

# Base Prospectus

dated 25 June 2012

of

**UBS AG**

*(a public company with limited liability established under the laws of Switzerland)*

acting through its London branch:

**UBS AG, London Branch**

*(the London branch of UBS AG)*



for the issue of

**Open End Index Certificates\***

Under this Base Prospectus, UBS AG acting through its London branch (the "**Issuer**") may, from time to time, issue securities (the "**Certificates**", or, as the case may be, the "**Securities**", and each a "**Certificate**" or, as the case may be, a "**Security**") governed by German law. The Securities will be based on the performance of an index, as specified in the relevant Final Terms).

**Potential investors in the Securities are explicitly reminded that an investment in Securities entails financial risks. Holders of Securities run the risk of losing all or part of the amount invested by them in the Securities.** All potential investors in Securities are, therefore, advised to study the full contents of the Prospectus, in particular the risk factors.

\* The notation of the Securities will be substantiated and determined in the Final Terms.

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## SUMMARY

The summary is taken from the remainder of the Base Prospectus. The information in this section "Summary" should be read and construed as an introduction to the Base Prospectus. This section "Summary" should be read in connection with the Base Prospectus and the applicable Final Terms.

Potential investors in the Securities should base any decision to invest in Securities not only on the following information but on all other information in the Base Prospectus irrespective of whether it is set out in, or incorporated into, the Base Prospectus by reference.

Any judicial proceedings in the Federal Republic of Germany ("**Germany**") are subject to German Civil Procedural Law (*Zivilprozessrecht*) as applied by German courts, which, inter alia and without limitation, might require the translation of foreign language documents into the German language, do not provide for discovery and might apportion the costs between the parties different from other jurisdictions and otherwise than as contemplated in any document pertaining to the Base Prospectus. Accordingly, where a claim relating to the information contained in a securities prospectus such as the Base Prospectus is brought before a German court or the court of any other Member State of the European Economic Area (each an "**EEA State**"), the plaintiff might, under German law as well as under the national legislation of any other relevant EEA State, have to bear the costs of translating, to the extent necessary, the Base Prospectus into German and/or any other relevant language, as the case may be, before legal proceedings are initiated.

The Issuer assumes liability for the contents of this section "Summary", including any translation thereof, but only to the extent that this summary is misleading, inaccurate or inconsistent when read together with the other parts of, or other information incorporated into, the Base Prospectus.

### **Who is the Issuer?**

#### ***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<sup>1</sup> UBS's Basel 2.5 tier1<sup>2</sup> ratio was 18.7%, 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.<sup>3</sup>

#### ***Selected Consolidated Financial Data***

UBS derived the following selected consolidated financial data from (i) its annual report 2011 containing the audited consolidated financial statements for the fiscal year ended 31 December 2011 (including comparative figures as of 31 December 2010 and 2009), and (ii) its unaudited consolidated financial statements for the first quarter 2012 ended 31 March 2012 (including comparative figures as of 31 March 2011). UBS' consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and stated in Swiss francs (CHF).

<sup>1</sup> The following information is taken from the UBS's first quarter 2012 report (unaudited) issued on 2 May 2012.

<sup>2</sup> 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.

<sup>3</sup> Full-time equivalents.

	As of or for the quarter ended		As of or for the year ended		
<i>CHF million, except where indicated</i>	31.03.12	31.03.11	31.12.11	31.12.10	31.12.09
	<i>unaudited</i>		<i>audited, except where indicated</i>		
<b>Group results</b>					
Operating income	6,525	8,344	27,788	31,994	22,601
Operating expenses	5,221	6,110	22,439	24,539	25,162
Operating profit from continuing operations before tax	1,304	2,235	5,350	7,455	(2,561)
Net profit attributable to UBS shareholders	827	1,807	4,159	7,534	(2,736)
Diluted earnings per share (CHF)	0.22	0.47	1.08	1.96	(0.75)
<b>Key performance indicators, balance sheet and capital management</b>					
<b>Performance</b>					
Return on equity (RoE) (%) <sup>I</sup>	6.2	15.5	8.5*	16.7*	(7.8)*
Return on risk-weighted assets, gross (%) <sup>II</sup>	11.5	16.6	13.7*	15.5*	9.9*
Return on assets, gross (%) <sup>III</sup>	1.9	2.6	2.1*	2.3*	1.5*
<b>Growth</b>					
Net profit growth (%) <sup>IV</sup>	159.2	8.7	(44.8)*	N/A*	N/A*
Net new money growth (%) <sup>V</sup>	0.6	4.0			
<b>Efficiency</b>					
Cost / income ratio (%) <sup>VI</sup>	80.5	73.3	80.5*	76.5*	103.0*
<b>Capital strength</b>					
BIS tier 1 ratio (%) <sup>VII, VIII</sup>	18.7	17.9	15.9*	17.8*	15.4*
FINMA leverage ratio (%) <sup>VII, IX</sup>	5.6	4.6	5.4*	4.4*	3.9*
<b>Balance sheet and capital management</b>					
Total assets	1,365,837	1,291,286	1,419,162	1,317,247	1,340,538
Equity attributable to UBS shareholders	53,226	46,695	53,447	46,820	41,013
Total book value per share (CHF)	14.10	12.28	14.26*	12.35*	11.65*
Tangible book value per share (CHF)	11.62	9.74	11.68*	9.76*	8.52*
BIS core tier 1 ratio (%) <sup>VII</sup>	16.7	15.6	14.1*	15.3*	
BIS total ratio (%) <sup>VII</sup>	21.1	19.4	17.2*	20.4*	19.8*
BIS risk-weighted assets <sup>VII</sup>	211,092	203,361	240,962*	198,875*	206,525*
BIS tier 1 capital <sup>VII</sup>	39,570	36,379	38,370	35,323	31,798
<b>Additional information</b>					
Invested assets (CHF billion) <sup>X</sup>	2,115	2,118	2,088*		
Personnel (full-time equivalents)	64,243	65,396	64,820*	64,617*	65,233*
Market capitalization	48,488	63,144	42,843*	58,803*	57,108*

\*unaudited

<sup>I</sup> Net profit attributable to UBS shareholders on a year-to-date basis (annualized as applicable) / average equity attributable to UBS shareholders (year-to-date basis). <sup>II</sup> Operating income before credit loss (expense) or recovery on a year-to-date basis (annualized as applicable) / average risk-weighted assets (year-to-date basis). Based on Basel 2.5 risk-weighted assets from the first quarter of 2012 onwards. Based on Basel II risk-weighted assets for periods prior to the first quarter of 2012. <sup>III</sup> Operating income before credit loss (expense) or recovery on a year-to-date basis (annualized as applicable) / average total assets (year-to-date basis). <sup>IV</sup> Change in net profit attributable to UBS shareholders from continuing operations between current and comparison periods / net profit attributable to UBS shareholders from continuing operations of comparison period. Not meaningful and not included if either the reporting period or the comparison period is a loss period. <sup>V</sup> Net new money for the period (annualized as applicable) / invested assets at the beginning of the period. Excludes interest and dividend income. Commencing in the first quarter of 2012, UBS has replaced the key performance indicator "net new money" with "net new money growth". The relevant data is included in this table to the extent available in the first quarter 2012 report. <sup>VI</sup> Operating expenses / operating income before credit loss (expense) or recovery. <sup>VII</sup> Capital management data as of 31 March 2012 and 31 December 2011 is disclosed in accordance with the Basel 2.5 framework. Comparative data under the new framework is not available for 31 March 2011, 31 December 2010 and 31 December 2009. The comparative information under the Basel II framework is therefore provided, to the extent available in the first quarter 2012 report or in

the annual report 2011. <sup>viii</sup> BIS tier 1 capital / BIS risk-weighted assets. <sup>ix</sup> FINMA tier 1 capital / average adjusted assets as per definition by the Swiss Financial Market Supervisory Authority (FINMA). <sup>x</sup> In the first quarter of 2012, UBS has refined the definition of invested assets. Prior periods have been adjusted accordingly and are included in this table to the extent available in the first quarter 2012 report.

### ***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.

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

In cases where it is impossible or inefficient to operate via the parent bank, due to local legal, tax or regulatory provisions, or where additional legal entities join the Group through acquisition, the business is operated on location by legally independent Group companies.

### ***Trend Information***

(Outlook statement as presented in UBS's first quarter 2012 report (unaudited) 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, according to its own opinion, 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.

### ***Administrative, Management and Supervisory Bodies of the Issuer***

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

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

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

### ***Auditors***

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

### **How are the net proceeds used by the Issuer?**

The net proceeds of the issue will be used for funding purposes of the UBS Group and shall not be employed by the Issuer within Switzerland. The net proceeds from the sale of the Securities shall be employed by the Issuer for general business purposes. A separate ("special purpose") fund will not be established.

### **Are there any risks relating to the Issuer?**

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

### ***General insolvency risk***

Each holder of a Security (a "**Securityholder**") bears the general risk that the financial situation of the Issuer could deteriorate. The Securities constitute immediate, unsecured and unsubordinated obligations of the Issuer, which, in particular in the case of insolvency of the Issuer, rank *pari passu* with each other and all other current and future unsecured and unsubordinated obligations of the Issuer, with the exception of those that have priority due to mandatory statutory provisions. The obligations of the Issuer created by the Securities are not secured by a system of deposit guarantees or a compensation scheme. In case of an insolvency of the Issuer, Securityholders may, consequently, suffer a **total loss** of their investment in the Securities.

### ***Effect of downgrading of the Issuer's rating***

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

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

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

UBS has announced and begun to carry out plans to reduce drastically the risk-weighted assets associated with the legacy risk positions, but the continued illiquidity and complexity of many of these legacy risk positions could make it difficult to sell or otherwise liquidate these exposures. At the same time, UBS's strategy rests

heavily on its ability to reduce sharply the risk-weighted assets associated with these exposures in order to meet its future capital targets and requirements without incurring unacceptable losses.

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

***Potential conflicts of interest***

The Issuer and affiliated companies may participate in transactions related to the Securities in some way, for their own account or for account of a client. Such transactions may not serve to benefit the Securityholder and may have a positive or negative effect on the value of the Underlying (as defined below) and consequently on the value of the Securities.

**What are the Securities?**

Under the Base Prospectus, UBS AG acting through its London branch (the “**Issuer**” or “**UBS AG**”) will, from time to time, issue securities (the “**Certificates**”, or, as the case may be, the “**Securities**”, and each a “**Certificate**” or, as the case may be, a “**Security**”). The Securities will, as specified in the relevant Final Terms of the Securities, be based on the performance of an index (the “**Underlying**”).

***Status***

The Securities rank *pari passu* with all other direct, unsubordinated, unconditional and unsecured obligations of the Issuer.

***Governing Law***

Each issuance of Securities will be governed by German law. The applicable place of jurisdiction for any legal proceedings arising under such issuance will be Frankfurt am Main.

**How are the Securities offered?**

Securities may be issued at an issue price which is at par or at a discount to, or premium over, par. The Issue Price may be more than the market value of each Security as at the date of the relevant Final Terms (as determined by reference to proprietary pricing models based upon well recognised financial principles used by UBS AG, London Branch). It has been agreed that, on or after the respective Issue Date of the Securities, UBS Limited in its capacity as lead manager (the “**Lead Manager**”), shall place the Securities for sale at the Issue Price, as specified in the relevant Final Terms, under terms subject to change. The Issue Price may include embedded commissions payable to the lead Manager and/or a distributor or distributors.

**Are there any restrictions on the sale of the Securities?**

The Securities may only be offered, sold or delivered within or from a jurisdiction, provided that this is permissible under applicable laws and regulations and provided that the Issuer does not incur any further obligations. There will be specific restrictions on the offer and sale of the Securities and the distribution of offering materials in the European Economic Area, the United States of America and such other restrictions as may be required under applicable law in connection with the offering and sale of a particular issuance of Securities.

**Will the Securities be admitted to trading?**

The relevant Final Terms in relation to each issuance of Securities will indicate whether the Securities will be listed on stock exchange(s), including any unregulated market of any stock exchange, or will not be listed or admitted to trading at all.

**What does the Securityholder acquire from the Securities?**

With the purchase of a (1) Security\*, the investor acquires the right, under certain conditions and as provided for in the Terms and Conditions of the Certificates, to demand from the Issuer the payment of a Settlement Amount in the Redemption Currency (the “**Certificate Right**”).

\* The notation of the Securities will be substantiated and determined in the Final Terms.



None of the Securities vests a right to payment of fixed or variable interest or dividends and, as such, they generate **no regular income**.

### **Are Securityholders required to pay taxes in relation to the Securities?**

Potential investors should be aware that they may be required to pay taxes or other documentary charges or duties in accordance with the laws and practices of the country where the Securities are transferred or other jurisdictions. In some jurisdictions, no official statements of the tax authorities or court decisions may be available for financial instruments such as the Securities. Potential investors are advised to ask for their own tax adviser's advice on their individual taxation with respect to the acquisition, sale and redemption of the Securities. Only these advisors are in a position to duly consider the specific situation of the potential investor.

### **Which risks are attached to investment in the Securities?**

An investment in the Securities carries product-specific risks for the investor. The value of a Security is determined not only by changes in the level of the Underlying, but also depends upon a number of other factors. Accordingly, the value of the Securities may decline even if the price of the remains constant. Prospective investors should note that changes in the level of the Underlying on which the Security is based (or even the non-occurrence of anticipated changes) can lower the value of a Security. This risk is independent of the financial situation of the Issuer.

In addition to the term of the Securities, the frequency and intensity of price fluctuations (volatility) in the Underlying, the prevailing interest rates and the level of dividends paid or, as the case may be, the general development of foreign exchange markets, the following circumstances are, in the Issuer's opinion, the essential factors, which may have an impact on the value of the Securities and which may create certain risks for the investors in the Securities.

Each potential investor must determine, based on its own independent review and such professional advice as it deems appropriate under the circumstances, that its acquisition of the Securities is fully consistent with its (or if it is acquiring the Securities in a fiduciary capacity, the beneficiary's) financial needs, objectives and condition, complies and is fully consistent with all investment policies, guidelines and restrictions applicable to it (whether acquiring the Securities as principal or in a fiduciary capacity) and is a fit, proper and suitable investment for it (or if it is acquiring the Securities in a fiduciary capacity, for the beneficiary), notwithstanding the clear and substantial risks inherent in investing in or holding the Securities.

#### **1. Special risks related to specific features of the Security structure**

Prior to investing in the Securities, prospective investors should note that the following special features of the Securities, if specified in the relevant Final Terms, may have an impact on the value of the Securities and that the Securities accordingly have special risk profiles:

##### **No pre-defined term of the Securities**

The Securities have - in contrast to securities with a fixed term - no pre-determined maturity date, and thus no defined term. As a result, the Securityholder's right vested in those Securities must be exercised by the respective Securityholder on a specific Exercise Date in accordance with the exercise procedure described in the Terms and Conditions of the Certificates, if the Certificate Right is to be asserted. In the event that the required Exercise Notice is not duly received by the relevant Exercise Date, the Securities cannot be exercised until the next exercise date stated in the Terms and Conditions of the Certificates.

*in the case of a Ration the following paragraph applies:*

##### **Extent of participation**

The application of the Ratio within the determination of the Certificate Right results in the Securities being in economic terms similar to a direct investment in the Underlying, but being nonetheless not fully comparable with such a direct investment, in particular because the Securityholders do, if so specified in the relevant Final Terms, not participate in the relevant performance by a 1:1 ratio, but by the proportion of the Ratio.

*in the case of an exchange rate risk, the following paragraph applies:*

##### **Currency exchange rate risk**

If so specified in the relevant Final Terms of the Securities, the Securityholder's right vested in the Securities is determined on the basis of a currency other than the Redemption Currency, currency unit or calculation unit and/or, also the value of the Underlying is determined in such a currency other than the Redemption Currency, currency unit or calculation unit. Potential investors should, therefore, be aware that investments

in these Securities could entail risks due to fluctuating exchange rates, and that the risk of loss does not depend solely on the performance of the Underlying, but also on unfavourable developments in the value of the foreign currency, currency unit or calculation unit.

Such developments can additionally increase the Securityholders' exposure to losses, because an unfavourable performance of the relevant currency exchange rate may correspondingly decrease the value of the purchased Securities during their term or, as the case may be, the level of the Settlement Amount, if any. Currency exchange rates are determined by factors of offer and demand on the international currency exchange markets, which are themselves exposed to economic factors, speculations and measures by governments and central banks (for example monetary controls or restrictions).

*in the case of a limitation of the exercise of the Certificate Right by a minimum exercise size, the following paragraph applies:*

**Limitation of the exercise of the Certificate Right by the Securityholders by a minimum exercise size**

If so specified in the relevant Final Terms of the Securities, any Securityholder must in accordance with the Terms and Conditions of the Certificates tender a specified minimum number of the Securities, in order to exercise the Certificate Right vested in the Securities, so-called minimum exercise size. Holders with fewer than the specified minimum exercise size of Securities will, therefore, either have to sell their Securities or purchase additional Securities (incurring transaction costs in each case). The selling of the Securities requires that market participants are willing to acquire the Securities at a certain price. In case that no market participants are readily available, the value of the Securities may not be realised.

**2. Risks related to the Securities in general**

Prospective investors should note that the following risks related to the Securities in general may also have an impact on the value of the Securities or, as the case may be, on any amount, if any, payable according to the Terms and Conditions of the Certificates :

**Termination and Early Redemption at the option of the Issuer**

Potential investors in the Securities should furthermore be aware that the Issuer is, pursuant to the Terms and Conditions of the Certificates , entitled to terminate and redeem the Securities in total. In case the Issuer terminates and redeems the Securities, the Securityholder is entitled to demand the payment of an amount in relation to this redemption. However, the Securityholder is not entitled to request any further payments on the Securities after the relevant termination date.

The Securityholder, therefore, bears the risk of not participating in the performance of the Underlying to the expected extent and during the expected period.

In the case of a termination of the Securities by the Issuer, the Securityholder bears the risk of a reinvestment, *i.e.* the investor bears the risk that it will have to re-invest the amount, if any, paid by the Issuer in the case of termination at market conditions, which are less favourable than those existing prevailing at the time of the acquisition of the Securities.

**Possible fluctuations in the level of the Underlying after termination of the Securities**

In the event that the term of the Securities is terminated early by the Issuer pursuant to the Terms and Conditions of the Certificates , potential investors of the Securities should note that any adverse fluctuations in the level of the Underlying between the announcement of the termination by the Issuer and the determination of the level of the Underlying relevant for the calculation of the then payable cash amount are borne by the Securityholders.

**Adverse impact of adjustments of the Certificate Right**

It cannot be excluded that certain events occur or certain measures are taken (by parties other than the Issuer) in relation to the Underlying, which potentially lead to changes to the Underlying or result in the underlying concept of the Underlying being changed, so-called potential adjustment events.

In the case of the occurrence of a potential adjustment event, the Calculation Agent shall be entitled, to effect adjustments according to the Terms and Conditions of the Certificates to account for these events or measures. These adjustments might have a negative impact on the value of the Securities.

**Negative effect of ancillary costs**

Commissions and other transaction costs incurred in connection with the purchase or sale of Securities may result in charges, particularly in combination with a low order value, **which can substantially reduce any Settlement Amount, if any, to be paid under the Securities.** Before acquiring a Security, prospective investors should therefore inform themselves of all costs incurred through the purchase or sale of the Security, including any costs charged by their custodian banks upon purchase and maturity of the Securities.

**Transactions to offset or limit risk**

Prospective investors of the Securities should not rely on the ability to conclude transactions at any time during the term of the Securities that will allow them to offset or limit relevant risks. This depends on the market situation and the prevailing conditions. Transactions designed to offset or limit risks might only be possible at an unfavourable market price that will entail a loss for investors.

**Trading in the Securities / Illiquidity**

It is not possible to predict if and to what extent a secondary market may develop in the Securities or at what price the Securities will trade in the secondary market or whether such market will be liquid or illiquid. **Potential investors therefore should not rely on the ability to sell Securities at a specific time or at a specific price.**

**Representation and Custody of the Securities**

Securities under the Base Prospectus will be represented in a permanent global bearer certificate (the "**Global Bearer Certificate**"). The Global Bearer Certificate is deposited with Clearstream Banking AG, Frankfurt am Main, (Mergenthalerallee 61, 65760 Eschborn, Federal Republic of Germany) ("**Clearstream**"). No definitive Certificates will be issued. The claim of the holders of the Certificates for delivery of definitive Certificates shall be excluded.

The Issuer has no responsibility or liability under any circumstances for any acts and omissions of Clearstream as well as for any losses which might occur to a Securityholder out of such acts and omissions in general and for the records relating to, or payments made in respect of, beneficial interests in the Securities.

**Pricing of Securities**

Unlike most other securities the pricing of these Securities is regularly not based on the principle of offer and demand in relation to Securities, since the secondary market traders might quote independent bid and offer prices. This price calculation is based on price calculation models prevailing in the market, whereas the theoretical value of the Securities is, in principle, determined on the basis of the value of the Underlying and the value of other features attached to the Securities, each of which features may, in economic terms, be represented by another derivative financial instrument.

The potentially quoted prices do not necessarily correspond to the Securities' intrinsic value as determined by a trader.

**Expansion of the spread between bid and offer prices**

In special market situations, where the Issuer is completely unable to conclude hedging transactions, or where such transactions are very difficult to conclude, the spread between the bid and offer prices may be temporarily expanded, in order to limit the economic risks to the Issuer. Therefore, Securityholders who wish to sell their Securities via a stock exchange or in the over-the-counter trading might sell at a price considerably lower than the actual price of the Securities at the time of their sale.

**Borrowed funds**

If the purchase of Securities is financed by borrowed funds and investors' expectations are not met, they not only suffer the loss incurred under the Securities, but in addition also have to pay interest on and repay the loan. This produces a substantial increase in investors' risk of loss. Investors of Securities should never

rely on being able to redeem and pay interest on the loan through gains from a Securities transaction. Rather, before financing the purchase of a Security with borrowed funds, the investors' financial situations should be assessed, as to their ability to pay interest on or redeem the loan immediately, even if they incur losses instead of the expected gains.

#### **The effect on the Securities of hedging transactions by the Issuer**

The Issuer may use all or some of the proceeds received from the sale of the Securities to enter into hedging transactions relating to the risks incurred in issuing the Securities. In such a case, the Issuer or one of its affiliated companies may conclude transactions that correspond to the Issuer's obligations arising from the Securities. Generally speaking, this type of transaction will be concluded before or on the Issue Date of the Securities, although these transactions can also be concluded after the Securities have been issued. The Issuer or one of its affiliated companies may at any time take the necessary steps for the closing out of any hedging transactions. It cannot be excluded that the Level of the Underlying might, in certain cases, be affected by these transactions.

#### **Taxation in relation to the Securities**

Potential investors should be aware that they may be required to pay taxes or other documentary charges or duties in accordance with the laws and practices of the country where the Securities are transferred or other jurisdictions. In some jurisdictions, no official statements of the tax authorities or court decisions may be available for innovative financial instruments such as the Securities. Potential investors are advised not to rely upon the tax summary contained in the Base Prospectus and/or in the Final Terms but to ask for their own tax adviser's advice on their individual taxation with respect to the acquisition, sale and redemption of the Securities. Only these advisors are in a position to duly consider the specific situation of the potential investor.

#### **Payments on the Securities may be subject to U.S. withholding under FATCA**

The Issuer and other financial institutions through which payments on the Securities 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 Securities which are issued (or materially modified) after 1 January 2013 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**", the Foreign Account Tax Compliance Act).

The Issuer is a foreign financial institution ("**FFI**") for the purposes of FATCA. If the Issuer becomes obliged to provide certain information on its account holders pursuant to a FATCA agreement with the U.S. Internal Revenue Service ("**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 Securities is made, is not a Participating FFI. An investor 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 such institution to a reduced rate of tax on the payment that was subject to withholding under these rules, provided the required information is furnished in a timely manner to the IRS.

The application of FATCA to interest, principal or other amounts paid with respect to the Securities is not clear. If an amount in respect of FATCA or as required under an intergovernmental approach to FATCA were to be deducted or withheld from interest, principal or other payments on the Securities, the Issuer will 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, to any person where such person (other than where such person is acting as an agent of the Issuer) is not entitled to receive payments free of such withholding. As a result, investors may, if FATCA is implemented as currently proposed by the IRS or in consequence of the implementation of an intergovernmental approach, receive less interest or principal than expected. If the Issuer becomes a Participating FFI, the determination of whether FATCA withholding may be imposed will depend on the status of each recipient of payments between the Issuer and investors. The Issuer does not expect in practice that payments made either by it or by its Paying Agents in relation to the Securities held in clearing systems will be subject to FATCA withholding as it is expected that the Paying Agents and the relevant clearing systems will be Participating FFIs to the extent necessary to avoid

being subject to FATCA withholding. However, it is possible that other parties may be required to withhold on payments on account of FATCA as set out above.

