BASE PROSPECTUS dated 27 June 2012

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, as amended (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. This document constitutes a base prospectus for the purposes of the Prospectus Directive.

Application has been made to the Irish Stock Exchange for the approval of this document as Base Listing Particulars (the "**Base Listing Particulars**"). 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 Listing Particulars to be admitted to the official list and to trading on the global exchange market (the "**Global Exchange Market**") which is the exchange regulated market of the Irish Stock Exchange. The Global Exchange Market is not a regulated market for the purposes of Directive 2004/39/EC. Where Notes are to be admitted to trading on the Global Exchange Market, references herein to "Base Prospectus" should be taken to mean "Base Listing Particulars", references to "Final Terms" should be taken to mean "Pricing Supplement" and references to "Drawdown Prospectus" should be taken to mean "Listing Particulars".

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.

Application has been made to the Central Bank for certificates of approval under Article 18 of the Prospectus Directive as implemented in Ireland to be issued by the Central Bank to the competent authorities in Austria, Belgium, France, Germany, the Netherlands and Spain.

In addition to the applications already described above, 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 other Member State.

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$**" refer to the currency of the United States of America, those to "**Japanese Yen**" and "**JPY**" refer to the currency of Japan, those to "**Renminbi**", "**RMB**", "**Chinese Yuan**" and "**CNY**" are to the currency of the PRC, those to "**HK$**" and "**Hong Kong dollars**" are to Hong Kong dollars, 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. All references to "**United States**" or "**U.S.**" are to the United States of America, those to "**China**" and the "**PRC**" mean the People's Republic of China and for geographical reference only (unless otherwise stated) exclude Taiwan, Macau and Hong Kong; those to "**Hong Kong**" are to the Hong Kong Special Administrative Region of the People's Republic of China, those to "**Singapore**" are to the Republic of Singapore, those to "**Switzerland**" are to the Swiss Confederation, those to "**Australia**" are to the Commonwealth of Australia, and all references to "**United Kingdom**" are to the United Kingdom of Great Britain and Northern Ireland.

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 under Regulation (EC) No. 1060/2009 on credit rating agencies, as amended (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 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 (2) 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.

CONTENTS

	Page
Summary	1
Documents Incorporated by Reference	3
Key Features of the Programme	4
Risk Factors	11
Terms and Conditions of the Notes	19
General Terms and Conditions	23
Use of Proceeds	47
Description of UBS AG	48
Pro Forma Final Terms or Pricing Supplement	69
Taxation	83
Selling Restrictions	99
Transfer Restrictions	106
General Information	111

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 and its Global Exchange 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 the Irish Stock Exchange's Global Exchange 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 2010, which the Issuer filed with the United States' Securities and Exchange Commission (the "**SEC**") on 15 March 2011, as amended by Amendment No. 1 to the Issuer's Annual Report on Form 20-F/A for the year ended 31 December 2010 (the "**Form 20-F/A**"), which the Issuer filed with the SEC on 10 November 2011 (together, the "**Annual Report 2010**"), and the Issuer's Annual Report on Form 20-F for the year ended 31 December 2011, which the Issuer filed with the SEC on 15 March 2012 (the "**Annual Report 2011**");

(b) the Issuer's submissions on Form 6-K, but not including any such submissions consisting of legal opinions, filed with the SEC on 15 March 2012, 22 March 2012, 26 March 2012, 29 March 2012, 2 May 2012, 3 May 2012 and 24 May 2012; 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, pages 18-37 of the base prospectus dated 25 August 2010 and pages 19-38 of the base prospectus dated 25 August 2011 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 the Global Exchange 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 the Global Exchange 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 its Global Exchange 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). Index-linked Notes and credit-linked Notes will be settled either on a cash basis or physical settlement basis, as indicated in the applicable 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 either on a cash basis or physical settlement basis, as indicated in the applicable Final Terms.
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.
Substitution of the Issuer and Issuing Branch Substitution	The Issuer may, at its option and having given notice to the Noteholders, designate, without the consent of any Noteholders, an Affiliate (as defined below) to assume liability for the due and punctual payment of all payments on all Notes then outstanding in the relevant Series and the performance of all the Issuer's other obligations under all the Notes then outstanding in the relevant Series, the Issue and Paying Agency Agreement and the Deed of Covenant. Prior to any such substitution of the Issuer, the Issuer may, at its option and having given notice to the Noteholders, (i) cease to make payments of principal, interest and any other amounts due under all Notes then outstanding in the relevant Series and fulfill any of its other obligations and exercise any of its rights and powers in respect of, or arising under, all Notes then outstanding in the relevant Series through the Branch or the UBS Head Office, as applicable, through which it is acting at the time of the relevant notice, and (ii) commence making such payments, fulfilling such other obligations and exercising such powers and rights through another Branch or the UBS Head Office (if the Issuer was not acting through the UBS Head Office at the time of the relevant notice).
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 its Global Exchange 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, Jersey, Switzerland, Australia, Singapore, Japan, Hong Kong, the PRC, Taiwan, Canada 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: A2 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 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 (2) 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 registered under the CRA Regulation. Fitch Australia Pty Ltd. is not established in the European Union and is not certified under the CRA Regulation, however it is endorsed by Fitch Ratings Limited, which is a credit rating agency established in the European Union 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, the Irish Stock Exchange's Main Securities Market and the Irish Stock Exchange's Global Exchange 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 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 (2) 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.

Under certain circumstances, the Swiss Financial Market Supervisory Authority FINMA has the power to open restructuring or liquidation proceedings in respect of, and/or impose protective measures in relation to, the Issuer, which proceedings or measures may have a material adverse effect on the terms and market value of Notes and/or the ability of the Issuer to make payments thereunder

Pursuant to article 25 et seq. of the Swiss Banking Act, the Swiss Financial Market Supervisory Authority FINMA ("**FINMA**") has broad statutory powers to take measures and actions in relation to the Issuer if it (i) is overindebted, (ii) has serious liquidity problems or (iii) fails to fulfil the applicable capital adequacy provisions after expiry of a deadline set by FINMA. If one of these pre-requisites is met, FINMA is authorised to open restructuring proceedings (*Sanierungsverfahren*) or liquidation (bankruptcy) proceedings (*Bankenkonkurs*) in respect of, and/or impose protective measures (*Schutzmassnahmen*) in relation to, the Issuer. The Swiss Banking Act, as last amended as of 1 September 2011 and 1 March 2012, grants significant discretion to FINMA in connection with the aforementioned proceedings and measures. In particular, a broad variety of protective measures may be imposed by FINMA, including a bank moratorium (*Stundung*) or a maturity postponement (*Fälligkeitsaufschub*), which measures may be ordered by FINMA either on a stand-alone basis or in connection with restructuring or liquidation proceedings. In a restructuring proceeding, the resolution plan may, among other things, (a) provide for the transfer of the Issuer's assets or a portion thereof, together with debts and other liabilities, and contracts of the Issuer, to another entity, (b) provide for the conversion of the Issuer's debt and/or other obligations, including its obligations under the Notes, into equity, and/or (c) potentially provide for haircuts on obligations of the Issuer, including its obligations under the Notes. As of the date of this Base Prospectus, the issuance of the implementing ordinances relating to the recent amendments to the Swiss Banking Act is still pending and FINMA has not yet exercised any of its new powers thereunder. Consequently, the impact any such exercise with respect to the Issuer could have on the rights of the Noteholders under Notes or the ability of the Issuer to make payments thereunder is currently not clear.

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 made through Swiss paying agents may be subject to foreign final withholding taxes (Abgeltungssteuern)

The Swiss Federal Council recently signed treaties with Germany, the United Kingdom and Austria providing, inter alia, for a final withholding tax. The treaties, which are in the process of legislative approval in the respective contracting states, may enter into force on 1 January 2013 and might be followed by similar treaties with other European countries.

According to the treaties, a Swiss paying agent may levy a final withholding tax on capital gains and on certain income items deriving, inter alia, from Notes. The final withholding tax will substitute the ordinary income tax due by an individual resident of a contracting state on such gains and income items. In lieu of the final withholding, individuals may opt for a voluntary disclosure of the relevant capital gains and income items to the tax authorities of their state of residency.

As regards the regularization of specific assets defined in the treaties and held by individuals of a contracting state with a Swiss paying agent prior to the entry into force of the treaties, such individuals may opt either for a one-off payment substituting the tax liability in the state of residency with regard to such assets or for the voluntary disclosure of such assets to the tax authority of the state of residency.

Holders of Notes who might be in the scope of the abovementioned treaties should consult their own tax adviser as to the tax consequences relating to their particular circumstances.

Proposed amendment of Swiss withholding tax act

On 24 August 2011 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 (not only individuals) resident outside 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.

Payments on or with respect to the Notes may be subject to U.S. withholding under FATCA

The Issuer and other financial institutions through which payments on the Notes are made may be required to withhold at a rate of up to 30 per cent. on all, or a portion of, payments made after 31 December 2016 in respect of any Notes which are issued (or materially modified) after 31 December 2012 or that are treated as equity for U.S. federal tax purposes whenever issued, pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code (commonly referred to as "FATCA"). See the discussion under "*Taxation – United States Federal Taxation – FATCA Withholding Tax*" 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 a rate of 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.

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 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.

RISKS RELATING TO NOTES DENOMINATED IN RENMINBI

A description of risks which may be relevant to an investor in Notes denominated in Renminbi ("**Renminbi Notes**") are set out below.

Renminbi is not freely convertible and there are significant restrictions on the remittance of Renminbi into and outside the PRC which may adversely affect the liquidity of Renminbi Notes

Renminbi is not freely convertible at present. The government of the PRC (the "**PRC Government**") continues to regulate conversion between Renminbi and foreign currencies, including the Hong Kong dollar, despite significant reduction in control by it in recent years over trade transactions involving import and export of goods and services as well as other frequent routine foreign exchange transactions. These transactions are known as current account items. Participating banks in Hong Kong have been permitted to engage in the settlement of current account trade transactions in Renminbi under a pilot scheme introduced in July 2009 which originally applied to approved pilot enterprises in five cities in the PRC. The pilot scheme was extended in August 2011 to cover the whole nation and to make the settlement of current account trade transactions in Renminbi available worldwide.

However, remittance of Renminbi by foreign investors into the PRC for purposes such as capital contributions, known as capital account items, is generally only permitted upon obtaining specific approvals from the relevant authorities on a case-by-case basis and subject to a strict monitoring system. Regulations in the PRC on the remittance of Renminbi into the PRC for settlement of capital account items is developing gradually.

On 12 October 2011, the Ministry of Commerce of the PRC ("**MOFCOM**") promulgated the "Circular on Certain Issues Concerning Direct Investment Involving Cross-border Renminbi" (商務部關於跨境人民幣直接投資有關問題的通知) (the "**MOFCOM Circular**"). Pursuant to the MOFCOM Circular, the appropriate office of MOFCOM and/or its local counterparts were authorised to approve Renminbi foreign direct investments ("**FDI**") with certain exceptions based on, amongst others, the size and industry of the investment. The MOFCOM Circular also stipulates that the proceeds of FDI may not be used towards investment in securities, financial derivatives or entrustment loans in the PRC, except for investments in domestic companies listed in the PRC through private placements or share transfers by agreement.

On 13 October 2011, the People's Bank of China (the "**PBoC**") promulgated the "Administrative Measures on Renminbi Settlement of Foreign Direct Investment" (外商直接投資人民幣結算業務管理辦法) (the "**PBoC FDI Measures**") as part of the implementation of the PBoC's detailed FDI accounts administration system. The system covers almost all aspects in relation to FDI, including capital injections, payments for the acquisition of PRC domestic enterprises, repatriation of dividends and other distributions, as well as Renminbi denominated cross-border loans. Under the PBoC FDI Measures, special approval for FDI and shareholder loans from the PBoC,

which was previously required, is no longer necessary. In some cases however, post-event filing with the PBoC is still necessary.

As the MOFCOM Circular and the PBoC FDI Measures are relatively new circulars, they will be subject to interpretation and application by the relevant authorities in the PRC.

