetime interest payment (the yield-to-maturity predominantly derives from periodic interest payments and not from a one-time-interest-payment) who are individuals receive payments of interest on Notes are required to include such payments in their personal income tax return and will be taxable on any net taxable income (including the payments of interest on the Notes) for the relevant tax period.

Notes with a "predominant one-time interest payment": In the case of Notes with a "predominant one-time interest payment" (the yield-to-maturity predominantly derives from a one-time-interest-payment such as an original issue discount or a repayment premium and not from periodic interest payments), the positive difference (including any capital and foreign exchange gain) between the amount received upon sale or redemption and the issue price (if the Notes were purchased thereafter) will be classified as a taxable interest payment, as opposed to a tax-free capital gain (differential taxation method). Losses realised on the sale of Notes with a "predominant onetime interest payment" may be offset against gains realised within the same tax period on the sale of any notes with a "predominant one-time interest payment".

Swiss-resident, individual taxpayers who hold Notes as part of Swiss business assets and Swiss resident corporate taxpayers and individual or corporate taxpayers resident abroad holding Notes as part of a Swiss permanent establishment or a fixed place of business in Switzerland are required to recognise payment of the interests on the Notes and capital gains on sale of a Note in their income statement for the respective tax period and are taxable on any net taxable earnings for such period.

(d) EU Savings Directive

Notes issued by Issuers other than UBS Head Office: In accordance with the agreement between Switzerland and the EU on the taxation of savings income, which is in force since 1 July 2005, Swiss paying agents have to withhold tax at a rate of 35 per cent. on interest payments made to a beneficial owner who is an individual and resident of an EU member state, with the option of the individual to have the paying agent and Switzerland provide to the tax authorities of the EU member state the details of the interest payments in lieu of the withholding.

Notes issued by UBS Head Office: The payment of interest by Swiss paying agents is not subject to the EU Savings Tax based on the agreement between Switzerland and the EU on the taxation of savings income.

AUSTRALIA

*The following is a general summary of certain Australian tax consequences under the Income Tax Assessment Acts of 1936 and 1997 of Australia (together, "**Australian Tax Act**") and any relevant regulations, rulings or judicial or administrative announcements at the date of this Base Prospectus, of payments of interest and certain other amounts on Notes to be issued by UBS AG, Australia Branch under the Programme and certain other matters.*

The summary is not exhaustive and should be treated with appropriate caution. In particular, the summary does not deal with the position of certain classes of Noteholders (including, without limitation, dealers in securities, custodians or other third parties who hold the Notes on behalf of other persons).

Prospective Noteholders should be aware that particular terms of issue of any Series of Notes may affect the tax treatment of that and other Series of Notes. This summary is not intended to be, nor should it be construed as legal or tax advice to any particular investor. Prospective holders of the Notes who are in any doubt as to their tax position should consult their professional advisers on the tax implications of an investment in the Notes in their particular circumstances.

1. INTRODUCTION

The Australian Tax Act characterises securities as either "debt interests" (for all entities) or "equity interests" (for companies) including for the purposes of interest withholding tax ("**IWT**") and dividend withholding tax. IWT is payable at a rate of 10 per cent. of the gross amount of interest paid by UBS AG, Australia Branch to a non-resident of Australia (other than a non-resident acting at or through a permanent establishment in Australia) or a resident acting at or through a permanent establishment outside Australia unless an exemption is available. For these purposes, interest is defined in section 128A(1AB) of the Australian Tax Act to include amounts in the nature of, or in substitution for, interest and certain other amounts.

UBS AG, Australia Branch intends to issue Notes which will be characterised as both "debt interests" and "debentures" for these purposes. If Notes are issued which are not so characterised, further information on the material Australian tax consequences of payments of interest and certain other amounts on those Notes will be specified in the relevant Final Terms (or another relevant supplement to this Base Prospectus).

2. INTEREST WITHHOLDING TAX

The requirements for an exemption from IWT in respect of the Notes are as follows:

(a) UBS AG is a non-resident carrying on business at or through a permanent establishment in Australia when it issues the Notes and when interest (as defined in section 128A(1AB) of the Australian Tax Act) is paid. Interest is defined to include amounts in the nature of, or in substitution for, interest and certain other amounts;

(b) the Notes are issued in a manner which satisfies the public offer test. There are five principal methods of satisfying the public offer test, the purpose of which is to ensure that lenders in capital markets are aware that UBS AG, Australia Branch is offering those Notes for issue. In summary, the five methods are:

(i) offers to 10 or more unrelated financiers or securities dealers;

(ii) offers to 100 or more investors;

(iii) offers of listed Notes;

(iv) offers via publicly available information sources; and

(v) offers to a dealer, manager or underwriter who offers to sell the Notes within 30 days by one of the preceding methods.

In addition, the issue of any of those Notes (whether global in form or otherwise) and the offering of interests in any of those Notes by one of these methods should satisfy the public offer test;

(c) UBS AG does not know, or have reasonable grounds to suspect, at the time of issue, that the Notes or an interest in a Note was being, or would later be, acquired directly or indirectly by an "associate" of UBS AG, except as permitted by section 128F(5) of the Australian Tax Act; and

(d) at the time of the payment of interest, UBS AG does not know, or have reasonable grounds to suspect, that the payee is an "associate" of UBS AG, except as permitted by section 128F(6) of the Australian Tax Act.

Exemptions under recent tax treaties

The Australian government has signed new or amended double tax conventions ("**New Treaties**") with a number of countries (each a "**Specified Country**") which contain exemptions from IWT.

In broad terms, once implemented the New Treaties prevent IWT applying to interest derived by:

- the government of the relevant Specified Country and certain governmental authorities and agencies in the Specified Country; and
- a "financial institution" which is a resident of a "Specified Country" and which is unrelated to and dealing wholly independently with UBS AG. The term "**financial institution**" refers to either a bank or any other form of enterprise which substantially derives its profits by carrying on a business of raising and providing finance. (However, interest under a back-to-back loan or an economically equivalent arrangement will not qualify for this exemption.)

The Australian Federal Treasury maintains a listing of Australia's double tax conventions which provides details of country, status, withholding tax rate limits and Australian domestic implementation which is available to the public at the Federal Treasury Department's website at: http://www.treasury.gov.au/contentitem.asp?NavId=052&ContentID=625.

Compliance with section 128F of the Australian Tax Act

Unless otherwise specified in a relevant Final Terms (or another relevant supplement to this Base Prospectus), UBS AG, Australia Branch intends to issue Notes in a manner which will satisfy the requirements of section 128F of the Australian Tax Act.

Notes in bearer form – Section 126 of the Australian Tax Act

Section 126 of the Australian Tax Act imposes a type of withholding tax at the rate of 45 per cent. on the payment of interest on Notes in bearer form if UBS AG fails to disclose the names and addresses of the holders to the Australian Taxation Office. Section 126 does not apply to the payment of interest on Notes in bearer form held by non-residents who do not carry on business at or through a permanent establishment in Australia where the issue of those Bearer Notes has satisfied the requirements of section 128F of the Australian Tax Act or IWT is payable. In addition, the Australian Taxation Office has confirmed that for the purpose of section 126 of the Australian Tax Act, the holder of debentures (such as Notes in bearer form) means the person in possession of the debentures. Section 126 is therefore limited in its application to persons in possession of Notes in bearer form who are residents of Australia or non-residents who are engaged in carrying on business in Australia at or through a permanent establishment in Australia. Where interests in the relevant Notes are held through the Euroclear, Clearstream, Luxembourg or Clearstream Frankfurt systems, UBS AG, Australia Branch intends to treat the operators of those clearing systems as the holders of the relevant Bearer Notes for the purposes of Section 126 of the Australian Tax Act.

3. OTHER TAX MATTERS

Under Australian laws as presently in effect:

(A) *death duties* – no Notes will be subject to death, estate or succession duties imposed by Australia, or by any political subdivision or authority therein having power to tax, if held at the time of death;

(B) *stamp duty and other taxes* – no *ad valorem* stamp, issue, registration or similar taxes are payable in Australia on the issue of any Notes or transfer of any Notes;

(C) *other withholding taxes on payments in respect of Notes* – Section 12-140 of Schedule 1 to the Taxation Administration Act 1953 of Australia ("**TAA**") imposes a type of withholding tax at the rate of (currently) 46.5 per cent. on the payment of interest on certain registered securities unless the relevant payee has quoted an Australian Tax File Number ("**TFN**"), (in certain circumstances) an Australian Business Number ("**ABN**") or proof of some other exemption (as appropriate).

Assuming the requirements of section 128F of the Australian Tax Act are satisfied with respect to the Notes, the requirements of Section 12-140 do not apply to payments to a holder of Notes in registered form who is not a resident of Australia and not holding such Notes in the course of carrying on business at or through a permanent establishment in Australia. Payments to other classes of holders of Notes in registered form may be subject to a withholding where the holder of those Notes does not quote a TFN, ABN or proof of an appropriate exemption (as appropriate);

(D) *supply withholding tax* – payments in respect of the Notes can be made free and clear of the "supply withholding tax" imposed pursuant to Section 12-190 of Schedule 1 to the TAA; and

(E) *goods and services tax (GST)* – neither the issue nor receipt of the Notes will give rise to a liability for GST in Australia on the basis that the supply of Notes will comprise either an input taxed financial supply or (in the case of an offshore subscriber) a GST-free supply. Furthermore, neither the payment of principal or interest by UBS AG, Australia Branch, nor the disposal of the Notes, would give rise to any GST liability in Australia.

(F) *taxation of financial arrangements* – Division 230 of the Australian Tax Act contains tax-timing rules for certain taxpayers to bring to account gains and losses from "financial arrangements".

The rules do not apply to certain taxpayers or in respect of certain short term "financial arrangements". They should not, for example, generally apply to holders of Notes which are individuals and certain other entities (eg certain superannuation entities and managed investment schemes) which do not meet various turnover or asset thresholds, unless they make an election that the rules apply to their "financial arrangements". Potential holders of Notes should seek their own

tax advice regarding their own personal circumstances as to whether such an election should be made.

The rules in Division 230 do not alter the rules relating to the imposition of IWT. In particular, the rules do not override the IWT exemption available under section 128F of the Australian Tax Act.

UNITED KINGDOM

The following is a summary of the United Kingdom withholding taxation treatment at the date hereof in relation to payments of principal and interest in respect of the Notes. It is based on current law and the practice of Her Majesty's Revenue and Customs ("**HMRC**"), which may be subject to change, sometimes with retrospective effect. The comments do not deal with other United Kingdom tax aspects of acquiring, holding or disposing of Notes. The comments relate only to the position of persons who are absolute beneficial owners of the Notes. Prospective Noteholders should be aware that the particular terms of issue of any series of Notes as specified in the relevant Final Terms may affect the tax treatment of that and other series of Notes.

The following is a general guide for information purposes and should be treated with appropriate caution. Noteholders who are in any doubt as to their tax position should consult their professional advisers.

Noteholders who may be liable to taxation in jurisdictions other than the United Kingdom in respect of their acquisition, holding or disposal of the Notes are particularly advised to consult their professional advisers as to whether they are so liable (and if so under the laws of which jurisdictions), since the following comments relate only to certain United Kingdom taxation aspects of payments in respect of the Notes. In particular, Noteholders should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Notes even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the United Kingdom.