In addition, under proposed regulations, U.S. withholding tax at a rate of 30% (or lower treaty rate) would be imposed on payments, accruals, or adjustments that are determined by reference to dividends from sources within the United States. Since the payments made under the Securities will be linked to an index, it is possible that these rules could apply to these Securities. If an amount in respect of such U.S. withholding tax were to be deducted or withheld from payments on the Securities, none of the Issuer, any paying agent or any other person would, pursuant to the Terms and Conditions of the Securities, be required to pay additional amounts as a result of the deduction or withholding of such tax.

The discussion in relation to the FATCA rules above is based on proposed regulations and preliminary guidance. **Holders of Securities should, consequently, be aware that payments under the Securities may under certain circumstances be subject to U.S. withholding under FATCA.**

#### **Changes in Taxation in relation to the Securities**

The considerations concerning the taxation of the Securities set forth in this Prospectus reflect the opinion of the Issuer on the basis of the legal situation identifiable as of the date hereof. However, a different tax treatment by the fiscal authorities and tax courts cannot be precluded.

### **3. Risks in relation to the Underlying**

Certain additional risks may be embedded in the relevant Underlying and will, if any, be specified in the relevant Final Terms.

Therefore, it is expressly recommended that any potential investor familiarises himself with the specific risk profile of the product type described in this Prospectus and that any investor seeks the advice of a professional, if necessary. Potential investors are expressly made aware of the fact that the Securities constitute a **risk investment** which can lead to the **loss** of the invested capital. The investor bears the risk of the Issuer's financial situation worsening. As a result, prospective investors must be prepared and able to accept a partial or even a total loss of the invested capital. Any investors interested in purchasing the Securities should assess their financial situation, to ensure that they are in a position to bear the **risks of loss** connected with the Securities.

## ZUSAMMENFASSUNG

Die Zusammenfassung wurde aus den anderen Teilen des Basisprospekts zusammengestellt. Die Informationen in diesem Abschnitt „Zusammenfassung“ sollten als eine Einführung in dem Basisprospekt gelesen und ausgelegt werden. Der Abschnitt „Zusammenfassung“ sollte zusammen mit dem Basisprospekt und den jeweiligen endgültigen Bedingungen gelesen werden.

Potentielle Investoren sollten ihre Entscheidung zur Anlage in die Wertpapiere nicht nur auf die folgenden Informationen, sondern auch auf alle anderen in diesem Basisprospekt enthaltenen Informationen stützen, unabhängig davon, ob diese in dem Basisprospekt abgedruckt sind oder in Form eines Verweises in den Basisprospekt einbezogen wurden.

Gerichtsverfahren in der Bundesrepublik Deutschland („**Deutschland**“) sind Gegenstand des von deutschen Gerichten angewandten deutschen Zivilprozessrechts, welches unter anderem und ohne Ausnahmen die Übersetzung von in einer ausländischen Sprache verfassten Dokumenten in die deutsche Sprache verlangt und gewährleisten nicht einen Ausgleich der entstandenen Kosten und teilen möglicherweise, im Gegensatz zu anderen Jurisdiktionen und anders als in einem Dokument mit Bezugnahme auf den Basisprospekt bezeichnet, die entstandenen Kosten zwischen den Prozessparteien auf. Dementsprechend könnte der Kläger für den Fall, dass vor einem deutschen oder einem anderen Gericht eines Mitgliedstaates des Europäischen Wirtschaftsraums (im Folgenden „**EWR Mitgliedstaat**“) Ansprüche aufgrund der in einem Wertpapierprospekt wie diesem Basisprospekt enthaltenen Informationen geltend gemacht werden, sowohl in Anwendung des deutschen Rechts als auch des nationalen Rechts jedes anderen EWR Mitgliedstaates die Kosten für die Übersetzung des Basisprospekts in die deutsche oder jede andere maßgebliche Sprache, soweit notwendig, vor Prozessbeginn zu tragen haben.

Die Emittentin kann für die Informationen in dem Abschnitt „Zusammenfassung“ (einschließlich der Übersetzung davon) haftbar gemacht werden, jedoch nur für den Fall, dass die Zusammenfassung irreführend, unrichtig oder widersprüchlich ist, wenn sie zusammen mit den anderen Teilen des Basisprospekts gelesen wird.

### **Wer ist die Emittentin?**

#### ***Überblick***

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

Am 31. März 2012<sup>4</sup> betrug die Basel 2.5-Kernkapitalquote (Tier1)<sup>5</sup> der UBS 18,7%, das verwaltete Vermögen lag bei CHF 2.115 Mrd., das den UBS-Aktionären zurechenbare Eigenkapital betrug CHF 53.226 Mio. und die Marktkapitalisierung betrug CHF 48.488 Mio. Zum gleichen Datum beschäftigte UBS 64.243 Mitarbeiter.<sup>6</sup>

#### ***Ausgewählte konsolidierte Finanzdaten***

<sup>4</sup> Die folgenden Informationen sind dem ersten Quartalsbericht 2012 (ungeprüft) der UBS, wie am 2. Mai 2012 publiziert, entnommen.

<sup>5</sup> Seit dem 31. Dezember 2011 fällt die Kommunikation der Kennzahlen zur Kapitalbewirtschaftung von UBS unter das überarbeitete Basel II-Rahmenwerk hinsichtlich des Marktrisikos, bekannt als Basel 2.5. Die Basel 2.5 Kernkapitalquote (Tier 1) gibt das Verhältnis von nach Basel 2.5 anrechenbarem Tier 1 Kernkapital zu den risikogewichteten Aktiven Basel 2.5 wieder. Das nach Basel 2.5 anrechenbare Tier 1 Kernkapital kann ausgehend vom nach IFRS ermittelten den Aktionären zustehenden Eigenkapital errechnet werden, zu dem eigene Aktien zu Anschaffungskosten sowie Eigenkapital, das als Verpflichtung zum Kauf eigener Aktien eingestuft wird, hinzugerechnet werden, das um bestimmte Positionen bereinigt wird und von dem dann bestimmte weitere Positionen abgezogen werden. Die wesentlichen Bereinigungsgrößen für Kapitalzwecke sind unrealisierte Gewinne/Verluste aus Cash Flow Hedges sowie Gewinne/Verluste aus dem eigenen Kreditrisiko betreffend zum Marktwert ausgewiesene Verbindlichkeiten. Die wesentlichen Abzugsgrößen sind Abzüge für eigene Aktien, Goodwill und immaterielle Vermögenswerte sowie Positionen aus gewissen Verbriefungstransaktionen.

<sup>6</sup> Mitarbeiter auf Vollzeitbasis.

UBS hat die nachstehenden ausgewählten konsolidierten Finanzdaten (i) dem Geschäftsbericht für das Geschäftsjahr 2011, der die geprüften konsolidierten Finanzangaben für das am 31. Dezember 2011 endende Geschäftsjahr enthält (einschließlich der Vergleichszahlen zum 31. Dezember 2010 und 2009), und (ii) den ungeprüften konsolidierten Finanzangaben für das erste Quartal 2012 endend zum 31. März 2012 (einschließlich der Vergleichszahlen zum 31. März 2011) entnommen. Die konsolidierten Finanzangaben der UBS AG wurden nach den vom International Accounting Standards Board (IASB) herausgegebenen International Financial Reporting Standards (IFRS) erstellt und in Schweizer Franken (CHF) aufgestellt.

Mio. CHF (Ausnahmen sind angegeben)	Für das Quartal endend am oder per		Für das Jahr endend am oder per		
	31.03.12	31.03.11	31.12.11	31.12.10	31.12.09
	ungeprüft		geprüft (Ausnahmen sind angegeben)		
<b>UBS-Konzern</b>					
Geschäftsertrag	6.525	8.344	27.788	31.994	22.601
Geschäftsaufwand	5.221	6.110	22.439	24.539	25.162
Ergebnis aus fortzuführenden Geschäftsbereichen vor Steuern	1.304	2.235	5.350	7.455	(2.561)
Den UBS-Aktionären zurechenbares Konzernergebnis	827	1.807	4.159	7.534	(2.736)
Verwässertes Ergebnis pro Aktie (CHF)	0,22	0,47	1,08	1,96	(0,75)
<b>Kennzahlen zur Leistungsmessung, Bilanz- und Kapitalbewirtschaftung</b>					
<b>Performance</b>					
Eigenkapitalrendite (RoE) (%) <sup>I</sup>	6,2	15,5	8,5*	16,7*	(7,8)*
Risikogewichtete Gesamtkapitalrentabilität, brutto (%) <sup>II</sup>	11,5	16,6	13,7*	15,5*	9,9*
Gesamtkapitalrentabilität, brutto (%) <sup>III</sup>	1,9	2,6	2,1*	2,3*	1,5*
<b>Wachstum</b>					
Wachstum des Ergebnisses (%) <sup>IV</sup>	159,2	8,7	(44,8)*	N/A*	N/A*
Wachstum der Nettoneugelder (%) <sup>V</sup>	0,6	4,0			
<b>Effizienz</b>					
Verhältnis von Geschäftsaufwand / Geschäftsertrag (%) <sup>VI</sup>	80,5	73,3	80,5*	76,5*	103,0*
<b>Kapitalkraft</b>					
BIZ-Kernkapitalquote (Tier 1) (%) <sup>VII, VIII</sup>	18,7	17,9	15,9*	17,8*	15,4*
FINMA Leverage Ratio (%) <sup>VII, IX</sup>	5,6	4,6	5,4*	4,4*	3,9*
<b>Bilanz- und Kapitalbewirtschaftung</b>					
Total Aktiven	1.365.837	1.291.286	1.419.162	1.317.247	1.340.538
Den UBS-Aktionären zurechenbares Eigenkapital	53.226	46.695	53.447	46.820	41.013
Buchwert des den UBS-Aktionären zurechenbaren Eigenkapitals pro Aktie (CHF)	14,10	12,28	14,26*	12,35*	11,65*
Buchwert des den UBS-Aktionären zurechenbaren Eigenkapitals abzüglich Goodwill und anderer immaterieller Vermögenswerte pro Aktie (CHF)	11,62	9,74	11,68*	9,76*	8,52*
BIZ-«harte» Kernkapitalquote (Tier 1) (%) <sup>VII</sup>	16,7	15,6	14,1*	15,3*	
BIZ-Gesamtkapitalquote (Tier 1 und 2) (%) <sup>VII</sup>	21,1	19,4	17,2*	20,4*	19,8*
BIZ-Risikogewichtete Aktiven <sup>VII</sup>	211.092	203.361	240.962*	198.875*	206.525*
BIZ-Kernkapital (Tier 1) <sup>VII</sup>	39.570	36.379	38.370	35.323	31.798
<b>Zusätzliche Informationen</b>					
Verwaltete Vermögen (Mrd. CHF) <sup>X</sup>	2.115	2.118	2.088*		
Personalbestand (auf Vollzeitbasis)	64.243	65.396	64.820*	64.617*	65.233*
Börsenkapitalisierung	48.488	63.144	42.843*	58.803*	57.108*

\*ungeprüft

<sup>†</sup> Das den UBS-Aktionären zurechenbare Konzernergebnis seit Jahresbeginn (gegebenenfalls annualisiert) / Das den UBS-Aktionären zurechenbare durchschnittliche Eigenkapital (seit Jahresbeginn). <sup>‡</sup> Geschäftsertrag vor Wertberichtigungen für Kreditrisiken seit Jahresbeginn (gegebenenfalls annualisiert) / Durchschnittliche risikogewichtete Aktiven (seit Jahresbeginn) Ab dem ersten Quartal 2012 basieren die risikogewichteten Aktiven auf den Basel-2.5-Richtlinien. Die Vergleichsperioden vor dem ersten Quartal 2012 basieren auf risikogewichteten Aktiven in Einklang mit den Basel-II-Richtlinien. <sup>¶</sup> Geschäftsertrag vor Wertberichtigungen für Kreditrisiken seit Jahresbeginn (gegebenenfalls annualisiert) / Total durchschnittliche Aktiven (seit Jahresbeginn). <sup>¶¶</sup> Veränderung des aktuellen den UBS-Aktionären zurechenbaren Konzernergebnisses aus fortzuführenden Geschäftsbereichen gegenüber einer Vergleichsperiode / Das den UBS-Aktionären zurechenbare Konzernergebnis aus fortzuführenden Geschäftsbereichen in einer Vergleichsperiode. Besitzt keine Aussagekraft und wird nicht ausgewiesen, falls für die laufende Periode oder die Vergleichsperiode ein Verlust verzeichnet wird. <sup>¶¶¶</sup> Nettoneugelder seit Beginn der Periode (gegebenenfalls annualisiert) / verwaltete Vermögen zum Beginn der Periode. Ohne Zins- und Dividendenerträge. Mit Beginn des ersten Quartals 2012 hat die UBS die Kennzahl zur Leistungsbemessung „Nettoneugelder“ in „Wachstum der Nettoneugelder“ geändert. Die relevanten Zahlen sind in dieser Tabelle miteinbezogen soweit sie im ersten Quartalsbericht 2012 enthalten sind. <sup>¶¶¶¶</sup> Geschäftsaufwand / Geschäftsertrag vor Wertberichtigungen für Kreditrisiken. <sup>¶¶¶¶¶</sup> Die Zahlen zur Kapitalbewirtschaftung zum 31. März 2012 und 31. Dezember 2011 werden in Einklang mit den Basel-2.5-Richtlinien offengelegt. Vergleichswerte unter den neuen Richtlinien sind für den 31. März 2011, den 31. Dezember 2010 und den 31. Dezember 2009 nicht verfügbar. Daher werden die Vergleichsinformationen gemäß Basel-II-Richtlinien offengelegt, soweit sie im ersten Quartalsbericht 2012 oder im Jahresbericht 2011 enthalten sind. <sup>¶¶¶¶¶¶</sup> BIZ-Kernkapital / Risikogewichtete Aktiven gemäß BIZ. <sup>¶¶¶¶¶¶¶</sup> FINMA-Kernkapital / Durchschnitt der adjustierten Bilanzsumme gemäß der Eidgenössischen Finanzmarktaufsicht (FINMA). <sup>¶¶¶¶¶¶¶¶</sup> Im ersten Quartal 2012 hat die UBS ihre Definition für verwaltete Vermögen weiterentwickelt. Die Vorperioden wurden entsprechend angepasst und sind in dieser Tabelle miteinbezogen, soweit sie im ersten Quartalsbericht 2012 enthalten sind.

### **Unternehmensinformationen**

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

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

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

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

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

### **Organisationsstrukturen der Emittentin**

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

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

### **Trendinformationen**

(Ausblick wie im ersten Quartalsbericht 2012 (ungeprüft) von UBS dargestellt und am 2. Mai 2012 publiziert)

Im zweiten Quartal 2012 wird das Ausmaß der Kundenaktivität vermutlich von Faktoren beeinflusst werden, die schon für die letzten Quartale maßgeblich waren. Dazu gehören die anhaltende und substanzuelle



Verbesserung der Schuldensituation in der Eurozone, die Bedenken betreffend das europäische Bankensystem, das US-Haushaltsdefizit sowie die fortbestehende Unsicherheit über die generelle künftige Entwicklung der Weltwirtschaft. Sollten in diesen Kernfragen keine Fortschritte erzielt werden, wäre eine weitere Erholung der herrschenden Marktsituation unwahrscheinlich. Damit würden auch das Ertragswachstum, die Nettozinsmargen und die Nettoneugelder potenziell unter Druck bleiben. UBS geht jedoch davon aus, dass ihre Wealth-Management-Einheiten insgesamt weiterhin Nettoneugeldzuflüsse generieren werden, weil die Kunden die Bemühungen von UBS anerkennen und UBS auch weiterhin ihr Vermögen anvertrauen werden. UBS ist überzeugt, dass sich ihr auch in den kommenden Quartalen weitere Chancen bieten werden, um ihre Position als, nach eigener Einschätzung, eine der weltweit bestkapitalisierten Banken zu stärken. UBS wird sich weiterhin auf die Reduktion der risikogewichteten Aktiven gemäß Basel III und den Ausbau ihrer Kapitalquoten konzentrieren. UBS ist für ihre Zukunft höchst zuversichtlich.

#### ***Verwaltungs-, Management-, und Aufsichtsorgane der Emittentin***

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

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

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

#### ***Abschlussprüfer***

Am 3. Mai 2012 wurde die Ernst & Young AG, Aeschengraben 9, 4002 Basel, Schweiz, auf der Generalversammlung der UBS AG als Abschlussprüferin der Emittentin und der UBS Gruppe in Übereinstimmung mit den gesellschaftsrechtlichen und bankengesetzlichen Vorgaben für den Zeitraum eines weiteren Jahres wiedergewählt. Ernst & Young AG, Basel, ist Mitglied der Treuhand-Kammer der Schweiz mit Sitz in Zürich, Schweiz.

#### **Wie wird der Nettoemissionserlös von der Emittentin verwendet?**

Der Nettoerlös der Emission dient der Finanzierung der Geschäftsentwicklung der UBS Gruppe und wird von der Emittentin nicht innerhalb der Schweiz verwendet. Der Nettoerlös aus dem Verkauf der Wertpapiere wird dabei von der Emittentin für allgemeine Geschäftszwecke verwendet; ein abgrenzbares (Zweck-)Sondervermögen wird nicht gebildet.

### **Bestehen hinsichtlich der Emittentin Risiken?**

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

### **Allgemeines Insolvenzrisiko**

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

### **Auswirkung einer Herabstufung des Ratings der Emittentin**

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

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

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

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

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

### **Potentielle Interessenkonflikte**

Die Emittentin und mit ihr verbundene Unternehmen können sich von Zeit zu Zeit für eigene Rechnung oder für Rechnung eines Kunden an Transaktionen beteiligen, die mit den Wertpapieren in Verbindung stehen. Diese Transaktionen sind möglicherweise nicht zum Nutzen der Wertpapiergläubiger und können positive oder negative Auswirkungen auf den Wert des Basiswerts (wie nachfolgend definiert) und damit auf den Wert der Wertpapiere haben.

### **Was sind die Wertpapiere?**

Unter dem Basisprospekt kann die UBS AG handelnd durch ihre Niederlassung London (die „**Emittentin**“ oder „**UBS AG**“) Wertpapiere (die „**Zertifikate**“ bzw. die „**Wertpapiere**“, und jeweils ein „**Zertifikat**“ bzw. ein „**Wertpapier**“) begeben. Die Wertpapiere beziehen sich – wie in den Endgültigen Bedingungen der Wertpapiere angegeben – auf die Wertentwicklung eines Index (der „**Basiswert**“).

#### **Status**

Die Wertpapiere sind allen anderen direkten, nicht nachrangigen, unbedingten und unbesicherten Verbindlichkeiten der Emittentin gleichgestellt.

#### **Anwendbares Recht**

Jede Emission von Wertpapieren unterliegt deutschem Recht. Gerichtsstand für alle sich aus den entsprechenden Wertpapieren ergebenden Rechtsstreitigkeiten ist Frankfurt am Main.

#### **Wie werden die Wertpapiere angeboten?**

Die Wertpapiere können zu ihrem Nennbetrag/Nennwert, mit Auf- oder Abgeld begeben werden. Der Ausgabepreis kann an dem Tag, auf den die entsprechenden Endgültigen Bedingungen datieren, über dem Marktwert der Wertpapiere liegen (die Festlegung des Ausgabepreises erfolgt unter Bezugnahme auf ein eigenes Preismodell, welches auf anerkannten finanzmathematischen Prinzipien beruht, welche UBS AG, London Branch verwenden). Vereinbarungsgemäß wird die UBS Limited in ihrer Eigenschaft als sog. Federführerin (*Lead Manager*) (die „**Federführerin**“), an oder nach dem maßgeblichen Ausgabebetrag der Wertpapiere die Wertpapiere zu dem Ausgabepreis, wie in den jeweiligen Endgültigen Bedingungen angegeben, zum freibleibenden Verkauf stellen. In den Ausgabepreis können Gebühren einberechnet werden, die an den Lead Manager und/oder die Vertriebsgesellschaft(en) zu zahlen sind.

#### **Bestehen Beschränkungen des Verkaufs der Wertpapiere?**

Wertpapiere dürfen innerhalb einer Rechtsordnung oder mit Ausgangspunkt in einer Rechtsordnung nur angeboten, verkauft oder geliefert werden, wenn dies gemäß den anwendbaren Gesetzen und anderen Rechtsvorschriften zulässig ist und der Emittentin keinerlei Verpflichtungen entstehen. Das Angebot und der Verkauf von Wertpapieren sowie der Vertrieb von Angebotsunterlagen im Europäischen Wirtschaftsraum, und den Vereinigten Staaten von Amerika unterliegen besonderen Beschränkungen und außerdem solchen anderen Beschränkungen, die nach dem jeweiligen Recht im Zusammenhang für das Angebot und den Verkauf einer bestimmten Emission von Wertpapieren gelten.

#### **Werden die Wertpapiere zum Handel zugelassen?**

In den jeweiligen Endgültigen Bedingungen für die Emission von Wertpapieren wird angegeben, ob die Wertpapiere an Börsen, einschließlich im Freiverkehr einer Börse, oder an keiner Börse zugelassen bzw. eingeführt werden.

#### **Was wird der Wertpapiergläubiger aus dem jeweiligen Wertpapier erhalten?**

Der Anleger erwirbt durch den Kauf von je einem (1) Wertpapier\* das Recht, nach Maßgabe der Zertifikatsbedingungen von der Emittentin unter bestimmten Voraussetzungen gegebenenfalls die Zahlung eines Abrechnungsbetrags in der Auszahlungswährung zu verlangen (das „**Zertifikatsrecht**“).

Die Wertpapiere verbriefen keinen Anspruch auf Zahlung eines fixen oder variablen Zinses bzw. von Dividenden und werfen daher **keinen laufenden Ertrag** ab.

#### **Sind die Wertpapiergläubiger verpflichtet, im Zusammenhang mit den Wertpapieren Steuern zu zahlen?**

Potentielle Investoren sollten sich vergegenwärtigen, dass sie gegebenenfalls verpflichtet sind, Steuern oder andere Gebühren oder Abgaben nach Maßgabe der Rechtsordnung und Praktiken desjenigen Landes zu zahlen, in das die Wertpapiere übertragen werden oder möglicherweise auch nach Maßgabe anderer

\* Die Bezeichnung der Wertpapiere ist indikativ und wird in den jeweiligen Endgültigen Bedingungen konkretisiert und festgelegt.

Rechtsordnungen. In einigen Rechtsordnungen kann es zudem an offiziellen Stellungnahmen der Finanzbehörden oder Gerichtsentscheidungen in Bezug auf Finanzinstrumente wie die Wertpapiere fehlen. Potenziellen Investoren wird daher geraten, sich in Bezug auf ihre individuelle Steuersituation hinsichtlich des Kaufs, des Verkaufs und der Rückzahlung der Wertpapiere von ihrem eigenen Steuerberater beraten zu lassen. Nur diese Berater sind in der Lage, die individuelle Situation des potentiellen Investors angemessen einzuschätzen.

### **Welche Risiken sind mit einer Investition in die Wertpapiere verbunden?**

Für den Erwerber der Wertpapiere ist eine Investition mit produktspezifischen Risiken verbunden. So wird der Wert eines Wertpapiers nicht nur von den Kursveränderungen des Basiswerts bestimmt, sondern hängt zusätzlich von einer Reihe weiterer Faktoren ab. Eine Wertminderung der Wertpapiere kann daher selbst dann eintreten, wenn der Kurs des unverändert konstant bleibt. Potenzielle Erwerber sollten beachten, dass Kursänderungen (oder auch schon das Ausbleiben einer erwarteten Kursänderung) des Basiswerts den Wert des jeweiligen Wertpapiers mindern können. Dieses Risiko besteht unabhängig von der finanziellen Leistungsfähigkeit der Emittentin.

Neben der Laufzeit der Wertpapiere, der Häufigkeit und der Intensität von Kursschwankungen (Volatilität) des Basiswerts oder dem allgemeinen Zins- und Dividendenniveau bzw. der allgemeinen Entwicklung der Devisenmärkte, sind nach Auffassung der Emittentin vor allem folgende Umstände für den Wert eines Wertpapiers wesentlich bzw. können aus folgenden Umständen Risiken für die Erwerber der Wertpapiere erwachsen.