There is no assurance that the PRC Government will continue to gradually liberalise control over crossborder remittance of Renminbi in the future, that the pilot scheme introduced in July 2009 (as extended) will not be discontinued or that new regulations in the PRC will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or outside the PRC. In the event that funds cannot be repatriated outside the PRC in Renminbi, this may affect the overall availability of Renminbi outside the PRC and the ability of the Issuer to source Renminbi to finance its obligations under Notes denominated in Renminbi.

There is only limited availability of Renminbi outside the PRC, which may affect the liquidity of the Renminbi Notes and the Issuer's ability to source Renminbi outside the PRC to service Renminbi Notes

As a result of the restrictions by the PRC Government on cross-border Renminbi fund flows, the availability of Renminbi outside the PRC is limited. Since February 2004, in accordance with arrangements between the PRC Government and the Hong Kong government, licensed banks in Hong Kong may offer limited Renminbi-denominated banking services to Hong Kong residents and designated business customers. The PBoC has also established a Renminbi clearing and settlement mechanism for participating banks in Hong Kong. On 19 July 2010, further amendments were made to the Settlement Agreement on the Clearing of Renminbi Business (the "**Settlement Agreement**") between the PBoC and the Bank of China (Hong Kong) Limited as the Renminbi clearing bank (the "**Renminbi Clearing Bank**") to further expand the scope of Renminbi business for participating banks in Hong Kong. Pursuant to the revised arrangements, all corporations are allowed to open Renminbi accounts in Hong Kong, there is no longer any limit on the ability of corporations to convert Renminbi and there is no longer any restriction on the transfer of Renminbi funds between different accounts in Hong Kong.

However, the current size of Renminbi-denominated financial assets outside the PRC is limited. According to statistics published by the Hong Kong Monetary Authority (the "**HKMA**"), as of 30 April 2012, the total amount of Renminbi deposits held by institutions authorised to engage in Renminbi banking business in Hong Kong amounted to approximately RMB552,372 million.[1] In addition, participating authorised institutions are also required by the HKMA to maintain a total amount of Renminbi (in the form of cash, its settlement account balance and/or fiduciary account balance with the Renminbi Clearing Bank) of no less than 25 per cent. of their Renminbi deposits, which further limits the availability of Renminbi that participating banks can utilise for conversion services for their customers. Renminbi business participating banks do not have direct Renminbi liquidity support from the PBoC. They are only allowed to square their open positions with the Renminbi Clearing Bank after consolidating the Renminbi trade position of banks outside Hong Kong that are in the same bank group of the participating banks concerned with their own trade position, and the Renminbi Clearing Bank only has access to onshore liquidity support from the PBoC only for the purpose of squaring open positions of participating banks for limited types of transactions, including open positions resulting from conversion services for corporations relating to cross-border trade settlement, for individual customers of up to RMB20,000 per person per day and for the designated business customers relating to the Renminbi received in providing their services. The Renminbi Clearing Bank is not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services and the participating banks will need to source Renminbi from outside the PRC to square such open positions.

Although it is expected that the offshore Renminbi market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that no new PRC regulations will be promulgated or the Settlement Agreement will not be terminated or amended in the future which will have the effect of restricting availability of Renminbi outside the PRC. The limited availability of Renminbi outside the PRC may affect the liquidity of the Renminbi Notes. To the extent the Issuer is required to source Renminbi outside the PRC to service the Renminbi Notes, there is no assurance that the Issuer will be able to source such Renminbi on satisfactory terms, if at all.

[1] The information contained in the sentence to which this is a footnote has been accurately reproduced from information published by the HKMA and as far as the Issuer is aware and is able to ascertain from information published by the HKMA no facts have been omitted which would render the reproduced information inaccurate or misleading.

Investment in the Renminbi Notes is subject to exchange rate risks

The value of Renminbi against the Hong Kong dollar and other foreign currencies fluctuates from time to time and is affected by changes in the PRC and international political and economic conditions as well as many other factors. The Issuer will make all payments of interest and principal with respect to the Renminbi Notes in Renminbi unless otherwise specified. As a result, the value of these Renminbi payments may vary with the changes in the prevailing exchange rates in the marketplace. If the value of Renminbi depreciates against the Hong Kong dollar or other foreign currencies, the value of the investment made by a holder of the Renminbi Notes in Hong Kong dollars or any other foreign currency terms will decline.

Investment in the Renminbi Notes is subject to currency risk

If the Issuer is not able, or it is impracticable for it, to satisfy its obligation to pay interest and principal on the Renminbi Notes as a result of Inconvertibility, Non-transferability or Illiquidity (each, as defined in the Conditions), the Issuer shall be entitled, on giving not less than five or more than 30 calendar days' irrevocable notice to the investors prior to the due date for payment, to settle any such payment in U.S. Dollars on the due date at the U.S. Dollar Equivalent (as defined in the Conditions) of any such interest or principal, as the case may be.

Investment in the Renminbi Notes is subject to interest rate risks

The PRC Government has gradually liberalised its regulation of interest rates in recent years. Further liberalisation may increase interest rate volatility. The Renminbi Notes will carry a fixed interest rate. Consequently, the trading price of the Renminbi Notes will vary with the fluctuations in the Renminbi interest rates. If holders of the Renminbi Notes propose to sell their Renminbi Notes before their maturity, they may receive an offer lower than the amount they have invested.

Payments with respect to the Renminbi Notes may be made only in the manner designated in the Renminbi Notes

All payments to investors in respect of the Renminbi Notes will be made solely (i) for so long as the Renminbi Notes are represented by global certificates held with the common depositary or common safekeeper, as the case may be, for Clearsteam Banking *société anonyme* and Euroclear Bank SA/NV or any alternative clearing system, by transfer to a Renminbi bank account maintained in Hong Kong, (ii) for so long as the Renminbi Notes are in definitive form, by transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing rules and regulations. The Issuer cannot be required to make payment by any other means (including in any other currency or by transfer to a bank account in the PRC).

Gains on the transfer of the Renminbi Notes may become subject to income taxes under PRC tax laws

Under the PRC Enterprise Income Tax Law and its implementation rules which took effect on 1 January 2008, any gain realised on the transfer of Renminbi Notes by non-resident enterprise Holders may be subject to enterprise income tax if such gain is regarded as income derived from sources within the PRC. However, there remains uncertainty as to whether the gain realised from the transfer of the Renminbi Notes would be treated as income derived from sources within the PRC and be subject to PRC tax. This will depend on how the PRC tax authorities interpret, apply or enforce the PRC Enterprise Income Tax Law and its implementation rules. According to the arrangement between the PRC and Hong Kong, residents of Hong Kong, including enterprise holders and individual holders, will not be subject to PRC tax on any capital gains derived from a sale or exchange of the Renminbi Notes.

Therefore, if non-resident enterprise Holders are required to pay PRC income tax on gains on the transfer of the Renminbi Notes (such enterprise income tax is currently levied at the rate of 10 per cent. of the gross proceeds, unless there is an applicable tax treaty between PRC and the jurisdiction in which such non-resident enterprise holders of Renminbi Notes reside that reduces or exempts the relevant tax), the value of their investment in the Renminbi Notes may be materially and adversely affected.

Remittance of proceeds into or outside of the PRC in Renminbi

In the event that the Issuer decides to remit some or all of the proceeds into the PRC in Renminbi, its ability to do so will be subject to obtaining all necessary approvals from, and registration with, the relevant PRC government authorities. However, there is no assurance that the necessary approvals from, and registration with, the relevant PRC government authorities will be obtained at all or, if obtained, they will not be revoked or amended in the future.

There is no assurance that the PRC Government will continue to gradually liberalise the control over cross-border Renminbi remittances in the future, that the pilot scheme introduced in July 2009 (as extended) will not be discontinued or that new PRC regulations will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or outside the PRC. In the event that the Issuer does remit some or all of the proceeds into the PRC in Renminbi and the Issuer subsequently is not able to repatriate funds outside the PRC in Renminbi, it will need to source Renminbi outside the PRC to finance its obligations under the Renminbi Notes, and its ability to do so will be subject to the overall availability of Renminbi outside the PRC.

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 27 June 2012 (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 27 June 2012 (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. In relation to Notes denominated in Renminbi only, "**Business Day**" is a day (other than a Sunday or a Saturday) on which commercial banks and foreign exchange markets are open for business and settle Renminbi payments in Hong Kong and are not authorised or obligated by law or executive order to be closed.

"**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;

(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; and

(v) if "**Actual/365 (Fixed)**" is so specified, means the actual number of days in the Calculation Period divided by 365.

"**Final Terms**" means the final terms or pricing supplement 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 Financial Centre**" means, in relation to any currency, the principal financial centre for that currency provided, however, that:

(i) in relation to euro, it mean the principal financial centre of such Member State of the European Communities as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent;

(ii) in relation to Australian dollars, it means Sydney or Melbourne and in relation to New Zealand dollars, it means either Wellington or Auckland, in each case as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent; and

(iii) in relation to Renminbi, it means Hong Kong or the principal financial centre as is specified in the applicable Final Terms.

"**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. and in the case of Notes which are denominated in Renminbi means Hong Kong.

"**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 or if otherwise specified in the Final Terms, 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 or Global Exchange 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 (i) in the case of a currency other than Renminbi, 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, and (ii) in the case of Renminbi, by transfer to an account denominated in that currency and maintained by the payee with a bank in the Principal Financial Centre of that currency.

(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 (i) in the case of a currency other than Renminbi, 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), and (ii) in the case of Renminbi, by transfer to an account denominated in that currency and maintained by the payee with a bank in the Principal Financial Centre of that currency. 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) *Consequences of a Renminbi Currency Event*

For Notes denominated in Renminbi that are settled and deliverable in Hong Kong, a Renminbi Currency Event has occurred and is continuing on any Relevant FX Date, the Calculation Agent may determine that one or more the following will apply in its sole and absolute discretion:

(i) the relevant payment or delivery obligation of the Issuer be postponed to 10 Business Days after the date on which the Renminbi Currency Event ceases to exist or, if that would not be commercially reasonable, as soon as commercially reasonable thereafter;

(ii) that the Issuer's obligation to make a payment in Renminbi under the Notes be replaced by an obligation to pay such amount in US dollars (converted at the Alternate Settlement Rate determined by the Calculation Agent as of a time and date selected in good faith by the Calculation Agent); and

(iii) by giving notice to the Noteholders in accordance with Condition 14, the Issuer, in its sole and absolute discretion, may redeem all, but not some only, of the Notes, each Note being redeemed at its Early Redemption Amount, net of any breakage costs, losses or expenses incurred by the Issuer in terminating, settling or re-establishing any hedging or related trading positions entered into by it in connection with the Notes, all determined by the Issuer in its sole discretion ("**Break Costs**"). The Early Redemption Date will be stated in such notice to relevant Noteholders.

Upon the occurrence of a Renminbi Currency Event, the Issuer shall give notice, as soon as practicable, to the relevant Noteholders in accordance with Condition 14 stating the occurrence of the Renminbi Currency Event, as the case may be, giving details thereof and the action proposed to be taken in relation thereto.

For the purposes of this Condition 9(e):

"**Alternate Settlement Rate**" means the spot rate between Renminbi and US dollars determined by the Calculation Agent, taking into consideration all available information which the Calculation Agent deems relevant (including, but not limited to, the pricing information obtained from the Renminbi non-deliverable market outside the PRC and/or the Renminbi exchange market inside the PRC).

"**Renminbi"** means the lawful currency of the PRC.

"Renminbi Currency Events" means the occurrence of any one of the following in the opinion of the Calculation Agent:

(i) Renminbi Non-Transferability

(ii) Renminbi Inconvertibility

(iii) Renminbi Illiquidity

"**Renminbi Illiquidity**" means the general Renminbi exchange market in Hong Kong becomes illiquid as a result of which the Issuer and/or any of its affiliates cannot obtain sufficient Renminbi in order to make a payment or perform any other of its obligations under any Notes denominated in Renminbi, as determined by the Calculation Agent in good faith and in a commercially reasonable manner.

"**Renminbi Inconvertibility**" means the occurrence of any event that makes it impossible, impracticable or illegal for the Issuer and/or any of its affiliates to convert any amount into or from Renminbi as may be required to be paid by the Issuer under any Notes denominated in Renminbi on any payment date or such other amount as may be determined by the Calculation Agent in its sole and absolute discretion at the general Renminbi exchange market in Hong Kong, other than where such impossibility, impracticality or illegality is due solely to the failure of the Issuer and/or any if its affiliates to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the trade date of any Note denominated in Renminbi and it is impossible, impracticable or illegal for the Issuer and/or any of its affiliates, due to an event beyond the control of the Issuer, to comply with such law, rule or regulation).