The following assumes that UBS AG is not resident in the United Kingdom for United Kingdom tax purposes, that (except in the case of Notes issued by UBS AG London Branch) UBS AG is not issuing the Notes for the purposes of a trade or other business carried on by it in the United Kingdom and that only interest on Notes issued by UBS AG London Branch has a United Kingdom source.

1. UK WITHHOLDING TAX ON UK SOURCE INTEREST

1.1 **UK Notes listed on a recognised stock exchange**

The Notes issued by UBS AG London Branch which carry a right to interest ("**UK Notes**") will constitute "quoted Eurobonds" provided they are and continue to be listed on a recognised stock exchange. Whilst the UK Notes are and continue to be quoted Eurobonds, payments of interest on such UK Notes may be made without withholding or deduction for or on account of United Kingdom income tax. Notes will be regarded as "listed on a recognised stock exchange" for this purpose if (and only if) they are admitted to trading on an exchange designated as a recognised stock exchange by an order made by the Commissioners for HMRC and either they are included in the United Kingdom official list (within the meaning of Part 6 of the Financial Services and Markets Act 2000) or they are officially listed, in accordance with provisions corresponding to those generally applicable in European Economic Area states, in a country outside the United Kingdom in which there is a recognised stock exchange. The London Stock Exchange is a recognised stock exchange for these purposes, and accordingly the Notes will constitute quoted Eurobonds provided they are and continue to be included in the United Kingdom official list and admitted to trading on the regulated market of the London Stock Exchange. The Irish Stock Exchange, the SIX Swiss Exchange and the Luxembourg Stock Exchange is each a recognised stock exchange. The Issuer's understanding of current HMRC practice is that securities which are officially listed and admitted to trading on the main market of the Irish Stock Exchange, the SIX Swiss Exchange or the Luxembourg Stock Exchange or on the Euro MTF Market of the Luxembourg Stock Exchange may be regarded as "listed on a recognised stock exchange" for these purposes.

1.2 **All UK Notes**

In addition to the exemption set out in 1.1 above, interest on the UK Notes may be paid without withholding or deduction for or on account of United Kingdom income tax so long as UBS AG London Branch is a "bank" for the purposes of section 878 of the Income Tax Act 2007 and so long as such payments are made by UBS AG London Branch in the ordinary course of its business. In accordance with the published practice of HMRC, such payments will be accepted as being made by UBS AG London Branch in the ordinary course of its business unless either:

(i) the borrowing in question conforms to any of the definitions of tier 1, 2 or 3 capital adopted by the Financial Services Authority whether or not it actually counts towards tier 1, 2 or 3 capital for regulatory purposes; or

(ii) the characteristics of the transaction giving rise to the interest are primarily attributable to an intention to avoid United Kingdom tax.

1.3 Interest on the UK Notes may also be paid without withholding or deduction for or on account of United Kingdom income tax if and so long as UBS AG London Branch is authorised for the purposes of the Financial Services and Markets Act 2000 and its business consists wholly or mainly of dealing in financial instruments (as defined by section 984 of the Income Tax Act 2007) as principal and so long as such payments are made by UBS AG London Branch in the ordinary course of its business.

1.4 **All other cases**

In all cases falling outside the exemptions described in 1.1, 1.2 and 1.3 above, interest on the UK Notes may fall to be paid under deduction of United Kingdom income tax at the basic rate (currently 20 per cent.) subject to such relief as may be available following a direction from HMRC pursuant to the provisions of any applicable double taxation treaty or to any other exemption which may apply. However, this withholding will not apply if the relevant interest is paid on Notes with a maturity of less than one year from the date of issue and which are not issued under arrangements the effect of which is to render such Notes part of a borrowing with a total term of a year or more.

2. PAYMENTS UNDER DEED OF COVENANT

Any payments made by UBS AG London Branch under the Deed of Covenant may not qualify for the exemptions from UK withholding tax described in 1 above.

3. PROVISION OF INFORMATION

Noteholders should note that where any interest on Notes is paid to them (or to any person acting on their behalf) by UBS AG London Branch or any person in the United Kingdom acting on behalf of the Issuer (a "**paying agent**"), or is received by any person in the United Kingdom acting on behalf of the relevant Noteholder (other than solely by clearing or arranging the clearing of a cheque) (a "**collecting agent**"), then UBS AG London Branch, the paying agent or the collecting agent (as the case may be) may, in certain cases, be required to supply to HMRC details of the payment and certain details relating to the Noteholder (including the Noteholder's name and address). These provisions will apply whether or not the interest has been paid subject to withholding or deduction for or on account of United Kingdom income tax and whether or not the Noteholder is resident in the United Kingdom for United Kingdom taxation purposes. In certain circumstances, the details provided to HMRC may be passed by HMRC to the tax authorities of certain other jurisdictions.

The provisions referred to above may also apply, in certain circumstances, to payments made on redemption of any Notes which constitute "**deeply discounted securities**" for the purposes of section 18 of the Taxes Management Act 1970 (although in this regard HMRC published guidance for the year 2011/2012 indicates HMRC will not exercise its power to obtain information in relation to such payments in that year).

Information may also be required to be reported in accordance with regulations made pursuant to the EU Savings Directive (see below).

EU Savings Tax Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income (the "**EU Savings Tax Directive**"), each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State; however, for a transitional period, Austria, Belgium and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35 per cent. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments. Belgium has replaced this withholding tax with a regime of exchange of information to the Member State of residence as from 1 January 2010.

A number of non-EU countries including Switzerland, and certain dependent or associated territories of certain Member States including Jersey, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain types of entity established in one of those territories.

The European Commission has proposed certain amendments to the EU Savings Directive which may, if implemented, amend or broaden the scope of the requirements described above. Investors who are in any doubt as to their position should consult their professional advisers.

4. OTHER RULES RELATING TO UNITED KINGDOM WITHHOLDING TAX

Notes may be issued at an issue price of less than 100 per cent. of their principal amount. Any discount element on any such Notes should not be subject to any United Kingdom withholding tax pursuant to the provisions mentioned in 1 above, but may be subject to reporting requirements as outlined in 3 above.

Where Notes are to be, or may fall to be, redeemed at a premium, as opposed to being issued at a discount, then any such element of premium may constitute a payment of interest. Payments of interest are subject to United Kingdom withholding tax and reporting requirements as outlined above.

Where interest has been paid under deduction of United Kingdom income tax, Noteholders who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision in any applicable double taxation treaty.

The references to "**interest**" in this summary of the United Kingdom withholding tax position mean "**interest**" as understood in United Kingdom tax law. The statements in this summary do not take any account of any different definitions of "interest" or "principal" which may prevail under any other law or which may be created by the terms and conditions of the Notes or any related documentation. Where a payment on a Note does not constitute (or is not treated as) interest for United Kingdom tax purposes, and the payment has a United Kingdom source, it could potentially be subject to United Kingdom withholding tax if, for example, it constitutes (or is treated as) an annual payment or a manufactured payment for United Kingdom tax purposes (which will be determined by, amongst other things, the terms and conditions specified by the Final Terms of the Note). In such a case, the payment may fall to be made under deduction of United Kingdom tax (the rate of withholding depending on the nature of the payment), subject to any exemption from withholding which may apply and to such relief as may be available following a direction from HMRC pursuant to the provisions of any applicable double tax treaty. Noteholders or Couponholders should seek their own professional advice as regards the withholding tax treatment of any payment on the Notes which does not constitute "interest" or "principal" as those terms are understood in United Kingdom tax law.

The above summary under the heading "*United Kingdom Taxation*" assumes that there will be no substitution of the Issuer pursuant to Condition 15 of the Notes and does not consider the tax consequences of any such substitution.

JERSEY

Interest bearing notes issued by UBS AG Jersey Branch will qualify for the payment of interest without any deduction on account of withholding tax.

EU Savings Tax Directive

As part of an agreement reached in connection with the EU directive on the taxation of savings income in the form of interest payments, and in line with steps taken by other relevant third countries, Jersey introduced with effect from 1 July 2005 a retention tax system in respect of payments of interest, or other similar income, made to an individual beneficial owner resident in an EU Member State by a paying agent established in Jersey. The retention tax system applies for a transitional period prior to the implementation of a system of automatic communication to EU Member States of information regarding such payments. During this transitional period, such an individual beneficial owner resident in an EU Member State will be entitled to request a paying agent not to retain tax from such payments but instead to apply a system by which the details of such payments are communicated to the tax authorities of the EU Member State in which the beneficial owner is resident.

The retention tax system in Jersey is implemented by means of bilateral agreements with each of the EU Member States, the Taxation (Agreements with European Union Member States) (Jersey) Regulations 2005 and Guidance Notes issued by the Chief Minister's Department of the States of Jersey. Based on these provisions and what is understood to be the current practice of the Jersey tax authorities, the Issuer would not be obliged to levy retention tax in Jersey under these provisions in respect of interest payments made by it to a paying agent established outside Jersey.

UNITED STATES FEDERAL TAXATION

I.R.S. CIRCULAR 230 DISCLOSURE: The discussion of U.S. tax matters in this Base Prospectus is not intended or written to be used, and cannot be used by any person, for the purpose of avoiding U.S. federal tax penalties, and was written to support the promotion or marketing of Notes issued under the Programme. Each taxpayer should consult an independent tax advisor regarding the application of U.S. federal income tax law, as well as any state, local, non-U.S. or other tax laws, to the purchase, ownership and disposition of Notes in light of its particular circumstances.

The following is a general summary of certain U.S. federal income to U.S. Holders and withholding tax considerations to Non-U.S. Holders (each as defined below), of the purchase, ownership and disposition of Notes. This summary only discusses the consequences to U.S. Holders that purchase Notes at their original issuance and issue price and hold them as capital assets for U.S. federal income tax purposes. This summary does not address all of the U.S. federal income tax consequences that may be relevant to an investor in light of such investor's particular circumstances or to investors subject to special rules (including, without limitation, pension plans and other tax-exempt investors, banks, thrift institutions, insurance companies, real estate investment trusts, regulated investment companies, grantor trusts, partnerships, partners in partnerships that invest in Notes, dealers in securities or currencies, U.S. Holders whose functional currency is not the U.S. dollar, U.S. Holders who hold Notes as part of a straddle, hedging or conversion transaction, U.S. Holders liable for the alternative minimum tax, U.S. Holders who are expatriates, Non-U.S. Holders that hold Notes in a manner that is effectively connected with the conduct of a trade or business in the United States and Non-U.S. Holders that are individuals present in the United States for 183 days or more in the year that they dispose of Notes). In addition, this summary does not address the application of any U.S. state or local tax laws, or the tax laws of any non-U.S. jurisdiction.

This summary is based on the Internal Revenue Code of 1986, as amended (the "**Code**"), its legislative history, applicable U.S. Treasury Regulations, judicial authority and administrative rulings and practice in effect as of the date of this Base Prospectus any of which may be appealed, revoked or otherwise altered with retroactive effect, thereby changing the U.S. federal income tax consequences discussed below. There is no assurance that the U.S. Internal Revenue Service (the "**IRS**") will not take a contrary view, and no ruling from the IRS has been or will be sought.