Jeder potentielle Erwerber muss auf der Grundlage seiner eigenen unabhängigen Einschätzung und der entsprechenden unabhängigen den Umständen entsprechenden professionellen Beratung entscheiden, ob der Kauf der Wertpapiere in jeder Hinsicht seinen eigenen finanziellen Möglichkeiten, Zielen und Umständen (oder, für den Fall dass die Wertpapiere treuhänderisch erworben werden, derjenigen des Begünstigten) entspricht, mit allen geltenden Anlagerichtlinien, Richtlinien und Einschränkungen (je nachdem ob die Wertpapiere im eigenen Namen oder treuhänderisch erworben werden) übereinstimmt und sich als geeignete angemessene und zulässige Investition darstellt (für sich selbst oder, für den Fall dass die Wertpapiere treuhänderisch erworben werden, für den Begünstigten). Dies gilt unabhängig von den offensichtlichen und erheblichen Risiken, die mit einer Investition oder der Inhaberschaft an den Wertpapiere verbunden sind.

### **1. Spezielle Risiken im Zusammenhang mit Besonderheiten der Wertpapierstruktur**

Potenzielle Erwerber der Wertpapiere müssen vor einer Investition in die Wertpapiere beachten, dass die folgenden Besonderheiten der Wertpapiere, soweit diese in den jeweiligen Endgültigen Bedingungen angegeben werden, Auswirkungen auf den Wert der Wertpapiere bzw. die Höhe des nach den Bedingungen der Wertpapiere gegebenenfalls zu zahlenden Geldbetrags haben können, und dementsprechend besondere Risikoprofile aufweisen:

#### **Keine festgelegte Laufzeit der Wertpapiere**

Die haben Wertpapiere - im Gegensatz zu Wertpapieren mit einer festen Laufzeit - keinen festgelegten Fälligkeitstag und dementsprechend keine festgelegte Laufzeit. Das in den Wertpapieren verbriefte Zertifikatsrecht der Wertpapiergläubiger muss dementsprechend durch den jeweiligen Wertpapiergläubiger in Übereinstimmung mit dem in den Bedingungen der Wertpapiere festgelegten Ausübungsverfahren zu einem bestimmten Ausübungstag ausgeübt werden, um das Zertifikatsrecht geltend zu machen. Wenn die Ausübungserklärung nicht fristgerecht zu diesem Ausübungstermin vorliegt, kann eine erneute Ausübung erst wieder zu dem nächsten in den Bedingungen der Wertpapiere vorgesehenen Termin erfolgen.

*im Fall eines eines Bezugsverhältnisses findet der folgende Absatz Anwendung:*

#### **Umfang der Teilnahme**

Die Verwendung des Bezugsverhältnisses innerhalb der Bestimmung des Zertifikatsrechts führt dazu, dass die Wertpapiere zwar wirtschaftlich einer Direktinvestition in den Basiswert ähnlich sind, mit einer solchen jedoch insbesondere deshalb nicht vollständig vergleichbar sind, weil die Wertpapiergläubiger an der entsprechenden Wertentwicklung - soweit in den Endgültigen Bedingungen angegeben - nicht im Verhältnis 1:1 partizipieren, sondern in dem Verhältnis des Bezugsverhältnisses teilnehmen.

*im Fall eines Währungswechselkursrisikos findet der folgende Absatz Anwendung:*

#### **Währungswechselkursrisiko**

Soweit in den Endgültigen Bedingungen angegeben, wird der durch die Wertpapiere verbriefte Anspruch der Wertpapiergläubiger mit Bezug auf eine von der Auszahlungswährung abweichenden Währung, Währungseinheit bzw. Rechnungseinheit berechnet und/oder der Wert des Basiswerts in einer von der Auszahlungswährung abweichenden Währung, Währungseinheit oder Rechnungseinheit bestimmt, weshalb sich potenzielle Erwerber der Wertpapiere darüber im Klaren sein sollten, dass mit der Anlage in die Wertpapiere Risiken aufgrund von schwankenden Währungswechselkursen verbunden sein können und dass das Verlustrisiko nicht allein von der Entwicklung des Werts des, sondern auch von ungünstigen Entwicklungen des Werts der fremden Währung, Währungseinheit bzw. Rechnungseinheit abhängt.

Derartige Entwicklungen können das Verlustrisiko der Wertpapiergläubiger zusätzlich dadurch erhöhen, dass sich durch eine ungünstige Entwicklung des betreffenden Währungswechselkurses der Wert der erworbenen Wertpapiere während ihrer Laufzeit entsprechend vermindert oder sich die Höhe des möglicherweise unter den Wertpapieren zu zahlenden Abrechnungsbetrags entsprechend vermindert. Währungswechselkurse werden von Angebots- und Nachfragefaktoren auf den internationalen Devisenmärkten bestimmt, die volkswirtschaftlichen Faktoren, Spekulationen und Maßnahmen von Regierungen und Zentralbanken ausgesetzt sind (zum Beispiel währungspolitische Kontrollen oder Einschränkungen).

*im Fall einer Beschränkung der Ausübung des Zertifikatsrechts durch eine Mindestausübungsanzahl findet der folgende Absatz Anwendung:*

**Beschränkung der Ausübung des Zertifikatsrechts durch die Wertpapiergläubiger durch eine Mindestausübungsanzahl**

Soweit in den Endgültigen Bedingungen angegeben, muss gemäß den Bedingungen der Wertpapiere jeder Wertpapiergläubiger von Wertpapieren eine festgelegte Mindestanzahl an Wertpapieren, die so genannte Mindestausübungsanzahl, vorlegen, um das in den Wertpapieren verbriefte Zertifikatsrecht ausüben zu können. Wertpapiergläubiger, die nicht über die erforderliche Mindestausübungsanzahl verfügen, müssen somit entweder ihre Wertpapiere verkaufen oder zusätzliche Wertpapiere kaufen (wobei dafür jeweils Transaktionskosten anfallen). Eine Veräußerung der Wertpapiere setzt jedoch voraus, dass sich Marktteilnehmer finden, die zum Ankauf der Wertpapiere zu einem entsprechenden Preis bereit sind. Finden sich keine solchen kaufbereiten Marktteilnehmer, kann der Wert der Wertpapiere nicht realisiert werden.

**2. Risiken im Zusammenhang mit Wertpapieren im Allgemeinen**

Potenzielle Erwerber der Wertpapiere müssen beachten, dass die folgenden Risiken im Zusammenhang mit Wertpapieren im Allgemeinen ebenfalls, Auswirkungen auf den Wert der Wertpapiere bzw. die Höhe des nach den Bedingungen der Wertpapiere gegebenenfalls zu zahlenden Geldbetrags haben können:

**Kündigung und vorzeitige Tilgung der Wertpapiere durch die Emittentin**

Potenziellen Erwerbern der Wertpapiere sollte bewusst sein, dass die Emittentin gemäß den Bedingungen der Wertpapiere die Möglichkeit hat, die Wertpapiere insgesamt zu kündigen und zu tilgen. Wenn die Emittentin die Wertpapiere kündigt und tilgt, hat der Wertpapiergläubiger das Recht, die Zahlung eines Geldbetrags in Bezug auf die Tilgung zu verlangen. Der Wertpapiergläubiger hat jedoch keinen Anspruch auf irgendwelche weiteren Zahlungen auf die Wertpapiere nach dem maßgeblichen Kündigungstag.

Der Wertpapiergläubiger trägt damit das Risiko, dass er an der Wertentwicklung des Basiswerts nicht in dem erwarteten Umfang und über den erwarteten Zeitraum partizipieren und damit auch weniger als sein eingesetztes Kapital zurückerhalten kann.

Im Falle einer Kündigung der Wertpapiere durch die Emittentin trägt der Wertpapiergläubiger zudem das Wiederanlagerisiko. Dies bedeutet, dass er den durch die Emittentin im Falle einer Kündigung gegebenenfalls ausgezahlten Geldbetrag möglicherweise nur zu ungünstigeren Marktkonditionen als denen, die beim Erwerb der Wertpapiere vorlagen, wiederanlegen kann.

**Mögliche Kursschwankungen des Basiswerts nach Beendigung der Laufzeit der Wertpapiere**

Soweit die Laufzeit der Wertpapiere durch die Emittentin vorzeitig durch Kündigung gemäß den Bedingungen der Wertpapiere beendet wird, müssen potenzielle Erwerber der Wertpapiere beachten, dass ungünstige Schwankungen des Stands des Basiswerts nach dem Zeitpunkt der Kündigungserklärung bis zur Ermittlung des für die Berechnung des dann zahlbaren Geldbetrags verwendeten Stands des Basiswerts zu Lasten der Wertpapiergläubiger gehen.

### **Nachteilige Auswirkungen von Anpassungen des Zertifikatsrechts**

Es kann nicht ausgeschlossen werden, dass gewisse Ereignisse eintreten oder (von Dritten, mit Ausnahme der Emittentin) Maßnahmen ergriffen werden, die möglicherweise zu Änderungen an dem Basiswert führen oder darin resultieren, dass das dem Basiswert zu Grunde liegende Konzept geändert wird; so genannte potenzielle Anpassungsereignisse.

Die Berechnungsstelle ist gemäß den Bedingungen der Wertpapiere bei Vorliegen eines potenziellen Anpassungsereignisses berechtigt, Anpassungen der Bedingungen der Wertpapiere vorzunehmen, um diese Ereignisse oder Maßnahmen zu berücksichtigen. Diese Anpassungen können sich negativ auf den Wert der Wertpapiere auswirken.

### **Einfluss von Nebenkosten**

Provisionen und andere Transaktionskosten, die beim Kauf oder Verkauf von Wertpapieren anfallen, können - insbesondere in Kombination mit einem niedrigen Auftragswert - zu Kostenbelastungen führen, **die den unter den Wertpapieren gegebenenfalls zu zahlenden Abrechnungsbetrag der Höhe nach extrem vermindern können.** Potenzielle Erwerber sollten sich deshalb vor Erwerb eines Wertpapiers über alle beim Kauf oder Verkauf des Wertpapiers anfallenden Kosten einschließlich etwaiger Kosten ihrer Depotbank bei Erwerb und bei Fälligkeit der Wertpapiere informieren.

### **Risiko ausschließende oder einschränkende Geschäfte**

Potenzielle Erwerber der Wertpapiere dürfen nicht darauf vertrauen, dass während der Laufzeit der Wertpapiere jederzeit Geschäfte abgeschlossen werden können, durch die relevante Risiken ausgeschlossen oder eingeschränkt werden können; tatsächlich hängt dies von den Marktverhältnissen und den jeweils zugrunde liegenden Bedingungen ab. Unter Umständen können solche Geschäfte nur zu einem ungünstigen Marktpreis getätigt werden, so dass für den Anleger ein entsprechender Verlust entsteht.

### **Handel in den Wertpapieren / Mangelnde Liquidität**

Es lässt sich nicht voraussagen, ob und inwieweit sich ein Sekundärmarkt für die Wertpapiere entwickelt, zu welchem Preis die Wertpapiere in diesem Sekundärmarkt gehandelt werden und ob dieser Sekundärmarkt liquide sein wird oder nicht. **Potenzielle Erwerber sollten deshalb nicht darauf vertrauen, das jeweilige Wertpapier zu einer bestimmten Zeit oder einem bestimmten Kurs veräußern zu können.**

### **Verkörperung und Verwahrung der Wertpapiere**

Wertpapiere, die unter diesem Basisprospekt begeben werden, sind durch eine Dauer-Inhaber-Sammelurkunde (die "**Inhaber-Sammelurkunde**") verbrieft. Die Inhaber-Sammelurkunde wird bei Clearstream Banking AG, Frankfurt am Main, (Mergenthalerallee 61, 65760 Eschborn, Bundesrepublik Deutschland) ("**Clearstream**") hinterlegt.

Effektive Zertifikate werden nicht ausgegeben. Der Anspruch der Inhaber der Zertifikate auf Lieferung effektiver Zertifikate ist ausgeschlossen.

Die Emittentin keinerlei Verantwortlichkeit oder Haftung unter jedweden Umständen für Handlungen und Unterlassungen von Clearstream bzw. für jeden daraus resultierenden Schaden für Wertpapiergläubiger im Allgemeinen und für Aufzeichnungen über das wirtschaftliche Eigentum an den Wertpapieren sowie Zahlungen daraus im Besonderen.

### **Preisbildung von Wertpapieren**

Die Preisbildung dieser Wertpapiere orientiert sich im Gegensatz zu den meisten anderen Wertpapieren regelmäßig nicht an dem Prinzip von Angebot und Nachfrage in Bezug auf die Wertpapiere, da Wertpapierhändler möglicherweise im Sekundärmarkt eigenständig berechnete An- und Verkaufskurse für die Wertpapiere stellen. Diese Preisberechnung wird auf der Basis von im Markt üblichen Preisberechnungsmodellen vorgenommen, wobei der theoretische Wert von Wertpapieren grundsätzlich auf Grund des Werts des Basiswerts und des Werts der weiteren Ausstattungsmerkmale der Wertpapiere,

die jeweils wirtschaftlich gesehen durch ein weiteres derivatives Finanzinstrument abgebildet werden können, ermittelt wird.

Die möglicherweise gestellten Kurse müssen dem vom Wertpapierhändler ermittelten inneren Wert der Wertpapiere nicht entsprechen.

#### **Ausweitung der Spanne zwischen Kauf- und Verkaufskursen und -preisen**

Im Falle besonderer Marktsituationen, in denen Sicherungsgeschäfte durch die Emittentin nicht oder nur unter erschwerten Bedingungen möglich sind, kann es zu zeitweisen Ausweitungen der Spanne zwischen Kauf- und Verkaufskursen bzw. zwischen Kauf- und Verkaufspreisen kommen, um die wirtschaftlichen Risiken der Emittentin einzugrenzen. Daher veräußern Wertpapiergläubiger, die ihre Wertpapiere an der Börse oder im Over-the-Counter-Markt veräußern möchten, gegebenenfalls zu einem Preis, der erheblich unter dem tatsächlichen Wert der Wertpapiere zum Zeitpunkt ihres Verkaufs liegt.

#### **Inanspruchnahme von Krediten**

Wenn Anleger den Erwerb der Wertpapiere mit einem Kredit finanzieren, müssen sie beim Nichteintritt ihrer Erwartungen, zusätzlich zu der Rückzahlung und Verzinsung des Kredits, auch den unter den Wertpapieren eingetretenen Verlust hinnehmen. Dadurch erhöht sich das Verlustrisiko des Anlegers erheblich. Erwerber von Wertpapieren sollten nie darauf setzen, den Kredit aus Gewinnen eines Wertpapiergeschäfts verzinsen und zurückzahlen zu können. Vielmehr sollten vor dem kreditfinanzierten Erwerb eines Wertpapiers die maßgeblichen wirtschaftlichen Verhältnisse daraufhin überprüft werden, ob der Anleger in die Wertpapiere zur Verzinsung und gegebenenfalls zur kurzfristigen Tilgung des Kredits auch dann in der Lage ist, wenn statt der von ihm erwarteten Gewinne Verluste eintreten.

#### **Einfluss von Hedge-Geschäften der Emittentin auf die Wertpapiere**

Die Emittentin kann einen Teil oder den gesamten Erlös aus dem Verkauf der Wertpapiere für Absicherungsgeschäfte hinsichtlich des Risikos der Emittentin aus der Begebung der Wertpapiere verwenden. In einem solchen Fall kann die Emittentin oder ein mit ihr verbundenes Unternehmen Geschäfte abschließen, die den Verpflichtungen der Emittentin aus den Wertpapieren entsprechen. Im Allgemeinen werden solche Transaktionen vor dem oder am Ausgabetag der Wertpapiere abgeschlossen; es ist aber auch möglich, solche Transaktionen nach Begebung der Wertpapiere abzuschließen. Die Emittentin oder ein mit ihr verbundenes Unternehmen kann jederzeit die für die Ablösung abgeschlossener Deckungsgeschäfte erforderlichen Schritte ergreifen. Es kann jedoch nicht ausgeschlossen werden, dass im Einzelfall der Stand des Basiswerts durch solche Transaktionen beeinflusst wird.

#### **Besteuerung der Wertpapiere**

Potentielle Investoren sollten sich vergegenwärtigen, dass sie gegebenenfalls verpflichtet sind, Steuern oder andere Gebühren oder Abgaben nach Maßgabe der Rechtsordnung und Praktiken desjenigen Landes zu zahlen, in das die Wertpapiere übertragen werden oder möglicherweise auch nach Maßgabe anderer Rechtsordnungen. In einigen Rechtsordnungen kann es zudem an offiziellen Stellungnahmen der Finanzbehörden oder Gerichtsentscheidungen in Bezug auf innovative Finanzinstrumente wie den hiermit angebotenen Wertpapieren fehlen. Potentiellen Investoren wird daher geraten, sich nicht auf die in diesem Basisprospekt und/oder in den Endgültigen Bedingungen enthaltene summarische Darstellung der Steuersituation zu verlassen, sondern sich in Bezug auf ihre individuelle Steuersituation hinsichtlich des Kaufs, des Verkaufs und der Rückzahlung der Wertpapiere von ihrem eigenen Steuerberater beraten zu lassen. Nur diese Berater sind in der Lage, die individuelle Situation des potentiellen Investors angemessen einzuschätzen.

#### **Zahlungen unter den Wertpapieren können gemäß FATCA Einbehalten nach US-Recht unterliegen**

Die Emittentin und andere Finanzinstitute, über die Zahlungen auf die Wertpapiere erfolgen, haben gegebenenfalls gemäß Sections 1471 bis 1474 des U.S. Internal Revenue Code bis zu 30% der gesamten Zahlung oder eines Teils von Zahlungen einzubehalten, die nach dem 31. Dezember 2016 auf die Wertpapiere entrichtet werden, welche nach dem 1. Januar 2013 begeben (oder wesentlich geändert) werden, oder die unabhängig vom Zeitpunkt ihrer Begebung als Eigenkapital (*equity*) im Sinne der Einkommenssteuer auf U.S.-Bundesebene behandelt werden (üblicherweise als „**FATCA**“, *Foreign Account Tax Compliance Act*, bezeichnet).

Die Emittentin stellt für die Zwecke von FATCA ein ausländisches Finanzinstitut (*Foreign Financial Institution*, „FFI“) dar. Sofern die Emittentin verpflichtet ist, gemäß einer FATCA-Vereinbarung mit dem U.S. Internal Revenue Service („IRS“) bestimmte Informationen über ihre Kontoinhaber beizubringen, (d.h., sofern die Emittentin ein teilnehmendes ausländisches Finanzinstitut (*Participating FFI*, „Teilnehmendes Ausländisches Finanzinstitut“) ist), kann eine Verpflichtung zur Vornahme eines Einbehalts dadurch entstehen, dass (i) die Emittentin einen (gemäß FATCA ermittelten) positiven „prozentualen Anteil weitergeleiteter Zahlungen“ („passthru payment percentage“) aufweist, und dass (ii) (a) ein Anleger keine ausreichenden Informationen beibringt, um dem jeweiligen Teilnehmenden Ausländischen Finanzinstitut die Feststellung zu ermöglichen, ob es sich bei dem Anleger um eine U.S.-Person handelt oder ob er aus anderen Gründen als Inhaber eines US-Kontos („United States Account“) der Emittentin behandelt werden sollte, (b) ein Anleger einer Offenlegung ihn betreffender Informationen gegenüber dem IRS in einem erforderlichen Fall nicht zustimmt, oder (c) ein ausländisches Finanzinstitut, welches Anleger ist oder Zahlungen auf die Wertpapiere ausführt, selbst kein Teilnehmendes Ausländisches Finanzinstitut ist. Für einen Anleger, gegenüber dem ein Einbehalt erfolgt, ist eine Rückerstattung im Allgemeinen nur zu erreichen, soweit er für die Zahlung, auf die der Einbehalt nach diesen Regeln erfolgte, nach einem anwendbaren Doppelbesteuerungsabkommen (*income tax treaty*) mit den Vereinigten Staaten einen reduzierten Steuersatz geltend machen kann, und sofern die erforderlichen Informationen rechtzeitig an die IRS weitergeleitet werden.

Die Anwendung der FATCA-Regeln auf Zinsbeträge und Kapitalzahlungen oder andere Zahlungen, die auf die Wertpapiere geleistet werden, ist nicht klar. Sollte gemäß FATCA oder einer zwischenstaatlichen Vereinbarung zu FATCA von Zins- oder Kapitalzahlungen oder anderen Zahlungen auf die Wertpapiere ein Betrag abzuziehen oder einzubehalten sein, ist die Emittentin nicht verpflichtet, zusätzliche Beträge oder eine sonstige Entschädigung an einen Inhaber bzw. eine Person wegen eines Abzugs oder Einbehalts zu leisten, der durch die Emittentin, eine Zahlstelle oder eine andere Partei erfolgt, sofern die betreffende Person (soweit diese nicht als Vertreterin bzw. Beauftragte der Emittentin handelt) keinen Anspruch auf Erhalt von Zahlungen frei von derartigen Abzügen hat. Im Falle einer Umsetzung von FATCA in der gegenwärtig vom IRS vorgeschlagenen Weise oder infolge der Umsetzung einer zwischenstaatlichen Vereinbarung werden die Anleger daher möglicherweise geringere Zins- oder Kapitalzahlungen erhalten als erwartet. Sofern die Emittentin ein Teilnehmendes Ausländisches Finanzinstitut wird, erfolgt die Feststellung, ob ein Einbehalt nach FATCA erfolgen kann, abhängig von der rechtlichen Stellung des jeweiligen Empfängers von Zahlungen, die zwischen der Emittentin und Anlegern erfolgen. In der Praxis rechnet die Emittentin nicht damit, dass von Zahlungen, die in Zusammenhang mit den in Clearingsystemen gehaltenen Wertpapieren von ihren Zahlstellen oder ihr selbst getätigt werden, Abzüge nach FATCA vorzunehmen sind, da davon auszugehen ist, dass die Zahlstellen und die jeweiligen Clearingsysteme Teilnehmende Ausländische Finanzinstitute sein werden, soweit dies zur Vermeidung von Abzügen nach FATCA erforderlich ist. Möglicherweise sind aber andere Parteien gemäß FATCA zum Einbehalt der vorstehend beschriebenen Zahlungen verpflichtet.

Außerdem würde gemäß vorgeschlagener Regeln eine U.S. Quellensteuer von 30 % (oder einem geringeren vertraglich vereinbarten Satz) auf Zahlungen oder Anpassungen erhoben, die durch Bezugnahme auf Dividenden aus Quellen innerhalb der Vereinigten Staaten ermittelt werden. Da die Zahlungen unter den Wertpapieren an einen Index gebunden ist, unterfallen diese Wertpapiere möglicherweise diesen Regeln. Falls ein Betrag in Bezug auf die U.S. Quellensteuer von Zahlungen auf die Wertpapiere abgezogen oder einbehalten würde, wären weder die Emittentin noch jegliche Zahlstelle oder irgendeine andere Person nach den Bedingungen der Wertpapiere zu zusätzlichen Zahlungen aufgrund eines solchen Abzugs oder Einbehalts verpflichtet.

Die Erörterung der FATCA-Regelungen basiert auf Entwürfen rechtlicher Regelungen und vorläufigen Leitlinien. **Inhaber von Wertpapieren sollten sich deshalb bewußt sein, dass Zahlungen unter den Wertpapieren gegebenenfalls gemäß FATCA Einbehalten nach US-Recht unterliegen können.**

### **Änderung der Grundlage der Besteuerung der Wertpapiere**

Die in diesem Prospekt ausgeführten Überlegungen hinsichtlich der Besteuerung der Wertpapiere geben die Ansicht der Emittentin auf Basis der zum Datum des Prospekts geltenden Gesetzgebung wieder. Eine andere steuerliche Behandlung durch die Finanzbehörden und Finanzgerichte kann jedoch nicht ausgeschlossen werden.

### **3. Risiken im Zusammenhang mit dem Basiswert**



Gewisse zusätzliche Risiken können mit dem maßgeblichen Basiswert verbunden sein und werden, soweit vorhanden, in den maßgeblichen Endgültigen Bedingungen angegeben.

Es ist deshalb unbedingt empfehlenswert, sich mit dem besonderen Risikoprofil des in diesem Prospekt beschriebenen Produkttyps vertraut zu machen und gegebenenfalls fachkundigen Rat in Anspruch zu nehmen. Potenzielle Erwerber werden ausdrücklich darauf hingewiesen, dass es sich bei Wertpapieren um eine **Risikoanlage** handelt, die mit der Möglichkeit von **Verlusten** hinsichtlich des eingesetzten Kapitals verbunden ist. Die Investoren tragen das Risiko der Verschlechterung der finanziellen Leistungsfähigkeit der Emittentin. Potenzielle Erwerber müssen deshalb bereit und in der Lage sein, Verluste des eingesetzten Kapitals bis hin zum Totalverlust hinzunehmen. In jedem Falle sollten Erwerber der Wertpapiere ihre jeweiligen wirtschaftlichen Verhältnisse daraufhin überprüfen, ob sie in der Lage sind, die mit dem Wertpapier verbundenen **Verlustrisiken** zu tragen.