"**Renminbi Non-Transferabili**ty" means the occurrence of any event that makes it impossible, impracticable or illegal for the Issuer and/or any of its affiliates to deliver Renminbi between accounts

inside Hong Kong, other than where such impossibility, impracticality or illegality is due solely to the failure of Issuer and/or any of its affiliates to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the trade date of any Note denominated in Renminbi and it is impossible, impracticable or illegal for the Issuer and/or any of its affiliates, due to an event beyond the control of the Issuer and/or any of its affiliates (as applicable), to comply with such law, rule or regulation).

"**Early Redemption Amount**" means an amount as specified in the relevant Final Terms.

"**Governmental Authority**" means any de facto or de jure government (or any agency or instrumentality thereof), court, tribunal, administrative or other governmental authority or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) of Hong Kong and the PRC.

"**Hong Kong**" means the Hong Kong Special Administrative Region of the PRC;

"**PRC**" means the People's Republic of China which, for the purpose of these Conditions, shall exclude Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan;

"**Relevant FX Date**" means any Interest Payment Date, any redemption date, the Maturity Date or any other date as determined by the Calculation Agent as relevant in respect of any payment or delivery obligation of the Issuer under any Notes denominated in Renminbi.

(f) *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 (the "**Directive**") 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) 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 (vi) (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 (vii) 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 (viii) where such withholding or deduction is required to be made pursuant to any agreements between the European Community and other countries or territories providing for measures equivalent to those laid down in the Directive including, but not limited to, the agreement between the European Union and Switzerland of 26 October 2004, and any law or other governmental regulation implementing or complying with, or introduced in order to conform to, such agreements, or (ix) where such withholding or deduction is required to be made pursuant to any agreements between Switzerland and other countries on final withholding taxes (*Abgeltungssteuer*) levied by Swiss paying agents in respect of persons resident in the other country on income of such person on Notes booked or deposited with a Swiss paying agent and any law or other governmental regulation implementing or complying with, or introduced in order to conform to, such agreements, or (x) 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 in the draft legislation proposed by the Swiss Federal Council on 24 August 2011, in particular, the principle to have a person other than the Issuer withhold or deduct tax, or (xi) 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.

(e) Notwithstanding any other provisions contained herein, the Issuer shall be permitted to withhold or deduct any amounts required by the rules of Sections 1471 through 1474 of the U.S. Internal Revenue Code (or any amended or successor provisions), pursuant to any inter-governmental agreement or implementing legislation adopted by another jurisdiction in connection with these provisions, or pursuant to any agreement with the U.S. Internal Revenue Service ("**FATCA withholding**") as a result of a holder, beneficial owner or an intermediary that is not an agent of the Issuer not being entitled to receive payments free of FATCA withholding. The Issuer will have no obligation to pay additional amounts or otherwise indemnify an investor for any such FATCA withholding deducted or withheld by the Issuer, the paying agent or any other party.

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/officialnotices/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; SUBSTITUTION

(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.

(d) The Issuer may, at its option and having given no more than 30 nor less than 10 days' notice (ending, in the case of Notes which bear interest at a floating rate, on a day upon which interest is payable) to the Noteholders in accordance with Condition 14 (which notice shall be irrevocable) and provided that no payment in respect of any such Series is overdue designate, without the consent of any Noteholder, an Affiliate (the "**Substitute Entity**") to assume in place of the Issuer or any previous Substitute Entity (the "**Current Entity**") liability for the due and punctual payment of all payments on all Notes then outstanding in the relevant Series and the performance of all the Issuer's other obligations under all the Notes then outstanding in the relevant Series, the Issue and Paying Agency Agreement and the Deed of Covenant.

As used herein (i) "**Affiliate**" means any entity controlled, directly or indirectly, by UBS AG, any entity that controls UBS AG, directly or indirectly, or any entity under common control with UBS AG, and (ii) "**control**" of UBS AG or any entity means ownership of a majority of the voting power of UBS AG or such entity.

(e) Upon any designation of a Substitute Entity pursuant to paragraph (d) above, the Substitute Entity shall succeed to the rights and obligations of the Current Entity under the Notes, the Issue and Paying Agency Agreement and the Deed of Covenant and the Current Entity shall be released from its liability on the Notes, the Issue and Paying Agency Agreement and the Deed of Covenant. Such assumptions shall be permitted only if the Substitute Entity and the Current Entity enter into a deed poll (the "**Deed Poll**") whereby (i) the Substitute Entity assumes the obligations of the Current Entity (or any previous substitute) under the Notes, the Issue and Paying Agency Agreement and the Deed of Covenant, (ii) the Substitute Entity and the Current Entity agree to indemnify each Noteholder and, if appropriate, each Accountholder (as defined in the Deed of Covenant) against (A) any tax, duty, fee or governmental charge imposed on or relating to the act of assumption and (B) any costs or expenses of the act of assumption and (iii) the Substitute Entity and the Current Entity shall warrant that all necessary governmental approvals and consents for the assumption by the Substitute Entity of its obligations have been obtained and are in full force and the obligations of the Substitute Entity under the Notes, the Deed of Covenant, the Issue and Paying Agency Agreement and the Deed are legal, valid, binding and enforceable against the Substitute Entity, provided that no substitution shall take place pursuant to this Condition 15 unless (v) the Issuer shall have obtained legal opinions containing no untoward qualifications from independent legal advisers in the respective countries in which the Substitute Entity and the Current Entity are incorporated, in Switzerland (in the case of SIS Notes) and in England to the effect that the obligations of the Substitute Entity are legal, valid and binding obligations of the Substitute Branch, or the Affiliate, in the case of a Substitute Entity, and that all consents and approvals as aforesaid have been obtained, (w) any credit rating agency currently rating the Series of Notes has confirmed in writing to the Current Entity that assumption by the Substitute Entity will not result in a downgrading of the then current credit rating of such rating agency applicable to the class of debt represented by the Notes, (x) each competent listing authority and/or stock exchange, on or by which the Notes are admitted to listing and/or trading shall have confirmed that, following the proposed substitution of the Substitute Entity, the Notes will continue to be admitted to listing and/or trading by the relevant competent listing authority and/or stock exchange, (y) in the case of a Substitute Entity not incorporated under the laws of England or Wales, the Substitute Entity has appointed a process agent as its agent in England and Wales to receive service of process on its behalf in relation to any legal proceedings arising out of or in connection with the Notes and (z) the Substitute Entity would not, on the occasion of the next payment due under the Notes, be required to pay any Additional Amounts under these Terms and Conditions of the Notes after giving effect to such substitution that the Current Entity would not have been required to pay immediately prior to such substitution, as determined by the Issuer at the time of sending the relevant notice to Noteholders pursuant to paragraph (d) above.

(f) Not less than 10 nor more than 30 days prior to the effective date of any assumption by a Substitute Entity pursuant to paragraph (e) above, the Issuer shall procure the notification to the Noteholders, in accordance with Condition 14, of the assumption and stating that copies, or pending execution thereof final drafts, of the Deed Poll and other relevant documents and of the legal opinions are available for inspection by the Noteholders at the specified offices of the Agent and the Registrar. The originals of the Deed Poll and other documents will be delivered to the Agent to hold until there are no claims outstanding in respect of the Notes, the Deed of Covenant, the Issue and Paying Agency Agreement or the Deed Poll. The Substitute Entity and the Current Entity shall in the Deed Poll acknowledge the right of every Noteholder of any Note or, as the case may be, every Accountholder to inspect such documents at the offices of the Agent.

(g) Upon any assumption pursuant to paragraph (e) above becoming effective, references in these Conditions to the Relevant Jurisdiction being the jurisdiction of establishment of the Current Entity and Switzerland and 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, shall be read and construed as including the jurisdiction of establishment of the Substitute Entity instead of or in addition to (as the case may be) references to the jurisdiction of establishment of the Current Entity and Switzerland and 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.

(h) Prior to any assumption pursuant to paragraph (e) above, the Issuer may, without the consent of the Noteholders, upon giving no more than 30 and no less than 10 days' notice to the Noteholders in accordance with Condition 14, at any time, (i) cease to make payments of principal, interest and any other amounts due under all Notes then outstanding in the relevant Series and fulfill any of its other obligations and exercise any of its other rights and powers in respect of, or arising under, all Notes then outstanding in the relevant Series through the Branch or the UBS Head Office, as applicable, through which it is acting at the time of the relevant notice, and (ii) commence making such payments, fulfilling such other obligations and exercising such powers and rights through another Branch or the UBS Head Office (if the Issuer was not acting through UBS Head Office at the time of the relevant notice) as designated in the relevant notice (an "**Issuing Branch Substitution**"), provided that, as of the time of giving the relevant notice, (A) the Issuer is not in default in respect of any amount payable under any Note in the relevant Series, and (B) the Issuer would not be required to pay any Additional Amounts under these Terms and Conditions of the Notes after giving effect to such Issuing Branch Substitution that it would not have been required to pay if such Issuing Branch Substitution were not to occur.

(i) Upon any Issuing Branch Substitution pursuant to which the Issuer was not acting through the UBS Head Office immediately prior thereto, references in these Conditions to the Relevant Jurisdiction being the jurisdiction of establishment of the Branch through which the Issuer was acting immediately prior to such Issuing Branch Substitution, shall be read and construed as references to (x) the jurisdiction of establishment of the Branch through which the Issuer is acting immediately after giving effect to such Issuing Branch Substitution or (y) if the Issuer is acting through the UBS Head Office immediately after giving effect to such Issuing Branch Substitution, Switzerland, in each case, instead of references to the jurisdiction of establishment of the Branch through which the Issuer was acting immediately prior to such Issuing Branch Substitution.

(j) Upon any Issuing Branch Substitution pursuant to which the Issuer was acting through the UBS Head Office immediately prior thereto, references in these Conditions to the Relevant Jurisdiction shall be read and construed as to include references to the jurisdiction of establishment of the Branch through which the Issuer is acting immediately after giving effect to such Issuing Branch Substitution in addition to Switzerland.

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 ("**Issuer**") with its subsidiaries (together with the Issuer, "**UBS Group**", "**Group**" or "**UBS**") draws on its 150-year heritage to serve private, institutional and corporate clients worldwide, as well as retail clients in Switzerland. UBS's business strategy is centered on its pre-eminent global wealth management businesses and its universal bank in Switzerland. These businesses, together with a client-focused Investment Bank and a strong, well-diversified Global Asset Management business, will enable UBS to expand its premier wealth management franchise and drive further growth across the Group. Headquartered in Zurich and Basel, Switzerland, UBS has offices in more than 50 countries, including all major financial centers.

On 31 March 2012 UBS's Basel 2.5 tier 1[6] ratio was 18.7 per cent., invested assets stood at CHF 2,115 billion, equity attributable to shareholders was CHF 53,226 million and market capitalization was CHF 48,488 million. On the same date, UBS employed 64,243 people[7].

The rating agencies Standard & Poor's, Fitch Ratings and Moody's have published credit ratings reflecting their assessment of the creditworthiness of UBS AG, i.e. its ability to fulfill in a timely manner payment obligations, such as principal or interest payments on long-term loans, also known as debt servicing. The ratings from Fitch Ratings and Standard & Poor's may be attributed a plus or minus sign, and those from Moody's a number. These supplementary attributes indicate the relative position within the respective rating class. UBS AG has long-term senior debt ratings of A (negative outlook) from Standard & Poor's, A2 (stable outlook) from Moody's and A (stable outlook) from Fitch Ratings.

2. Corporate Information

The legal and commercial name of the Issuer 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 the Swiss Code of Obligations and Swiss Federal Banking Law as an Aktiengesellschaft, a corporation that has issued shares of common stock to investors.

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

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

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

3. Business Overview

3.1 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 parent company within an efficient legal, tax, regulatory and funding framework. None of the individual business divisions of UBS or the Corporate Center are legally

---

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

[7] Full-time equivalents.

independent entities; instead, they primarily perform their activities through the domestic and foreign offices of the parent bank.