As used herein, the term "**U.S. Holder**" means a beneficial owner of a Note in registered form that is, for U.S. federal income tax purposes, (i) an individual that is a citizen or resident of the United States, (ii) a corporation created or organised in or under the laws of the United States, any State thereof or the District of Columbia, (iii) an estate whose income is subject to U.S. federal income taxation regardless of its source or (iv) a trust, if both (a) a court within the United States is able to exercise primary jurisdiction over the administration of the trust, and (b) one or more United States persons for U.S. federal income tax purposes persons have the authority to control all substantial decisions of the trust. Notes in bearer form are subject to selling restrictions and are not meant to be offered or sold to United States persons. United States persons that nonetheless acquire Notes in bearer form (i) should be aware that they will be subject to limitations under the U.S. tax rules, including limitations that impact the ability to deduct losses or recognise capital gain with respect to the Notes and (ii) should not rely on the disclosure below.

As used herein, the term "**Non-U.S. Holder**" means a beneficial owner of a Note that is, for U.S. federal income tax purposes, an individual, corporation, estate or trust that is not a U.S. Holder.

The U.S. federal income and withholding tax treatment of Notes held by an entity that is a partnership for U.S. federal income tax purposes will depend on the activities of such partnership and the status of its partners. Partnerships considering an investment in Notes, and partners in such partnerships, should consult their own tax advisors regarding the consequences of acquiring, owning and disposing of a Note.

Treatment of Notes as Indebtedness

The discussion below addresses the U.S. federal income tax treatment of Notes that will be issued in a manner consistent with, and with characteristics that are typical of, indebtedness for U.S. federal income tax purposes. Generally, the discussion below addresses Notes whose terms provide for payment in full of principal at their stated maturity. However, Notes whose terms do not provide for payment in full of principal at their stated maturity, and possibly certain other Notes, may not be characterised as indebtedness for U.S. federal income tax purposes.

The U.S. tax treatment of Notes that are not characterised as indebtedness for U.S. federal income tax purposes is complex, and generally there is no direct authority regarding the correct U.S. federal income tax treatment of such Notes. For example, in certain circumstances, such Notes may be viewed as representing beneficial ownership in underlying assets to which the return on the Notes is linked. In other circumstances, an investment in the Notes may be governed by the U.S. tax rules that govern the treatment of options, forward contracts, swaps or other types of derivative instruments. Prospective U.S. investors should be aware that the IRS has recently issued a notice seeking comments regarding the proper treatment of certain securities whose terms do not provide for payment in full of principal at their stated maturity, which may adversely impact the treatment of an investment in such Notes for U.S. federal income tax purposes. Prospective U.S. investors are strongly urged to consult their own advisors about the proper treatment of an investment in such Notes in light of their particular circumstances. A prospective U.S. investor should review any supplemental U.S. tax disclosure that may be provided in connection with a particular offering and should contact UBS for any additional information that it may require in making its determination.

Where Notes that are not classified as indebtedness are linked to one or more securities, or a basket containing one or more securities, issued by a U.S. issuer, it is possible that payments of principal, interest or disposition proceeds on the Note may be characterised, in whole or in part, as U.S. source income and may be subject to U.S. income or withholding tax. Where this is the case, such payments may be made subject to U.S. withholding tax, generally at a rate of 30 per cent. or at such other rate as may be available under the provisions of any applicable double tax treaty. Prospective non-U.S. investors should consult their own advisors about the possibility of U.S. income or withholding tax applying to payments on such Notes. A prospective non-U.S. investor should review any supplemental U.S. tax disclosure that may be provided in connection with a particular offering and should contact UBS for any additional information that it may require in making its determination.

Tax Consequences for U.S.Holders

Payments of Interest

Except as otherwise indicated below, interest paid on a Note will be taxable to a U.S. Holder as ordinary interest income at the time it accrues or is received in accordance with the U.S. Holder's method of accounting for U.S. federal income tax purposes. Interest income earned by a U.S. Holder with respect to a Note will constitute foreign source income for U.S. federal income tax purposes, which may be relevant in determining the U.S. Holder's treatment under the "*foreign tax credit*" rules. These rules are complex and a prospective U.S. Holder should consult its own advisors about the availability of a credit or deduction for non-U.S. taxes in light of the U.S. Holder's particular circumstances. Special rules governing the treatment of payments made with respect to Notes subject to special U.S. tax rules are discussed below.

Original Issue Discount

A Note that has an "issue price" that is less than its "stated redemption price at maturity" will be considered to have been issued at an original discount for U.S. federal income tax purposes (and will be referred to in this section as an "original issue discount Note") unless the Note satisfies a *de minimis* threshold (as described below) or is a short-term Note (as defined below). The "issue price" of a Note will be the first price at which a substantial amount of the Notes are sold to the public (not including sales to bond houses, brokers or similar persons or organisations acting in the capacity of underwriters, placement agents or wholesalers). The "stated redemption price at maturity" of a Note generally will equal the sum of all payments required under the Note other than payments of "qualified stated interest". "Qualified stated interest" is stated interest unconditionally payable (other than in debt instruments of the Issuer) at least annually during the entire term of the Note and equal to the outstanding principal balance of the Note multiplied by a single fixed rate of interest. In addition, qualified stated interest includes, among other things, stated interest on a "variable rate debt instrument" (as defined in the applicable U.S. Treasury regulations) that is unconditionally payable (other than in debt instruments of the Issuer) at least annually at a single qualified floating rate of interest or at a rate that is determined at a single fixed formula that is based on objective financial or economic information. A rate is a qualified floating rate if variations in the

rate can reasonably be expected to measure contemporaneous fluctuations in the cost of newly borrowed funds in the currency in which the Note is denominated. For this purpose, if a floating rate Note provides for stated interest at a fixed rate for an initial period of one year or less followed by a variable rate and if the variable rate on the floating rate Note's issue date is intended to approximate the fixed rate (e.g., the value of the variable rate on the issue date does not differ from the value of the fixed rate by more than 0.25%), then the fixed rate and the variable rate together will constitute a single variable rate.

If the difference between a Note's stated redemption price at maturity and its issue price is less than a *de minimis* amount (generally, 1/4 of 1 per cent. of the stated redemption price at maturity multiplied by the number of complete years to maturity or the weighted average maturity, as applicable) the Note will not be considered to have original issue discount. U.S. Holders of Notes with a *de minimis* amount of original issue discount will include this original issue discount in income, as capital gain, on a *pro rata* basis as principal payments are made on the Note.

A U.S. Holder of original discount Notes will be required to include any qualified stated interest payments in income in accordance with the U.S. Holder's method of accounting for U.S. federal income tax purposes. U.S. Holders of original issue discount Notes (other than short-term Notes, as defined below) will be required to include in income for U.S. federal income tax purposes the sum of the daily portions of the original issue discount for each day on which the U.S. Holder held the Note. The U.S. Holder will be required to include such original issue discount as it accrues in accordance with a constant yield method based on a compounding of interest, regardless of whether cash attributable to this income is received.

A U.S. Holder may make an election to include in gross income all interest that accrues on any Note (including stated interest, acquisition discount, original issue discount, *de minimis* original issue discount, market discount, *de minimis* market discount and unstated interest, as adjusted by any amortisable bond premium or acquisition premium) in accordance with a constant yield method based on the compounding of interest (a "**constant yield election**").

The issuer may have an unconditional option to redeem, or investors may have an unconditional option to require the issuer to redeem, a Note prior to its stated maturity date. Under applicable regulations, if the issuer has an unconditional option to redeem a Note prior to its stated maturity date, this option will be presumed to be exercised if the exercise of the option will lower the yield on the Note. Conversely, if investors have an unconditional option to require the issuer to redeem a Note prior to its stated maturity date, this option will be presumed to be exercised if the exercise of the option will increase the yield on the Note. If an option that is presumed to be exercised based on this rule is in fact not exercised, the Note will be treated solely for purposes of calculating original issue discount as if it were redeemed, and a new Note were issued, on the presumed exercise date for an amount equal to the Note's adjusted issue price on that date. The adjusted issue price of an original issue discount Note is defined as the sum of the issue price of the Note and the aggregate amount of previously accrued original issue discount, less any prior payments other than payments of qualified stated interest.

Short-Term Notes

A Note that matures (after taking into account the last possible date that the Note could be outstanding under the terms of the Note) one year or less from its date of issuance (a "**short-term Note**") will be treated as being issued at a discount and none of the interest paid on the Note will be treated as qualified stated interest (as defined above). In general, a cash-method U.S. Holder of a short-term Note is not required to accrue the discount for U.S. federal income tax purposes unless it elects to do so. If a cash method U.S. Holder does not make this election, the U.S. Holder should include interest payments as ordinary income upon receipt. Holders who elect to accrue the discount, and certain other U.S. Holders, including those who report income on the accrual method of accounting for U.S. federal income tax purposes, are required to include the discount in income as it accrues on a straight-line basis, unless another election is made to accrue the discount according to a constant-yield method based on daily compounding. In the case of a U.S. Holder who is not required and who does not elect to include the discount in income currently, any gain realised on the sale, exchange, or retirement of the short-term Note generally will be ordinary income to the extent of the discount accrued on a straight-line basis (or, if elected, according to a constant yield method based on daily compounding) through the date of sale, exchange or retirement. In addition, those U.S. Holders will be required to defer deductions for any interest paid on indebtedness incurred to purchase or carry short-term Notes in an amount not exceeding the accrued discount until the accrued discount is included in income.

Sale, Exchange or Retirement of the Notes

Upon the sale, exchange or retirement of a Note, a U.S. Holder will recognise taxable gain or loss equal to the difference between the amount realised on the sale, exchange or retirement and the U.S. Holder's adjusted basis in the Note. Gain or loss, if any, generally will be U.S. source income for purposes of computing a U.S. Holder's foreign tax credit limitation. Amounts attributable to accrued interest or discount are treated as interest as described under "*–Payment of Interest,*" "*–Short-Term Notes*" and "*–Original Issue Discount*" above.

Except as described below, gain or loss realised on the sale, exchange or retirement of a Note generally will be capital gain or loss and will be long-term capital gain or loss if at the time of sale, exchange or retirement the Note has been held for more than one year. Exception to this general rule applies to the extent of any accrued discount not previously included in the U.S. Holder's taxable income. See "*–Short-Term Notes*" and "*–Original Issue Discount*" above. In addition, other exceptions to this general rule apply in the case of contingent payment debt instruments, optionally exchangeable Notes and mandatorily exchangeable Notes. See "*–Contingent Payment Debt Instruments,*" "*–Optionally Exchangeable Notes*" below.

Contingent Payment Debt Instruments

If the timing and amount of payments on a Note is subject to contingencies and the Note is not a qualifying variable rate debt instrument (as defined above), the Note generally will be classified as a contingent payment debt instrument for U.S. federal income tax purposes. If a Note is treated as a contingent payment debt instrument, no payment on such instrument qualifies as qualified stated interest. Rather, a U.S. Holder must account for interest for U.S. federal income tax purposes based on a "comparable yield" and the differences between actual payments on the contingent payment debt instrument and the instrument's "projected payment schedule" as described below. The comparable yield is determined by the Issuer at the time of issuance of the contingent payment debt instrument and takes into account the yield at which the Issuer could issue a fixed rate debt instrument with no contingent payments, but with terms and conditions otherwise similar to those of the contingent payment debt instrument. The comparable yield may be greater than or less than the stated interest, if any, with respect to the instrument.

Solely for the purpose of determining the amount of interest income that a U.S. Holder will be required to accrue on a contingent payment debt instrument, the Issuer may be required to construct a "projected payment schedule" that represents a series of payments the amount and timing of which would produce a yield to maturity on the instrument equal to the comparable yield used.

Neither the comparable yield nor the projected payment schedule constitutes a representation by the Issuer regarding the actual amount, if any, that the contingent payment debt instrument will pay.