## **RISK FACTORS**

*[In the case of a binding English language version of the risk factors supported by a non-binding German language translation thereof insert the following text: **The following English language version of the risk factors shall be binding in relation to the Securities. The non-binding German language translation thereof is provided for convenience only.***

### **BINDING ENGLISH LANGUAGE VERSION OF THE RISK FACTORS**

*[In the case of a binding German language version of the risk factors supported by a non-binding English language translation thereof insert the following text: **The following English language version of the risk factors is non-binding and provided for convenience only. The German language version of the risk factors (*Risikofaktoren*) shall be binding in relation to the Securities.***

### **NON-BINDING ENGLISH LANGUAGE VERSION OF THE RISK FACTORS**

The different risk factors associated with an investment in the Securities are outlined below. Which of these are relevant to the Securities issued under the Base Prospectus depends upon a number of interrelated factors, especially the type of Securities and of the Underlying [and the index components respectively]. Investments in the Securities should not be made until all the factors relevant to the Securities have been acknowledged and carefully considered. When making decisions relating to investments in the Securities, potential investors should consider all information contained in the Prospectus and, **if necessary, consult their legal, tax, financial or other advisor.**

#### **I. Issuer specific Risks**

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

#### **General insolvency risk**

Each holder of a Security (a "**Securityholder**") bears the general risk that the financial situation of the Issuer could deteriorate. The Securities constitute immediate, unsecured and unsubordinated obligations of the Issuer, which, in particular in the case of insolvency of the Issuer, rank *pari passu* with each other and all other current and future unsecured and unsubordinated obligations of the Issuer, with the exception of those that have priority due to mandatory statutory provisions. The obligations of the Issuer created by the Securities are not secured by a system of deposit guarantees or a compensation scheme. In case of an insolvency of the Issuer, Securityholders may, consequently, suffer a **total loss** of their investment in the Securities.

#### **Effect of downgrading of the Issuer's rating**

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

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

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

- significantly higher regulatory capital requirements;
- changes in the definition and calculation of regulatory capital, including the capital treatment of certain capital instruments issued by UBS and other banks;

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

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

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

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

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

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

If UBS is not able to demonstrate that its systemically relevant functions in Switzerland can be maintained even in case of a threatened insolvency, FINMA may impose more onerous requirements on UBS. Although the actions that FINMA may take in such circumstances are not yet defined, UBS could be required directly or indirectly, for example, to alter its legal structure (e.g., separate lines of business into dedicated entities,

possibly with limitations on intra-group funding and guarantees), or in some manner to reduce business risk levels.

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

The adoption of the Dodd-Frank Act in the US will also affect a number of UBS's activities as well as those of other banks. The implementation of the Volcker Rule as of July 2012, for example, is one reason for UBS's announced decision to exit equities proprietary trading business segments within the Investment Bank. For other trading activity, UBS will be required to implement a compliance regime, including the calculation of detailed metrics for each trading book, and may be required to implement a compliance plan globally. Depending on the nature of the final rules, as well as the manner in which they are implemented, the Volcker Rule could have a substantial impact on market liquidity and the economics of market-making activities. The Volcker Rule broadly limits investments and other transactional activities between banks and covered funds. The proposed implementing regulations both expand the scope of covered funds and provide only a very limited exclusion for activities of UBS outside the US. If adopted as proposed, the regulations could limit certain of UBS's activities in relation to funds, particularly outside the US.

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

In addition, in 2009 the G20 countries committed to move all standardized over-the-counter ("**OTC**") derivative contracts on exchange and clear them through central counterparties by the end of 2012. This commitment is being implemented through the Dodd-Frank Act in the US and corresponding legislation in the European Union and other jurisdictions, and will have a significant impact on UBS's OTC derivatives business, primarily in the Investment Bank. For example, most OTC derivatives trading will move toward a central clearing model, increasing transparency through trading on exchanges or swap execution facilities.

Although UBS is preparing for these thematic market changes, they are likely to reduce the revenue potential of certain lines of business for market participants generally, and UBS may be adversely affected.

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

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

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

legislative and regulatory changes may have a negative impact on UBS relationships with clients and its success in attracting client business.

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

#### **UBS's reputation is critical to the success of its business**

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

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

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

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

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

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

adversely affect UBS's competitive position, particularly if competitors are subject to different requirements under which those activities continue to be sustainable.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- UBS does not fully identify the risks in its portfolio, in particular risk concentrations and correlated risks;
- UBS's assessment of the risks identified or its response to negative trends proves to be inadequate or incorrect;
- markets move in ways that UBS does not expect – in terms of their speed, direction, severity or correlation – and UBS's ability to manage risks in the resultant environment is, therefore, affected;

- third parties to whom UBS has credit exposure or whose securities UBS holds for its own account are severely affected by events not anticipated by UBS's models, and accordingly UBS suffers defaults and impairments beyond the level implied by its risk assessment; or
- collateral or other security provided by UBS's counterparties proves inadequate to cover their obligations at the time of their default.

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

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

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

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

Where possible, UBS marks its trading book assets at their quoted market price in an active market. Such price information may not be available for certain instruments and, therefore, UBS applies valuation techniques to measure such instruments. Valuation techniques use "market observable inputs" where available, derived from similar assets in similar and active markets, from recent transaction prices for comparable items or from other observable market data. In the case of positions for which some or all of the inputs required for the valuation techniques are not observable or have limited observability, UBS uses valuation models with non-market observable inputs. There is no single market standard for valuation models of this type. Such models have inherent limitations; different assumptions and inputs would generate different results, and these differences could have a significant impact on UBS's financial results. UBS regularly reviews and updates its valuation models to incorporate all factors that market participants would consider in setting a price, including factoring in current market conditions. Judgment is an important component of this process. Changes in model inputs or in the models themselves, or failure to make the changes necessary to reflect evolving market conditions, could have a material adverse effect on UBS's financial results.

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

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

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

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

Reductions in UBS's credit ratings can increase its funding costs, in particular with regard to funding from wholesale unsecured sources, and can affect the availability of certain kinds of funding. In addition, as UBS



experienced in recent years, ratings downgrades can require UBS to post additional collateral or make additional cash payments under master trading agreements relating to UBS's derivatives businesses. UBS's credit ratings, together with its capital strength and reputation, also contribute to maintaining client and counterparty confidence and it is possible that ratings changes could influence the performance of some of UBS's businesses.

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

#### **Operational risks may affect UBS's business**

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

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

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

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

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

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

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

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

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

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

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

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

The goodwill UBS has recognized on its balance sheet is tested for impairment at least annually. UBS's impairment test in respect of the assets recognized as of 31 December 2011 indicated that the value of UBS's goodwill is not impaired. The impairment test is based on assumptions regarding estimated earnings, discount rates and long-term growth rates impacting the recoverable amount of each segment and on estimates of the carrying amounts of the segments to which the goodwill relates. If the estimated earnings and other assumptions in future periods deviate from the current outlook, the value of UBS's goodwill may become impaired in the future, giving rise to losses in the income statement.

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

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

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

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

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

significant book tax adjustments, which generally mainly affect Swiss taxable profits, for example own credit gains / losses).

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

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

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

### Potential conflicts of interest

The Issuer and affiliated companies may participate in transactions related to the Securities in some way, for their own account or for account of a client. Such transactions may not serve to benefit the Securityholders and may have a positive or negative effect on the value of the Underlying [and the index components respectively], and consequently on the value of the Securities. Furthermore, companies affiliated with the Issuer may become counterparties in hedging transactions relating to obligations of the Issuer stemming from the Securities. As a result, conflicts of interest can arise between companies affiliated with the Issuer, as well as between these companies and investors, in relation to obligations regarding the calculation of the price of the Securities and other associated determinations. In addition, the Issuer and its affiliates may act in other capacities with regard to the Securities, such as calculation agent, paying agent and administrative agent and/or index sponsor.

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

Within the context of the offering and sale of the Securities, the Issuer or any of its affiliates may directly or indirectly pay fees in varying amounts to third parties, such as distributors or investment advisors, or receive payment of fees in varying amounts, including those levied in association with the distribution of the Securities, from third parties. Potential investors should be aware that the Issuer may retain fees in part or in full. The [Issuer] [or, as the case may be, UBS Limited in its capacity as lead manager (the "**Lead Manager**")], upon request, will provide information on the amount of these fees.

## II. Security specific Risks

Investing in the Securities involves certain risks. Among others, these risks may take the form of equity market, commodity market, bond market, foreign exchange, interest rate, market volatility and economic and political risks and any combination of these and other risks. The material risks are presented below. Prospective investors should be experienced with regard to transactions in instruments such as the Securities and in the Underlying [and the index components respectively]. **Prospective investors should understand the risks associated with an investment in the Securities and shall only reach an investment decision, after careful considerations with their legal, tax, financial and other advisors of (i) the suitability of an investment in the Securities in the light of their own particular financial, fiscal and other circumstances; (ii) the information set out in this document and (iii) the Underlying [and the index components respectively].** An investment in the Securities should only be made after assessing the direction, timing and magnitude of potential future changes in the value of the Underlying [and the index components respectively], as the value of the Securities and, hence, any amount, if any, payable according to the Terms and

Conditions of the Certificates will be dependent, *inter alia*, upon such changes. More than one risk factor may have simultaneous effects with regard to the Securities, so that the effect of a particular risk factor is not predictable. In addition, more than one risk factor may have a compounding effect which may not be predictable. No assurance can be given with regard to the effect that any combination of risk factors may have on the value of the Securities.

Prospective investors of the Securities should recognise that the Securities **constitute a risk investment** which can lead to a **total loss** of their investment in the Securities. Potential investors must therefore be prepared and able to sustain a partial or even a **total loss** of the invested capital. Any investors interested in purchasing the Securities should assess their financial situation, to ensure that they are in a position to bear the **risks of loss** connected with the Securities.

[None of the Securities vests a right to payment of fixed or variable interest or dividends and, as such, they **generate no regular income**. Therefore, potential reductions in the value of the Securities cannot be offset by any other income from the Securities.]

**It is expressly recommended that potential investors familiarise themselves with the specific risk profile of the product type described in this Prospectus and seek the advice of a professional, if necessary.**

**1. Special risks related to specific features of the security structure**

Prior to investing in the Securities, prospective investors should note that the following special features of the Securities may have a negative impact on the value of the Securities or, as the case may be, on any amount, if any, payable according to the Terms and Conditions of the Certificates and that the Securities accordingly have special risk profiles:

**No pre-defined term of the Securities**

The Securities have - in contrast to securities with a fixed term - no pre-determined maturity date, and thus no defined term. As a result, the Securityholder's right vested in those Securities, must be exercised by the respective Securityholder on a specific Exercise Date in accordance with the exercise procedure described in the Terms and Conditions of the Certificates, if the Certificate Right is to be asserted. In the event that the required Exercise Notice is not duly received by the relevant Exercise Date, the Securities cannot be exercised until the next exercise date stated in the Terms and Conditions of the Certificates.

[*in the case of a Ratio, the following paragraph applies:*

**Extent of participation in the performance of the Underlying**

The application of the Ratio within the determination of the Certificate Right results in the Securities being in economic terms similar to a direct investment in the Underlying [and the index components respectively], but being nonetheless not fully comparable with such a direct investment, in particular because the Securityholders do not participate in the relevant performance by a 1:1 ratio, but by the proportion of the Ratio.]

[*in the case of an exchange rate risk, the following paragraph applies:*

**Currency exchange rate risk**

[The Securityholder's right vested in the Securities is determined on the basis of a currency other than the Redemption Currency, currency unit or calculation unit,] [...] [and also the value] [The value] of the Underlying [and the index components respectively] is determined in such a currency other than the Redemption Currency, currency unit or calculation unit]. Potential investors should, therefore, be aware that investments in these Securities could entail risks due to fluctuating exchange rates, and that the risk of loss does not depend solely on the performance of the Underlying [and the index components respectively], but also on unfavourable developments in the value of the foreign currency, currency unit or calculation unit.

Such developments can additionally increase the Securityholders' exposure to losses, because an unfavourable performance of the relevant currency exchange rate may correspondingly decrease the value of the purchased Securities during their term or, as the case may be, the level of the Settlement Amount. Currency exchange rates are determined by factors of offer and demand on the international

currency exchange markets, which are themselves exposed to economic factors, speculations and measures by governments and central banks (for example monetary controls or restrictions).]

*[in the case of a limitation of the exercise of the Certificate Rights by a minimum exercise size, the following paragraph applies:*

**Limitation of the exercise of the Certificate Right by the Securityholders by the minimum exercise size**

Any Securityholder of the Securities, must in accordance with the Terms and Conditions of the Certificates tender a specified minimum number of the Securities, in order to exercise the Certificate Right vested in the Securities, so-called minimum exercise size. Holders with fewer than the specified minimum exercise size of Securities will, therefore, either have to sell their Securities or purchase additional Securities (incurring transaction costs in each case). The selling of the Securities requires that market participants are willing to acquire the Securities at a certain price. In case that no market participants are readily available, the value of the Securities may not be realised.]

*[if appropriate, insert alternative or further structure-specific risk factors: [•].]*

**2. Termination and Early Redemption at the option of the Issuer**

Potential investors in the Securities should furthermore be aware that the Issuer is at any time, *i.e.* even without the occurrence of a certain termination event pursuant to the Terms and Conditions of the Certificates, entitled to terminate and redeem the Securities in total. In case the Issuer terminates and redeems the Securities, the Securityholder is entitled to demand the payment of an amount in relation to this redemption. However, the Securityholder is not entitled to request any further payments on the Securities after the Termination Date.

The Securityholder, therefore, bears the risk of not participating in the performance of the Underlying [and the index components respectively] to the expected extent and during the expected period and, therefore, receives less than its capital invested.

In the case of a termination of the Securities by the Issuer, the Securityholder bears the risk of a reinvestment, *i.e.* the investor bears the risk that it will have to re-invest the Termination Amount, if any, paid by the Issuer in the case of termination at market conditions, which are less favourable than those existing prevailing at the time of the acquisition of the Securities.

**3. Possible fluctuations in the level of the Underlying after termination of the Securities**

In the event that the term of the Securities is terminated early by the Issuer pursuant to the Terms and Conditions of the Certificates, potential investors of the Securities should note that any adverse fluctuations in the level of the Underlying [and the prices of the index components respectively] between the announcement of the termination by the Issuer and the determination of the Level of the Underlying relevant for the calculation of the then payable Termination Amount are borne by the Securityholders.

**4. Adverse impact of adjustments of the Certificate Right**

It cannot be excluded that certain events occur or certain measures are taken (by parties other than the Issuer) in relation to the Underlying [and the index components respectively], which potentially lead to changes to the Underlying or result in the underlying concept of the Underlying being changed, so-called potential adjustment events. In the case of the occurrence of a potential adjustment event, the Calculation Agent shall be entitled to effect adjustments according to the Terms and Conditions of the Certificates to account for these events or measures. These adjustments might have a negative impact on the value of the Securities.

**5. Other factors affecting the value**

The value of a Security is determined not only by changes in the level of the Underlying [and the prices index components respectively], but also by a number of other factors. Since several risk factors may have simultaneous effects on the Securities, the effect of a particular risk factor cannot be predicted. In addition, several risk factors may have a compounding effect which may not be predictable. No

assurance can be given with regard to the effect that any combination of risk factors may have on the value of the Securities.

These factors include the term of the Securities, the frequency and intensity of price fluctuations (volatility), as well as the prevailing interest rate and dividend levels. A decline in the value of the Security may therefore occur even if the level of the Underlying [and the price of index components respectively] remains constant.

[In addition, the level of the Underlying used for the calculation of any amounts payable under the Securities is expressed in the Redemption Currency, without any reference to the currency exchange rate between the Underlying Currency of the Underlying and the Redemption Currency (so-called "quanto"-feature). As a result, the relative difference between the actual interest rate in relation to the Underlying Currency and the actual interest rate in relation to the Redemption Currency may have a negative impact on the value of the Securities.]

Prospective investors of the Securities should be aware that an investment in the Securities involves a valuation risk with regard to the Underlying [and the index components respectively]. They should have experience with transactions in securities with a value derived from the Underlying. The value of the Underlying [and the index components respectively] may vary over time and may increase or decrease by reference to a variety of factors which may include UBS corporate action, macro economic factors and speculation. In addition, the historical performance of the Underlying [and the index components respectively] is not an indication of its future performance. Changes in the market level of the Underlying will affect the trading price of the Securities, and it is impossible to predict whether the market price of the Underlying [and the index components respectively] will rise or fall.

**6. Effect of ancillary costs**

Commissions and other transaction costs incurred in connection with the purchase or sale of Securities may result in charges, particularly in combination with a low order value, **which can substantially reduce any Settlement Amount, if any, to be paid under the Securities.** Before acquiring a Security, prospective investors should therefore inform themselves of all costs incurred through the purchase or sale of the Security, including any costs charged by their custodian banks upon purchase and maturity of the Securities.

**7. Transactions to offset or limit risk**

Prospective investors of the Securities should not rely on the ability to conclude transactions at any time during the term of the Securities that will allow them to offset or limit relevant risks. This depends on the market situation and the prevailing conditions. Transactions designed to offset or limit risks might only be possible at an unfavourable market price that will entail a loss for investors.

## 8. **Trading in the Securities / Illiquidity**

It is not possible to predict if and to what extent a secondary market may develop in the Securities or at what price the Securities will trade in the secondary market or whether such market will be liquid or illiquid.

If so specified in this Prospectus, applications will be or have been made to a security exchange specified for admission or listing of the Securities. If the Securities are admitted or listed, no assurance is given that any such admission or listing will be maintained. The fact that the Securities are admitted to trading or listed does not necessarily denote greater liquidity than if this were not the case. If the Securities are not listed or traded on any exchange, pricing information for the Securities may be more difficult to obtain and the liquidity of the Securities may be adversely affected. The liquidity of the Securities may also be affected by restrictions on the purchase and sale of the Securities in some jurisdictions. Additionally, the Issuer has the right (but no obligation) to purchase Securities at any time and at any price in the open market or by tender or private agreement. Any Securities so purchased may be held or resold or surrendered for cancellation.

*[in the case of a Subscription Period, the following paragraph applies:* In addition, it cannot be excluded that the number of subscribed Securities is less than number of the Securities intended to be issued. There is the risk that due to the low volume of subscriptions in the Securities the liquidity of the Securities is lower than if all Securities were subscribed by investors.]

*[in case that no Subscription Period is intended, the following paragraph applies:* In addition, it cannot be excluded that the number of Securities sold by the Lead Manager is less than number of the Securities intended to be issued. There is the risk that due to the low volume of sold Securities the liquidity of the Securities is lower than if all Securities were sold by the Lead Manager.]

The Lead Manager intends, under normal market conditions, to provide bid and offer prices for the Securities of an issue on a regular basis. However, the Lead Manager makes no firm commitment to the Issuer to provide liquidity by means of bid and offer prices for the Securities, and assumes no legal obligation to quote any such prices or with respect to the level or determination of such prices.

**Potential investors therefore should not rely on the ability to sell Securities at a specific time or at a specific price.**

## 9. **Form and governing law of the Securities**

The Securities issued are represented in a permanent global bearer certificate (the "**Global Bearer Certificate**"). The Global Bearer Certificate is deposited with Clearstream Banking AG, Frankfurt am Main, (Mergenthalerallee 61, 65760 Eschborn, Federal Republic of Germany) ("**Clearstream**") in accordance with the applicable rules and regulations. The Securities are transferable as co-ownership interests in the Permanent Global Certificate in accordance with any regulation and operating procedure applicable to and/or issued by Clearstream and may be transferred within the collective securities settlement procedure in the minimum trading size or an integral multiple thereof only. Such transfer becoming effective upon registration of the transfer in the records of Clearstream. Securityholders will have to rely on the procedures of Clearstream for transfer, payment and communication with the Issuer. Securityholders are not entitled to request the delivery of definitive Securities.

The Securities are governed by German law.

**The Issuer shall not be held liable under any circumstances for any acts and omissions of Clearstream or any other relevant clearing system as well as for any losses which might occur to a Securityholder out of such acts and omissions and for the records relating to, or payments made in respect of, beneficial interests in the Permanent Global Certificate, in particular.**

## 10. **Pricing of Securities**

Unlike most other securities the pricing of these Securities is regularly not based on the principle of offer and demand in relation to Securities, since the secondary market traders might quote independent bid and offer prices. This price calculation is based on price calculation models prevailing in the market, whereas the theoretical value of the Securities is, in principle, determined on the basis of

the value of the Underlying [and the index components respectively] and the value of other features attached to the Securities, each of which features may, in economic terms, be represented by another derivative financial instrument.

The potentially quoted prices do not necessarily correspond to the Securities' intrinsic value as determined by a trader.

**11. Expansion of the spread between bid and offer prices**

In special market situations, where the Issuer is completely unable to conclude hedging transactions, or where such transactions are very difficult to conclude, the spread between the bid and offer prices may be temporarily expanded, in order to limit the economic risks to the Issuer. Therefore, Securityholders who wish to sell their Securities via a stock exchange or in the over-the-counter trading might sell at a price considerably lower than the actual price of the Securities at the time of their sale.

**12. Borrowed funds**

If the purchase of Securities is financed by borrowed funds and investors' expectations are not met, they not only suffer the loss incurred under the Securities, but in addition also have to pay interest on and repay the loan. This produces a substantial increase in investors' risk of loss. Investors of Securities should never rely on being able to redeem and pay interest on the loan through gains from a Securities transaction. Rather, before financing the purchase of a Security with borrowed funds, the investors' financial situations should be assessed, as to their ability to pay interest on or redeem the loan immediately, even if they incur losses instead of the expected gains.

**13. The effect on the Securities of hedging transactions by the Issuer**

The Issuer may use all or some of the proceeds received from the sale of the Securities to enter into hedging transactions relating to the risks incurred in issuing the Securities. In such a case, the Issuer or one of its affiliated companies may conclude transactions that correspond to the Issuer's obligations arising from the Securities. Generally speaking, this type of transaction will be concluded before or on the Issue Date of the Securities, although these transactions can also be concluded after the Securities have been issued. The Issuer or one of its affiliated companies may take the necessary steps for the closing out of any hedging transactions, on or prior to the Valuation Date. It cannot be excluded that the level of the Underlying [and the prices of the index components respectively] might, in certain cases, be affected by these transactions. In the case of Securities whose value depends on the occurrence of a specific event in relation to the Underlying [and the index components respectively], entering into or closing out such hedging transactions may affect the likelihood of this event occurring or not occurring.

**14. Taxation in relation to the Securities**

Potential investors should be aware that they may be required to pay taxes or other documentary charges or duties in accordance with the laws and practices of the country where the Securities are transferred or other jurisdictions. In some jurisdictions, no official statements of the tax authorities or court decisions may be available for innovative financial instruments such as the Securities. Potential investors are advised not to rely upon the tax summary contained in the Base Prospectus and/or in the Final Terms but to ask for their own tax adviser's advice on their individual taxation with respect to the acquisition, sale and redemption of the Securities. Only these advisors are in a position to duly consider the specific situation of the potential investor.

**15. Payments on the Securities may be subject to U.S. withholding under FATCA**

The Issuer and other financial institutions through which payments on the Securities 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 Securities which are issued (or materially modified) after 1 January 2013 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", the Foreign Account Tax Compliance Act).

The Issuer is a foreign financial institution ("FFI") for the purposes of FATCA. If the Issuer becomes obliged to provide certain information on its account holders pursuant to a FATCA agreement with the



U.S. Internal Revenue Service ("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 Securities is made, is not a Participating FFI. An investor 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 such institution to a reduced rate of tax on the payment that was subject to withholding under these rules, provided the required information is furnished in a timely manner to the IRS.

The application of FATCA to interest, principal or other amounts paid with respect to the Securities is not clear. If an amount in respect of FATCA or as required under an intergovernmental approach to FATCA were to be deducted or withheld from interest, principal or other payments on the Securities, the Issuer will 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, to any person where such person (other than where such person is acting as an agent of the Issuer) is not entitled to receive payments free of such withholding. As a result, investors may, if FATCA is implemented as currently proposed by the IRS or in consequence of the implementation of an intergovernmental approach, receive less interest or principal than expected. If the Issuer becomes a Participating FFI, the determination of whether FATCA withholding may be imposed will depend on the status of each recipient of payments between the Issuer and investors. The Issuer does not expect in practice that payments made either by it or by its Paying Agents in relation to the Securities held in clearing systems will be subject to FATCA withholding as it is expected that the Paying Agents and the relevant clearing systems will be Participating FFIs to the extent necessary to avoid being subject to FATCA withholding. However, it is possible that other parties may be required to withhold on payments on account of FATCA as set out above.