In cases where it is impossible or inefficient to operate via the parent bank, due to local legal, tax or regulatory provisions, or where additional legal entities join the Group through acquisition, the business is operated on location by legally independent Group companies. UBS AG's significant subsidiaries as of 31 December 2011 are listed in the Annual Report as of 31 December 2011 published on 15 March 2012 (the "**Annual Report 2011**"), on pages 394-396 (inclusive) of the English version.

3.2 Business Divisions and Corporate Center

UBS operates as a group with five business divisions (Wealth Management, Wealth Management Americas, the Investment Bank, Global Asset Management and Retail & Corporate) and a Corporate Center. Each of the business divisions and the Corporate Center are described below. A full description of their businesses, strategies and clients, organizational structures, products and services can be found in the Annual Report 2011, on pages 30-46 (inclusive) of the English version.

(a) Wealth Management

Wealth Management delivers comprehensive financial services to wealthy private clients around the world – except those served by Wealth Management Americas. Its clients benefit from the entire spectrum of UBS resources, ranging from investment management to estate planning and corporate finance advice, in addition to specific wealth management products and services. An open platform provides clients with access to a wide array of products from third-party providers that complement UBS's own product lines.

(b) Wealth Management Americas

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

(c) Investment Bank

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

(d) 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, currencies, hedge fund, real estate, infrastructure and private equity that can also be combined in multi-asset strategies. The fund services unit provides professional services, including fund set-up, accounting and reporting for traditional investments funds and alternative funds.

(e) Retail & Corporate

Retail & Corporate delivers comprehensive financial products and services to retail, corporate and institutional clients in Switzerland. It is an integral part of the universal bank model in Switzerland and delivers growth to UBS's other businesses. It supports them by cross-selling products and services provided by UBS's asset-gathering and investment banking businesses, by referring clients to them and transferring clients to Wealth Management due to increased client wealth.

(f) Corporate Center

The Corporate Center provides treasury services, and manages support and control functions for the business divisions and the Group in such areas as risk control, finance, legal and compliance, funding, capital and balance sheet management, management of non-trading risk, communications and branding, human resources, information technology, real estate, procurement, corporate development and service

centers. It allocates most of the treasury income, operating expenses and personnel associated with these activities, which are referred to collectively as the Corporate Center – core functions, to the businesses based on capital and service consumption levels. The Corporate Center also encompasses the Legacy Portfolio, consisting of the centrally managed legacy portfolio formerly in the Investment Bank and the option to acquire the equity of the SNB stab fund.

3.3 Competition

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

3.4 Recent Developments

Results as of and for the quarter ended 31 March 2012

On 2 May 2012, UBS published its first quarter 2012 results and reported a net profit attributable to UBS shareholders of CHF 827 million, compared with CHF 319 million in the fourth quarter of 2011, and a pre-tax profit of CHF 1,304 million, compared with CHF 481 million in the fourth quarter of 2011.

The results for the first quarter were affected by certain significant items including an own credit loss on financial liabilities designated at fair value of CHF 1,164 million, primarily reflecting tightening of UBS's credit spreads over the quarter, compared with a loss of CHF 71 million in the fourth quarter; a debit valuation adjustment loss on UBS's derivatives portfolio of CHF 53 million, compared with a loss of CHF 189 million in the fourth quarter; net restructuring charges of CHF 126 million, compared with CHF 10 million in the prior quarter; and a reduction in personnel expenses of CHF 485 million related to changes to UBS's Swiss pension plan. Excluding these four items, the adjusted pre-tax profit for the Group was CHF 2,162 million, an increase by CHF 1,411 million compared to the fourth quarter of 2011, as all business divisions recorded improved profitability, with increased revenues reflecting a partial recovery in client activity levels. In addition, the net income tax expense was higher in the first quarter (CHF 476 million, compared with CHF 160 million), reflecting the improved operating performance.

Operating expenses in the first quarter decreased by CHF 160 million to CHF 5,221 million. The first quarter included the above mentioned reduction in personnel expenses related to change to UBS's Swiss pension plan. Salaries and variable compensation increased by CHF 579 million to CHF 2,813 million, mainly due to higher expenses for variable compensation and increased restructuring charges. General and administrative expenses decreased by CHF 254 million to CHF 1,398 million in the first quarter.

UBS's Basel 2.5 tier 1 capital increased by CHF 1.2 billion during the first quarter and Basel 2.5 risk-weighted assets reduced by approximately CHF 30 billion to CHF 211 billion which led to an improvement of UBS's Basel 2.5 tier 1 capital ratio to 18.7% from 15.9% on 31 December 2011.

Wealth Management pre-tax profit was CHF 803 million in the first quarter of 2012 compared with CHF 471 million in the previous quarter, and included a reduction in personnel expenses of CHF 237 million related to changes to UBS's Swiss pension plan. Adjusted for this item and restructuring charges, pre-tax profit increased by CHF 110 million to CHF 578 million. Total operating income increased by CHF 96 million to CHF 1,769 million, mainly due to higher net fee and commission income, reflecting higher client activity levels from very low levels seen in the previous quarter. Operating expenses decreased to CHF 966 million from CHF 1,203 million, mainly reflecting the abovementioned reduction in personnel expenses. Excluding such reduction and restructuring charges, personnel expenses increased, mainly due to higher variable compensation accruals. The annualized net new money growth rate was 3.6% compared with 1.7% in the previous quarter. Net new money was CHF 6.7 billion compared with CHF 3.1 billion.

Wealth Management Americas reported quarterly pre-tax profit of USD 209 million in the first quarter of 2012 compared with USD 156 million in the prior quarter. The first quarter was marked by higher transactional activity and included higher realized gains on sales of financial investments in the available-for-sale portfolio. Operating income increased by USD 64 million to USD 1,568 million. Total operating expenses increased by USD 12 million to USD 1,359 million due to higher personnel expenses, partly offset by lower non-personnel expenses. Annualized net new money growth for the first quarter was 2.4%

compared with 1.2% in the fourth quarter. Net new money improved to USD 4.6 billion from USD 2.1 billion.

The Investment Bank reported a pre-tax loss of CHF 373 million in the first quarter, compared with a pre-tax loss of CHF 14 million in the fourth quarter of 2011. Total operating expenses increased to CHF 2,173 million from CHF 1,901 million in the previous quarter, as personnel expenses increased due to higher variable compensation accruals. Risk-weighted assets measured on a Basel 2.5 basis were reduced by CHF 21 billion to CHF 114 billion at the end of the first quarter. Excluding an own credit loss on financial liabilities designated at fair value of CHF 1,103 million, debit valuation adjustments of negative CHF 53 million, net restructuring charges of CHF 101 million, and a reduction in personnel expenses of CHF 38 million related to changes to the UBS's Swiss pension plan, the Investment Bank recorded a pre-tax profit of CHF 846 million in the first quarter of 2012. This result reflects higher revenues across all business areas amidst improved market conditions.

Global Asset Management pre-tax profit in the first quarter of 2012 was CHF 156 million compared with CHF 118 million in the fourth quarter of 2011. Profit increased due to higher operating income, mainly due to higher performance fees in both alternative and quantitative and traditional investments, and lower operating costs, which included a reduction in personnel expenses of CHF 20 million related to changes to UBS's Swiss pension plan. Total operating income was CHF 478 million compared with CHF 463 million. Total operating expenses were CHF 322 million compared with CHF 345 million. The annualized net new money growth rate was negative 5.7% compared with positive 0.2% in the previous quarter. Excluding money market flows, net new money outflows from third parties were CHF 2.9 billion compared with inflows of CHF 0.3 billion in the prior quarter. Excluding money market flows, net new money inflows from clients of UBS's wealth management businesses were CHF 0.3 billion compared with outflows of CHF 0.8 billion in the fourth quarter.

Retail & Corporate pre-tax profit was CHF 575 million in the first quarter of 2012 compared with CHF 412 million in the previous quarter, mainly due to a reduction in personnel expenses of CHF 190 million related to changes to UBS's Swiss pension plan. Adjusted for the this item and restructuring charges, pre-tax profit decreased by CHF 28 million to CHF 392 million, primarily reflecting lower net interest income and higher levels of variable compensation accruals compared with the fourth quarter. Total operating income increased by CHF 8 million to CHF 936 million. Credit loss recoveries resulting from the release of certain collective loan loss allowances, as well as a provision release from a small number of workout portfolio cases, were partially offset by a decline in net interest income. Operating expenses decreased by CHF 156 million to CHF 361 million in the first quarter of 2012, and included the abovementioned reduction in personnel expenses.

Corporate Center – core functions pre-tax result in the first quarter of 2012 was a loss of CHF 75 million compared with a loss of CHF 126 million in the previous quarter. Treasury income remaining in the Corporate Center – core functions after allocations to the business divisions was CHF 79 million compared with CHF 4 million in the prior quarter. The Legacy Portfolio's pre-tax profit was CHF 28 million in the first quarter, compared with a loss of CHF 522 million in the previous quarter. This was primarily due to an increase in the value of UBS's option to acquire the SNB stab fund's equity and an improved result in the remainder of the Legacy Portfolio. First quarter results included an own credit loss on financial liabilities designated at fair value of CHF 61 million, compared with an own credit gain of CHF 43 million in the fourth quarter of 2011.

3.5 Trend Information (Outlook statement as presented in UBS's first quarter 2012 report issued on 2 May 2012)

As in recent quarters, progress on sustained and material improvements to eurozone sovereign debt issues, concerns regarding the European banking system and US federal budget deficit issues, as well as continued uncertainty about the global economic outlook in general, will likely have an influence on client activity levels in the second quarter of 2012. Failure to make progress on these key issues would make further improvements in prevailing market conditions unlikely and would have the potential to continue the headwinds for revenue growth, net interest margins and net new money. Nevertheless, UBS believes that its wealth management businesses as a whole will continue to attract net new money, as clients recognize UBS's efforts and continue to entrust UBS with their assets. UBS is confident that the coming quarters will continue to present additional opportunities for it to strengthen its position as one of the best-capitalized banks in the world, and will continue to focus on reducing its Basel III risk-weighted assets and building its capital ratios. UBS has the utmost confidence in its future.

4. Administrative, Management and Supervisory Bodies of the Issuer

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

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

The Articles of Association and the Organization Regulations of UBS AG with their annexes govern 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 of Shareholders ("**AGM**") for a term of office of one year. The BoD's proposal for election must be such that three quarters of the BoD members will be independent. Independence is determined in accordance with the Swiss Financial Market Supervisory Authority ("**FINMA**") circular 08/24, the NYSE rules and the rules and regulations of other securities exchanges on which UBS shares are listed, if any, applying the stricter standard. The Chairman is not required to be independent.

The BoD has ultimate responsibility for the success of the UBS Group and for delivering sustainable shareholder value within a framework of prudent and effective controls. It decides on UBS Group's strategic aims and the necessary financial and human resources upon recommendation of the Group CEO 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.

(a) Members of the Board of Directors

Members and business addresses	Title	Term of office	Current positions outside UBS AG
Axel A. Weber UBS AG, Bahnhofstrasse 45, P.O. Box, CH-8001, Zurich, Switzerland	Chairman	2013	Member of the Group of Thirty, Washington, D.C.; research fellow at the Center for Economic Policy Research, London, and the Center for Financial Research, Cologne; senior research fellow at the Center for Financial Studies, Frankfurt/Main; member of the European Money and Finance Forum; member of the Monetary Economics and International Economics Councils of the *Verein für Socialpolitik*; member of the Advisory Board of the German Market Economy Foundation; member of the Advisory Council of the Goethe University, Frankfurt/Main. Honorary doctor at the University of Duisburg-Essen and Konstanz.