For U.S. federal income tax purposes, a U.S. Holder will be required to use the comparable yield and projected payment schedule established by the Issuer in determining interest accruals and adjustments in respect of a contingent payment debt instrument, unless the U.S. Holder timely discloses and justifies the use of a different comparable yield and projected payment schedule to the IRS.

A U.S. Holder, regardless of the U.S. Holder's method of accounting for U.S. federal income tax purposes, will be required to accrue interest income on a contingent payment debt instrument at the comparable yield, adjusted upward or downward to reflect the difference, if any, between the actual and the projected amount of any contingent payments on the instrument (as set forth below).

A U.S. Holder will be required to recognise interest income equal to the amount of any net positive adjustment, i.e., the excess of actual payments over projected payments, in respect of a contingent payment debt instrument for a taxable year. A net negative adjustment, i.e., the excess of projected payments over actual payments, in respect of a contingent payment debt instrument for a taxable year (i) will first reduce the amount of interest in respect of the contingent payment debt instrument that a U.S. Holder would otherwise be required to include in income in the taxable year and (ii) any excess will give rise to an ordinary loss to the extent that the amount of all previous interest inclusions under the contingent payment debt instrument exceeds the total amount of the U.S. Holder's net negative adjustments treated as ordinary loss on the contingent payment debt instrument in prior taxable years.

A net negative adjustment is not subject to the two per cent. floor limitation imposed on miscellaneous deductions. Any net negative adjustment in excess of the amounts described above will be carried forward to offset future interest income in respect of the contingent payment debt instrument or to reduce the amount realised on a sale, exchange or retirement of the instrument.

Upon a sale, exchange or retirement of a contingent payment debt instrument (including a delivery of property pursuant to the terms of the instrument), a U.S. Holder generally will recognise taxable gain or loss equal to the difference between the amount realised on the sale, exchange or retirement and the U.S. Holder's adjusted basis in the contingent payment debt instrument. If a U.S. Holder is paid property, other than cash, in retirement of a contingent payment debt instrument, the amount realised will equal the fair market value of the property, determined at the time of retirement, plus the amount of cash, if any, received in lieu of property. A U.S. Holder generally will treat any gain as interest income, and any loss as ordinary loss to the extent of the excess of previous interest inclusions in excess of the total net negative adjustments previously taken into account as ordinary losses, and the balance as capital loss. The deductibility of capital losses is subject to limitations. In addition, if a U.S. Holder recognises loss above certain thresholds, the U.S. Holder may be required to file a disclosure statement with the IRS.

A U.S. Holder will have a tax basis in any property, other than cash, received upon the retirement of a contingent payment debt instrument, including in satisfaction of a conversion right or a call right, equal to the fair market value of the property determined at the time of retirement. The U.S. Holder's holding period for the property will commence on the day immediately following its receipt.

Special rules will apply if one or more contingent payments on a contingent payment debt instrument become fixed. For purposes of the preceding sentence, a payment (including an amount payable at maturity) will be treated as fixed if (and when) all remaining contingencies with respect to it are remote or incidental within the meaning of the applicable Treasury regulations. If one or more contingent payments on a contingent payment debt instrument become fixed more than six months prior to the date the payment is due, a U.S. Holder would be required to make a positive or negative adjustment, as appropriate, equal to the difference between the present value of the amounts that are fixed, using the comparable yield as the discount rate, and the projected amounts of the contingent payments relevant as provided in the projected payment schedule. If all remaining scheduled contingent payments on a contingent payment debt instrument become fixed substantially contemporaneously, a U.S. Holder would be required to make adjustments to account for the difference between the amounts so treated as fixed and the projected payments in a reasonable manner over the remaining term of the contingent payment debt instrument. A U.S. Holder's tax basis in the contingent payment debt instrument and the character of any gain or loss on the sale of the instrument would also be affected. U.S. Holders are urged to consult their tax advisers concerning the application of these special rules.

Premium

If a U.S. Holder purchases a Note for an amount in excess of its stated redemption price at maturity (as defined above under "*–Original Issue Discount*"), the U.S. Holder will be considered to have purchased such Note with "amortisable bond premium" equal in amount to such excess, and generally will not be required to include any original issue discount in income. Generally, a U.S. Holder may elect to amortise such premium as an offset to qualified stated interest income, using a constant yield method similar to that described above (see "*–Original Issue Discount*" above), over the remaining term of the Note (where such Note is not redeemable prior to its maturity date). In the case of Notes that may be redeemed prior to maturity, the premium is calculated assuming that the Issuer or the U.S. Holder will exercise or not exercise its redemption rights in a manner that maximises the U.S. Holder's yield. A U.S. Holder that elects to amortise bond premium must reduce such Owner's tax basis in the Note by the amount of the premium used to offset qualified stated interest income as set forth above. An election to amortise bond premium applies to all taxable debt obligations held during or after the taxable year for which the election is made and may be revoked only with the consent of the IRS.

Foreign Currency Notes

Special U.S. federal income tax rules apply to Notes that are denominated in a specified currency other than the U.S. dollar or the payments of interest or principal on which are payable in one or more currencies or currency units other than the U.S. dollar ("**foreign currency Notes**").

The rules applicable to foreign currency Notes could require some or all gain or loss on the sale, exchange or other disposition of a foreign currency Note to be recharacterised as ordinary income or loss. The rules applicable to foreign currency Notes are complex and may depend on the U.S. Holder's particular U.S. federal income tax situation. For example, various elections are available under these rules, and whether a U.S. Holder should make any of these elections may depend on the U.S. Holder's particular federal income tax situation. U.S. Holders are urged to consult their own tax advisers regarding the U.S. federal income tax consequences of the ownership and disposition of foreign currency Notes.

A U.S. Holder who uses the cash method of accounting and who receives a payment of qualified stated interest in a currency other than the U.S. dollar with respect to a foreign currency Note will be required to include in income the U.S. dollar value of the foreign currency payment (determined on the date the payment is received) regardless of whether the payment is in fact converted to U.S. dollars at the time, and this U.S. dollar value will be the U.S. Holder's tax basis in the foreign currency.

An accrual method U.S. Holder will be required to include in income the U.S. dollar value of the amount of interest income (including original issue discount) that has accrued and is otherwise required to be taken into account with respect to a foreign currency Note during an accrual period. The U.S. dollar value of the accrued income will be determined by translating the income at the average rate of exchange for the accrual period or, with respect to an accrual period that spans two taxable years, at the average rate for the partial period within the taxable year. The U.S. Holder will recognise ordinary income or loss with respect to accrued interest income on the date the income is actually received. The amount of ordinary income or loss recognised will equal the difference between the U.S. dollar value of the non-U.S. dollar currency payment received (determined on the date the payment is received) in respect of the accrual period (or, where a U.S. Holder receives U.S. dollars, the amount of the payment in respect of the accrual period) and the U.S. dollar value of interest income that has accrued during the accrual period (as determined above). Rules similar to these rules apply in the case of a cash method taxpayer required to currently accrue original issue discount.

An accrual method U.S. Holder may elect to translate interest income (including original issue discount) into U.S. dollars at the spot rate on the last day of the interest accrual period, in the case of a partial accrual period, the spot rate on the last day of the accrual period in the taxable year or, if the date of receipt is within five business days of the last day of the interest accrual period, the spot rate on the date of receipt. A U.S. Holder that makes this election must apply it consistently to all debt instruments from year to year and cannot change the election without the consent of the IRS.

Original issue discount on a foreign currency Note is to be determined in the relevant foreign currency.

If an election to amortise bond premium is made, amortisable bond premium, calculated in units of the relevant foreign currency, taken into account on a current basis shall reduce interest income in units of the relevant foreign currency. Exchange gain or loss is realised on amortised bond premium with respect to any period by treating the bond premium amortised in the period in the same manner as on the sale, exchange or retirement of the foreign currency Note. Any exchange gain or loss will be ordinary income or loss as described below. If the election is not made, any loss realised on the sale, exchange or retirement of a foreign currency Note with amortisable bond premium by a U.S. Holder who has not elected to amortise the premium will be a capital loss to the extent of the bond premium.

A U.S. Holder's basis in a foreign currency Note, and the amount of any subsequent adjustment to the U.S. Holder's basis, will be the U.S. dollar value amount of the foreign currency amount paid for such foreign currency Note, or of the foreign currency amount of the adjustment, determined on the date of the purchase or adjustment. A U.S. Holder who purchases a foreign currency Note with previously owned non-U.S. currency will recognise ordinary income or loss in an amount equal to the difference, if any, between such U.S. Holder's basis in the nonU.S. currency and the U.S. dollar fair market value of the foreign currency Note on the date of purchase.

Gain or loss realised upon the sale, exchange or retirement of a foreign currency Note that is attributable to fluctuation in currency exchange rates will be ordinary income or loss which will not be treated as interest income or expense. Gain or loss attributable to fluctuations in exchange rates will equal the difference between (i) the U.S. dollar value of the non-U.S. currency principal amount of the Note, determined on the date the payment is received or the Note is disposed of, and (ii) the U.S. dollar value of the non-U.S. dollar currency principal amount of the Note, determined on the date the U.S. Holder acquired the Note. Payments received attributable to accrued interest will be treated in accordance with the rules applicable to payments of interest on foreign currency Notes described above. The foreign currency gain or loss will be recognised only to the extent of the total gain or loss realised by the U.S. Holder on the sale, exchange or retirement of the foreign currency Note. The source of the foreign currency gain or loss will be determined by reference to the residence of the U.S. Holder (or the "**qualified business unit**" of the U.S. Holder on whose books the Note is properly reflected). Any gain or loss realised by a U.S. Holder in excess of the foreign currency gain or loss will be capital gain or loss except, in the case of a short-term Note, to the extent of any discount not previously included in the U.S. Holder's income.

A U.S. Holder will have a tax basis in any foreign currency received on the sale, exchange or retirement of a foreign currency Note equal to the U.S. dollar value of the non-U.S. currency, determined at the time of sale, exchange or retirement. A cash method taxpayer who buys or sells a foreign currency Note is required to translate

units of non-U.S. currency paid or received into U.S. dollars at the spot rate on the settlement date of the purchase or sale. Accordingly, no exchange gain or loss will result from currency fluctuations between the trade date and the settlement date of the purchase or sale. An accrual method taxpayer may elect the same treatment for all purchases and sales of foreign currency obligations **provided that** the Notes are traded on an established securities market. This election cannot be changed without the consent of the IRS. Any gain or loss realised by a U.S. Holder on a sale or other disposition of non-U.S. currency (including its exchange for U.S. dollars or its use to purchase foreign currency Notes) will be ordinary income or loss.

IRS Reporting Requirements

Treasury regulations require U.S. taxpayers to report certain transactions that give rise to a loss in excess of certain thresholds (a "**Reportable Transaction**"). Under these regulations, if Notes are denominated in a foreign currency, a U.S. holder that recognises a loss with respect to the Notes that is characterised as an ordinary loss due to changes in currency exchange rates generally would be required to report the loss to the IRS if the loss exceeds the thresholds set forth in the regulations. For individuals and trusts, this loss threshold is $50,000 in any single taxable year. For other types of taxpayers and other types of losses, the thresholds are higher.

U.S. Holders should consult their own advisors regarding any tax filing and reporting obligations that may apply in connection with acquiring, owning and disposing of Notes.