[In addition, under proposed regulations, U.S. withholding tax at a rate of 30% (or lower treaty rate) would be imposed on payments, accruals, or adjustments that are determined by reference to dividends from sources within the United States. Since the payments made under the Securities are linked to *[insert designation of the Index: [•]]* used as the Underlying, it is possible that these rules could apply to these Securities. If an amount in respect of such U.S. withholding tax were to be deducted or withheld from payments on the Securities, none of the Issuer, any paying agent or any other person would, pursuant to the Terms and Conditions of the Securities, be required to pay additional amounts as a result of the deduction or withholding of such tax.]

The discussion in relation to the FATCA rules above is based on proposed regulations and preliminary guidance. **Holders of Securities should, consequently, be aware that payments under the Securities may under certain circumstances be subject to U.S. withholding under FATCA.**

#### **16. Changes in Taxation in relation to the Securities**

The considerations concerning the taxation of the Securities set forth in this Prospectus reflect the opinion of the Issuer on the basis of the legal situation identifiable as of the date hereof. However, a different tax treatment by the fiscal authorities and tax courts cannot be precluded. In addition, the tax considerations set forth in this Prospectus cannot be the sole basis for the assessment of an investment in the Securities from a tax point of view, as the individual circumstances of each investor also have to be taken into account. Therefore, the tax considerations set forth in this Prospectus are not to be deemed any form of definitive information or tax advice or any form of assurance or guarantee with respect to the occurrence of certain tax consequences. Each investor should seek the advice of his or her personal tax consultant before deciding whether to purchase the Securities.

Neither the Issuer nor the Lead Manager assumes any responsibility vis-à-vis the Securityholders for the tax consequences of an investment in the Securities.

### **III. Underlying specific Risks**

Investing in the Securities also involves certain risks that are related to the Underlying [and the index components respectively]:

**1. General risks related to the Underlying**

Investors should be aware that some risks are related to the Underlying [and the index components respectively] in general:

**Risk of fluctuations in value**

The performance of the Underlying [and the index components respectively] is subject to fluctuations. Therefore, Securityholders cannot foresee what consideration they can expect to receive for the Securities they hold on a certain day in the future. When the Securities are redeemed, exercised or otherwise disposed of on a certain day, they may be worth a lot less than if they were disposed of at a later or earlier point in time.

**Uncertainty about future performance**

It is not possible to reliably predict the future performance of the Underlying [and the index components respectively] of the Securities. Likewise, the historical data of the Underlying [and the index components respectively] does also not allow for any conclusions to be drawn about the future performance of the Underlying and the Securities.

*[If appropriate, insert further information on the general risks related to the Underlying: [•]]*

**2. Specific risks related to the Underlying**

In addition, the following risks are specifically related to the Underlying:

**[No influence of the Issuer**

The composition of the index used as the Underlying is determined by the index sponsor alone or in cooperation with other entities. The Issuer cannot influence the composition of the index.

In principle, the index sponsor is free to make changes to the composition or calculation of the index, which may have a negative effect on the performance of the Securities, or to permanently discontinue the calculation and publication of the index used as the Underlying without issuing a successor index.

[Potential investors in the Securities should furthermore be aware that the Issuer is in case that the calculation and/or publication of the index used as the Underlying is permanently discontinued, pursuant to the Terms and Conditions of the Certificates , entitled to terminate and redeem the Securities in total prior to the Maturity Date.]

**[The index is no established financial index**

The index used as the Underlying does not qualify as established financial index. Instead, it has been created for the issuing of the Securities or other reasons.]

**[The index sponsor is no independent third party**

The index sponsor calculating the index used as the Underlying is not a third party independent from the Issuer, but has business relationships with the Issuer or other parties involved in the transaction.]

**[Dividends are not taken into account / price index**

The index used as the Underlying is calculated as a so-called price index, i.e. dividends or other distributions, if any, that are paid out from the index components are not taken into account when calculating the level of the index.

As a result, Securityholders do generally not participate in any dividends or other distributions paid on the shares contained in the index used as the Underlying.]

*[If appropriate, insert alternative or further information on the Underlying specific risk: [•]]*

]

*[[in the case of a binding English language version of the risk factors supported by a non-binding German language translation thereof insert the following text: **The English language version of the risk factors shall be binding in relation to the Securities. The following non-binding German language translation thereof is provided for convenience only.***

**NON-BINDING GERMAN LANGUAGE VERSION OF THE RISK FACTORS**  
**(UNVERBINDLICHE FASSUNG DER RISIKOFAKTOREN IN DEUTSCHER SPRACHE)**

*[in the case of a binding German language version of the risk factors supported by a non-binding English language translation thereof insert the following text: **The English language version of the risk factors is non-binding and provided for convenience only. The following German language version of the risk factors (Risikofaktoren) shall be binding in relation to the Securities.***

**BINDING GERMAN LANGUAGE VERSION OF THE RISK FACTORS**  
**(VERBINDLICHE FASSUNG DER RISIKOFAKTOREN IN DEUTSCHER SPRACHE)**

Nachstehend werden verschiedene Risikofaktoren beschrieben, die mit der Anlage in die Wertpapiere verbunden sind. Welche Faktoren einen Einfluss auf die in diesem Prospekt beschriebenen Wertpapiere haben können, hängt von verschiedenen miteinander verbundenen Faktoren ab, insbesondere der Art der Wertpapiere und des Basiswerts [bzw. der Indexbestandteile]. Eine Anlage in die Wertpapiere sollte erst erfolgen, nachdem alle für die jeweiligen Wertpapiere relevanten Faktoren zur Kenntnis genommen und sorgfältig geprüft wurden. **Potenzielle Erwerber sollten jede Entscheidung zur Anlage in die Wertpapiere auf die Prüfung des gesamten Prospekts stützen und sich gegebenenfalls von ihrem Rechts-, Steuer-, Finanz- und sonstigen Berater diesbezüglich beraten lassen.**

**I. Emittentenspezifische Risikohinweise**

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

**Allgemeines Insolvenzrisiko**

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

**Auswirkung einer Herabstufung des Ratings der Emittentin**

Die allgemeine Einschätzung der Kreditwürdigkeit der Emittentin kann möglicherweise den Wert der Wertpapiere beeinflussen. Diese Einschätzung hängt im Allgemeinen von Ratings ab, die der Emittentin oder mit ihr verbundenen Unternehmen von Rating-Agenturen wie Standard & Poor's, Fitch und Moody's erteilt werden. Die Herabstufung des Ratings der Emittentin durch eine Rating-Agentur kann daher nachteilige Auswirkungen auf den Wert der Wertpapiere haben.

**Aufsichtsrechtliche und gesetzliche Veränderungen können die Geschäfte von UBS sowie die Fähigkeit von UBS, die strategischen Pläne umzusetzen, nachteilig beeinflussen**

Wesentliche Veränderungen der Gesetze und Bestimmungen, die Finanzinstitute betreffen, könnten sich stark nachteilig auf die Geschäfte von UBS auswirken. Infolge der jüngsten Finanzkrise und angesichts der gegenwärtigen Instabilität der globalen Finanzmärkte haben die Aufsichtsbehörden und Gesetzgeber eine Vielzahl von Veränderungen solcher Gesetze und Bestimmungen vorgeschlagen und eingeleitet oder prüfen solche Maßnahmen aktiv. Diese sind im Allgemeinen darauf ausgerichtet, die als Ursachen der Krise

wahrgenommenen Punkte anzugehen und die systemischen Risiken, die von den großen Finanzinstituten ausgehen, zu begrenzen. Zu diesen Maßnahmen gehören:

- bedeutend höhere Eigenmittelanforderungen;
- Veränderungen bei der Festlegung und Berechnung der Eigenkapitalanforderungen, darunter die Eigenkapitalbehandlung einzelner von UBS und anderen Banken begebener Kapitalinstrumente;
- Veränderungen bei der Berechnung der risikogewichteten Aktiven („**RWA**“);
- neue oder stark erhöhte Liquiditätsanforderungen;
- Anforderungen an die Bereitstellung von Liquidität und Kapital in verschiedenen Ländern, in denen Geschäfte getätigt und verbucht werden;
- Beschränkungen der wichtigsten Handels- und sonstiger Aktivitäten;
- neue Lizenzierungs-, Registrierungs- und Compliance-Bestimmungen;
- eine Begrenzung von Risikokonzentrationen und Maximalwerte für Risiken;
- Steuern und Zahlungen an Regierungen, die eine effektive Begrenzung des Bilanzwachstums zur Folge hätten;
- eine Vielzahl von Maßnahmen, um Vergütungen zu begrenzen, zu besteuern oder mit zusätzlichen Auflagen zu versehen;
- Vorgaben bezüglich der Einführung struktureller oder anderer Veränderungen, um das systemische Risiko zu verringern und eine Liquidation oder Aufspaltung großer Finanzinstitute zu erleichtern;

Es wurden verschiedene Maßnahmen ergriffen, die in den nächsten Jahren umgesetzt werden. In einigen Fällen müssen bis zur endgültigen Umsetzung dieser Maßnahmen noch die jeweiligen Gesetzgeber aktiv werden, oder es sind weitere konkretisierende Auflagen durch die Aufsichtsbehörden notwendig. Entsprechend herrscht große Unsicherheit hinsichtlich einiger der oben aufgeführten Maßnahmen, auch in Bezug auf deren zeitliche Umsetzung.

Ungeachtet der Versuche der Aufsichtsbehörden, ihre Anstrengungen zu koordinieren, sind die Vorschläge je nach Land verschieden. Es könnten daher strengere Regulierungen durchgesetzt werden, welche die Führung globaler Institute erschweren. Fehlt ein koordinierter Ansatz, dürften dadurch gewisse Banken inklusive UBS benachteiligt sein, da sie in Konkurrenz zu in anderen Ländern ansässigen Finanzinstituten, für die weniger strenge Regulierungsvorschriften gelten, und zu nichtregulierten Nichtbanken treten.

Im September 2011 änderte das schweizerische Parlament das Bankengesetz, um der «Too-big-to-fail»-Problematik von Großbanken Rechnung zu tragen. Das Gesetz trat per 1. März 2012 in Kraft. Somit wird die Einführung regulatorischer Veränderungen in der Schweiz allgemein mit größerem Nachdruck vorangetrieben als in anderen Ländern. So setzen die Eidgenössische Finanzmarktaufsicht („**FINMA**“), die Schweizerische Nationalbank („**SNB**“) und der schweizerische Bundesrat Regulierungsmaßnahmen für Schweizer Großbanken wie UBS um, die wesentlich belastender und einschneidender sind als die Auflagen, die bislang von den Regulierungsbehörden anderer großer globaler Finanzzentren verabschiedet, vorgeschlagen oder öffentlich favorisiert wurden.

Das Eidgenössische Finanzdepartement hat über die vorgeschlagenen Änderungen der Banken- und der Eigenmittelverordnung beraten. Diese Verordnungen könnten, sobald sie Rechtskraft erlangen, zu höheren Eigenmittelanforderungen als den öffentlich diskutierten 19 % der RWA führen. Falls die Leverage Ratio wie geplant eingeführt wird, könnten de facto höhere Eigenmittelanforderungen (die auf Konzernebene und auf Ebene des Stammhauses, das systemrelevante Funktionen wahrnimmt, erfüllt werden müssen) resultieren. Dasselbe gilt im Hinblick auf die für die Schweiz geplante vorzeitige Einführung des vom Basler Ausschuss für Bankenaufsicht empfohlenen antizyklischen Puffers. Eine Implementierung der von der Schweizer Regierung vorgeschlagenen Veränderungen bei der Risikogewichtung von Wohnbauhypotheken hätte außerdem eine markante Erhöhung der Eigenmittelanforderungen im Schweizer Hypothekenbuch der UBS zur Folge.

Die neuen Verordnungen werden unter anderem Bestimmungen zu Notfallplänen für systemrelevante Funktionen, zu Stabilisierungs- und Abwicklungsplänen sowie zu Interventionsmaßnahmen, die beim Unterschreiten bestimmter Schwellen der Eigenkapitalunterlegung zum Tragen kommen könnten, enthalten. Diese Interventionsschwellen könnten auf einem höheren Eigenkapitalniveau festgelegt werden, als derzeit gesetzlich vorgeschrieben ist, und könnten von der Kapitalstruktur und Art des Kapitalpuffers abhängen, über welche die Bank verfügen muss, um die besonderen schweizerischen Anforderungen (neben den erforderlichen 13 % aufgrund der Kombination von Basel III und dem «Swiss Finish» zusätzlich bis zu 6 % zur Deckung des systemischen Risikos) zu erfüllen. Der schweizerische Bundesrat wird die revidierten Verordnungen dem schweizerischen Parlament zur Genehmigung vorlegen müssen. Die Verordnungen werden voraussichtlich am 1. Januar 2013 in Kraft treten.

Falls UBS nicht in der Lage sind aufzuzeigen, dass die systemrelevanten Funktionen in der Schweiz auch bei drohender Insolvenz weitergeführt werden können, kann die FINMA weitergehende Anforderungen an UBS stellen. Unter solchen Umständen könnte UBS beispielsweise dazu verpflichtet werden, ihre rechtliche Struktur zu ändern (zum Beispiel die Übertragung von Geschäftsfeldern auf designierte Einheiten und möglicherweise Restriktionen für gruppeninterne Finanzierungsaktivitäten und Garantien) oder das Geschäftsrisiko auf irgendeine Art zu verringern.

Regulatorische Veränderungen an anderen Standorten, an denen UBS tätig sind, könnten UBS zwingen, Geschäftsbereiche von Niederlassungen der UBS AG auf Tochtergesellschaften zu übertragen. Dies wiederum führt zu operativen, Risikokontroll-, Kapital- und Steuerineffizienzen sowie höheren lokalen Eigenkapitalanforderungen und möglicherweise Kunden- und Gegenparteibedenken bezüglich der Bonität der Tochtergesellschaft. Diese Veränderungen könnten das Finanzierungsmodell der UBS beeinträchtigen und ihre Buchungsflexibilität stark einschränken. So ist UBS beispielsweise in beträchtlichem Umfang in Großbritannien tätig. London ist dabei das globale Buchungszentrum der UBS für viele Arten von Produkten. Die britische Independent Commission on Banking („**ICB**“) hat eine strukturelle und nichtstrukturelle Reform des Bankensektors empfohlen, um Finanzstabilität und Wettbewerb zu fördern. Zu den wichtigsten vorgeschlagenen Maßnahmen gehören die Beschränkung der Retailaktivitäten in Großbritannien, zusätzliche Eigenkapitalanforderungen von bis zu 3 % der RWA für Retailbanken und die Emission von Schuldverschreibungen, die sich gegebenenfalls in Eigenkapital umwandeln lassen («bail-in»). Solche Maßnahmen könnten einen wesentlichen Einfluss auf die Geschäfte von UBS in Großbritannien und deren dortige Verbuchung haben, obwohl die Anwendbarkeit und die Auswirkungen dieser Veränderungen auf die Geschäftsstellen und Tochtergesellschaften ausländischer Banken noch nicht ganz klar sind. Die Aufsichtsbehörden verlangen bereits jetzt, dass UBS ihre britische Tochtergesellschaft, UBS Limited, stärker kapitalisiert. Außerdem wird UBS wohl auch ihre Buchungspraxis dahingehend ändern müssen, dass die Londoner Niederlassung der UBS AG weniger oder gar nicht mehr als globales Buchungszentrum der Investment Bank zum Einsatz kommt.

Die Verabschiedung des «Dodd-Frank Act» in den USA wird sich ebenfalls auf eine Reihe der Aktivitäten von UBS sowie auf jene anderer Banken auswirken. So ist die Einführung der Volcker Rule per Juli 2012 einer der Gründe für den angekündigten Ausstieg aus den Eigenhandelssegmenten im Equities-Bereich der Investment Bank. Für andere Handelsaktivitäten wird UBS ein Compliance-Programm einführen müssen, inklusive Berechnung von detaillierten Kennzahlen pro Handelsbuch. Eventuell würde auch die Einführung eines globalen Compliance-Plans verlangt. Je nach Beschaffenheit der endgültigen Bestimmungen und der Art und Weise ihrer Umsetzung könnte die Volcker Rule beträchtliche Auswirkungen haben hinsichtlich Marktliquidität und Wirtschaftlichkeit des Market Making. Durch die Volcker Rule werden Anlagen und andere Transaktionen zwischen Banken und Covered Funds auf breiter Basis eingeschränkt. Die vorgeschlagenen Umsetzungsbestimmungen vergrößern den unter Covered Funds fallenden Bereich und sehen für Aktivitäten von UBS außerhalb der USA nur sehr limitierte Ausnahmen vor. Falls die Regulierungen wie geplant eingeführt werden, könnte dies gewisse Aktivitäten von UBS im Zusammenhang mit Fonds einschränken, insbesondere außerhalb der USA.

Da viele der Bestimmungen, die unter dem «Dodd-Frank Act» umgesetzt werden müssen, noch nicht definitiv sind, lassen sich die Auswirkungen auf Geschäfte, die von UBS ganz oder teilweise außerhalb der USA verbucht werden, nicht abschließend abschätzen.

Außerdem haben sich im Jahr 2009 die G-20 Staaten verpflichtet, bis Ende 2012 alle standardisierten Over-the-Counter („**OTC**“) Derivatkontrakte über Börsen zu handeln und das Clearing über zentrale Gegenparteien abzuwickeln. Dies wird in den USA durch den «Dodd-Frank Act» und in der EU und anderen Rechtsprechungen durch entsprechende Rechtsetzungen ausgeführt. Das wird einen bedeutenden Einfluss auf das OTC-Derivategeschäft der UBS insbesondere in der Investment Bank haben. So dürfte ein Großteil der OTC-Derivatkontrakte über eine zentrale Clearingstelle laufen und an Börsen oder über Handelsplattformen für

Swaps, sogenannte Swap Execution Facilities, gehandelt werden. Dadurch wird die Transparenz erhöht. UBS bereitet sich auf diese Veränderungen vor, rechnet jedoch damit, dass sie die Ertragsaussichten bestimmter Geschäftssparten für alle Marktteilnehmer schmälern werden und auch UBS davon betroffen sein dürfte.

Im Zusammenhang mit den neuen Vorschriften unter dem «Dodd-Frank Act» für die Swap- und Derivatemärkte in den USA, könnte sich UBS im Laufe des Jahres 2012 in den USA als Swap-Dealer registrieren müssen. Diese neuen Rechtsvorschriften werden substantiell neue Anforderungen an registrierte Swap-Dealer stellen. Bisher wurden noch keine Richtlinien für ihre Anwendung auf Swap-Dealer außerhalb der USA bekannt gemacht. Die mögliche ausserterritoriale Anwendung der neuen Regeln könnte beträchtlichen Mehraufwand im operativen und Compliance-Bereich mit sich bringen und birgt das Potenzial von doppelspurigen und widersprüchlichen Regulierungen.

UBS ist derzeit gehalten, in den USA, Großbritannien und in der Schweiz Stabilisierungs- und Abwicklungspläne vorzulegen. Abwicklungspläne können den Druck erhöhen, strukturelle Veränderungen vorzunehmen, wenn durch Analyse durch UBS Einschränkungen ermittelt werden, die für die Aufsichtsbehörden inakzeptabel sind. Diese strukturellen Veränderungen könnten die Fähigkeit der UBS beeinträchtigen, Synergien zwischen Geschäftseinheiten zu nutzen.

Die geplanten und potenziellen aufsichtsrechtlichen und legislativen Entwicklungen in der Schweiz und in anderen Ländern, in denen UBS Geschäfte tätigt, könnten sich stark nachteilig auf die Fähigkeit der UBS auswirken, ihre strategischen Pläne umzusetzen. Gleichzeitig könnte sich die Frage stellen, ob sich einzelne Geschäftssegmente global oder an bestimmten Standorten noch auf profitable und sinnvolle Art aufrechterhalten lassen oder inwiefern UBS in gewissen Fällen gegenüber anderen Finanzinstituten noch konkurrenzfähig ist. Ihre Umsetzung dürfte kostspielig sein und auch die Rechtsstruktur oder das Geschäftsmodell der UBS könnte davon negativ betroffen sein. Zu guter Letzt könnte die mit gesetzlichen oder regulatorischen Veränderungen einhergehende Unsicherheit negative Auswirkungen auf die Kundenbeziehungen der UBS und auf das Wachstumspotenzial der UBS im Kundengeschäft haben.

Aufgrund der jüngsten aufsichtsrechtlichen Änderungen in der Schweiz und der Liquiditätsanforderungen bestimmter Länder, in denen UBS tätig ist, ist UBS verpflichtet, in wesentlich höherem Umfang Gesamtliquidität zu halten, als dies in der Vergangenheit von UBS praktiziert wurde. Ebenso wie die höheren Eigenmittelanforderungen beeinträchtigen auch strengere Liquiditätsauflagen die Attraktivität bestimmter Geschäftsfelder, insbesondere bei der Investment Bank, und können die Fähigkeit der UBS, Gewinne zu erzielen, einschränken.

#### **Der gute Ruf der UBS ist für den Erfolg der Geschäfte der UBS von zentraler Bedeutung**

Ein Reputationsschaden kann das Geschäft der UBS und die Zukunftsaussichten der UBS maßgeblich beeinträchtigen. Der gute Ruf der UBS ist für den Erfolg der strategischen Pläne der UBS von zentraler Bedeutung. Es ist schwierig, einen erlittenen Reputationsschaden wieder zu beheben. Der Erholungsprozess verläuft langsam und Fortschritte sind möglicherweise schwer messbar. Wie sich in den letzten Jahren gezeigt hat, haben die enormen Verluste der UBS während der Finanzkrise, die Probleme mit dem grenzüberschreitenden US-Geschäft und andere Angelegenheiten dem Ansehen der UBS ernstlich geschadet. Reputationsschäden waren ein wesentlicher Grund dafür, dass das Vermögensverwaltungsgeschäft der UBS Kunden und Kundenvermögen verloren hat, und trug auch dazu bei, dass UBS 2008 und 2009 Mitarbeiter verloren hat und Neueinstellungen schwierig waren. Diese Entwicklungen wirkten sich sowohl kurz- als auch längerfristig negativ auf die Finanzperformance der UBS aus. UBS erkannte, dass die Wiederherstellung ihrer Reputation für die weiteren Beziehungen der UBS mit Kunden, Anlegern, Aufsichtsbehörden, der Öffentlichkeit sowie den Mitarbeitern der UBS von größter Bedeutung ist. Der im September 2011 bekannt gegebene Vorfall mit den unautorisierten Handelsgeschäften wirkte sich ebenfalls negativ auf die Reputation von UBS aus. Sollte UBS weiter an Ansehen verlieren, könnte dies das operative Ergebnis und die Finanzlage der UBS stark belasten und UBS daran hindern, ihre strategischen und finanziellen Ziele zu erreichen.

#### **Die Kapitalstärke der UBS ist wichtig für die Umsetzung der Strategie der UBS und den Erhalt der Kundenbasis und Wettbewerbsfähigkeit der UBS**

Die Kapitalposition der UBS, wie sie anhand des BIZ-Kernkapitals (Tier 1) und der gesamten Kapitalkennzahlen gemessen wird, ist bestimmt durch (i) die risikogewichteten Aktiven (RWA), das heißt Kredit-, nicht gegenpartiebezogene, Markt- und operationelle Risikopositionen, die nach regulatorischen Kriterien berechnet und risikogewichtet werden, sowie (ii) die anrechenbaren eigenen Mittel. Sowohl bei den risikogewichteten Aktiven als auch bei den anrechenbaren eigenen Mitteln kann es zu Änderungen kommen. Die anrechenbaren eigenen Mittel würden sinken, wenn UBS Nettoverluste erleidet, nach Maßgabe der regulatorischen Kapitalberechnung. Die anrechenbaren eigenen Mittel könnten sich auch aus einer Reihe von weiteren Gründen reduzieren, zum Beispiel: gewisse Rating-Senkungen bei verbrieften Engagements; ungünstige

Währungseffekte, die sich direkt auf den Wert des Kapitals auswirken; und Bewertungsanpassungen, die aufgrund der mit gewissen Arten von Positionen verbundenen Bewertungsunsicherheit von den Aufsichtsbehörden gefordert werden. Für die RWA hingegen sind die Geschäftsaktivitäten der UBS und Änderungen des Risikoprofils der Engagements der UBS ausschlaggebend. Eine Erhöhung der RWA könnte beispielsweise hervorgerufen werden durch eine ausgeprägte Marktvolatilität, eine Ausweitung der Kreditspreads (wichtigster Treiber für den Value-at-Risk der UBS), eine veränderte regulatorische Behandlung bestimmter Positionen (zum Beispiel die ab viertem Quartal 2011 geltende Berücksichtigung von Marktstress unter Basel 2.5), ungünstige Währungseffekte, ein steigendes Gegenparteirisiko oder die Verschlechterung des Wirtschaftsumfelds. Jede Reduktion der anrechenbaren eigenen Mittel oder Zunahme der RWA hätte eine wesentliche Verschlechterung der Kapitalkennzahlen der UBS zur Folge.