Members and business addresses	Title	Term of office	Current positions outside UBS AG
Michel Demaré ABB Ltd., Affolternstrasse 44, P.O. Box 5009, CH-8050 Zurich, Switzerland	Independent Vice Chairman	2013	CFO and member of the Group Executive Committee of ABB; member of the board of Syngenta and of the IMD Foundation, Lausanne.
David Sitwell UBS AG, Bahnhofstrasse 45, P.O. Box, CH-8001, Zurich, Switzerland	Senior Independent Director	2013	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	2013	Founder of Horizon21 AG; Chairman of Horizon21 AG, its holding company and related entities and subsidiaries; member of the board of DKSH Group, Zurich, and of the Frey Charitable Foundation, Freienbach.
Ann F. Godbehere UBS AG, Bahnhofstrasse 45, P.O. Box, CH-8001, Zurich, Switzerland	Member	2013	Board member and Chairperson of the Audit Committees of Prudential plc, Rio Tinto plc and Rio Tinto Limited, London; board member and Chairperson of the Audit and Conflicts Committees of Atrium Underwriters Ltd. and Atrium Underwriting Group Ltd., London; member of the board and Chairperson of the Audit Committee of Arden Holdings Ltd., Bermuda; member of the board of British American Tobacco plc.
Axel P. Lehmann Zurich Financial Services, Mythenquai 2, H-8002, Zurich, Switzerland	Member	2013	Member of the Group Executive Committee, Group Chief Risk Officer and Regional Chairman Europe of Zurich Financial Services; Chairman of the board of Farmers Group, Inc. and Chairman of the board of the Institute of Insurance Economics at the University of St. Gallen; member and past Chairman of the Chief Risk Officer Forum and member of the executive committee of the International Financial Risk Institute Foundation.

Members and business addresses	Title	Term of office	Current positions outside UBS AG
Wolfgang Mayrhuber Deutsche Lufthansa AG, Flughafen Frankfurt am Main 302, D-60549, Frankfurt am Main, Germany	Member	2013	Chairman of the Supervisory Board and Chairperson of the Mediation, the Nomination and the Executive Committees of Infineon Technologies AG, as well as member of the supervisory boards of Munich Re Group, BMW Group, Lufthansa Technik AG and Austrian Airlines AG; member of the board of HEICO Corporation, Hollywood, FL; member of the executive board of Acatech (Deutsche Akademie der Technikwissenschaften) and trustee of the American Academy of Berlin.
Helmut Panke BMW AG, Petuelring 130, D-80788, Munich, Germany	Member	2013	Member of the board and Chairperson of the Antitrust Compliance Committee of Microsoft Corporation; member of the board and Chairperson of the Board Safety & Risk Committee of Singapore Airlines Ltd.; member of the Supervisory Board of Bayer AG.
William G. Parrett UBS AG, Bahnhofstrasse 45, P.O. Box, CH-8001, Zurich, Switzerland	Member	2013	Independent Director and Chairperson of the Audit Committee, of the Eastman Kodak Company, the Blackstone Group LP and Thermo Fisher Scientific Inc.; Past chairman of the board of the United States Council for International Business and of United Way Worldwide; member of the Board of Trustees of Carnegie Hall.
Isabelle Romy UBS AG, Bahnhofstrasse 45, P.O. Box, CH-8001, Zurich, Switzerland	Member	2013	Associate professor at the University of Fribourg and at the Federal Institute of Technology, Lausanne.
Beatrice Weder di Mauro UBS AG, Bahnhofstrasse 45, P.O. Box, CH-8001, Zurich, Switzerland	Member	2013	Professor at the Johannes Gutenberg University, Mainz; research fellow at the Center for Economic Policy Research, London; member of the board of Roche Holding Ltd., Basel; member of the Supervisory Board of ThyssenKrupp AG, Essen, and of the *Deutsche Investitions- und Entwicklungsgesellschaft*, Cologne.

Members and business addresses	Title	Term of office	Current positions outside UBS AG
Joseph Yam 18 B South Bay Towers, 59 South Bay Rd., Hong Kong	Member	2013	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.

(b) *Organizational principles and structure*

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

The BoD committees comprise the Audit committee, the Corporate Responsibility Committee, the Governance and Nominating Committee, the Human Resources and Compensation Committee and the Risk Committee. The BoD has also established a Special Committee in connection with the unauthorized trading incident announced in September 2011.

(c) *Audit Committee*

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

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

The AC reviews the annual and quarterly financial statements of UBS AG and the Group as proposed by management, with the external auditors and Group Internal Audit, in order to recommend their approval (including any adjustments the AC considers appropriate) to the BoD.

Periodically, and at least annually, the AC assesses the qualifications, expertise, effectiveness, independence and performance of the external auditors and their lead audit partner, in order to support the BoD in reaching a decision in relation to the appointment or dismissal of the external auditors and the rotation of the lead audit partner. The BoD then submits these proposals to the AGM.

The members of the AC are William G. Parrett (Chairperson), Michel Demaré, Ann F. Godbehere, Isabelle Romy and Beatrice Weder di Mauro.

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.

Members of the Group Executive Board

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

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

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

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 section 4.1.1 above) 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 3 May 2012, the AGM of UBS AG re-elected Ernst & Young Ltd., Aeschengraben 9, CH-4002 Basel, Switzerland ("**Ernst & Young**") as auditors for the Financial Statements of UBS AG and the Consolidated Financial Statements of the UBS Group for a further one-year term. Ernst & Young is a member of the Swiss Institute of Certified Accountants and Tax Consultants based in Zurich, Switzerland.

6. Major Shareholders of the Issuer

Under the Federal Act on Stock Exchanges and Securities Trading of 24 March 1995, as amended (the "**Swiss Stock Exchange Act**"), anyone holding shares in a company listed in Switzerland, or derivative rights related to shares of such a company, must 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, 33⅓, 50 or 66⅔% of the voting rights, whether they are exercisable or not.

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

- 30 September 2011: Norges Bank (the Central Bank of Norway), 3.04%;
- 12 March 2010: Government of Singapore Investment Corp., 6.45%;

- 17 December 2009: BlackRock Inc., New York, USA, 3.45%.

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

As of 31 March 2012, the following shareholders (acting in their own name or in their capacity as nominees for other investors or beneficial owners) were registered in the share register with 3% or more of the total share capital of UBS AG: Chase Nominees Ltd., London (11.41%); the US securities clearing organization DTC (Cede & Co.) New York, "The Depository Trust Company" (7.01%); Government of Singapore Investment Corp., Singapore (6.40%) and Nortrust Nominees Ltd., London (4.29%).

UBS holds UBS AG shares primarily to cover employee share and option programs. A smaller number is held by the Investment Bank for trading purposes, where the Investment Bank engages in its market-making activities in UBS AG shares and related derivative products. As of 31 March 2012, UBS held a stake of UBS AG's shares, which corresponded to less than 3.00% of UBS AG's total share capital. As of 31 December 2011, UBS had disposal positions relating to 467,465,923 voting rights, corresponding to 12.20% of the total voting rights of UBS AG. They consisted mainly of 9.12% of voting rights on shares deliverable in respect of employee awards and included the number of shares that may be issued, upon certain conditions, out of conditional capital to the Swiss National Bank ("**SNB**") in connection with the transfer of certain illiquid securities and other positions to a fund owned and controlled by the SNB.

Further details on the distribution of UBS AG's shares, also by region and shareholders' type, and on the number of shares registered, not registered and carrying voting rights as of 31 December 2011 can be found in the Annual Report 2011, on pages 199-203 (inclusive) of the English version.

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

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

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

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

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

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

(i) the Consolidated Financial Statements of UBS Group, in particular to the Income Statement on page 289, the Balance Sheet on page 291, the Statement of Cash flows on pages 295-296 (inclusive) and the Notes to the Consolidated Financial Statements on pages 297-410 (inclusive), and

(ii) the Financial Statements of UBS AG (Parent Bank), in particular to the Income Statement on page 414, the Balance Sheet on page 415, the Statement of Appropriation of Retained Earnings on page 416, the Notes to the Parent Bank Financial Statements on pages 417-434 (inclusive) and the Parent Bank Review on pages 411-413 (inclusive), and

(iii) the section entitled "Introduction and accounting principles" on page 282.

The annual financial reports form an essential part of UBS's reporting. They include the audited Consolidated Financial Statements of UBS Group, prepared in accordance with International Financial Reporting Standards and the audited Financial Statements of UBS AG (Parent Bank), prepared in order to meet Swiss regulatory requirements and in compliance with Swiss Federal Banking Law. The Financial Information section of the annual reports also includes certain additional disclosures required under US Securities and Exchange Commission 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 2010 and 2011 were audited by Ernst & Young. The reports of the auditors on the Consolidated Financial Statements can be found on pages 262-263 (inclusive) of the Annual Report 2010 in English (Financial Information section) and on pages 287-288 (inclusive) of the Annual Report 2011 in English (Financial Information section). The reports of the auditors on the Financial Statements of UBS AG (Parent Bank) can be found on pages 400-401 (inclusive) of the Annual Report 2010 in English (Financial Information section) and on pages 435-436 (inclusive) of the Annual Report 2011 in English (Financial Information section).

7.3 Interim financial information

Reference is also made to UBS's first quarter 2012 report, which contains information on the financial condition and the results of operation of the UBS Group as of and for the quarter ended on 31 March 2012. The interim financial statements are not audited.

7.4 Incorporation by reference

UBS's Annual Report 2010, Annual Report 2011 and the first quarter 2012 report are fully incorporated in, and form an integral part of, this document.

7.5 Litigation and regulatory matters

The Group operates in a legal and regulatory environment that exposes it to significant litigation risks. As a result, UBS (which for purposes of sections 7.5 and 7.6 herein 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. The Group 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 within 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

On 4 May 2011, UBS announced a USD 140.3 million settlement with the US Securities and Exchange Commission (SEC), the Antitrust Division of the US Department of Justice (DOJ), the Internal Revenue Service (IRS) and a group of state attorneys general relating to the investment of proceeds of municipal bond issuances and associated derivative transactions. The settlement resolves the investigations by those regulators which had commenced in November 2006. Several related putative class actions, which were filed in Federal District Courts against UBS and numerous other firms, remain pending. However, approximately USD 63 million of the regulatory settlement will be made available to potential claimants through a settlement fund, and payments made through the fund should reduce the total monetary amount at issue in the class actions for UBS. In December 2010, three former UBS employees were indicted in connection with the Federal criminal antitrust investigation; those individual matters also remain pending.

2. Auction rate securities

In late 2008, UBS entered into settlements with the SEC, the New York Attorney General (NYAG) and the Massachusetts Securities Division whereby UBS agreed to offer to buy back Auction Rate Securities (ARS) from eligible customers, and to pay penalties of USD 150 million (USD 75 million to the NYAG and USD 75 million to the other states). UBS has since finalized settlements with all of the states. The settlements resolved investigations following the industry-wide disruption in the markets for ARS and related auction failures beginning in mid-February 2008. The SEC continues to investigate individuals affiliated with UBS regarding the trading in ARS and disclosures. UBS was also named in (i) several putative class actions; (ii) arbitration and litigation claims asserted by investors relating to ARS, including a pending consequential damages claim by a former customer for damages of USD 76 million; and (iii) arbitration and litigation claims asserted by issuers, including a pending litigation under state common law and a state racketeering statute seeking at least USD 40 million in compensatory damages, plus exemplary and treble damages, and several recently filed arbitration claims alleging violations of state and federal securities law that seek compensatory and punitive damages, among other relief.

3. Inquiries regarding cross-border wealth management businesses

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

4. Matters related to the credit crisis

UBS is responding to a number of governmental inquiries and investigations and is involved in a number of litigations, arbitrations and disputes related to the credit crisis of 2007-2009 and in particular mortgage-related securities and other structured transactions and derivatives. In particular, the SEC is investigating UBS's valuation of super senior tranches of collateralized debt obligations (CDO) during the third quarter of 2007, UBS's structuring and underwriting of certain CDOs during the first and second quarters of 2007, and UBS's reclassification of financial assets pursuant to amendments to IAS 39 during the fourth quarter of 2008. UBS has provided documents and testimony to the SEC and is continuing to cooperate with the SEC in its investigations. UBS has also communicated with and has responded to other inquiries by various governmental and regulatory authorities concerning various matters related to the credit crisis. These matters concern, among other things, UBS's (i) disclosures and writedowns, (ii) interactions with rating agencies, (iii) risk control, valuation, structuring and marketing of mortgage-related instruments, and (iv) role as underwriter in securities offerings for other issuers.