Backup Withholding and Information Reporting

Information returns may be filed with the IRS in connection with payments on the Notes and the proceeds from a sale or other disposition of the Notes. A U.S. Holder may be subject to U.S. backup withholding on these payments if it fails to provide its tax identification number to the paying agent and comply with certain certification procedures or otherwise establish that it qualifies for an exemption from backup withholding.

The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against the U.S. Holder's U.S. federal income tax liability and may entitle the U.S. Holder to a refund, **provided that** the required information is furnished to the IRS.

If a U.S. Holder invests in Notes directly or indirectly through a non-U.S. financial institution, payments it receives after 2014 on or with respect to Notes issued after March 18, 2012 may be subject to U.S. withholding unless such financial institutions generally comply with certain U.S. reporting and withholding requirements. As part of this compliance, U.S. Holder may be asked to provide additional information about their status as U.S. taxpayers.

Tax Consequences for Non-U.S. Holders

Unless otherwise noted in the applicable pricing supplement, a non-U.S. Holder will not be subject to U.S. withholding tax with respect to payments on Notes, but may be subject to generally applicable information reporting, and may also be subject to backup withholding requirements with respect to such payments unless the non-U.S. Holder complies with certain certification and identification requirements as to the Non-U.S. Holder's non-U.S. status or an exception to the information reporting and backup withholding rules otherwise applies. NonU.S. Holders that receive payments outside the United States from a broker or other intermediary that is not a U.S. person and does not have certain other connections with the United States generally will not be subject to these information reporting and backup withholding rules.

The U.S. federal income tax discussion set forth above is included for general information only and may not be applicable depending upon an investor's particular situation. Prospective investors should consult their own tax advisers with respect to the tax consequences to them of the ownership and disposition of the Notes and the underlying stock, including the tax consequences under state, local, non-U.S. and other tax laws and the possible effects of changes in U.S. federal or other tax laws.

UNITED STATES EMPLOYEE BENEFIT PLAN CONSIDERATIONS

The U.S. Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), imposes certain requirements on "employee benefit plans" (as defined in Section 3(3) of ERISA) subject to Title I of ERISA, including entities such as collective investment funds and separate accounts whose underlying assets include the assets of such plans (collectively, "**ERISA Plans**") and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA's general fiduciary requirements, including the requirement of investment prudence and diversification and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the ERISA Plan.

Section 406 of ERISA and Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**") prohibit certain transactions involving the assets of an ERISA Plan (as well as those plans that are not subject to ERISA but which are subject to Section 4975 of the Code, such as individual retirement accounts (together with ERISA Plans, "**Plans**")) and certain persons (referred to as "**parties in interest**" or "**disqualified persons**") having certain relationships to such Plans, unless a statutory or administrative exemption is applicable to the transaction. To the extent a purchase of any Note (or an interest in a Note) by a Plan is permitted, prohibited transactions within the meaning of Section 406 of ERISA or Section 4975 of the Code may arise if any Notes are acquired by a Plan with respect to which any of the Issuers, the Agent, the Arranger or the Dealers or any of their respective affiliates are a party in interest or a disqualified person. A party in interest or disqualified person who engages in a prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and Section 4975 of the Code. Certain exemptions from the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code may be applicable, however, depending in part on the type of Plan fiduciary making the decision to acquire Notes and the circumstances under which such decision is made. There can be no assurance that any exemption will be available with respect to any particular transaction involving the Notes, or that, if an exemption is available, it will cover all aspects of any particular transaction.

For Notes whose terms do not provide for payment in full of principal at their stated maturity, unless otherwise permitted pursuant to the Final Terms relating to such Notes, a Plan may not purchase, hold or hold any interest in any such Notes. Unless otherwise provided in the Final Terms, by its purchase of any Note (and any interest therein) whose terms do not provide for payment in full of principal at their stated maturity, whether in the case of the initial purchase or in the case of a subsequent transfer, the purchaser thereof will be deemed to have represented and agreed that it is not and for so long as it holds a Note (or any interest therein) will not be a Plan or an entity the assets of which are deemed to constitute the assets of any Plan for the purposes of 29 C.F.R. §2510.3-101 and Section 3(42) of ERISA or otherwise for purposes of Section 406 of ERISA or Section 4975 of the Code.

For Notes whose terms provide for payment in full of principal at their stated maturity, unless otherwise prohibited in the Final Terms relating to such Notes, Plans will be permitted to purchase and hold the Notes (and any interest therein). Unless otherwise provided in the Final Terms, each purchaser and transferee of a Note (and any interest therein) whose terms provide for payment in full of principal at their stated maturity, will be deemed to represent and agree that for so long as it holds a Note (or any interest therein) either (i) it is not a Plan, or an entity the assets of which are deemed to constitute the assets of any Plan for the purposes of 29 C.F.R. §2510.3-101 and Section 3(42) of ERISA or otherwise for purposes of Section 406 of ERISA or Section 4975 of the Code, or (ii) its purchase and holding of the Notes (or any interest therein) will not constitute or result in a non-exempt prohibited transaction under ERISA or Section 4975 of the Code.

If a purchaser or transferee of any Note is subject to any U.S. federal, state or local law that is substantially similar to Section 406 of ERISA or Section 4975 of the Code ("**Similar Law**") then such purchaser or transferee will be deemed to represent and agree that such purchase is not in violation of any Similar Law.

Governmental plans and certain church and other plans, while not subject to the fiduciary responsibility provisions of ERISA or the provisions of Section 4975 of the Code, may nevertheless be subject to state or other federal or foreign laws that are substantially similar to ERISA and the Code. Fiduciaries of any such plans should consult with their counsel before purchasing any Notes.

The foregoing discussion is general in nature and not intended to be all-inclusive. Any Plan fiduciary who proposes to cause a Plan to purchase any Notes to the extent permitted in the Final Terms should consult with its counsel regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA and Section 4975 of the Code to such an investment, and to confirm that such investment will not constitute or result in a prohibited transaction or any other violation of an applicable requirement of ERISA.

SELLING RESTRICTIONS

Subject to all legal and regulatory requirements, Notes may be issued from time to time by the Issuer to any one or more of UBS Limited, UBS Securities LLC and UBS AG (the "**Dealers**") or to any other person. The arrangements under which Notes may from time to time be agreed to be issued by the Issuer to, and subscribed by, Dealers are set out in an amended and restated dealer agreement dated 25 August 2011 (the "**Dealer Agreement**") and made between the Issuer and the Dealers, as such agreement may be amended or supplemented or superseded from time to time. Any such agreement for the issue and subscription of Notes will, *inter alia*, cover the price of the Notes, any commissions or other deductibles in respect of the Notes, the Form of the Notes, any other commercial terms of the issue and subscription of the Notes themselves, and any syndication or underwriting of the issue. The Dealer Agreement makes provision for the resignation or renewal of existing Dealers and the appointment of additional or other Dealers, either generally in respect of the Programme or in relation to a particular Series or Tranche of Notes.

UNITED STATES

(*Regulation S Category 2; TEFRA D, unless TEFRA C is specified as applicable in the relevant Final Terms; Rule 144A eligible if so specified in the relevant Final Terms*)

The Notes have not been, and will not be, registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

For Notes whose terms do not provide for payment in full of principal at their stated maturity, unless otherwise permitted pursuant to the Final Terms relating to such Notes, a Plan may not purchase, hold or hold any interest in any such Notes. Unless otherwise provided in the Final Terms, for Notes whose terms do not provide for payment in full of principal at their stated maturity, the purchaser and each transferee will be deemed to represent that it is not and for as long as it holds the Notes (or an interest therein) will not be (i) an "employee benefit plan" within the meaning of Section 3(3) of ERISA that is subject to Part 4 of Title I of ERISA, (ii) a "plan" within the meaning of and subject to Section 4975 of the Code or (iii) any person or entity whose assets include the assets of any such "employee benefit plan" or "plan" by reason of 29 C.F.R. § 2510.3-101 and Section 3(42) of ERISA or otherwise for purposes of Section 406 of ERISA or Section 4975 of the Code.

For Notes whose terms provide for payment in full of principal at their stated maturity, unless otherwise prohibited in the Final Terms relating to such Notes, Plans will be permitted to purchase and hold the Notes (and any interest therein). Unless otherwise provided in the Final Terms, for Notes whose terms provide for payment in full of principal at their stated maturity, the purchaser and each transferee will be deemed to represent and agree that for as long as it holds the Notes (or an interest therein) either (A) it is not (i) an "employee benefit plan" within the meaning of Section 3(3) of ERISA that is subject to Part 4 of Title I of ERISA, (ii) a "plan" within the meaning of and subject to Section 4975 of the Code or (iii) an entity the assets of which include the assets of any such "employee benefit plan" or "plan" by reason of 29 C.F.R. § 2510.3-101 and Section 3(42) of ERISA or otherwise for purposes of Section 406 of ERISA or Section 4975 of the Code, or (B) its purchase and holding of the Notes (or any interest therein) will not constitute or result in a non-exempt prohibited transaction under ERISA or Section 4975 of the Code.

Each purchaser and transferee that is an "employee benefit plan" that is subject to any U.S. Federal, state or local law that is substantially similar to Section 406 of ERISA or Section 4975 of the Code ("**Similar Law**") will be deemed to represent and agree that such purchase is not in violation of any Similar Law.

Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a U.S. person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code of 1986, as amended, and the regulations thereunder.

(A) Where the D Rules are specified in the relevant Final Terms as being applicable in relation to any Tranche of Notes, each Dealer will be required to represent, undertake and agree (and each additional Dealer appointed under the Programme will be required to represent, undertake and agree) that:

(i) except to the extent permitted under the D Rules, (a) it has not offered or sold, and during the restricted period will not offer or sell, any Notes in bearer form to a person who is within the United

States or its possessions or to a U.S. person, and (b) it has not delivered and will not deliver within the United States or its possessions Notes in bearer form and in definitive form that are sold during the restricted period;

(ii) it has, and throughout the restricted period will have, in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Notes in bearer form are aware that such Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a U.S. person, except as permitted by the D Rules;

(iii) if it is a U.S. person, it is acquiring the Notes in bearer form for purposes of resale in connection with their original issuance and, if it retains Notes in bearer form for its own account, it will only do so in accordance with the requirements of United States Treasury Regulations §1.163-5(c)(2)(i)(D)(6);

(iv) with respect to each affiliate (if any) that acquires from such Dealer Notes in bearer form for the purposes of offering or selling such Notes during the restricted period, such Dealer either repeats and confirms the representations, undertakings and agreements contained in sub-clauses (i), (ii) and

(iii) above on such affiliate's behalf or agrees that it will obtain from such affiliate for the benefit of the Issuer the representations, undertakings and agreements contained in such sub-clauses (i), (ii) and (iii); and

(v) shall obtain for the benefit of the Issuer the representations, undertakings and agreements contained in sub-clauses (i), (ii), (iii), (iv) and this sub-clause (v) of this paragraph from any person other than its affiliate with whom it enters into a written contract, (a "**distributor**" as defined in United States Treasury Regulations §1.163-5(c)(2)(i) (D)(4)), for the offer or sale during the restricted period of the Notes in bearer form.