Die vorgeschriebene Höhe und Berechnung des regulatorischen Eigenkapitals der UBS sowie die Berechnung der RWA der UBS werden auch beeinflusst durch Änderungen der regulatorischen Anforderungen oder deren Auslegung. UBS unterliegt den Eigenmittelanforderungen der FINMA, die höhere risikogewichtete Aktiven vorsehen als die BIZ-Richtlinien. Bevorstehende Änderungen bei der Berechnung der risikogewichteten Aktiven im Rahmen von Basel III und der FINMA-Anforderungen werden das Niveau der risikogewichteten Aktiven der UBS spürbar anheben und sich folglich negativ auf die Kapitalkennzahlen der UBS auswirken. UBS hat Pläne angekündigt, die RWA sehr deutlich zu verringern und die Folgen im Zusammenhang mit den Änderungen bei der RWA-Berechnung zu begrenzen. Es besteht jedoch die Gefahr, dass UBS dies nicht gelingen wird – entweder weil UBS die geplanten Maßnahmen nicht vollumfänglich erfolgreich umsetzen kann oder weil andere geschäftsspezifische oder aufsichtsrechtliche Entwicklungen den Nutzen dieser Maßnahmen beschränken.

Neben der risikobasierten Eigenkapitalquote hat die FINMA eine Mindest-Leverage-Ratio eingeführt, die es bis zum 1. Januar 2013 umzusetzen gilt. Die Leverage Ratio gilt unabhängig von der risikobasierten Eigenkapitalquote und könnte unter bestimmten Umständen die Geschäftsaktivitäten der UBS selbst dann beeinträchtigen, wenn es UBS gelänge, die risikobasierte Eigenkapitalquote zu erreichen.

Änderungen der für die Schweiz geltenden Anforderungen an die risikobasierte Kapitalquote oder die Leverage Ratio – ob sie nun die für die großen Schweizer Banken erforderlichen Mindestniveaus oder deren Berechnung betreffen (inklusive der Änderungen des Bankgesetzes im Rahmen der Einführung der «Too-big-to-fail»-Maßnahmen) – könnten sich stark nachteilig auf die Geschäfte der UBS auswirken. Auch die internationale Konkurrenzfähigkeit der UBS gegenüber Instituten, die anderen aufsichtsrechtlichen Auflagen unterliegen, könnte darunter leiden. Obwohl UBS unlängst bestimmte Geschäftsbereiche ermittelt hat, aus denen UBS angesichts der regulatorischen und geschäftsspezifischen Veränderungen auszusteigen plant, könnten die Änderungen bei der Berechnung und Höhe der Eigenkapitalanforderungen oder andere regulatorische Änderungen zudem bestimmte in der Investment Bank oder in anderen Unternehmensbereichen getätigte Geschäfte unwirtschaftlich machen oder ihre Tragfähigkeit auf andere Art und Weise beeinträchtigen. Die Einschränkung oder Einstellung bestimmter Geschäftsbereiche könnte die Wettbewerbsfähigkeit der UBS negativ beeinflussen, insbesondere, wenn die Konkurrenten anderen Auflagen unterliegen, unter denen diese Aktivitäten tragfähig bleiben.

### **Die Ergebnisse der Finanzdienstleistungsbranche hängen von den Marktbedingungen und vom wirtschaftlichen Umfeld ab**

Damit sich die Finanzdienstleistungsbranche positiv entwickelt, braucht es Wirtschaftswachstum, stabile geopolitische Bedingungen, transparente, liquide und dynamische Kapitalmärkte sowie eine positive Anlegerstimmung. Eine Konjunkturabkühlung, Inflation oder eine schwere Finanzkrise können die Erträge der UBS und letztlich die Kapitalbasis der UBS in Mitleidenschaft ziehen.

Mögliche Auslöser einer Marktschwäche sind geopolitische Ereignisse, Veränderungen der Geld- oder Fiskalpolitik, Ungleichgewichte in der Handelsbilanz, Naturkatastrophen, Pandemien, öffentliche Unruhen, Krieg oder Terrorismus. Da die Finanzmärkte global und eng miteinander verwoben sind, können auch lokale und regionale Ereignisse Folgen haben, die weit mehr als nur die betroffenen Länder erschüttern. Turbulenzen in den Emerging Markets, die auf makroökonomische und politische Ereignisse heftig reagieren, könnten eine regionale oder globale Krise nach sich ziehen. Auch die Insolvenz eines wichtigen Marktteilnehmers könnte eine solche Systemkrise auslösen. UBS hält beträchtliche Engagements in bestimmten Emerging Markets, sowohl als Vermögensverwalter als auch als Investment Bank. Da UBS ihre Präsenz und ihre Geschäftstätigkeit in den Emerging Markets ausbaut und ihre strategischen Pläne stärker von ihrer Fähigkeit abhängt, Wachstum und Gewinn in Emerging Markets zu erzielen, wird UBS solchen Risiken in Zukunft stärker ausgesetzt sein. Die aktuelle Krise in der Eurozone zeigt, dass solche Entwicklungen auch für weiter fortgeschrittene Märkte ähnlich unvorhersehbare und destabilisierende Folgen haben können. Negative Entwicklungen dieser Art haben die Geschäfte der UBS in verschiedener Hinsicht beeinträchtigt und könnten dies auch künftig tun:

- Allgemein geringere Geschäftsaktivitäten und Marktvolumina wie in den letzten Quartalen beeinträchtigen die Gebühren, Kommissionen und Margenerträge aus dem Market Making sowie aus Kundentransaktionen und -aktivitäten; lokale oder regionale wirtschaftliche Faktoren, wie zum Beispiel die anhaltende Staatsschuldenkrise in der Eurozone und Bedenken zur Bankenbranche, könnten sich ebenfalls negativ auf UBS auswirken.
- Eine Marktschwäche könnte das Volumen sowie die Bewertungen der Kundenvermögen und somit die vermögens- und performanceabhängigen Erträge der UBS verringern;
- Eine niedrigere Marktliquidität schränkt die Handels- und Arbitragegelegenheiten ein und behindert die Fähigkeit der UBS zur Risikobewirtschaftung, was wiederum die Einkünfte aus dem Handelsgeschäft und die performanceabhängigen Erträge belastet;
- Die Vermögenswerte, die UBS besitzt und als Anlagen oder Handelspositionen hält, könnten von Wertminderungen betroffen sein;
- Die Wertminderungen und Ausfälle bei Kreditengagements sowie bei Handelspositionen und Anlagen könnten zunehmen, und diese Verluste könnten durch den sinkenden Wert von Sicherheiten zusätzlich steigen;
- Wenn einzelne Länder die grenzüberschreitenden Zahlungen einschränken oder sonstige Devisen- oder Kapitalverkehrskontrollen auferlegen oder ihre Währung ändern (beispielsweise bei einem Austritt einer oder mehrerer Länder der Eurozone), könnte UBS Verluste aus Ausfällen von Gegenparteien erleiden, keinen Zugang zu ihren eigenen Vermögenswerten haben oder in der Risikobewirtschaftung behindert beziehungsweise davon abgehalten werden.

Da UBS wesentliche Engagements gegenüber anderen großen Finanzinstituten hat, könnte der Ausfall eines oder mehrerer solcher Institute sich stark auf UBS auswirken.

Die oben genannten Entwicklungen könnten die Ergebnisse der Geschäftseinheiten der UBS und von UBS insgesamt und letztlich auch die Finanzlage der UBS stark belasten. Damit einher geht auch das Risiko, dass der Buchwert des Goodwills einer Unternehmenseinheit berichtigt und das Niveau der latenten Steueransprüche allenfalls angepasst werden müsste.

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

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

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

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



### **Aufgrund der globalen Präsenz der UBS unterliegt UBS Risiken, die sich aus Währungsschwankungen ergeben**

Die Erstellung der konsolidierten Jahresrechnung der UBS erfolgt in Schweizer Franken. Ein bedeutender Teil der Aktiven und Passiven, verwalteten Vermögen, Erträge und Aufwendungen der UBS lautet jedoch auf andere Währungen, vornehmlich auf US-Dollar, Euro und britische Pfund. Daher können sich Wechselkursschwankungen auf den ausgewiesenen Ertrag und Aufwand und die sonstigen ausgewiesenen Zahlen wie die verwalteten Vermögen, die Bilanzsumme, die RWA und das BIZ-Kernkapital auswirken. Dies gilt insbesondere für den Wechselkurs zwischen dem Schweizer Franken und dem US-Dollar, denn die US-Dollar-Erträge machen den wesentlichen Teil der nicht in Schweizer Franken erwirtschafteten Erträge der UBS aus. Im ersten Halbjahr 2011 beispielsweise hatte die Aufwertung des Schweizer Frankens, vor allem gegenüber dem US-Dollar und dem Euro, negative Auswirkungen auf die Erträge der UBS und die verwalteten Vermögen. Da die Wechselkurse laufend und manchmal aus völlig unvorhersehbaren Gründen schwanken, unterliegen die Ergebnisse der UBS den Risiken, die sich aus den Veränderungen des relativen Werts dieser Währungen ergeben.

### **UBS ist auf ihre Risikomanagement- und -kontrollprozesse angewiesen, um mögliche Verluste bei ihren Handelsgeschäften sowie Kreditgeschäften mit Gegenparteien zu verhindern oder zu begrenzen**

Die Übernahme kontrollierter Risiken bildet einen wesentlichen Teil des Finanzdienstleistungsgeschäfts. Kredite sind ein integrierender Bestandteil einer Vielzahl der Geschäfte der UBS mit Retail- und Wealth-Management-Kunden sowie der Aktivitäten der Investment Bank. Darunter fallen Kredit-, Emissions- sowie Derivatgeschäfte und -positionen. Veränderungen bei Zinssätzen, Kreditspreads, Aktienkursen, Liquidität und Wechselkursen sowie andere Marktentwicklungen können sich negativ auf die Erträge der UBS auswirken. Bestimmte Verluste aus Aktivitäten, die mit Risiken verbunden sind, lassen sich nicht vermeiden. Für den langfristigen Erfolg muss UBS jedoch die eingegangenen Risiken gegenüber den erzielten Renditen abwägen. Dazu muss UBS ihre Risiken sorgfältig ermitteln, beurteilen, bewirtschaften und überwachen – nicht nur in Bezug auf normale, sondern auch in Bezug auf extremere Marktbedingungen. In solchen Stresssituationen können Risikokonzentrationen zu massiven Verlusten führen.

Wie die Finanzkrise 2007–2009 gezeigt hat, ist UBS nicht immer in der Lage, Verluste infolge heftiger oder unvermittelter Marktereignisse abzuwenden, die von den Maßnahmen und Systemen zur Risikokontrolle der UBS nicht abgedeckt werden. Der Value-at-Risk, eine statistische Messgröße für das Marktrisiko, wird aus historischen Marktdaten hergeleitet, weshalb er per Definition die in der Finanzkrise unter Stressbedingungen erlittenen Verluste nicht antizipieren konnte. Hinzu kam, dass sich die Stressverlust- und Konzentrationskontrollen sowie das Maß, in dem UBS zur Ermittlung potenziell stark korrelierender Engagements Risiken bündelt, als unzureichend herausstellten. Trotz der Maßnahmen, die UBS zur Stärkung des Risikomanagements und der Risikokontrollen unternommen hat, könnte UBS in der Zukunft weitere Verluste erleiden, zum Beispiel wenn:

- es nicht gelingt, die Risiken im Portfolio der Bank, namentlich Risikokonzentrationen und korrelierende Risiken, vollständig zu ermitteln;
- sich die Beurteilung der ermittelten Risiken durch UBS oder die Reaktion von UBS auf negative Trends als unangemessen oder falsch erweist;
- sich auf den Märkten Entwicklungen ergeben, deren Geschwindigkeit, Richtung, Ausmaß oder Korrelation UBS nicht erwartet hat, weshalb die Fähigkeit der UBS zur Risikobewirtschaftung im resultierenden Umfeld betroffen ist;
- Dritte, mit denen UBS ein Kreditengagement eingegangen sind oder deren Wertschriften UBS auf eigene Rechnung hält, durch von unseren Modellen nicht antizipierte Ereignisse schweren Schaden nehmen und UBS folglich unter Ausfällen und Wertminderungen leidet, die das in die Risikobeurteilung der UBS erwartete Niveau übersteigen;
- sich die Pfänder und andere Sicherheiten der Gegenparteien der UBS zum Zeitpunkt des Ausfalls für die Deckung ihrer Verpflichtungen als ungenügend erweisen.

Im Wealth-Management- und Asset-Management-Geschäft der UBS bewirtschaftet UBS zudem Risiken im Namen ihrer Kunden. Die Performance der UBS bei diesen Aktivitäten könnte durch die gleichen Faktoren in Mitleidenschaft gezogen werden. Wenn Kunden Verluste erleiden oder die Performance ihrer bei UBS platzierten Vermögenswerte nicht an jene Benchmarks heranreicht, an denen sich die Kunden orientieren, kann

dies zu niedrigeren Gebührenerträgen und rückläufigen verwalteten Vermögen oder zur Auflösung von Mandaten führen.

Sollte sich UBS entscheiden, einen Fonds oder ein anderes Investment im Rahmen des Asset-Management- und Wealth-Management-Geschäfts der UBS zu unterstützen (wie den Immobilienfonds, in dem Wealth Management & Swiss Bank engagiert ist), könnte dies unter Umständen Kosten in erheblicher Höhe nach sich ziehen.

Anlagepositionen – zum Beispiel Beteiligungen im Rahmen strategischer Initiativen und Seed-Investitionen bei der Gründung von Fonds, die durch UBS verwaltet werden – können ebenfalls von Marktrisikofaktoren beeinflusst werden. Diese Arten von Anlagen sind oft nicht liquide, und es ist im Allgemeinen beabsichtigt beziehungsweise notwendig, sie über einen längeren Zeithorizont zu halten als für Handelszwecke üblich. Sie unterliegen einem speziellen Kontrollrahmen. Eine Abnahme des Fair Value solcher Positionen würde sich negativ auf die Erträge der UBS auswirken.

### **Bewertungen bestimmter Vermögenswerte hängen von Modellen ab, die naturgemäß ihre Grenzen haben und die unter Umständen Daten aus nicht beobachtbaren Quellen anwenden**

Nach Möglichkeit weist UBS ihre für den Handel gehaltenen Vermögenswerte zu einem Wert aus, der den gestellten Preisen in einem aktiven Markt entspricht. Solche Preisinformationen sind für gewisse Instrumente unter Umständen nicht verfügbar, weshalb UBS zur Bewertung solcher Instrumente Bewertungsmethoden einsetzt. Diese Bewertungsmethoden beruhen, falls vorhanden, auf beobachtbaren Marktfaktoren, die von ähnlichen Vermögenswerten in ähnlichen aktiven Märkten, von aktuellen Transaktionspreisen für vergleichbare Vermögenswerte oder von anderen beobachtbaren Marktdaten abgeleitet werden. Bei Positionen, für die keine beobachtbaren beziehungsweise nur begrenzt beobachtbare Inputs zur Verfügung stehen, die für die Bewertungstechniken notwendig sind, verwendet UBS Bewertungsmodelle mit nicht beobachtbaren Marktdaten. Für derlei Bewertungsmodelle existiert kein einheitlicher Marktstandard. Solche Modelle haben naturgemäß ihre Grenzen; unterschiedliche Annahmen und Daten führen zu unterschiedlichen Ergebnissen. Solche Unterschiede könnten wiederum das Finanzergebnis von UBS maßgeblich beeinflussen. UBS überprüft und aktualisiert ihre Bewertungsmodelle regelmäßig, um sämtliche Faktoren einzubeziehen, welche die Marktteilnehmer bei der Preisbildung berücksichtigen. Diese umfassen auch die aktuellen Marktverhältnisse. Ermessen ist ein wichtiger Faktor in diesem Prozess. Veränderungen der Inputdaten bzw. der Modelle selbst oder das Ausbleiben der erforderlichen Anpassungen an sich wandelnde Marktbedingungen könnten das Finanzergebnis von UBS erheblich belasten.

### **UBS ist weiteren möglichen Abflüssen von Kundenvermögen in den Wealth-Management- und Asset-Management-Geschäften von UBS ausgesetzt**

2008 und 2009 verzeichnete UBS erhebliche Nettoabflüsse von Kundengeldern in den Wealth-Management- und Asset-Management-Geschäften von UBS. Diese Nettoabflüsse waren auf verschiedene Faktoren zurückzuführen, darunter die erheblichen Verluste von UBS, der Reputationsschaden, der Weggang von Kundenberatern, die Schwierigkeit, qualifizierte Kundenberater anzuwerben, und die das grenzüberschreitende Private-Banking-Geschäft von UBS betreffenden Entwicklungen. Viele dieser Probleme konnte UBS beheben, wie der Nettoneugeldzufluss von UBS für das Gesamtjahr 2011 beweist, andere dagegen, wie zum Beispiel die langfristigen Veränderungen in dem grenzüberschreitenden Private-Banking-Geschäft von UBS, werden den Zu- und Abfluss von Kundengeldern noch eine ganze Weile beeinflussen. Sollte es erneut zu einem signifikanten Nettoabfluss von Kundengeldern kommen, könnte dies das Wealth-Management- und Asset-Management-Geschäft von UBS beeinträchtigen.

### **Liquiditätsbewirtschaftung und Finanzierung sind für die laufende Performance von UBS von größter Bedeutung**

Die Umsetzung des Geschäftsmodells von UBS hängt von der Verfügbarkeit von Finanzierungsquellen ab. Sein Erfolg hängt von der Fähigkeit von UBS ab, sich Finanzmittel zu Zeiten, in der Höhe, für die Dauer und zu Zinssätzen zu beschaffen, die es UBS ermöglicht, ihre Vermögensbasis unter jeglichen Marktbedingungen effizient aufrechtzuerhalten. UBS deckt einen wesentlichen Teil ihres Liquiditäts- und Finanzierungsbedarfs über kurzfristige unbesicherte Finanzierungsquellen, unter anderem über Großeinlagen und Kundendepositengelder sowie über die regelmäßige Emission von Geldmarktpapieren. Das Volumen der Finanzierungsquellen von UBS ist generell stabil, könnte sich jedoch in Zukunft unter anderem aufgrund allgemeiner Marktstörungen ändern, welche auch die Finanzierungskosten beeinflussen würden. Solche Änderungen bei der Verfügbarkeit kurzfristiger Finanzierungen können rasch eintreten.

Die Herabstufung der Kreditratings von UBS kann die Finanzierungskosten, insbesondere jene für unbesicherte Mittel an den Wholesale-Märkten, in die Höhe treiben und die Verfügbarkeit bestimmter Finanzierungsarten beeinträchtigen. Daneben können die Ratingherabstufungen – wie in den letzten Jahren geschehen – die

Hinterlegung zusätzlicher Sicherheiten oder die Leistung zusätzlicher Zahlungen im Rahmen von Master Trading Agreements für die Derivatgeschäfte von UBS erforderlich machen. Zusammen mit unserer Kapitalstärke und Reputation tragen die Kreditratings von UBS dazu bei, das Vertrauen der Kunden und Gegenparteien von UBS aufrechtzuerhalten. Es ist möglich, dass Ratingänderungen die Performance einiger der Geschäfte von UBS beeinflussen könnten.

Die strengeren Kapital- und Liquiditätsanforderungen gemäß Basel III dürften auch zu mehr Wettbewerb um besicherte Finanzierungsquellen und Einlagen als stabiler Finanzierungsquelle sowie zu höheren Finanzierungskosten führen.

#### **Operationelle Risiken können das Geschäft von UBS beeinträchtigen**

Die Geschäftseinheiten von UBS müssen in der Lage sein, eine große Anzahl komplexer Transaktionen an mehreren und unterschiedlichen Märkten in verschiedenen Währungen und unter Einhaltung der unterschiedlichen gesetzlichen und regulatorischen Bestimmungen, die für UBS gelten, abzuwickeln und verbotene, fiktive oder betrügerische Transaktionen zu verhindern oder rasch aufzudecken und zu unterbinden. Die Systeme und Prozesse von UBS zur Bewirtschaftung und Überwachung des operationellen Risikos sollen gewährleisten, dass die mit der Geschäftstätigkeit von UBS verbundenen Risiken angemessen überwacht werden. Dazu zählen Risiken aus Prozessfehlern, unterlassener Ausführung, Betrug, unbewilligtem Handel, Systemausfällen, Cyber-Attacken und Versagen des Sicherheits- oder Schutzdispositivs. Wenn dieses interne Kontrollsystem versagt oder UBS nicht in der Lage ist, solche Risiken zu erkennen und zu kontrollieren, kann es zu Betriebsstörungen kommen, die erhebliche Verluste nach sich ziehen können, wie der Verlust aufgrund des im September 2011 bekannt gegebenen Vorfalls mit den unautorisierten Handelsgeschäften.

Schwächen und Fehler in gewissen Bereichen der operationellen Risikokontrolle könnten die Fähigkeit von UBS beeinträchtigen, korrekte Finanzberichte aufzubereiten und zeitgerecht zu veröffentlichen. UBS hat nach dem Vorfall der unautorisierten Handelsgeschäfte im September 2011 Kontrollmängel identifiziert. Dabei hat das Management eine wesentliche Schwäche in dem internen Kontrollsystem von UBS für die Finanzberichterstattung per Ende 2010 und 2011 festgestellt, auch wenn dadurch die Verlässlichkeit der ausgewiesenen Zahlen in keinem der beiden Jahre beeinträchtigt war.

#### **Aus der Geschäftstätigkeit von UBS können Rechtsansprüche und regulatorische Risiken erwachsen**

Aufgrund der Art der Geschäftstätigkeit von UBS untersteht UBS der Aufsicht der entsprechenden Behörden und unterliegt einem Haftungsrisiko. UBS ist in verschiedene Klagen, Rechtsstreitigkeiten sowie rechtliche Verfahren und staatliche Ermittlungen in Ländern involviert, in denen UBS tätig ist. Dadurch kann UBS großen finanziellen Schäden und Prozesskosten, Unterlassungsansprüchen, straf- und zivilrechtlichen Maßnahmen sowie regulatorischen Einschränkungen der Geschäftstätigkeit von UBS ausgesetzt sein. Die Folgen sind nicht vorhersehbar und könnten die künftigen Geschäfts- und Finanzergebnisse negativ beeinflussen. UBS ist weiterhin mit staatlichen Anfragen und Untersuchungen konfrontiert sowie in eine Reihe von Rechtsstreitigkeiten und Auseinandersetzungen involviert, die in vielen Fällen auf die Finanzkrise 2007–2009 zurückgehen. Der im September 2011 bekannt gegebene Vorfall mit den unautorisierten Handelsgeschäften führte zu einer gemeinsamen Untersuchung der FINMA und der britischen Financial Services Authority und zu separaten Enforcement-Verfahren durch die beiden Aufsichtsbehörden. Darüber hinaus kommen möglicherweise Schadenersatzforderungen in erheblichem Umfang im Zusammenhang mit dem Verkauf von RMBS- und Hypothekendarlehen in den USA, dem Madoff-Anlagebetrug, den Lehman Principal Protection Notes, den Eingaben für den LIBOR und anderen Vorfällen auf UBS zu.

UBS befindet sich aktiv im Dialog mit ihren Aufsichtsbehörden bezüglich der Maßnahmen, die UBS zur Verbesserung ihrer Risikobewirtschaftung und -kontrolle sowie ihrer Prozesse und Systeme ergreift. Seit den von UBS 2007 und 2008 erlittenen Verlusten wird UBS von der Bankenaufsicht sehr genau beobachtet. Bestimmte Maßnahmen, denen UBS unterzogen wurde, schränkt ihre strategische Flexibilität ein. UBS ist zwar davon überzeugt, dass sie die Mängel, die in der jüngsten Finanzkrise zu den beträchtlichen Verlusten geführt hatten, weitgehend beseitigen konnte, doch hat der im September 2011 bekannt gegebene Vorfall mit den unautorisierten Handelsgeschäften verschiedene Defizite zutage gebracht, die UBS ebenfalls dringend beheben muss. Der Vorfall hat UBS mit weiteren Herausforderungen und potenziellen Hindernissen bei der Umsetzung ihrer Geschäftsstrategie konfrontiert, da UBS einmal mehr bestrebt sein muss, ihre operationelle Risikokontrolle zu verbessern und deren Wirksamkeit gegenüber den Aufsichtsbehörden unter Beweis zu stellen. Trotz der Korrekturmaßnahmen, die UBS bereits umgesetzt hat oder die UBS gerade umsetzt, sind die Folgen der aktuellen Überprüfung dieses Vorfalls durch die Aufsichtsbehörden und der damit zusammenhängenden Enforcement-Verfahren nicht absehbar.