5. Lehman principal protection notes

From March 2007 through September 2008, UBS Financial Services Inc. (UBSFS) sold approximately USD 1 billion face amount of structured notes issued by Lehman Brothers Holdings Inc. (Lehman), a majority of which were referred to as "principal protection notes," reflecting the fact that while the notes' return was in some manner linked to market indices or other measures, some or all of the investor's principal was an unconditional obligation of Lehman as issuer of the

notes. Based on its role as an underwriter of Lehman structured notes, UBSFS has been named as a defendant in a putative class action asserting violations of disclosure provisions of the federal securities laws. It is vigorously defending the suit, and has filed an opposition, currently pending before the court, to plaintiffs' motion to certify the case as a class action. Firms that underwrote other non-structured Lehman securities have been named as defendants in the same purported class action, and those underwriters have entered into settlements, pending court approval. UBSFS has also been named in numerous individual civil suits and customer arbitrations. The individual customer claims relate primarily to whether UBSFS adequately disclosed the risks of these notes to its customers. In April 2011, UBSFS entered into a settlement with FINRA related to the sale of these notes, pursuant to which UBSFS agreed to pay a USD 2.5 million fine and approximately USD 8.25 million in restitution and interest to a limited number of investors in the US.

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

From 2002 through about 2007, UBS was a substantial underwriter and issuer of US residential mortgage-backed securities ("**RMBS**"). UBS has been named as a defendant relating to its role as underwriter and issuer of RMBS in a large number of lawsuits relating to approximately USD 42 billion in original face amount of RMBS underwritten or issued by UBS. Many of the lawsuits are in their early stages, and have not advanced beyond the motion to dismiss phase; others are in varying stages of discovery. Of the original face amount of RMBS at issue in these cases, approximately USD 9 billion was issued in offerings in which a UBS subsidiary transferred underlying loans (the majority of which were purchased from third-party originators) into a securitization trust and made representations and warranties about those loans (UBS-sponsored RMBS). The remaining USD 33 billion of RMBS to which these cases relate was issued by third parties in securitizations in which UBS acted as underwriter (third-party RMBS). In connection with certain of these lawsuits, UBS has indemnification rights against surviving third-party issuers or originators for losses or liabilities incurred by UBS, but UBS cannot predict the extent to which it will succeed in enforcing those rights.

These lawsuits include an action brought by the Federal Housing Finance Agency (FHFA), as conservator for the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac and collectively with Fannie Mae, the GSEs) in connection with the GSEs' investments in USD 4.5 billion in original face amount of UBS-sponsored RMBS and USD 1.8 billion in original face amount of third-party RMBS. These suits assert claims for damages and rescission under federal and state securities laws and state common law and allege losses of approximately USD 1.2 billion. The FHFA also filed suits in September 2011 against UBS and other financial institutions relating to their role as underwriters of third-party RMBS purchased by the GSEs asserting claims under various legal theories, including violations of the federal and state securities laws and state common law. Additionally, UBS is named as a defendant in three lawsuits brought by insurers of RMBS seeking recovery of insurance paid to RMBS investors. These insurers allege that UBS and other RMBS underwriters aided and abetted misrepresentations and fraud by RMBS issuers, and claim equitable and contractual subrogation rights. In April 2012, one of these lawsuits was dismissed and another is in the process of being dismissed.

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

As described in section 7.6 "Other contingent liabilities", UBS has also received demands to repurchase US residential mortgage loans as to which UBS made certain representations at the time the loans were transferred to the securitization trust.

In February 2012, Assured Guaranty Municipal Corp. (Assured Guaranty), a financial guaranty insurance company, filed suit against UBS Real Estate Securities Inc. (UBS RESI) in a New York State Court asserting claims for breach of contract and declaratory relief based on UBS RESI's alleged failure to repurchase allegedly defective mortgage loans with an original principal balance of at least USD 997 million that serve as collateral for UBS-sponsored RMBS insured by Assured Guaranty. Assured Guaranty also claims that UBS RESI breached representations and warranties

concerning the mortgage loans and breached certain obligations under commitment letters. Assured Guaranty seeks unspecified damages that include payments on current and future claims made under Assured Guaranty insurance policies totaling approximately USD 308 million at the time of the filing of the complaint, as well as compensatory and consequential losses, fees, expenses and pre-judgment interest. On 23 April 2012, UBS RESI moved to dismiss Assured Guaranty's complaint.

In April 2012, Freddie Mac filed a notice and summons in New York Supreme Court initiating suit against UBS RESI for breach of contract and declaratory relief arising from alleged breaches of representations and warranties in connection with certain mortgage loans and UBS RESI's alleged failure to repurchase such mortgage loans. Freddie Mac seeks specific performance of UBS RESI's alleged loan repurchase obligations for at least USD 94 million in original principal balance of loans for which Freddie Mac had previously demanded repurchase; no damages are specified. The complaint for this suit has not yet been filed.

7. Claims related to UBS disclosure

A putative consolidated class action has been filed in the United States District Court for the Southern District of New York against UBS, a number of current and former directors and senior officers and certain banks that underwrote UBS's May 2008 Rights Offering (including UBS Securities LLC) alleging violation of the US securities laws in connection with UBS's disclosures relating to UBS's positions and losses in mortgage-related securities, UBS's positions and losses in auction rate securities, and UBS's US cross-border business. In September 2011, the court dismissed all claims based on purchases or sales of UBS ordinary shares made outside the US. On 15 December 2011, defendants moved to dismiss the claims based on purchases or sales of UBS ordinary shares made in the US for failure to state a claim. UBS, a number of senior officers and employees and various UBS committees have also been sued in a putative consolidated class action for breach of fiduciary duties brought on behalf of current and former participants in two UBS Employee Retirement Income Security Act ("**ERISA**") retirement plans in which there were purchases of UBS stock. In March 2011, the court dismissed the ERISA complaint. On 27 March 2012, the court denied plaintiffs' motion for leave to file an amended complaint. Plaintiffs have filed a notice of appeal.

8. Madoff

In relation to the Bernard L. Madoff Investment Securities LLC (BMIS) investment fraud, UBS AG, UBS (Luxembourg) SA and certain other UBS subsidiaries have been subject to inquiries by a number of regulators, including FINMA and the Luxembourg Commission de Surveillance du Secteur Financier (CSSF). Those inquiries concerned two third-party funds established under Luxembourg law, substantially all assets of which were with BMIS, as well as certain funds established in offshore jurisdictions with either direct or indirect exposure to BMIS. These funds now face severe losses, and the Luxembourg funds are in liquidation. The last reported net asset value of the two Luxembourg funds before revelation of the Madoff scheme was approximately USD 1.7 billion in the aggregate, although that figure likely includes fictitious profit reported by BMIS. The documentation establishing both funds identifies UBS entities in various roles including custodian, administrator, manager, distributor and promoter, and indicates that UBS employees serve as board members. UBS (Luxembourg) SA and certain other UBS subsidiaries are responding to inquiries by Luxembourg investigating authorities, without however being named as parties in those investigations. In December 2009 and March 2010, the liquidators of the two Luxembourg funds filed claims on behalf of the funds against UBS entities, non-UBS entities and certain individuals including current and former UBS employees. The amounts claimed are approximately EUR 890 million and EUR 305 million, respectively. The liquidators have filed supplementary claims for amounts that the funds may possibly be held liable to pay the BMIS Trustee. These amounts claimed by the liquidator are approximately EUR 564 million and EUR 370 million, respectively. In addition, a large number of alleged beneficiaries have filed claims against UBS entities (and non-UBS entities) for purported losses relating to the Madoff scheme. The majority of these cases are pending in Luxembourg, where appeals have been filed by the claimants against the March 2010 decisions of the court in which the claims in a number of test cases were held to be inadmissible. In the US, the BMIS Trustee has filed claims against UBS entities, among others, in relation to the two Luxembourg funds and one of the offshore funds. A claim was filed in November 2010 against 23 defendants including UBS entities, the Luxembourg and offshore funds concerned

and various individuals, including current and former UBS employees. The total amount claimed against all defendants in this action was not less than USD 2 billion. A second claim was filed in December 2010 against 16 defendants including UBS entities and the Luxembourg fund concerned. The total amount claimed against all defendants was not less than USD 555 million. Following a motion by UBS, in November 2011 the District Court dismissed all of the BMIS Trustee's claims other than claims for recovery of fraudulent conveyances and preference payments that were allegedly transferred to UBS on the ground that the BMIS Trustee lacks standing to bring such claims. The BMIS Trustee has appealed the District Court's decision. In Germany, certain clients of UBS are exposed to Madoff-managed positions through third-party funds and funds administered by UBS entities in Germany. A small number of claims have been filed with respect to such funds.

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

In January 2009, the City of Milan (City) filed civil proceedings against UBS Limited, UBS Italia SIM Spa and three other international banks in relation to a 2005 bond issue and associated derivatives transactions entered into with the City between 2005 and 2007. The claim was to recover alleged damages in an amount which would compensate for terms of the related derivatives which the City claimed 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 was stayed following a petition filed by the banks to the Italian Court of Cassation challenging the jurisdiction of the Italian courts but was likely to resume following the recent decision of the Court which confirmed jurisdiction of the Italian courts. In addition, two current UBS employees and one former employee, together with employees from other banks, a former City officer and a former adviser to the City, are facing a criminal trial for alleged "aggravated fraud" in relation to the City's 2005 bond issue and the execution, and subsequent restructuring, of certain related derivative transactions. The primary allegation is that UBS Limited and the other international banks obtained hidden and/or illegal profits by entering into the derivative contracts with the City. In the criminal proceedings, UBS Limited also faces an administrative charge of failing to have in place a business organizational model to avoid the alleged misconduct by employees, the sanctions for which could include a limitation on activities in Italy. The City had separately asserted claims for damages against UBS Limited and UBS individuals in those proceedings. In March 2012, UBS Limited and UBS Italia SIM Spa finalized a settlement agreement with the City which enabled the City to terminate the interest rate swap component of the existing derivative transactions in consideration of the City's release of all of its damages claims, including those filed in the criminal proceedings. Under the settlement, UBS Limited applied a discount to the cost of the transaction for the City without any admission of liability. The terms of the settlement are confidential. The settlement does not dispose of the ongoing criminal proceedings. A number of transactions which UBS Limited and UBS AG respectively entered into with other public entity counterparties in Italy have also been called into question or become the subject of legal proceedings and claims for damages and other awards. These include derivative transactions with the Regions of Calabria, Tuscany, Lombardy and Lazio and the City of Florence. Florence and Tuscany have also attempted to invoke Italian administrative law remedies which purport to allow a public entity to challenge its own decision to enter into the relevant contracts and avoid their obligations thereunder. UBS is resisting these attempts.

UBS has issued proceedings before the English courts in connection with a number of derivative transactions with Italian public entities. These proceedings are aimed at obtaining declaratory judgments as to the validity and enforceability of UBS's English law contractual arrangements with its counterparties and, to the extent relevant, the legitimacy of UBS's conduct in respect of those counterparties. The English proceedings against the City of Milan and the Region of Tuscany were stayed by agreement of the parties. Pursuant to the above-mentioned settlement agreement entered into with the City of Milan, the English proceedings against the City of Milan will be discontinued.

In March 2012, an in-principle settlement was reached with the Region of Lombardy. Subject to appropriate documentation, the parties have agreed to resolve their disputes relating to the swap transactions between them.

10. HSH Nordbank AG (HSH)

HSH has filed an action against UBS in New York State court relating to USD 500 million of notes acquired by HSH in a synthetic CDO transaction known as North Street Referenced Linked Notes, 2002-4 Limited (NS4). The notes were linked through a credit default swap between the NS4 issuer and UBS to a reference pool of corporate bonds and asset-backed securities. HSH alleges that UBS knowingly misrepresented the risk in the transaction, sold HSH notes with "embedded losses", and improperly profited at HSH's expense by misusing its right to substitute assets in the reference pool within specified parameters. HSH is seeking USD 500 million in compensatory damages plus pre-judgment interest. The case was initially filed in 2008. On 27 March 2012, a New York state appellate court dismissed HSH's fraud claim and affirmed the trial court's dismissal of its negligent misrepresentation claim and punitive damages demand. As a result, the claims remaining in the case are for breach of contract and breach of the implied covenant of good faith and fair dealing. HSH has sought permission to appeal the appellate court's decision to the New York Court of Appeals.