(B) In addition, where the C Rules are specified in the relevant Final Terms as being applicable in relation to any Tranche of Notes, such Notes must in their original issuance, be issued and delivered outside the United States and its possessions and, accordingly, each Dealer will be required to represent, undertake and agree (and each additional Dealer will be required to represent, undertake and agree) that, in connection with the original issuance of the Notes:

(i) it has not offered, sold or delivered, and will not offer, sell or deliver, directly or indirectly, any Notes in bearer form within the United States or its possessions; and

(ii) it has not communicated, and will not communicate, directly or indirectly, with a prospective purchaser if either such purchaser or such Dealer is within the United States or its possessions and will not otherwise involve the United States office of such Dealer in the offer and sale of Notes in bearer form.

Terms used in sub-clauses (A) and (B) have the meanings given to them by the Code and the regulations thereunder, including the C Rules and the D Rules.

Each Dealer represents and agrees, and each further Dealer appointed under the Programme will be required to represent and agree, that, except as provided in the Dealer Agreement, it has not offered and sold Notes and will not offer and sell Notes of any Tranche (i) as part of its distribution at any time and (ii) otherwise until 40 days after the later of the date of issue of the relevant Tranche of Notes and the completion of the distribution of such Tranche, as determined and certified to the Agent or the Issuer by the relevant Dealer (or in the case of a sale of a Tranche of Notes to or through more than one Dealer, by each of such Dealers as to the Notes of such Tranche purchased by or through it, in which case the Agent or the Issuer shall notify each such Dealer when all such Dealers have so certified), within the United States or to, or for the account or benefit of, US persons and it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration to which it sells Notes of such Tranche from it during the distribution compliance period (other than resales pursuant to Rule 144A under the Securities Act) a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Dealer Agreement provides that the Dealers may directly or may, through their respective U.S. broker dealer affiliates, arrange for the offer and resale of the Notes in the United States only to qualified institutional buyers in reliance on Rule 144A.

In addition, until 40 days after the commencement of the offering of any Tranche of Notes, an offer or sale of Notes of such Tranche within the United States by a dealer (whether or not participating in the offering of such Notes) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the Securities Act.

Each Series of Notes will also be subject to such further United States selling restrictions as the Issuer and the relevant Dealer(s) may agree and as indicated in the relevant Final Terms.

PUBLIC OFFER SELLING RESTRICTIONS UNDER THE PROSPECTUS DIRECTIVE

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by the Base Prospectus as completed by the Final Terms in relation thereto (or are the subject of the offering contemplated by a Drawdown Prospectus, as the case may be) to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of Notes to the public in that Relevant Member State:

(a) *Approved prospectus*: if the final terms or Drawdown Prospectus in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a "**Non-exempt Offer**"), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, **provided that** any such prospectus which is not a Drawdown Prospectus has subsequently been completed by the final terms contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;

(b) *Qualified investors*: at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(c) *Fewer than 100 offerees*: at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(d) *Other exempt offers*: at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU.

SELLING RESTRICTIONS ADDRESSING ADDITIONAL UNITED KINGDOM SECURITIES LAWS

In relation to each Tranche of Notes, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that:

(a) *No deposit-taking*: in relation to any Notes having a maturity of less than one year:

(i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and

(ii) it has not offered or sold and will not offer or sell any Notes other than to persons:

(A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or

(B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,

where the issue of the Notes would otherwise constitute a contravention of section 19 of the FSMA by the Issuer;

(b) *Financial Promotion*: it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not or would not, if the Issuer was not an authorised person, apply to the Issuer; and

(c) *General Compliance*: it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

AUSTRALIA

No prospectus or other disclosure document (as defined in the Corporations Act 2001 of Australia (the "**Corporations Act**")) in relation to the Programme or the Notes has been (or will be) lodged with, or registered by, the Australian Securities and Investments Commission ("**ASIC**"). Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that, unless the relevant Final Terms or Drawdown Prospectus (or another relevant supplement to this Base Prospectus) otherwise provides, it:

(a) has not offered or invited applications, and will not offer or invite applications, for the issue, sale or purchase of the Notes in, to or from Australia (including an offer or invitation which is received by a person in Australia); and

(b) has not distributed or published, and will not distribute or publish, the Base Prospectus or any other offering material or advertisement relating to the Notes in Australia,

unless (i) the aggregate consideration payable by each offeree is at least A$500,000 (or the equivalent in another currency, in either case, disregarding moneys lent by the offeror or its associates) or the offer or invitation otherwise does not require disclosure to investors in accordance with Part 6D.2 or 7.9 of the Corporations Act, (ii) such action complies with all applicable laws, regulations and directives (including, without limitation, the licensing requirements set out in Chapter 7 of the Corporations Act) and does not require any document to be lodged with ASIC, and (iii) the offer or invitation is not made to a person who is a "retail client" within the meaning of section 761G of the Corporations Act.

In addition, and unless the relevant Final Terms otherwise provides, each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, that, in connection with the primary distribution of Notes issued by UBS AG, Australia Branch, it will not offer or sell such Notes to any person if, at the time of such sale, the officers and employees of the Dealer aware of, or involved in, the sale knew or had reasonable grounds to suspect that, as a result of such sale, any such Notes or an interest in any such Notes were being, or would later be, acquired (directly or indirectly) by an "associate" of UBS AG within the meaning of section 128F(9) of the Australian Tax Act and associated regulations and, where applicable, any replacement legislation including, but not limited to, the Income Tax Assessment Act 1997 of Australia, except as permitted by section 128F(5) of the Australian Tax Act.

Section 708(19) of the Corporations Act provides that an offer of debentures for issue or sale does not need disclosure to investors in accordance with Part 6D.2 of the Corporations Act if the Issuer is an authorised deposit-taking institution ("**ADI**"). As at the date of this Base Prospectus, UBS AG, Australia Branch is a foreign ADI.

JAPAN

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**FIEA**") and, accordingly, each Dealer undertakes, and each further Dealer appointed under the Programme will be required to undertake, that it will not offer or sell any Notes directly or

indirectly, in Japan or to, or for the benefit of, any resident of Japan or to others for re-offering or resale, directly or indirectly, in Japan or to any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with the FIEA and other relevant laws and regulations of Japan. As used in this paragraph, "**resident of Japan**" means any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

SINGAPORE

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

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

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

the shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within 6 months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor (under Section 274 of the SFA) or to a relevant person as defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law; or

(4) as specified in Section 276(7) of the SFA.

HONG KONG

Each Dealer has represented and agreed that, and each further Dealer appointed under the Programme will be required to represent and agree that

1. it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes except for Notes which are a "structured product" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") other than (a) to "professional investors" as defined in the SFO and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong (the "**Companies Ordinance**") or which do not constitute an offer to the public within the meaning of the Companies Ordinance; and

2. it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

TAIWAN

The Notes may not be sold, offered or issued to Taiwan resident investors or in Taiwan unless they are made available, (i) outside Taiwan for purchase outside Taiwan by such investors and/or (ii) in Taiwan, (A) in the case of Notes which are a "structured product" as defined in the Regulation Governing Offshore Structured Products of the Republic of China ("**OSP Regulation**") through bank trust departments, licensed securities brokers and/or insurance company investment linked insurance policies pursuant to the OSP Regulation or (B) in the case of Notes which are not "structured products" under the OSP Regulation, through properly licensed Taiwan intermediaries (including the non-discretionary monetary trust of licensed banks in Taiwan acting as trustees) in such manner as complies with Taiwan law and regulation and/or (iii) in such other manner as may be permitted in accordance with Taiwan laws and regulations.

CANADA

No prospectus in relation to the Programme or the Notes has been filed with any securities commission or administrator in Canada. Each dealer has represented, warranted and agreed, and each further dealer appointed under the Programme will be required to represent and agree, that, unless the Final Terms or Drawdown Prospectus (or another relevant supplement to this Base Prospectus) otherwise provides:

(a) the sale and delivery of any Note to any purchaser who is a resident of Canada or otherwise subject to the laws of Canada or who is purchasing for a principal who is a resident of Canada or otherwise subject to the laws of Canada (each such purchaser or principal, a "**Canadian Purchaser**") by such agent shall be made so as to be exempt from the prospectus filing requirements and exempt from, or in compliance with, the dealer registration requirements of all applicable securities laws, regulations, rules, instruments, rulings and orders, including those applicable in each of the provinces and territories of Canada (as defined in this section, the "**Canadian Securities Laws**");

(b) each Canadian Purchaser is entitled under the Canadian Securities Laws to acquire the Notes without a prospectus qualified under the Canadian Securities Laws, and such purchaser is an "**accredited investor**" as defined in section 1.1 of National Instrument 45-106, and was not created and is not being used solely to purchase or hold securities as an accredited investor as described in paragraph (m) of the definition of "accredited investor" in section 1.1;

(c) it will ensure that each Canadian Purchaser purchasing from it consents to the disclosure of all required information about the Canadian Purchaser to the applicable Canadian securities regulatory authorities, and has received all prescribed information necessary to be communicated to such Canadian Purchaser regarding the collection and use of personal information regarding the Canadian Purchaser;

(d) it has not provided and will not provide to any Canadian Purchaser any document or other material that would constitute an offering memorandum (other than this offering circular with respect to the private placement of the Note in Canada, together with any applicable supplement thereto prepared for use in Canada) or future oriented financial information within the meaning of Canadian Securities Laws;

(e) it has not made and it will not make any written or oral representations to any Canadian Purchaser:

  (i) that any person will resell or repurchase the Notes purchased by such Canadian Purchaser;

  (ii) that the Notes will be freely tradeable by the Canadian Purchaser without any restrictions or hold periods;

  (iii) that any person will refund the purchase price of the Notes; or

  (iv) as to the future price or value of the Notes; and

(f) it will inform each Canadian Purchaser that:

  (i) we are not a "reporting issuer" and are not, and may never be, a reporting issuer in any province or territory of Canada and there currently is no public market in Canada for any of the Notes, and one may never develop;

  (ii) the Notes will be subject to resale restrictions under applicable Canadian Securities Law; and

(iii) such Canadian Purchaser's name and other specified information will be disclosed to the relevant Canadian securities regulators or regulatory authorities and may become available to the public in accordance with applicable laws.

JERSEY

Neither this Base Prospectus nor any other offer for subscription, sale or exchange of the Notes will be circulated in Jersey and the Notes are not and will not be registered in Jersey.

GENERAL

Persons into whose hands this Base Prospectus comes are required by the Issuer and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Notes or have in their possession or distribute such offering material and to obtain any consent, approval or permission required by them for the purchase, offer, sale or delivery by them of any Notes under the law and regulations in force in any jurisdiction to which they are subject or in which they make such purchases, offers, sales or deliveries, in all cases at their own expense, and neither the Issuer nor any Dealer shall have responsibility therefor. In accordance with the above, any Notes purchased by any person which it wishes to offer for sale or resale may not be offered in any jurisdiction in circumstances which would result in the Issuer being obliged to register any further prospectus or corresponding document relating to the Notes in such jurisdiction.

In particular, but without limiting the generality of the preceding paragraph, and subject to any amendment or supplement which may be agreed with the Issuer in respect of any particular Series or Tranche, each purchaser of Notes must comply with the restrictions described below, except to the extent that, as a result of changes in, or in the official interpretation of, any applicable legal or regulatory requirements, non-compliance would not result in any breach of the requirements set forth in the preceding paragraph.

1. TRANSFER RESTRICTIONS

On or prior to the 40th day after the issue date of a Tranche of Notes represented by an Unrestricted Global Note, a beneficial interest in the Unrestricted Global Note may be transferred to a person who wishes to hold such beneficial interest through the Restricted Global Note only upon receipt by the relevant Registrar of a written certification from the transferor (in substantially the form scheduled to the Agency Agreement) to the effect that such transfer is being made to a person who is or whom the transferor reasonably believes is a qualified institutional buyer, in a transaction meeting the requirements of Rule 144A and in accordance with applicable securities laws. After such 40th day, such certification requirements will no longer apply to such transfers.