#### **UBS könnte beim Aufspüren und Nutzen von Ertrags- oder Wettbewerbschancen oder bei der Gewinnung und Bindung qualifizierter Mitarbeiter scheitern**

Die Finanzdienstleistungsbranche ist geprägt von intensivem Wettbewerb, ständiger Innovation, starker – und manchmal fragmentierter – Regulierung sowie anhaltender Konsolidierung. UBS ist in den lokalen Märkten und einzelnen Geschäftssparten dem Wettbewerb ausgesetzt und konkurriert mit globalen Finanzinstituten, die in Bezug auf Größe und Angebot mit UBS vergleichbar sind. Die Eintrittsbarrieren einzelner Märkte werden durch neue Technologien überwunden. UBS rechnet mit einer Fortsetzung dieser Trends und einem zunehmenden Konkurrenzdruck.

Die Wettbewerbsstärke von UBS und ihre Marktposition könnte schwinden, wenn UBS Markttrends und -entwicklungen nicht erkennen kann, darauf nicht mit der Erarbeitung und Umsetzung angemessener Geschäftsstrategien reagiert oder wenn es UBS nicht gelingt, hierfür qualifizierte Mitarbeiter zu rekrutieren und im Unternehmen zu halten.

Umfang und Struktur der Mitarbeitervergütung von UBS werden nicht nur durch die Geschäftsergebnisse von UBS, sondern auch durch Wettbewerbsfaktoren und regulatorische Erwägungen beeinflusst. Beschränkungen hinsichtlich der Höhe der Mitarbeitervergütung, ein höherer Anteil an aufgeschobenen Zuteilungen und Verfallsklauseln («Claw backs») sowie strengere Leistungskriterien können unter Umständen die Fähigkeit von UBS beeinträchtigen, Mitarbeiter für Schlüsselpositionen zu gewinnen und an das Unternehmen zu binden, was sich wiederum negativ auf die Geschäftsperformance von UBS auswirken könnte. Seit 2009 war der Anteil der variablen Vergütung, die in Form von aufgeschobenen Aktienzuteilungen erfolgte, deutlich höher als in der Vergangenheit. Obwohl die Konkurrenten von UBS im Laufe der Zeit den Prozentsatz der aufgeschobenen Vergütung ebenfalls erhöht haben, lässt es sich weiter nicht ausschließen, dass Mitarbeiter in Schlüsselpositionen von Konkurrenten abgeworben werden oder sich entscheiden, UBS zu verlassen, oder dass UBS bei der Gewinnung qualifizierter Mitarbeiter nicht so erfolgreich ist wie unsere Konkurrenz. Die Änderungen der aufsichtsrechtlichen Anforderungen und der Druck seitens der Regulierungsbehörden und anderer Anspruchsgruppen betreffen zwar neben UBS auch andere internationale Großbanken, doch variieren die Beschränkungen und Auflagen von Land zu Land. Daraus können einigen der Konkurrenten von UBS Wettbewerbsvorteile erwachsen.

#### **Die Finanzergebnisse von UBS könnten durch geänderte Rechnungslegungsstandards beeinträchtigt werden**

UBS ist verpflichtet, ihre Ergebnisse und Finanzpositionen in Übereinstimmung mit den International Financial Reporting Standards („IFRS“) auszuweisen, wie sie vom International Accounting Standards Board herausgegeben werden. IFRS-Veränderungen können dazu führen, dass die ausgewiesenen Ergebnisse und Finanzpositionen von UBS in Zukunft von den erwarteten Zahlen abweichen. Solche Veränderungen können sich auf das regulatorische Kapital von UBS und die entsprechenden Kapitalquoten auswirken. Wenn Veränderungen in der Rechnungslegung definitiv feststehen, prüft UBS die potenziellen Auswirkungen und legt bedeutende künftige Veränderungen in der Konzernrechnung offen. Zurzeit existiert eine Anzahl finalisierter oder geplanter Veränderungen in der Rechnungslegung, von denen UBS annimmt, dass sie das ausgewiesene Ergebnis, die Finanzpositionen und das regulatorische Kapital von UBS in Zukunft beeinflussen werden.

#### **Die Finanzergebnisse von UBS könnten durch geänderte Annahmen bezüglich des Werts des Goodwills von UBS beeinträchtigt werden**

Der von UBS in der Bilanz ausgewiesene Goodwill wird mindestens einmal pro Jahr auf Wertminderungen untersucht. Der Wertminderungstest von UBS in Bezug auf das per 31. Dezember 2011 ausgewiesene Vermögen zeigte, dass keine Wertminderung des Goodwills von UBS notwendig ist. Der Wertminderungstest beruht auf Annahmen in Bezug auf die prognostizierten Gewinne, Diskontierungssätze und die langfristigen Wachstumsraten, die sich auf die erzielbaren Erträge in jedem Segment auswirken, und auf Schätzungen der Buchwerte der Segmente, auf die sich der Goodwill bezieht. Weichen die prognostizierten Gewinne und andere Annahmen in den künftigen Perioden von den aktuellen Aussichten ab, könnte eine Wertminderung des Goodwills von UBS notwendig werden. Dies würde sich mit einem Verlust in der Erfolgsrechnung niederschlagen.

#### **UBS ist Risiken ausgesetzt, die sich daraus ergeben, dass das globale Geschäft von UBS unterschiedlichen regulatorischen, gesetzlichen und steuerlichen Bestimmungen unterliegt**

UBS ist in über 50 Ländern tätig, erwirtschaftet Erträge, verfügt über Aktiven und Passiven in vielen verschiedenen Währungen und muss zahlreiche unterschiedliche gesetzliche, steuerliche und regulatorische Vorschriften befolgen. Die Fähigkeit von UBS zur Umsetzung ihrer globalen Strategie hängt von der Zustimmung lokaler Aufsichtsbehörden ab. Dies beinhaltet die Genehmigung von Akquisitionen oder anderen Transaktionen sowie die Erteilung der notwendigen Lizenzen, um lokal tätig werden zu können. Veränderungen der lokalen Gesetzes- oder regulatorischen Bestimmungen und ihre Durchsetzung können zur Folge haben, dass Kunden ihre Geschäfte nicht mehr mit UBS abwickeln können oder wollen. Außerdem können sie die Umsetzung der Strategien und des Geschäftsmodells von UBS in Frage stellen.

### **Die Steuerauswirkungen auf das Finanzergebnis von UBS werden erheblich durch Änderungen in den latenten Steueransprüchen von UBS und die endgültige Festsetzung in Steuerprüfungen beeinflusst**

Die latenten Steueransprüche in Bezug auf Steuerverluste der Vorjahre, die UBS in ihrer Bilanz per 31. Dezember 2011 berücksichtigt hat, basieren auf Profitabilitätsannahmen über einen Fünf-Jahres-Horizont. Falls die Gewinne und Annahmen gemäß Businessplan in den künftigen Perioden erheblich von den aktuellen Aussichten abweichen, müssen die latenten Steueransprüche allenfalls in der Zukunft erfolgswirksam angepasst werden. Dies könnte Abschreibungen von latenten Steueransprüchen durch die Erfolgsrechnung beinhalten, falls die tatsächlichen Ergebnisse erheblich schlechter als die im Businessplan vorhergesagten sind und / oder wenn die künftigen Businessplan-Vorhersagen erheblich nach unten revidiert werden.

Der effektive Steuersatz von UBS hängt in den nächsten Jahren erheblich von der Finanzperformance von UBS und von der Prognoseentwicklung in den neuen Businessplänen ab. Derzeit könnten in Großbritannien und insbesondere in den USA nicht berücksichtigte latente Steueransprüche verbucht werden, wenn die tatsächliche und die prognostizierte Performance in diesen Ländern sich als so gut erweist, dass sie eine weitere Berücksichtigung von latenten Steueransprüchen nach dem geltenden Rechnungslegungsstandard rechtfertigt. Die Ergebnisse von UBS früherer Berichtsperioden haben gezeigt, dass Änderungen bei der Berücksichtigung von latenten Steueransprüchen einen sehr wesentlichen Einfluss auf das gemeldete Ergebnis haben können. Falls der Konzern beispielsweise in Großbritannien und insbesondere in den USA ein gutes Resultat erzielen würde, könnte erwartet werden, dass UBS in den USA und / oder in Großbritannien in den kommenden Jahren zusätzliche latente Steueransprüche geltend machen wird.

Dadurch würde der effektive Steuersatz für den Konzern in den Jahren, in denen Steueransprüche geltend gemacht werden, deutlich sinken. Könnte UBS aber infolge ihrer Performance in den genannten Ländern keine zusätzlichen latenten Steueransprüche berücksichtigen, wobei jedoch das aktuelle Niveau der latenten Steueransprüche aufrechterhalten werden könnte, dürfte der effektive Steuersatz für den Konzern im Bereich von 20–25 % liegen (obwohl der Steuersatz bei beträchtlichen Anpassungen zwischen Handels- und Steuerbilanz variieren kann, was sich in der Regel hauptsächlich auf die steuerbaren Gewinne in der Schweiz auswirkt, beispielsweise Gewinne / Verluste aus der Bewertung des eigenen Kreditrisikos).

Der effektive Steuersatz von UBS reagiert zudem sensibel auf künftige Steuersatzsenkungen, insbesondere in den USA und in der Schweiz. Dies könnte dazu führen, dass eine verringerte reduzierte Steuereinsparung aufgrund dieser Gesetzesänderungen eine Abschreibung der latenten Steueransprüche zur Folge hätte.

Zudem nimmt UBS in ihrer Konzernrechnung Steuerrückstellungen vor, aber wie sich die Ertragssteuern endgültig auswirken, steht oft erst nach Abschluss von Steuerprüfungen (die unter Umständen Jahre andauern können) oder aber nach Ablauf von Verjährungsfristen fest. Zudem können Änderungen in den jeweiligen Steuergesetzgebungen, der rechtlichen Interpretation von Steuervorschriften oder Änderungen in der Praxis von Steuerbehörden erhebliche Auswirkungen auf die von UBS zu bezahlenden Steuern haben. Der von UBS letztendlich zu bezahlende Steuerbetrag kann deshalb stark vom zurückgestellten Betrag abweichen.

2011 führte die britische Regierung eine Bankenabgabe ein, die auf der Bilanz basiert und von Banken entrichtet werden muss, die in Großbritannien operativ tätig und / oder domiziliert sind. Im Geschäftsaufwand wurde dafür im vierten Quartal 2011 für das gesamte Jahr 2011 ein Aufwand von 109 Millionen Franken verbucht (innerhalb des Vorsteuergewinns). Im November 2011 gab die britische Regierung für das Jahr bekannt, den Satz für die Bankenabgabe ab 1. Januar 2012 um 17% erhöhen zu wollen. Der künftige Konzernaufwand für die Bankenabgabe in den kommenden Jahren wird abhängig sein vom Prozentsatz der Abgabe und der steuerpflichtigen Verpflichtungen des Konzerns in Großbritannien per Jahresende; Veränderungen eines dieser Faktoren könnten zu höheren Kosten führen. Trotz der noch bestehenden Unsicherheit geht UBS davon aus, dass die jährliche Bankenabgabe für IFRS-Zwecke weiterhin als einmaliger Aufwand im letzten Quartal des jeweiligen Geschäftsjahrs behandelt werden wird, ohne entsprechende Rückstellungen während des Jahres, da die Bilanzposition per Jahresende als Referenzgröße für die Belastung der Abgabe gilt.

### **Potenzielle Interessenkonflikte**

Die Emittentin und mit ihr verbundene Unternehmen können sich von Zeit zu Zeit für eigene Rechnung oder für Rechnung eines Kunden an Transaktionen beteiligen, die mit den Wertpapieren in Verbindung stehen. Diese Transaktionen sind möglicherweise nicht zum Nutzen der Wertpapiergläubiger und können positive oder negative Auswirkungen auf den Wert des Basiswerts [bzw. der Indexbestandteile] und damit auf den Wert der Wertpapiere haben. Mit der Emittentin verbundene Unternehmen können außerdem Gegenparteien bei Deckungsgeschäften bezüglich der Verpflichtungen der Emittentin aus den Wertpapieren werden. Daher

können hinsichtlich der Pflichten bei der Ermittlung der Kurse der Wertpapiere und anderen damit verbundenen Feststellungen sowohl unter den mit der Emittentin verbundenen Unternehmen als auch zwischen diesen Unternehmen und den Anlegern Interessenkonflikte auftreten. Zudem können die Emittentin und mit ihr verbundene Unternehmen gegebenenfalls in Bezug auf die Wertpapiere zusätzlich eine andere Funktion ausüben, zum Beispiel als Berechnungsstelle, Zahl- und Verwaltungsstelle und/oder als Index Sponsor.

Die Emittentin und mit ihr verbundene Unternehmen können darüber hinaus weitere derivative Instrumente in Verbindung mit dem Basiswert [bzw. den Indexbestandteilen] ausgeben; die Einführung solcher miteinander im Wettbewerb stehenden Produkte kann sich auf den Wert der Wertpapiere auswirken. Die Emittentin und mit ihr verbundene Unternehmen können nicht-öffentliche Informationen in Bezug auf den Basiswert [bzw. die Indexbestandteile] erhalten, und weder die Emittentin noch eines der mit ihr verbundenen Unternehmen verpflichtet sich, solche Informationen an einen Wertpapiergläubiger zu veröffentlichen. Zudem kann ein oder können mehrere mit der Emittentin verbundene(s) Unternehmen Research-Berichte in Bezug auf den Basiswert [bzw. die Indexbestandteile] publizieren. Tätigkeiten der genannten Art können bestimmte Interessenkonflikte mit sich bringen und sich nachteilig auf den Wert der Wertpapiere auswirken.

Im Zusammenhang mit dem Angebot und Verkauf der Wertpapiere kann die Emittentin oder ein mit ihr verbundenes Unternehmen, direkt oder indirekt, Gebühren in unterschiedlicher Höhe an Dritte, zum Beispiel Vertriebspartner oder Anlageberater, zahlen oder Gebühren in unterschiedlichen Höhen einschließlich solcher im Zusammenhang mit dem Vertrieb der Wertpapiere von Dritten erhalten. Potenzielle Erwerber sollten sich bewusst sein, dass die Emittentin die Gebühren teilweise oder vollständig einbehalten kann. Über die Höhe dieser Gebühren [erteilt] [die Emittentin] [bzw.] [die UBS Limited in ihrer Eigenschaft als sog. Federführerin (*Lead Manager*) (die "**Federführerin**") auf Anfrage Auskunft.

## II. Wertpapierspezifische Risikohinweise

Eine Anlage in die Wertpapiere unterliegt bestimmten Risiken. Diese Risiken können unter anderem aus Risiken aus dem Aktienmarkt, Rohstoffmarkt, Rentenmarkt, Devisenmarkt, Zinssätzen, Marktvolatilität, wirtschaftlichen und politischen Risikofaktoren bestehen, sowohl einzeln als auch als Kombination dieser und anderer Risikofaktoren. Die wesentlichen Risikofaktoren werden nachstehend dargestellt. Potenzielle Erwerber sollten Erfahrung im Hinblick auf Geschäfte mit Instrumenten wie den Wertpapieren und dem Basiswert [bzw. den Indexbestandteilen] haben. **Potenzielle Erwerber sollten die Risiken, die mit der Anlage in die Wertpapiere verbunden sind, verstehen und vor einer Anlageentscheidung zusammen mit ihren Rechts-, Steuer-, Finanz- und sonstigen Beratern folgende Punkte eingehend prüfen: (i) Die Eignung einer Anlage in die Wertpapiere in Anbetracht ihrer eigenen besonderen Finanz-, Steuer- und sonstigen Situation, (ii) die Angaben in diesem Prospekt und (iii) dem Basiswert [bzw. den Indexbestandteilen].** Eine Anlage in die Wertpapiere sollte erst nach einer Abschätzung des Verlaufs, des Eintritts und der Tragweite potenzieller künftiger Wertentwicklungen des Werts des Basiswerts [bzw. der Indexbestandteile] erfolgen, da der Wert der Wertpapiere bzw. die Höhe des nach den Zertifikatsbedingungen gegebenenfalls zu zahlenden Geldbetrags unter anderem von Schwankungen der vorgenannten Art abhängt. Da mehrere Risikofaktoren den Wert der Wertpapiere gleichzeitig beeinflussen können, lässt sich die Auswirkung eines einzelnen Risikofaktors nicht voraussagen. Zudem können mehrere Risikofaktoren auf bestimmte Art und Weise zusammenwirken, so dass sich deren gemeinsame Auswirkung auf die Wertpapiere ebenfalls nicht voraussagen lässt. Über die Auswirkungen einer Kombination von Risikofaktoren auf den Wert der Wertpapiere lassen sich keine verbindlichen Aussagen treffen.

Potenzielle Erwerber sollten sich darüber im Klaren sein, dass es sich bei Wertpapieren um eine **Risikoanlage** handelt, die mit der Möglichkeit von **Totalverlusten** hinsichtlich des eingesetzten Kapitals verbunden ist. Potenzielle Erwerber müssen deshalb bereit und in der Lage sein, Verluste des eingesetzten Kapitals bis hin zum Totalverlust hinzunehmen. In jedem Falle sollten Erwerber der Wertpapiere ihre jeweiligen wirtschaftlichen Verhältnisse daraufhin überprüfen, ob sie in der Lage sind, die mit dem Wertpapier verbundenen **Verlustrisiken** zu tragen.

[Die Wertpapiere verbriefen weder einen Anspruch auf Festzins oder zinsvariable Zahlungen noch auf Dividendenzahlung und werfen **keinen laufenden Ertrag** ab. Mögliche Wertverluste des Wertpapiers können daher nicht durch andere Erträge des Wertpapiers kompensiert werden.]

**Potenzielle Erwerber werden ausdrücklich aufgefordert, sich mit dem besonderen Risikoprofil des in diesem Prospekt beschriebenen Produkttyps vertraut zu machen und gegebenenfalls fachkundigen Rat in Anspruch zu nehmen.**

## 1. **Spezielle Risiken im Zusammenhang mit Besonderheiten der Wertpapierstruktur**

Potenzielle Erwerber der Wertpapiere müssen vor einer Investition in die Wertpapiere beachten, dass die folgenden Besonderheiten der Wertpapiere nachteilige Auswirkungen auf den Wert der Wertpapiere bzw. die Höhe des nach den Zertifikatsbedingungen gegebenenfalls zu zahlenden Geldbetrags haben können und dementsprechend besondere Risikoprofile aufweisen.

### **Keine festgelegte Laufzeit der Wertpapiere**

Die Wertpapiere haben - im Gegensatz zu Wertpapieren mit einer festen Laufzeit - keinen festgelegten Verfalltag und dementsprechend keine festgelegte Laufzeit. Das in den Wertpapieren verbriefte Zertifikatsrecht der Wertpapiergläubiger muss dementsprechend durch den jeweiligen Wertpapiergläubiger in Übereinstimmung mit dem in den Bedingungen der Wertpapiere festgelegten Ausübungsverfahren zu einem bestimmten Ausübungstag ausgeübt werden, um das Zertifikatsrecht geltend zu machen. Wenn die Ausübungserklärung nicht fristgerecht zu diesem Ausübungstermin vorliegt, kann eine erneute Ausübung erst wieder zu dem nächsten in den Bedingungen der Wertpapiere vorgesehenen Termin erfolgen.

*[im Fall eines Bezugsverhältnisses findet der folgende Absatz Anwendung:*

### **Umfang der Teilnahme an der Entwicklung des Basiswerts**

Die Verwendung des Bezugsverhältnisses innerhalb der Bestimmung des Zertifikatsrechts führt dazu, dass die Wertpapiere zwar wirtschaftlich einer Direktinvestition in den Basiswert [bzw. die Indexbestandteile] ähnlich sind, mit einer solchen jedoch insbesondere deshalb nicht vollständig vergleichbar sind, weil die Wertpapiergläubiger an der entsprechenden Wertentwicklung nicht im Verhältnis 1:1 partizipieren, sondern in dem Verhältnis des Bezugsverhältnisses teilnehmen.]

*[im Fall eines Währungswechselkursrisikos findet der folgende Absatz Anwendung:*

### **Währungswechselkursrisiko**

[Der durch die Wertpapiere verbriefte Anspruch der Wertpapiergläubiger wird mit Bezug auf eine von der Auszahlungswährung abweichenden Währung, Währungseinheit bzw. Rechnungseinheit berechnet] [.] [und auch der Wert] [[Der Wert] des Basiswerts [bzw. der Indexbestandteile] wird in einer von der Auszahlungswährung abweichenden Währung, Währungseinheit oder Rechnungseinheit bestimmt,] weshalb sich potenzielle Erwerber der Wertpapiere darüber im Klaren sein sollten, dass mit der Anlage in die Wertpapiere Risiken aufgrund von schwankenden Währungswechselkursen verbunden sein können und dass das Verlustrisiko nicht allein von der Entwicklung des Werts des Basiswerts [bzw. der Indexbestandteile], sondern auch von ungünstigen Entwicklungen des Werts der fremden Währung, Währungseinheit bzw. Rechnungseinheit abhängt.

Derartige Entwicklungen können das Verlustrisiko der Wertpapiergläubiger zusätzlich dadurch erhöhen, dass sich durch eine ungünstige Entwicklung des betreffenden Währungswechselkurses der Wert der erworbenen Wertpapiere während ihrer Laufzeit entsprechend vermindert oder sich die Höhe des möglicherweise unter den Wertpapieren zu zahlenden Abrechnungsbetrags entsprechend vermindert. Währungswechselkurse werden von Angebots- und Nachfragefaktoren auf den internationalen Devisenmärkten bestimmt, die volkswirtschaftlichen Faktoren, Spekulationen und Maßnahmen von Regierungen und Zentralbanken ausgesetzt sind (zum Beispiel währungspolitische Kontrollen oder Einschränkungen).]

*[im Fall der Beschränkung der Ausübung des Zertifikatsrechts durch eine Mindestausübungsanzahl findet der folgende Absatz Anwendung:*

### **Beschränkung der Ausübung des Zertifikatsrechts durch die Wertpapiergläubiger durch eine Mindestausübungsanzahl**

Gemäß den Bedingungen der Wertpapiere muss ein Wertpapiergläubiger eine festgelegte Mindestzahl an Wertpapieren, die so genannte Mindestausübungsanzahl, vorlegen, um das in den Wertpapieren verbriefte Zertifikatsrecht ausüben zu können. Wertpapiergläubiger, die nicht über die erforderliche Mindestausübungsanzahl verfügen, müssen somit entweder ihre Wertpapiere verkaufen oder zusätzliche Wertpapiere kaufen (wobei dafür jeweils Transaktionskosten anfallen), um den wirtschaftlichen Wert der Wertpapiere realisieren zu können. Eine Veräußerung der Wertpapiere setzt jedoch voraus, dass sich Marktteilnehmer finden, die zum Ankauf der Wertpapiere zu einem entsprechenden Preis bereit sind. Finden sich keine solchen kaufbereiten Marktteilnehmer, kann der Wert der Wertpapiere nicht realisiert werden.]

[Gegebenenfalls andere oder weitere strukturspezifische Risikofaktoren einfügen: [•].]

## 2. **Kündigung und vorzeitige Tilgung der Wertpapiere durch die Emittentin**

Potenziellen Erwerbern der Wertpapiere sollte bewusst sein, dass die Emittentin jederzeit, das heißt auch ohne das Vorliegen bestimmter Kündigungsereignisse, gemäß den Bedingungen der Wertpapiere die Möglichkeit hat, die Wertpapiere insgesamt zu kündigen und vorzeitig zu tilgen. Wenn die Emittentin die Wertpapiere kündigt und tilgt, hat der Wertpapiergläubiger das Recht, die Zahlung eines Geldbetrags in Bezug auf die vorzeitige Tilgung zu verlangen. Der Wertpapiergläubiger hat jedoch keinen Anspruch auf irgendwelche weiteren Zahlungen auf die Wertpapiere nach dem Kündigungstag.

Der Wertpapiergläubiger trägt damit das Risiko, dass er an der Wertentwicklung des Basiswerts [bzw. der Indexbestandteile] nicht in dem erwarteten Umfang und über den erwarteten Zeitraum partizipieren und damit auch weniger als sein eingesetztes Kapital zurückerhalten kann.