11. Kommunale Wasserwerke Leipzig GmbH (KWL)

In 2006 and 2007, KWL entered into a series of Credit Default Swap (CDS) transactions with bank swap counterparties, including UBS. UBS entered into back-to-back CDS transactions with the other bank swap counterparties, Depfa Bank plc ("**Depfa**") and another bank, in relation to their respective swaps with KWL. Under the CDS contracts between KWL and UBS, the last of which were terminated by UBS on 18 October 2010, a net sum of approximately USD 138 million has fallen due from KWL but not been paid. In January 2010, UBS issued proceedings in the English High Court against KWL seeking various declarations from the English court, in order to establish that the swap transaction between KWL and UBS is valid, binding and enforceable as against KWL. In October 2010, the English court ruled that it has jurisdiction and will hear the proceedings and UBS issued a further claim seeking declarations concerning the validity of its early termination of the remaining CDS transactions with KWL. KWL withdrew its appeal from that decision and the civil dispute is now proceeding before the English court. UBS has served Particulars of Claim and KWL has served its Defence and Counterclaim which also joins UBS Limited (on the basis that UBS Limited is a party to the engagement letter with KWL) and Depfa to the proceedings.

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

In April 2010, UBS issued separate proceedings in the English High Court against Depfa and the other bank concerned respectively seeking declarations as to the parties' obligations under those transactions. The back-to-back CDS transactions were terminated in April and June 2010. The aggregate amount that UBS contends is outstanding under those transactions is approximately USD 183 million plus interest, in respect of which UBS contends it is owed USD 83.3 million, plus interest, by Depfa. The stay of the court proceedings against one of the bank swap counterparties has been terminated by UBS, and UBS has added a money claim to the proceedings. Depfa has terminated the stay of the proceedings brought against it by UBS Limited and has added a claim against KWL to those proceedings, which will now proceed.

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

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

12. Puerto Rico

On 26 April 2012, UBS Financial Services Inc. of Puerto Rico ("**UBS PR**") settled an administrative proceeding with the SEC related to disclosures and secondary market trading involving shares of closed-end funds sold by UBS PR during 2008 and 2009. Under the terms of the settlement, and without admitting or denying the findings, UBS PR will pay a penalty, disgorgement and prejudgment interest totaling USD 26.6 million. UBS PR also consented to a censure and a cease and desist from future violations of various provisions of the federal securities laws, and will hire an independent consultant to review UBS PR's closed-end fund disclosures and trading policies and procedures. Separately, UBS PR and dozens of unrelated parties were sued in Puerto Rico Superior Court in October 2011 in a purported civil derivative action seeking to bring claims on behalf of the Employee Retirement System of Puerto Rico related to, among other things, the issuance of the bonds underwritten by UBS PR and the investment of the proceeds of those bond issuances. UBS PR's motion to dismiss that action is pending.

13. LIBOR

Several government agencies, including the SEC, the US Commodity Futures Trading Commission, the DOJ and the FSA, are conducting investigations regarding submissions with respect to British Bankers' Association LIBOR rates. UBS understands that the investigations focus on whether there were improper attempts by UBS (among others), either acting on its own or together with others, to manipulate LIBOR rates at certain times. In addition, the Swiss Competition Commission ("**WEKO**") has commenced an investigation of numerous banks and financial intermediaries concerning possible collusion relating to LIBOR and TIBOR reference rates and certain derivatives transactions.

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

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

the order. On the same day the JFSA also commenced an administrative action against UBS AG, Tokyo Branch, based on a finding that an employee of the Tokyo branch "continuously received approaches" from an employee of UBS Securities Japan regarding Euroyen TIBOR rate submissions, which was determined to be an inappropriate practice that was not reported to the branch's management. Pursuant to this administrative action, the JFSA issued an order under the Japan Banking Act which imposes requirements similar to those imposed under the Business Improvement Order directed to UBS Securities Japan.

A number of putative class actions and other actions are pending in federal court in Manhattan 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. Plaintiffs are required to file a consolidated amended complaint by 30 April 2012.

14. SinoTech Energy Limited

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

On 23 April 2012, the SEC filed a complaint against SinoTech and three of its executives alleging certain improprieties arising out of actions that occurred subsequent to the initial public offering. UBS is not a party to the action nor is it referred to in the complaint.

15. Swiss retrocessions

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

16. Unauthorized trading incident

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

Besides the proceedings specified above under (1) through (16) no governmental, legal or arbitration proceedings, which may significantly affect UBS's financial position, are or have been pending during the last twelve months until the date of this document, nor is the Issuer aware that any such governmental, legal or arbitration proceedings are threatened.

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 was a purchaser and seller of US residential mortgages. A subsidiary of UBS, UBS RESI, acquired pools of residential mortgage loans from originators and (through an affiliate) deposited them into securitization trusts. In this manner, from 2004 through 2007 UBS RESI sponsored approximately USD 80 billion in RMBS, based on the original

principal balances of the securities issued. The overall market for privately issued US RMBS during this period was approximately USD 3.9 trillion.

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

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

When UBS acted as an RMBS sponsor or mortgage seller, it generally made certain representations relating to the characteristics of the underlying loans. In the event of a material breach of these representations, UBS was in certain circumstances contractually obligated to repurchase the loans to which they related or to indemnify certain parties against losses. UBS has been notified by certain institutional purchasers and insurers of mortgage loans and RMBS, including a GSE, that possible breaches of representations may entitle the purchasers to require that UBS repurchase the loans or to other relief. UBS has tolling agreements with some of these institutional purchasers concerning their potential claims. The table below summarizes repurchase demands received by UBS and UBS's repurchase activity from 2006 through 26 April 2012.

Loan repurchase demands by year received – original principal balance of loans[1]

USD million	*2006-2008*	*2009*	*2010*	*2011*	*Through 26 April 2012*	*Total*
Actual or agreed loan repurchases/ make whole payments by UBS	11.7	1.4				13.1
Demands resolved or expected to be resolved through enforcement of UBS's indemnification rights against third-party originators		77.4	1.8	46.2	244.3	369.6
Demands resolved in litigation	0.6	20.7				21.3
Demands in litigation[2]			345.6	652.1	93.8	1,091.5
Demands rebutted by UBS but not yet rescinded by counterparty		3.2	1.8	368.5	80.5	454.0
Demands rescinded by counterparty	110.2	100.4	18.8	8.3		237.7
Demands in review by UBS		2.1	0.1	9.0	4.2	15.3
Total	122.5	205.1	368.2	1,084.1	422.7	2,202.6

1 Loans submitted by multiple counterparties are counted only once.

2 Includes (i) USD 125 million of demands in litigation which were previously classified as *Demands resolved or expected to be resolved through enforcement of UBS's indemnification rights against third-party originators*; and (ii) USD 50 million of demands in litigation which were previously classified as *Actual or agreed loan repurchases/make whole payments by UBS*.

UBS's balance sheet as of 31 March 2012 reflected a provision of USD 104 million based on UBS's best estimate of the loss arising from certain loan repurchase demands received since 2006 to which UBS has agreed or which remain unresolved, and for certain anticipated loan repurchase demands of which it has been informed. As described in section 7.5 "Litigation and regulatory matters", Freddie Mac filed a notice and summons in New York Supreme Court in April 2012 seeking specific performance of UBS RESI's alleged loan repurchase obligations for loans totaling at least USD 94 million in original principal balance; Assured Guaranty filed a lawsuit against UBS RESI on 2 February 2012 relating to loan repurchase demands totaling approximately USD 997 million in original principal balance. Assured Guaranty made additional loan repurchase demands totaling USD 318 million in original principal balance in early April 2012, and it is not clear when or to what extent additional demands may be made by Assured Guaranty, Freddie Mac or others. UBS also cannot reliably estimate when or to what extent the provision will be utilized in connection with actual payments to resolve loan repurchase demands, because both the submission of loan repurchase demands and the timing of resolution of such demands are uncertain.

Payments that UBS has made or agreed to make to date to resolve repurchase demands equate to approximately 62 per cent. of the original principal balance of the related loans. Most of the payments that

UBS has made or agreed to make to date have related to so-called "Option ARM" loans; severity rates may vary for other types of loans or for Option ARMs with different characteristics. 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.

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 per cent. was purchased from surviving third-party originators. In connection with approximately 60 per cent. of the loans (by original principal balance) for which UBS has made payment or agreed to make payment in response to demands received in 2010, UBS has asserted indemnity or repurchase demands against originators. Only a small number of UBS's demands have been resolved, and UBS has not recognized any asset on its balance sheet in respect of the unresolved demands. Since 2011, UBS has advised certain surviving originators of repurchase demands made against UBS for which UBS would be entitled to indemnity, and has asserted that such demands should be resolved directly by the originator and the party making the demand.

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

As described in section 7.5 "Litigation and regulatory matters", UBS is also subject to claims and threatened claims in connection with its 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 Material Changes in the Financial or Trading Position

There has been no material change in the financial or trading position of UBS since the reporting date of UBS's first quarter 2012 report (including unaudited consolidated financial statements) for the period ending on 31 March 2012.

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 has (i) fully paid and issued share capital of CHF 383,212,189.90, divided into 3,832,121,899 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 62,863,932.60, comprising 628,639,326 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 2010, comprising the sections (1) Strategy, performance and responsibility, (2) UBS business divisions and Corporate Center, (3) Risk and treasury management, (4) Corporate governance and compensation, (5) Financial information (including the "Report of the Statutory Auditor and the Independent Registered Public Accounting Firm on the Consolidated Financial Statements" and the "Report of the Statutory Auditor on the Financial Statements");
- The Annual Report of UBS AG as of 31 December 2011, comprising the sections (1) Operating environment and strategy, (2) Financial and operating performance, (3) Risk, treasury and capital management, (4) Corporate governance, responsibility and compensation, (5) Financial information (including the "Report of the Statutory Auditor and the Independent Registered Public Accounting Firm on the Consolidated Financial Statements" and the "Report of the Statutory Auditor on the Financial Statements");

- The quarterly report of UBS AG as of 31 March 2012; and
- The Articles of Association of UBS AG,

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 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. The Articles of Association in effect as of the date of this Base Prospectus are dated 3 May 2012.

PRO FORMA FINAL TERMS OR PRICING SUPPLEMENT[8]

The [Final Terms/Pricing Supplement] 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/Listing Particulars] dated [•] 2012 [and the supplemental Base [Prospectus/Listing Particulars] dated [•]] which [together] constitute[s] a base [prospectus/listing particulars] for the purposes of [Directive 2003/71/EC (the "**Prospectus Directive**")/admission to trading on the Global Exchange Market of the Irish Stock Exchange]. This document constitutes the [Final Terms/Pricing Supplement] 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/Listing particulars] [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/Pricing Supplement] and the Base [Prospectus/Listing Particulars] [as so supplemented]. The Base [Prospectus/Listing Particulars] [and the supplemental Base [Prospectus/Listing Particulars]] [is] [are] [available for viewing at [*website of the Irish [Competent Authority* (www.centralbank.ie)/ Stock Exchange (www.ise.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-prospectusubs.com.]

The following alternative language applies if the first tranche of an issue which is being increased was issued under a Base [Prospectus/Listing Particulars] 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/Listing Particulars] dated [*original date*] [and the supplemental Base [Prospectus/Listing Particulars] dated [•]]. This document constitutes the [Final Terms/Pricing Supplement] of the Notes described herein for the purposes of [Article 5.4 of Directive 2003/71/EC (the "**Prospectus Directive**")/admission to trading on the Global Exchange Market of the Irish Stock Exchange] and must be read in conjunction with the Base [Prospectus/Listing Particulars] dated [current date] [and the supplemental [Prospectus/Listing Particulars] dated [date]], save in respect of the Conditions which are extracted from the Base [Prospectus/Listing Particulars] 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/Pricing Supplement] and the Base [Prospectus/Listing Particulars] dated [original date] and [*current date*] [and the supplemental Base [Prospectus/Listing Particulars] dated [•] and [•]]. [The Base [Prospectuses/Listing Particulars] [and the supplemental Base Prospectuses] are available for viewing at [*website of the Irish [Competent Authority* (www.centralbank.ie)/ Stock Exchange (www.ise.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.*]

---

[8] Amend terminology as necessary where Notes are being admitted to trading on the Global Exchange Market of the Irish Stock Exchange.