A beneficial interest in the Restricted Global Note may also be transferred to a person who wishes to hold such beneficial interest through the Unrestricted Global Note only upon receipt by the relevant Registrar of a written certification from the transferor (in substantially the form scheduled to the Agency Agreement) to the effect that such transfer is being made in accordance with applicable securities laws.

Any beneficial interest in either the Restricted Global Note or the Unrestricted Global Note that is transferred to a person who takes delivery in the form of a beneficial interest in the other such Global Note will, upon transfer, cease to be a beneficial interest in such Global Note and become a beneficial interest in the other such Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to a beneficial interest in the other such Global Note for so long as such person retains such an interest.

Restricted Global Notes

Each purchaser of Restricted Global Notes offered in reliance on Rule 144A, by accepting delivery of this Base Prospectus and the Restricted Global Notes, will be deemed to have represented, agreed and acknowledged as follows:

(i) It (A) is a qualified institutional buyer, (B) is acquiring the Restricted Global Notes for its own account or for the account of one or more qualified institutional buyers, (C) is not formed for the purpose of investing in the Restricted Global Notes or the Issuer and (D) is aware, and each beneficial owner of such Restricted Global Notes has been advised, that the sale of the Restricted Global Notes to it is being made in reliance on Rule 144A.

(ii) The Restricted Global Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered, sold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that it, and any person acting on its behalf, reasonably believes is a qualified institutional buyer purchasing for its own account or for the account of one or more qualified institutional buyers, (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act, (c) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available) or (d) pursuant to an effective registration statement under the Securities Act, in each case in accordance with any applicable securities laws of any State of the United States and (ii) it will, and each subsequent holder of the Restricted Global Notes is required to, notify any purchaser of the Restricted Global Notes from it of the resale restrictions on the Restricted Global Notes.

(iii) The Restricted Global Notes and any Registered Notes in definitive form offered in reliance on Rule 144A or exchanged for Restricted Global Notes ("**Restricted Definitive Notes**") will bear a legend to the following effect, unless the Issuer determines otherwise in accordance with applicable law:

"THIS GLOBAL NOTE EVIDENCED HEREBY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT ("**RULE 144A**") TO A PERSON THAT THE SELLER OR ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A

QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A (A "**QIB**") UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QIBS, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER (IF AVAILABLE), OR (4) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 FOR RESALES OF THE NOTES."

[For Notes whose terms do not provide for payment in full of principal at their stated maturity, unless otherwise provided in the Final Terms][EACH PURCHASER AND TRANSFEREE IS DEEMED TO REPRESENT THAT IT IS NOT AND FOR SO LONG AS IT HOLDS THE NOTE OR ANY INTEREST THEREIN IT WILL NOT BE AN EMPLOYEE BENEFIT PLAN THAT IS SUBJECT TO PART 4 OF TITLE I OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("**ERISA**"), A PLAN THAT IS DESCRIBED IN AND IS SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**CODE**"), OR ANY ENTITY THE ASSETS OF WHICH ARE DEEMED TO CONSTITUTE THE ASSETS OF ANY "BENEFIT PLAN INVESTOR" FOR PURPOSES OF SECTION 3(42) OF ERISA, OR OTHERWISE FOR PURPOSES OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE.]

[For Notes whose terms provide for payment in full of principal at their stated maturity, unless otherwise provided in the Final Terms] [EACH PURCHASER AND TRANSFEREE IS DEEMED TO REPRESENT THAT (1) IT IS NOT AND FOR SO LONG AS IT HOLDS THE NOTE OR ANY INTEREST THEREIN EITHER IT WILL NOT BE (A) AN EMPLOYEE BENEFIT PLAN THAT IS SUBJECT TO PART 4 OF TITLE I OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("**ERISA**"), (B) A PLAN THAT IS DESCRIBED IN AND IS SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**CODE**"), OR (C) ANY ENTITY THE ASSETS OF WHICH ARE DEEMED TO CONSTITUTE THE ASSETS OF ANY "BENEFIT PLAN INVESTOR" FOR PURPOSES OF SECTION 3(42) OF ERISA, OR OTHERWISE FOR PURPOSES OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR (2) ITS PURCHASE AND HOLDING OF THE NOTES (OR ANY INTEREST THEREIN) WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER ERISA OR SECTION 4975 OF THE CODE.]

EACH PURCHASER AND TRANSFEREE THAT IS AN EMPLOYEE BENEFIT PLAN THAT IS SUBJECT TO ANY U.S. FEDERAL, STATE OR LOCAL LAW THAT IS SUBSTANTIALLY SIMILAR TO SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE ("**SIMILAR LAW**") WILL BE DEEMED TO REPRESENT AND AGREE THAT SUCH PURCHASE IS NOT IN VIOLATION OF ANY SIMILAR LAW.

(iv) Unless otherwise provided in the Final Terms, for Notes whose terms do not provide for payment in full of principal at their stated maturity, it is not and for as long as it holds the Notes (or an interest therein) will not be (a) an "employee benefit plan" within the meaning of Section 3(3) of ERISA that is subject to Part 4 of Title I of ERISA, (b) a "plan" within the meaning of and subject to Section 4975 of the Code or (c) any person or entity whose assets include the assets of any such "employee benefit plan" or "plan" by reason of 29 C.F.R. § 2510.3-101 and Section 3(42) of ERISA or otherwise for purposes of Section 406 of ERISA or Section 4975 of the Code.

(v) Unless otherwise provided in the Final Terms, for Notes whose terms provide for payment in full of principal at their stated maturity, for as long as it holds the Notes (or an interest therein) either (1) it is not (a) an "employee benefit plan" within the meaning of Section 3(3) of ERISA that is subject to Part 4 of Title I of ERISA, (b) a "plan" within the meaning of and subject to Section 4975 of the Code or (c) an entity the assets of which include the assets of any such "employee benefit plan" or "plan" by reason of 29 C.F.R. § 2510.3-101 and Section 3(42) of ERISA or otherwise for purposes of Section 406 of ERISA or Section 4975 of the Code, or (2) its purchase and holding of the Notes (or any interest therein) will not constitute or result in a non-exempt prohibited transaction under ERISA or Section 4975 of the Code.

(vi) If a purchaser or transferee that is subject to any U.S. federal, state or local law that is substantially similar to Section 406 of ERISA or Section 4975 of the Code ("**Similar Law**") then such purchase is not and for as long as it holds the Notes (or an interest therein) will not be in violation of any Similar Law.

(vii) It understands that the Issuer, the Registrar, the relevant Dealer(s) and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that, if any of the acknowledgements, representations or agreements deemed to have been made by it by its purchase of Restricted Global Notes is no longer accurate, it shall promptly notify the Issuer and the relevant Dealer(s). If it is acquiring any Notes for the account of one or more qualified institutional buyers, it represents that it has sole investment discretion with respect to each of those accounts and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

Upon the transfer, exchange or replacement of a Restricted Global Note or a Restricted Definitive Note bearing the legend referred to above, or upon specific request for removal of the legend, the Issuer will deliver only Restricted Definitive Notes that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to the Issuer and the relevant Registrar an opinion reasonably satisfactory to the Issuer of United States counsel experienced in giving opinions with respect to questions arising under the securities laws of the United States to the effect that neither such legend nor the restrictions on transfer set forth therein are required to maintain compliance with the provisions of such laws.

Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Unrestricted Global Notes and Uncertificated SIS Notes

Each purchaser of Unrestricted Global Notes and/or Uncertificated SIS Notes sold pursuant to Regulation S and each subsequent purchaser of such Unrestricted Global Notes and/or Uncertificated SIS Notes in resales prior to the expiration of the distribution compliance period, by accepting delivery of this Base Prospectus and the Unrestricted Global Notes and/or Uncertificated SIS Notes, will be deemed to have represented, agreed and acknowledged that:

(i) It is, or at the time Unrestricted Global Notes or Uncertificated SIS Notes are purchased will be, the beneficial owner of such Unrestricted Global Notes or Uncertificated SIS Notes and (a) it is not a US person and it is located outside the United States (within the meaning of Regulation S) and (b) it is not an affiliate of the Issuer or a person acting on behalf of such an affiliate.

(ii) It understands that such Unrestricted Global Notes and Uncertificated SIS Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and that, prior to the expiration of the distribution compliance period, it will not offer, sell, pledge or otherwise transfer such Unrestricted Global Notes or Uncertificated SIS Notes except (a) in accordance with Rule 144A under the Securities Act to a person that it and any person acting on its behalf reasonably believes is a qualified institutional buyer purchasing for its own account, or for the account of one or more qualified institutional buyers or (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, in each case in accordance with any applicable securities laws of any State of the United States.

(iii) It understands that the Unrestricted Global Notes, unless otherwise determined by the Issuer in accordance with applicable law, will bear a legend in or substantially in the following form:

"THIS GLOBAL NOTE EVIDENCED HEREBY HAS NOT BEEN, AND WILL NOT, BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT."

[For Notes whose terms do not provide for payment in full of principal at their stated maturity, unless otherwise provided in the Final Terms][EACH PURCHASER AND TRANSFEREE IS

DEEMED TO REPRESENT THAT IT IS NOT AND FOR SO LONG AS IT HOLDS THE NOTE OR ANY INTEREST THEREIN IT WILL NOT BE AN EMPLOYEE BENEFIT PLAN THAT IS SUBJECT TO PART 4 OF TITLE I OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("**ERISA**"), A PLAN THAT IS DESCRIBED IN AND IS SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**CODE**"), OR ANY ENTITY THE ASSETS OF WHICH ARE DEEMED TO CONSTITUTE THE ASSETS OF ANY "BENEFIT PLAN INVESTOR" FOR PURPOSES OF SECTION 3(42) OF ERISA, OR OTHERWISE FOR PURPOSES OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE.]

[For Notes whose terms provide for payment in full of principal at their stated maturity, unless otherwise provided in the Final Terms][EACH PURCHASER AND TRANSFEREE IS DEEMED TO REPRESENT THAT (1) IT IS NOT AND FOR SO LONG AS IT HOLDS THE NOTE OR ANY INTEREST THEREIN EITHER IT WILL NOT BE (A) AN EMPLOYEE BENEFIT PLAN THAT IS SUBJECT TO PART 4 OF TITLE I OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("**ERISA**"), (B) A PLAN THAT IS DESCRIBED IN AND IS SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**CODE**"), OR (C) ANY ENTITY THE ASSETS OF WHICH ARE DEEMED TO CONSTITUTE THE ASSETS OF ANY "BENEFIT PLAN INVESTOR" FOR PURPOSES OF SECTION 3(42) OF ERISA, OR OTHERWISE FOR PURPOSES OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR (2) ITS PURCHASE AND HOLDING OF THE NOTES (OR ANY INTEREST THEREIN) WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER ERISA OR SECTION 4975 OF THE CODE.]

EACH PURCHASER AND TRANSFEREE THAT IS AN EMPLOYEE BENEFIT PLAN SUBJECT TO ANY U.S. FEDERAL, STATE OR LOCAL LAW THAT IS SUBSTANTIALLY SIMILAR TO SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE ("**SIMILAR LAW**") WILL BE DEEMED TO REPRESENT AND AGREE THAT SUCH PURCHASE IS NOT IN VIOLATION OF ANY SIMILAR LAW.

(iv) Unless otherwise provided in the Final Terms, for Notes whose terms do not provide for payment in full of principal at their stated maturity, it is not and for as long as it holds the Notes (or an interest therein) will not be (a) an "employee benefit plan" within the meaning of Section 3(3) of ERISA that is subject to Part 4 of Title I of ERISA, (b) a "plan" within the meaning of and subject to Section 4975 of the Code or (c) any person or entity whose assets include the assets of any such "employee benefit plan" or "plan" by reason of 29 C.F.R. § 2510.3-101 and Section 3(42) of ERISA or otherwise for purposes of Section 406 of ERISA or Section 4975 of the Code.

(v) Unless otherwise provided in the Final Terms, for Notes whose terms provide for payment in full of principal at their stated maturity, for as long as it holds the Notes (or an interest therein) either (1) it is not (a) an "employee benefit plan" within the meaning of Section 3(3) of ERISA that is subject to Part 4 of Title I of ERISA, (b) a "plan" within the meaning of and subject to Section 4975 of the Code or (c) an entity the assets of which include the assets of any such "employee benefit plan" or "plan" by reason of 29 C.F.R. § 2510.3-101 and Section 3(42) of ERISA or otherwise for purposes of Section 406 of ERISA or Section 4975 of the Code, or (2) its purchase and holding of the Notes (or any interest therein) will not constitute or result in a non-exempt prohibited transaction under ERISA or Section 4975 of the Code.

(vi) If a purchaser or transferee that is subject to any U.S. federal, state or local law that is substantially similar to Section 406 of ERISA or Section 4975 of the Code ("**Similar Law**") then such purchase is not and for as long as it holds the Notes (or an interest therein) will not be in violation of any Similar Law.

(vii) It understands that the Issuer, the Registrar, the relevant Dealer(s) and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that, if any of the acknowledgements, representations or agreements deemed to have been made by it by its purchase of Unrestricted Global Notes and/or Uncertificated SIS Notes is no longer accurate, it shall promptly notify the Issuer and the relevant Dealer(s). If it is acquiring any Notes for the account of one or more qualified institutional buyers, it represents that it has sole investment discretion with respect to each of those accounts and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

2. EXCHANGE OF INTERESTS IN REGISTERED GLOBAL NOTES FOR REGISTERED DEFINITIVE NOTES

Beneficial interests in a Restricted Global Note will be exchangeable for Restricted Definitive Notes: (i) if DTC notifies the Issuer that it is no longer willing or able to discharge properly its responsibilities as depositary with respect to the relevant Restricted Global Note or ceases to be a "clearing agency" registered under the Exchange Act, or is at any time no longer eligible to act as such, and the Issuer is unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of such depositary; or (ii) if the Issuer, at its option, elects to terminate the book-entry system through DTC; or (iii) if Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; or (iv) if an event of default occurs as set out in Condition 12; or (v) if so specified in the relevant Final Terms, if the holder of the relevant Restricted Global Note requests that such interest be exchanged for Restricted Definitive Notes in the relevant form.

Beneficial interests in an Unrestricted Global Note will be exchangeable, in whole but not in part, for Registered Notes in definitive form ("**Unrestricted Definitive Notes**" together with the Restricted Definitive Notes, the "**Registered Definitive Notes**"): (i) if Euroclear or Clearstream, Luxembourg or Clearstream Frankfurt is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; or (ii) if an event of default occurs as set out in Condition 12; or (iii) if so specified in the relevant Final Terms, if the holder of the relevant Unrestricted Global Note requests that such interest be exchanged for Unrestricted Definitive Notes in the relevant form.

In such circumstances, the Issuer shall procure the delivery of Unrestricted Definitive Notes in exchange for the Unrestricted Global Notes and/or Restricted Definitive Notes in exchange for the Restricted Global Notes, as the case may be. A person having an interest in a Registered Global Note must provide the relevant Registrar with (i) a written order containing instructions and such other information as the Issuer and the relevant Registrar may require to complete, execute and deliver such Registered Definitive Notes and (ii) in the case of the Restricted Global Note only, a fully completed, signed certification substantially to the effect that the exchanging holder is not transferring its interest at the time of such exchange or, in the case of simultaneous sale pursuant to Rule 144A, a certification that the transfer is being made in compliance with the provisions of Rule 144A. Restricted Definitive Notes issued in exchange for a beneficial interest in the Restricted Global Note shall bear the legends applicable to transfers pursuant to Rule 144A, as set out under "*–Transfer Restrictions*".

The Registrar will not register the transfer of or exchange of interests in a Registered Global Note for Registered Definitive Notes for a period of 15 calendar days ending on the due date for any payment of principal.

GENERAL INFORMATION

1. The establishment of the Programme was authorised by resolutions of the Board of Directors of the Issuer passed on 24 June 1998. The update of the Programme was authorised by the Group Treasurer of the Issuer on 23 August 2011. The Issuer has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes.

2. Application has been made to the Irish Stock Exchange for Notes issued under the Programme during the 12 months from the date of the Base Prospectus to be admitted to the official list of the Irish Stock Exchange and trading on its regulated market. It is expected that each Series of Notes which is to be admitted to the Irish Stock Exchange will be admitted separately as and when it is issued, subject only to the issue of the relevant Notes (in Bearer or Registered form and in global or definitive form).

   It is expected that the admission of Notes issued under the Programme to the Official List of the FSA and the admission to trading on the regulated market of the London Stock Exchange will be granted after the Central Bank has provided the FSA with a certificate of approval attesting that the Base Prospectus has been drawn up in accordance with the Prospectus Directive.

   It is further expected that the admission of Notes issued under the Programme to trading on the Luxembourg Stock Exchange's regulated market will be granted after the Central Bank has provided the CSSF with a certificate of approval attesting that the Base Prospectus has been drawn up in accordance with the Prospectus Directive. Prior to the listing of any Notes, the constitutional documents of the Issuer and the legal notice relating to the issue were registered with the Registre de Commerce et des Sociétés a' Luxembourg where copies of these documents may be obtained upon request. The Luxembourg Stock Exchange has allocated the number 12392 to the Programme.

   It is further expected that this Base Prospectus will be submitted to the SIX Swiss Exchange for registration as an "issuance programme" for the listing of bonds on the SIX Swiss Exchange in accordance with the SIX Listing Rules. If approved, in respect of any Series of Notes to be listed on the SIX Swiss Exchange, this Base Prospectus, together with the relevant Final Terms, will constitute the listing prospectus for purposes of the SIX Listing Rules.

3. In relation to any Series of Notes traded on the London Stock Exchange, the trading of the Notes will be expressed as a percentage of their principal amount (excluding interest).

4. The Issuer has undertaken, in connection with the admission to trading of the Notes, that if while the Notes are outstanding and admitted to listing on the official list and to trading on the regulated market of the Luxembourg Stock Exchange and/or the Euro MTF Market of the Luxembourg Stock Exchange and/or listed on the Official List of the FSA and admitted to trading on the regulated market of the London Stock Exchange and/or listed on the official list and admitted to trading on the Irish Stock Exchange's Main Securities Market and/or to listing on the SIX Swiss Exchange there shall occur any significant new factor which is not reflected in the Base Prospectus (or any supplements thereto or any of the documents incorporated by reference in the Base Prospectus) and/or there shall be any material mistake or inaccuracy relating to the information included in the Base Prospectus (or any supplements thereto or any of the documents incorporated by reference in the Base Prospectus), in each case which is capable of affecting the assessment of the Notes, the Issuer will prepare or procure the preparation of any amendment or supplement to this Base Prospectus or, as the case may be, publish a new Base Prospectus for use in connection with any subsequent offering by the Issuer of Notes to be admitted to the Official List of the FSA and to trading on the regulated market of the London Stock Exchange and/or the regulated market of the Luxembourg Stock Exchange and/or the Euro MTF Market of the Luxembourg Stock Exchange and/or the Irish Stock Exchange's Main Securities Market and/or to the SIX Swiss Exchange.

5. Save as disclosed in this Base Prospectus, the Issuer is not, nor has it been, involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the 12 months before the date of this Base Prospectus which may have, or have had in the recent past, significant effects on the financial position or profitability of the Issuer and its subsidiaries taken as a whole.

6. Except as disclosed in this Base Prospectus there has been no material adverse change in the prospects of the Issuer since 31 December 2010 and no significant change in the financial or trading position of the UBS Group since 30 June 2011.

7. For the years ended 31 December 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009 and 2010 the consolidated financial statements of UBS AG were audited, without qualification, by Ernst & Young Ltd, chartered accountants. Ernst & Young Ltd is a member of the Swiss Chamber of Auditors.

8. As long as any Notes are admitted to the Official List of the FSA and to trading on the regulated market of the London Stock Exchange, the Luxembourg Stock Exchange's regulated market and the Euro MTF Market of the Luxembourg Stock Exchange, the Irish Stock Exchange's Main Securities Market, and the SIX Swiss Exchange, Paying Agents will be maintained in London, Luxembourg, Dublin and Zurich, respectively.

9. For so long as the Programme remains in effect or any Notes shall be outstanding, electronic versions of the following documents (including English translations where relevant) may be inspected at the registered office of the Issuer, the office of the Agent in London, the office of the Paying Agent in Luxembourg and the office of the Paying Agent in Dublin and, in the case of items (i), (ii), (vi) and (vii) below, shall be available free of charge from the office of the Paying Agent in Luxembourg:

   (i) the Articles of Association of UBS AG;

   (ii) any amendment or supplement to this Base Prospectus published since the date of this Base Prospectus;

   (iii) the Dealer Agreement;

   (iv) the Agency Agreement;

   (v) the Deed of Covenant;

   (vi) the published audited consolidated accounts and audit report of the UBS Group for the financial years ended 31 December 2009 and 2010, and the published unaudited consolidated accounts of the UBS Group for the first and second quarters ended 31 March 2011 and 30 June 2011, respectively;

   (vii) each Final Terms and subscription agreement for Notes that are admitted to trading on the regulated market of the London Stock Exchange or admitted to trading on the Luxembourg Stock Exchange's regulated market, the Irish Stock Exchange's Main Securities Market or the SIX Swiss Exchange.

10. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate codes allocated by Euroclear, Clearstream, Luxembourg or any other clearing system for each Series of Notes, together with the relevant International Securities Identification Number, will be contained in the relevant Final Terms relating thereto.

11. Regulations in Australia restrict or prohibit payments, transactions and dealings with assets having a prescribed connection with certain countries or named individuals or entities subject to international sanctions or associated with terrorism.

12. There are no material contracts having been entered into outside the ordinary course of the Issuer's business, and which could result in any member of the UBS Group being under an obligation or entitlement that is material to the Issuer's ability to meet its obligations to Noteholders.

13. In addition to the applications already described in this Base Prospectus, the Issuer may, on or after the date of this Base Prospectus, make applications for one or more further certificates of approval under Article 18 of the Prospectus Directive as implemented in Ireland to be issued by the Central Bank to the competent authority in any Member State.

14. Arthur Cox Listing Services Limited is acting solely in its capacity as Irish listing agent for the Issuer in connection with the Notes and is not itself seeking admission of the Notes to the official list or to trading on the Main Securities Market of the Irish Stock Exchange for the purposes of the Prospectus Directive.

15. The language of this Base Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

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