[*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 its Global Exchange 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]
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	[ ] per Calculation Amount Amount[(s)]:[10]
	(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)*]

9 Note that for Renminbi or Hong Kong dollar denominated Fixed Rate Notes where Interest Payment Dates are subject to modification it will be necessary to use the second option here.

10 For Renminbi or Hong Kong dollar denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification, the following alternative wording is appropriate: "Each Fixed Coupon Amount shall be calculated by multiplying the product of the Rate of Interest and the Calculation Amount by the Day Count Fraction and rounding the resultant figure to the nearest RMB0.01, RMB0.005 for the case of Renminbi denominated Fixed Rate Notes, for the case of Renminbi denominated Fixed Rate Notes to the nearest HK$0.01, HK$0.005for the case of Hong Kong dollar denominated Fixed Rate Notes, being rounded upwards.

	(v)	Day Count Fraction:	[30/360/(Actual/Actual (ICMA/ISDA)/(Actual/365 (Fixed)]/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/	[ ] per cent. per annum Accrual] Yield:
	(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[11]:		[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	[ ]
	(vi)	[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:

[11] Where there is an option for physical settlement and the underlying index/security contains/is one or more securities in bearer form, such Index/Credit Linked Note may only be issued subject to the receipt of written pre-approval by UBS Group Tax-Americas.

	(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[12]:	[ ] per Calculation Amount

[12] Where there is an option for physical settlement and the underlying index/security contains/is one or more securities in bearer form, such Index/Credit Linked Note may only be issued subject to the receipt of written pre-approval by UBS Group Tax-Americas.

	In cases where the Final Redemption Amount is Index-Linked or other variable-linked:	[[ ] 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[13]:
		[[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,

[13] 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*)

		Luxembourg (that is, held under the New Safekeeping Structure (NSS))]] [[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 address 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):	
39.	If non-syndicated, name		[UBS Limited]
40.	Total commission and concession:		[ ] per cent. of the Aggregate Nominal Amount

41.	U.S. Selling Restrictions[14]:	[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/Global Exchange Market]] [admitted to the Official List of the UK Financial Services Authority and admitted to trading on the regulated market of the London Stock Exchange] [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][15] 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.][16]. [[•] 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 2012 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

---

[14] TEFRA D may be applicable where Notes are issued in bearer form or for Index/Credit Linked Notes where there is an option for physical settlement and the underlying index/security contains/is one or more securities in bearer form. In such cases written pre-approval by the UBS Group Tax-Americas is required.

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

[16] 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 is not 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 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 not established in the EEA but is endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation or (2) 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:	[Not Applicable/*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 24 August 2011 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 (not only individuals) resident outside 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) Income Tax

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) Taxes Withheld by Switzerland for Other Countries

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.

Foreign Final Withholding Taxes

The Swiss Federal Council recently signed treaties with Germany, the United Kingdom and Austria providing, inter alia, for a final withholding tax. The treaties, which are in the process of obtaining legislative approval in the respective contracting states, may enter into force on 1 January 2013 and might be followed by similar treaties with other European countries.

According to the treaties, a Swiss paying agent may levy a final withholding tax on capital gains and on certain income items deriving, inter alia, from Notes. The final withholding tax will substitute the ordinary income tax due by an individual resident of a contracting state on such gains and income items. In lieu of the final withholding, individuals may opt for a voluntary disclosure of the relevant capital gains and income items to the tax authorities of their state of residency.

As regards the regularization of specific assets defined in the treaties and held by individuals of a contracting state with a Swiss paying agent prior to the entry into force of the treaties, such individuals may opt either for a one-off payment substituting the tax liability in the state of residency with regard to such assets or for the voluntary disclosure of such assets to the tax authority of the state of residency.

Holders of Notes who might be within the scope of the abovementioned treaties should consult their own tax adviser as to the tax consequences relating to their particular circumstances.

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.

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;

(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; and

(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 are each recognised stock exchanges. 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 that 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).

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 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 of the United Kingdom withholding tax position 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.

5. HMRC CONSULTATION DOCUMENT

On 27 March 2012, HM Revenue and Customs published a Consultation Document on "Possible changes to income tax rules on interest" which includes proposals relating to the imposition of United Kingdom withholding tax. One potential change is that the quoted Eurobond exemption from withholding tax on UK interest will not be available where Notes are issued between group companies and listed on a stock exchange on which there is no substantial or regular trading in the Notes. It is also proposed that the withholding tax obligation in respect of UK interest payments be extended so that it may apply to interest on Notes issued for a term of less than one year. It is not possible to identify at this time to what extent, if at all, these proposals will be implemented.

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.

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 a rate of 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.

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 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.

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. Where Notes are classified as equity for U.S. federal income tax purposes, payments of principal, interest and redemption or disposition proceeds paid after 31 December 2016 may be subject to tax under Sections 1471 through 1474 of the Code (commonly referred to as "**FATCA**"). See the discussion below under "*FATCA Withholding Tax*". Prospective non-U.S. investors should consult their own advisors about the possibility of U.S. income or withholding tax applying to payments on any 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, ¼ 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 non-U.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.

Substitution of the Issuer

The terms of the Notes provide that, in certain circumstances, the obligations of the Issuer under the Notes may be (i) assumed by an Affiliate or (ii) prior to any such assumption, fulfilled by the Issuer acting through a different Branch or the UBS Head Office (if the Issuer was not acting through the UBS Head Office prior thereto). Any such assumption or Issuing Branch Substitution might be treated for U.S. federal income tax purposes as a deemed disposition of Notes by a U.S. Holder in exchange for new notes issued by the new obligor. As a result of this deemed disposition, a U.S. Holder could be required to recognise capital gain or loss for U.S. federal income tax purposes equal to the difference, if any, between the fair market value at that time of the U.S. Holder's Notes, and the U.S. Holder's tax basis in those Notes. It might also affect the timing and amount of income earned on the Notes for U.S. federal income tax purposes in any given tax period. U.S. Holders should consult their tax advisors concerning the U.S. federal income tax consequences to them of a substitution in obligor with respect to the Notes.

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 2016 on or with respect to Notes issued after 31 December 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. Holders may be asked to provide additional information about their status as U.S. taxpayers. See the discussion below under "*FATCA Withholding Tax*".

Tax Consequences for Non-U.S. Holders

Unless as discussed below under "*FATCA Withholding Tax*" or 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. Non U.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.

FATCA Withholding Tax

The Issuer and other financial institutions through which payments on the Notes are made may be required to withhold at a rate of up to 30 per cent. on all, or a portion of, payments made after 31 December 2016 in respect of any Notes which are issued (or materially modified) after 31 December 2012 or that are treated as equity for U.S. federal tax purposes whenever issued, pursuant to FATCA.

The Issuer is a foreign financial institution ("**FFI**") for the purposes of FATCA. If the Issuer agrees to provide certain information on its account holders pursuant to a FATCA agreement with the IRS (i.e. the Issuer is a "**Participating FFI**") then withholding may be triggered if: (i) the Issuer has a positive "passthru payment percentage" (as determined under FATCA), and (ii) (a) an investor does not provide information sufficient for the relevant Participating FFI to determine whether the investor is a U.S. person or should otherwise be treated as holding a ''United States Account'' of the Issuer, (b) an investor does not consent, where necessary, to have its information disclosed to the IRS or (c) any FFI that is an investor, or through which payment on the Notes is made, is not a Participating FFI.

If an amount in respect of FATCA were to be deducted or withheld from interest, principal or other payments on or with respect to the Notes, the Issuer would have no obligation to pay additional amounts or otherwise indemnify a holder for any such withholding or deduction by the Issuer, a Paying Agent or any other party as a result of the deduction or withholding of such amount. As a result, investors may, if FATCA is implemented as currently proposed by the IRS, receive less interest or principal than expected.

An investor that is not a Participating FFI that is withheld upon generally will be able to obtain a refund only to the extent an applicable income tax treaty with the United States entitles the investor to a reduced rate of tax on the payment that was subject to withholding under FATCA, provided the required information is furnished in a timely manner to the IRS.

Significant aspects of the application of FATCA are not currently clear and the above description is based on proposed regulations and interim guidance. Investors should consult their own advisors about the application of FATCA, in particular if they may be classified as financial institutions under the FATCA 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 27 June 2012 (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

(v) 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

(vi) 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 offered:* 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**") and accordingly, the Notes may not be offered or sold, nor may the Notes be the subject of an invitation for subscription or purchase, nor may 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 be circulated or distributed, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 4A of the SFA) 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 acquired by persons who are relevant persons specified in Section 276 of the SFA by, namely:

(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 any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights or interest in that trust are acquired at a consideration of not less than S$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets and in relation to corporations, in accordance with the conditions specified in Section 275(1A) 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.

PRC

Each Dealer has represented, warranted and agreed that the offer of the Notes is not an offer of securities within the meaning of the PRC securities law or other pertinent laws and regulations of the PRC and the Notes are not being offered or sold and may not be offered or sold, directly or indirectly, in the PRC (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by the securities laws of the PRC.

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

The Notes are not and will not be registered in Jersey.

The Notes may be offered, sold or delivered to investors resident in Jersey.

The Jersey Financial Services Commission (the "**Commission**") has given and not withdrawn its consent under Article 8(2) of the Control of Borrowing (Jersey) Order 1958, as amended, to the circulation in Jersey of this Base Prospectus and the Final Terms in respect of each issue of Notes. The Commission is protected by the Control of Borrowing (Jersey) Law 1947, as amended, against any liability arising from the discharge of its functions under the law. It must be distinctly understood that in giving this consent the Commission does not take any responsibility for the financial soundness of any schemes or the correctness of any statements made or opinions expressed with regard to them.

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.

TRANSFER RESTRICTIONS

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 26 June 2012. 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 and its Global Exchange 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 2011 and no significant change in the financial or trading position of the UBS Group since 31 March 2012.

7. For the years ended 31 December 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010 and 2011 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 2010 and 2011, and the published unaudited consolidated accounts of the UBS Group for the first quarter ended 31 March 2012;

   (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 or the Global Exchange Market of the Irish Stock Exchange.

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.

REGISTERED OFFICES OF UBS AG

Aeschenvorstadt 1
4002 Basel
Switzerland

Bahnhofstrasse 45
8001 Zurich
Switzerland

DEALERS

UBS Limited
1 Finsbury Avenue
London EC2M 2PP

UBS AG
Bahnhofstrasse 45
8001 Zurich
Switzerland

UBS Securities LLC
299 Park Avenue
New York NY 10171

AGENT

The Bank of New York Mellon,
acting through its London Branch
One Canada Square
London E14 5AL

IRISH PAYING AGENT

The Bank of New York Mellon (Ireland) Limited
Hanover Building
Windmill Lane
Dublin 2
Ireland

REGISTRARS

U.S. Bank Trust National Association
100 Wall Street
New York NY 10005

The Bank of New York Mellon (Luxembourg) S.A.
Vertigo Building – Polaris
2-4 rue Eugène Ruppert
L-2453 Luxembourg

LUXEMBOURG PAYING AGENT

The Bank of New York Mellon (Luxembourg) S.A.
Vertigo Building – Polaris
2-4 rue Eugène Ruppert
L-2453 Luxembourg

TRANSFER AGENT

The Bank of New York Mellon,
acting through its London Branch
One Canada Square
London E14 5AL

LUXEMBOURG LISTING AGENT

The Bank of New York Mellon (Luxembourg) S.A.
Vertigo Building – Polaris
2-4 rue Eugène Ruppert
L-2453 Luxembourg

IRISH LISTING AGENT

Arthur Cox Listing Services Limited
Arthur Cox Listing Services Limited
Earlsfort Centre, Earlsfort Terrace
Dublin 2

LEGAL ADVISERS

To the Dealers as to English law

Clifford Chance LLP
10 Upper Bank Street
London E14 5JJ

To the Issuer as to Swiss law

Homburger AG
Hardstrasse 201
8005 Zurich
Switzerland

To the Dealers as to Australian law

King & Wood Mallesons
Level 61
Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000
Australia

To the Dealers as to Jersey law

Ogier
Ogier House
The Esplanade
St. Helier
Jersey

AUDITORS

To UBS AG
Ernst & Young Ltd
Aeschengraben 9
P.O. Box 2149
CH-4002 Basel