Im Falle einer Kündigung der Wertpapiere durch die Emittentin trägt der Wertpapiergläubiger zudem das Wiederanlagerisiko. Dies bedeutet, dass er den durch die Emittentin im Falle einer Kündigung gegebenenfalls ausgezahlten Kündigungsbetrag möglicherweise nur zu ungünstigeren Marktkonditionen als denen, die beim Erwerb der Wertpapiere vorlagen, wiederanlegen kann.

## 3. **Mögliche Kursschwankungen des Basiswerts**

Soweit die Laufzeit der Wertpapiere durch die Emittentin vorzeitig gemäß den Zertifikatsbedingungen beendet wird, müssen potenzielle Erwerber der Wertpapiere beachten, dass ungünstige Schwankungen des Stands des Basiswerts [bzw. der Kurse der Indexbestandteile] nach dem Zeitpunkt der Kündigungserklärung der Emittentin bis zur Ermittlung des für die Berechnung des dann zahlbaren Kündigungsbetrags verwendeten Stands des Basiswerts zu Lasten der Wertpapiergläubiger gehen.

## 4. **Nachteilige Auswirkungen von Anpassungen des Zertifikatsrechts**

Es kann nicht ausgeschlossen werden, dass gewisse Ereignisse eintreten oder (von Dritten, mit Ausnahme der Emittentin) in Bezug auf den Basiswert Maßnahmen ergriffen werden, die möglicherweise zu Änderungen an dem Basiswert [bzw. den Indexbestandteilen] führen oder darin resultieren, dass das dem Basiswert zu Grunde liegende Konzept geändert wird; so genannte potenzielle Anpassungsereignisse. Die Emittentin ist gemäß den Bedingungen der Wertpapiere bei Vorliegen eines potenziellen Anpassungsereignisses berechtigt, Anpassungen der Bedingungen der Wertpapiere vorzunehmen, um diese Ereignisse oder Maßnahmen zu berücksichtigen. Diese Anpassungen können sich negativ auf den Wert der Wertpapiere auswirken.

## 5. **Weitere Wert bestimmende Faktoren**

Der Wert eines Wertpapiers wird nicht nur von den Veränderungen des Stands des Basiswerts [bzw. der Kurse der Indexbestandteile] bestimmt, sondern zusätzlich von einer Reihe weiterer Faktoren. Mehrere Risikofaktoren können den Wert der Wertpapiere gleichzeitig beeinflussen; daher lässt sich die Auswirkung eines einzelnen Risikofaktors nicht voraussagen. Zudem können mehrere Risikofaktoren auf bestimmte Art und Weise zusammenwirken, so dass sich deren gemeinsame Auswirkung auf die Wertpapiere ebenfalls nicht voraussagen lässt. Über die Auswirkungen einer Kombination von Risikofaktoren auf den Wert der Wertpapiere lassen sich keine verbindlichen Aussagen treffen.

Zu diesen Risikofaktoren gehören die Laufzeit der Wertpapiere, die Häufigkeit und Intensität von Kursschwankungen (Volatilität) sowie das allgemeine Zins- und Dividendenniveau. Eine Wertminderung des Wertpapiers kann daher selbst dann eintreten, wenn der Stand des Basiswerts [bzw. der Kurse der Indexbestandteile] konstant bleibt.

[Ferner wird der maßgebliche Stand des Basiswerts, der für die Bestimmung der unter den Wertpapieren gegebenenfalls zu zahlenden Beträge verwendet wird, in der Auszahlungswährung ausgedrückt, ohne Bezugnahme auf den Wechselkurs zwischen der Basiswährung des Basiswerts und der Auszahlungswährung (so genanntes „Quanto“-Ausstattungsmerkmal). Insoweit kann der relative Zinsunterschied zwischen dem aktuellen Zinssatz in Bezug auf die Basiswährung und dem aktuellen Zinssatz in Bezug auf die Auszahlungswährung den Wert der Wertpapiere nachteilig beeinflussen.]



So sollten sich potenzielle Erwerber der Wertpapiere bewusst sein, dass eine Anlage in die Wertpapiere mit einem Bewertungsrisiko im Hinblick auf den Basiswert [bzw. die Indexbestandteile] verbunden ist. Sie sollten Erfahrung mit Geschäften mit Wertpapieren haben, deren Wert von dem Basiswert [bzw. den Indexbestandteilen] abgeleitet wird. Der Wert des Basiswerts kann Schwankungen unterworfen sein; diese Wertschwankungen sind von einer Vielzahl von Faktoren abhängig, wie zum Beispiel Tätigkeiten der UBS, volkswirtschaftlichen Faktoren und Spekulationen. Zudem ist die historische Wertentwicklung des Basiswerts kein Indikator für eine zukünftige Wertentwicklung. Veränderungen in dem Marktpreis des Basiswerts [bzw. der Indexbestandteile] beeinflussen den Handelspreis des Wertpapiers und es ist nicht möglich im Voraus zu bestimmen, ob der Marktpreis des Basiswerts [bzw. der Indexbestandteile] steigen oder fallen wird.

#### 6. **Einfluss von Nebenkosten**

Provisionen und andere Transaktionskosten, die beim Kauf oder Verkauf von Wertpapieren anfallen, können - insbesondere in Kombination mit einem niedrigen Auftragswert - zu Kostenbelastungen führen, **die den unter den Wertpapieren gegebenenfalls zu zahlenden Abrechnungsbetrag der Höhe nach erheblich vermindern können**. Potenzielle Erwerber sollten sich deshalb vor Erwerb eines Wertpapiers über alle beim Kauf oder Verkauf des Wertpapiers anfallenden Kosten einschließlich etwaiger Kosten ihrer Depotbank bei Erwerb und bei Fälligkeit der Wertpapiere informieren.

#### 7. **Risiko ausschließende oder einschränkende Geschäfte**

Potenzielle Erwerber der Wertpapiere dürfen nicht darauf vertrauen, dass während der Laufzeit der Wertpapiere jederzeit Geschäfte abgeschlossen werden können, durch die relevante Risiken ausgeschlossen oder eingeschränkt werden können; tatsächlich hängt dies von den Marktverhältnissen und den jeweils zugrunde liegenden Bedingungen ab. Unter Umständen können solche Geschäfte nur zu einem ungünstigen Marktpreis getätigt werden, so dass für den Anleger ein entsprechender Verlust entsteht.

#### 8. **Handel in den Wertpapieren / Mangelnde Liquidität**

Es lässt sich nicht voraussagen, ob und inwieweit sich ein Sekundärmarkt für die Wertpapiere entwickelt, zu welchem Preis die Wertpapiere in diesem Sekundärmarkt gehandelt werden und ob dieser Sekundärmarkt liquide sein wird oder nicht.

Soweit in diesem Prospekt angegeben, wurden bzw. werden Anträge auf Zulassung oder Notierungsaufnahme an den angegebenen Wertpapier-Börsen gestellt. Sind die Wertpapiere an einer Börse für den Handel zugelassen oder notiert, kann nicht zugesichert werden, dass diese Zulassung oder Notierung beibehalten werden wird. Aus der Tatsache, dass die Wertpapiere in der genannten Art zum Handel zugelassen oder notiert sind, folgt nicht zwangsläufig, dass höhere Liquidität vorliegt, als wenn dies nicht der Fall wäre. Werden die Wertpapiere an keiner Wertpapier-Börse notiert oder an keiner Wertpapier-Börse gehandelt, können Informationen über die Preise schwieriger bezogen werden, und die unter Umständen bestehende Liquidität der Wertpapiere kann nachteilig beeinflusst werden. Die gegebenenfalls bestehende Liquidität der Wertpapiere kann ebenfalls durch Beschränkung des Kaufs und Verkaufs der Wertpapiere in bestimmten Ländern beeinflusst werden. Die Emittentin ist zudem berechtigt, jedoch nicht verpflichtet, jederzeit Wertpapiere zu einem beliebigen Kurs am offenen Markt oder aufgrund öffentlichen Gebots oder individuellen Vertrags zu erwerben. Alle derart erworbenen Wertpapiere können gehalten, wiederverkauft oder zur Vernichtung eingereicht werden.

**[Im Fall einer Zeichnungsfrist folgenden Text einfügen:** Darüber hinaus ist es möglich, dass die Anzahl der gezeichneten Wertpapiere geringer ist als die beabsichtigte Anzahl zu begebener Wertpapiere. Es besteht das Risiko, dass aufgrund eines geringen Zeichnungsvolumens die Liquidität der Wertpapiere geringer ist, als sie bei einer Zeichnung aller emittierten Wertpapiere durch Investoren wäre.]

**[Ist keine Zeichnungsfrist vorgesehen, folgenden Text einfügen:** Darüber hinaus ist es möglich, dass die Anzahl der durch die Federführerin veräußerten Wertpapiere geringer ist als die beabsichtigte Anzahl zu begebener Wertpapiere. Es besteht das Risiko, dass aufgrund einer geringen Anzahl von veräußerten Wertpapieren die Liquidität der Wertpapiere geringer ist, als sie bei einer Veräußerung aller emittierten Wertpapiere durch die Federführerin wäre.]

Die Federführerin beabsichtigt, unter gewöhnlichen Marktbedingungen regelmäßig Ankaufs- und Verkaufskurse für die Wertpapiere einer Emission zu stellen. Die Federführerin hat sich jedoch nicht aufgrund einer festen Zusage gegenüber der Emittentin zur Stellung von Liquidität mittels Geld- und Briefkursen hinsichtlich der Wertpapiere verpflichtet und übernimmt keinerlei Rechtspflicht zur Stellung derartiger Kurse oder hinsichtlich der Höhe oder des Zustandekommens derartiger Kurse. **Potenzielle Erwerber sollten deshalb nicht darauf vertrauen, das jeweilige Wertpapier zu einer bestimmten Zeit oder einem bestimmten Kurs veräußern zu können.**

#### 9. **Form und maßgebliches Recht der Wertpapiere**

Die begebenen Wertpapiere sind durch eine Dauer-Inhaber-Sammelurkunde (die "**Inhaber-Sammelurkunde**") verbrieft. Die Inhaber-Sammelurkunde wird bei Clearstream Banking AG, Frankfurt am Main, (Mergenthalerallee 61, 65760 Eschborn, Bundesrepublik Deutschland) ("**Clearstream**") entsprechend der anwendbaren Vorschriften hinterlegt. Die Wertpapiere sind als Miteigentumsanteile an der Inhaber-Sammelurkunde in Übereinstimmung mit jeweils anwendbarem Recht und den Vorschriften und Verfahren, die auf Clearstream Anwendung finden und/oder von diesem herausgegeben werden, übertragbar und sind im Effekten giroverkehr ausschließlich in der kleinsten handelbaren Einheit bzw. einem ganzzahligen Vielfachen davon übertragbar. Die Übertragung wird mit Eintragung der Übertragung in den Büchern von Clearstream wirksam. Hinsichtlich Übertragungen, Zahlungen und der Kommunikation mit der Emittentin können sich die Wertpapiergläubiger ausschließlich auf die Verfahren von Clearstream berufen. Wertpapiergläubiger können nicht die Lieferung effektiver Wertpapiere verlangen.

Die Wertpapiere unterliegen deutschem Recht.

**Die Emittentin trifft keinerlei Verantwortlichkeit oder Haftung unter jedweden Umständen für Handlungen und Unterlassungen von Clearstream oder eines anderen Clearingsystems als auch für jeden daraus resultierenden Schaden für Wertpapiergläubiger im Allgemeinen und für Aufzeichnungen über das wirtschaftliche Eigentum an der Dauerglobalurkunde sowie Zahlungen daraus im Besonderen.**

#### 10. **Preisbildung von Wertpapieren**

Die Preisbildung dieser Wertpapiere orientiert sich im Gegensatz zu den meisten anderen Wertpapieren regelmäßig nicht an dem Prinzip von Angebot und Nachfrage in Bezug auf die Wertpapiere, da Wertpapierhändler möglicherweise im Sekundärmarkt eigenständig berechnete An- und Verkaufskurse für die Wertpapiere stellen. Diese Preisberechnung wird auf der Basis von im Markt üblichen Preisberechnungsmodellen vorgenommen, wobei der theoretische Wert von Wertpapieren grundsätzlich auf Grund des Werts des Basiswerts [bzw. der Indexbestandteile] und des Werts der weiteren Ausstattungsmerkmale der Wertpapiere, die jeweils wirtschaftlich gesehen durch ein weiteres derivatives Finanzinstrument abgebildet werden können, ermittelt wird.

Die möglicherweise gestellten Kurse müssen dem vom Wertpapierhändler ermittelten inneren Wert der Wertpapiere nicht entsprechen.

#### 11. **Ausweitung der Spanne zwischen Kauf- und Verkaufskursen und -preisen**

Im Falle besonderer Marktsituationen, in denen Sicherungsgeschäfte durch die Emittentin nicht oder nur unter erschwerten Bedingungen möglich sind, kann es zu zeitweisen Ausweitungen der Spanne zwischen Kauf- und Verkaufskursen bzw. zwischen Kauf- und Verkaufspreisen kommen, um die wirtschaftlichen Risiken der Emittentin einzugrenzen. Daher veräußern Wertpapiergläubiger, die ihre Wertpapiere an der Börse oder im Over-the-Counter-Markt veräußern möchten, gegebenenfalls zu einem Preis, der erheblich unter dem tatsächlichen Wert der Wertpapiere zum Zeitpunkt ihres Verkaufs liegt.

#### 12. **Inanspruchnahme von Krediten**

Wenn Anleger den Erwerb der Wertpapiere mit einem Kredit finanzieren, müssen sie beim Nichteintritt ihrer Erwartungen, zusätzlich zu der Rückzahlung und Verzinsung des Kredits, auch den unter den Wertpapieren eingetretenen Verlust hinnehmen. Dadurch erhöht sich das Verlustrisiko des Anlegers erheblich. Erwerber von Wertpapieren sollten nie darauf setzen, den Kredit aus Gewinnen eines Wertpapiergeschäfts verzinsen und zurückzahlen zu können. Vielmehr sollten vor dem kreditfinanzierten Erwerb eines Wertpapiers die maßgeblichen wirtschaftlichen Verhältnisse daraufhin

überprüft werden, ob der Anleger in die Wertpapiere zur Verzinsung und gegebenenfalls zur kurzfristigen Tilgung des Kredits auch dann in der Lage ist, wenn statt der von ihm erwarteten Gewinne Verluste eintreten.

**13. Einfluss von Hedge-Geschäften der Emittentin auf die Wertpapiere**

Die Emittentin kann einen Teil oder den gesamten Erlös aus dem Verkauf der Wertpapiere für Absicherungsgeschäfte hinsichtlich des Risikos der Emittentin aus der Begebung der Wertpapiere verwenden. In einem solchen Fall kann die Emittentin oder ein mit ihr verbundenes Unternehmen Geschäfte abschließen, die den Verpflichtungen der Emittentin aus den Wertpapieren entsprechen. Im Allgemeinen werden solche Transaktionen vor dem oder am Ausgabetag der Wertpapiere abgeschlossen; es ist aber auch möglich, solche Transaktionen nach Begebung der Wertpapiere abzuschließen. An oder vor dem Bewertungstag kann die Emittentin oder ein mit ihr verbundenes Unternehmen die für die Ablösung abgeschlossener Deckungsgeschäfte erforderlichen Schritte ergreifen. Es kann jedoch nicht ausgeschlossen werden, dass im Einzelfall der Stand des Basiswerts [bzw. der Kurse der Indexbestandteile] durch solche Transaktionen beeinflusst wird. Die Eingehung oder Auflösung dieser Hedge-Geschäfte kann bei Wertpapieren, deren Wert vom Eintritt eines bestimmten Ereignisses in Bezug auf den Basiswert [bzw. die Indexbestandteile] abhängt, die Wahrscheinlichkeit des Eintritts oder Ausbleibens des Ereignisses beeinflussen.

#### 14. **Besteuerung der Wertpapiere**

Potentielle Investoren sollten sich vergegenwärtigen, dass sie gegebenenfalls verpflichtet sind, Steuern oder andere Gebühren oder Abgaben nach Maßgabe der Rechtsordnung und Praktiken desjenigen Landes zu zahlen, in das die Wertpapiere übertragen werden oder möglicherweise auch nach Maßgabe anderer Rechtsordnungen. In einigen Rechtsordnungen kann es zudem an offiziellen Stellungnahmen der Finanzbehörden oder Gerichtsentscheidungen in Bezug auf innovative Finanzinstrumente wie den hiermit angebotenen Wertpapieren fehlen. Potentiellen Investoren wird daher geraten, sich nicht auf die in diesem Basisprospekt und/oder in den Endgültigen Bedingungen enthaltene summarische Darstellung der Steuersituation zu verlassen, sondern sich in Bezug auf ihre individuelle Steuersituation hinsichtlich des Kaufs, des Verkaufs und der Rückzahlung der Wertpapiere von ihrem eigenen Steuerberater beraten zu lassen. Nur diese Berater sind in der Lage, die individuelle Situation des potentiellen Investors angemessen einzuschätzen.

#### 15. **Zahlungen unter den Wertpapieren können gemäß FATCA Einbehalten nach US-Recht unterliegen**

Die Emittentin und andere Finanzinstitute, über die Zahlungen auf die Wertpapiere erfolgen, haben gegebenenfalls gemäß Sections 1471 bis 1474 des U.S. Internal Revenue Code bis zu 30% der gesamten Zahlung oder eines Teils von Zahlungen einzubehalten, die nach dem 31. Dezember 2016 auf die Wertpapiere entrichtet werden, welche nach dem 1. Januar 2013 begeben (oder wesentlich geändert) werden, oder die unabhängig vom Zeitpunkt ihrer Begebung als Eigenkapital (*equity*) im Sinne der Einkommenssteuer auf U.S.-Bundesebene behandelt werden (üblicherweise als „**FATCA**“, *Foreign Account Tax Compliance Act*, bezeichnet).

Die Emittentin stellt für die Zwecke von FATCA ein ausländisches Finanzinstitut (*Foreign Financial Institution*, „**FFI**“) dar. Sofern die Emittentin verpflichtet ist, gemäß einer FATCA-Vereinbarung mit dem U.S. Internal Revenue Service („**IRS**“) bestimmte Informationen über ihre Kontoinhaber beizubringen, (d.h., sofern die Emittentin ein teilnehmendes ausländisches Finanzinstitut (*Participating FFI*, „**Teilnehmendes Ausländisches Finanzinstitut**“) ist), kann eine Verpflichtung zur Vornahme eines Einbehalts dadurch entstehen, dass (i) die Emittentin einen (gemäß FATCA ermittelten) positiven „prozentualen Anteil weitergeleiteter Zahlungen“ („*passthru payment percentage*“) aufweist, und dass (ii) (a) ein Anleger keine ausreichenden Informationen beibringt, um dem jeweiligen Teilnehmenden Ausländischen Finanzinstitut die Feststellung zu ermöglichen, ob es sich bei dem Anleger um eine U.S.-Person handelt oder ob er aus anderen Gründen als Inhaber eines US-Kontos („*United States Account*“) der Emittentin behandelt werden sollte, (b) ein Anleger einer Offenlegung ihn betreffender Informationen gegenüber dem IRS in einem erforderlichen Fall nicht zustimmt, oder (c) ein ausländisches Finanzinstitut, welches Anleger ist oder Zahlungen auf die Wertpapiere ausführt, selbst kein Teilnehmendes Ausländisches Finanzinstitut ist. Für einen Anleger, gegenüber dem ein Einbehalt erfolgt, ist eine Rückerstattung im Allgemeinen nur zu erreichen, soweit er für die Zahlung, auf die der Einbehalt nach diesen Regeln erfolgte, nach einem anwendbaren Doppelbesteuerungsabkommen (*income tax treaty*) mit den Vereinigten Staaten einen reduzierten Steuersatz geltend machen kann, und sofern die erforderlichen Informationen rechtzeitig an die IRS weitergeleitet werden.

Die Anwendung der FATCA-Regeln auf Zinsbeträge und Kapitalzahlungen oder andere Zahlungen, die auf die Wertpapiere geleistet werden, ist nicht klar. Sollte gemäß FATCA oder einer zwischenstaatlichen Vereinbarung zu FATCA von Zins- oder Kapitalzahlungen oder anderen Zahlungen auf die Wertpapiere ein Betrag abzuziehen oder einzubehalten sein, ist die Emittentin nicht verpflichtet, zusätzliche Beträge oder eine sonstige Entschädigung an einen Inhaber bzw. eine Person wegen eines Abzugs oder Einbehalts zu leisten, der durch die Emittentin, eine Zahlstelle oder eine andere Partei erfolgt, sofern die betreffende Person (soweit diese nicht als Vertreterin bzw. Beauftragte der Emittentin handelt) keinen Anspruch auf Erhalt von Zahlungen frei von derartigen Abzügen hat. Im Falle einer Umsetzung von FATCA in der gegenwärtig vom IRS vorgeschlagenen Weise oder infolge der Umsetzung einer zwischenstaatlichen Vereinbarung werden die Anleger daher möglicherweise geringere Zins- oder Kapitalzahlungen erhalten als erwartet. Sofern die Emittentin ein Teilnehmendes Ausländisches Finanzinstitut wird, erfolgt die Feststellung, ob ein Einbehalt nach FATCA erfolgen kann, abhängig von der rechtlichen Stellung des jeweiligen Empfängers von Zahlungen, die zwischen der Emittentin und Anlegern erfolgen. In der Praxis rechnet die Emittentin nicht damit, dass von Zahlungen, die in Zusammenhang mit den in Clearingsystemen gehaltenen Wertpapieren von ihren Zahlstellen oder ihr selbst getätigt werden, Abzüge nach FATCA vorzunehmen sind, da davon auszugehen ist, dass die Zahlstellen und die jeweiligen Clearingsysteme Teilnehmende Ausländische

Finanzinstitute sein werden, soweit dies zur Vermeidung von Abzügen nach FATCA erforderlich ist. Möglicherweise sind aber andere Parteien gemäß FATCA zum Einbehalt der vorstehend beschriebenen Zahlungen verpflichtet.

[Außerdem würde gemäß vorgeschlagener Regeln eine U.S. Quellensteuer von 30 % (oder einem geringeren vertraglich vereinbarten Satz) auf Zahlungen oder Anpassungen erhoben, die durch Bezugnahme auf Dividenden aus Quellen innerhalb der Vereinigten Staaten ermittelt werden. Da die Zahlungen unter den Wertpapieren an **[Bezeichnung des Index einfügen: [•]]** als Basiswert gebunden sind, unterfallen diese Wertpapiere möglicherweise diesen Regeln. Falls ein Betrag in Bezug auf die U.S. Quellensteuer von Zahlungen auf die Wertpapiere abgezogen oder einbehalten würde, wären weder die Emittentin noch jegliche Zahlstelle oder irgendeine andere Person nach den Bedingungen der Wertpapiere zu zusätzlichen Zahlungen aufgrund eines solchen Abzugs oder Einhalts verpflichtet.]

Die Erörterung der FATCA-Regelungen basiert auf Entwürfen rechtlicher Regelungen und vorläufigen Leitlinien. **Inhaber von Wertpapieren sollten sich deshalb bewusst sein, dass Zahlungen unter den Wertpapieren gegebenenfalls gemäß FATCA Einbehalten nach US-Recht unterliegen können.**

#### 16. **Änderung der Grundlage der Besteuerung der Wertpapiere**

Die in diesem Prospekt ausgeführten Überlegungen hinsichtlich der Besteuerung der Wertpapiere geben die Ansicht der Emittentin auf Basis der zum Datum des Prospekts geltenden Gesetzgebung wieder. Eine andere steuerliche Behandlung durch die Finanzbehörden und Finanzgerichte kann jedoch nicht ausgeschlossen werden. Darüber hinaus dürfen die in diesem Prospekt ausgeführten steuerlichen Überlegungen nicht als alleinige Grundlage für die Beurteilung einer Anlage in die Wertpapiere aus steuerlicher Sicht dienen, da die individuelle Situation eines jeden Anlegers gleichermaßen berücksichtigt werden muss. Die in diesem Prospekt enthaltenen steuerlichen Überlegungen sind daher nicht als eine Form der maßgeblichen Information oder Steuerberatung bzw. als eine Form der Zusicherung oder Garantie im Hinblick auf das Eintreffen bestimmter steuerlicher Konsequenzen zu erachten. Folglich sollten Anleger vor der Entscheidung über einen Kauf der Wertpapiere ihre persönlichen Steuerberater konsultieren.

Weder die Emittentin noch die Federführerin übernehmen gegenüber den Wertpapiergläubigern die Verantwortung für die steuerlichen Konsequenzen einer Anlage in die Wertpapiere.

### III. **Basiswertspezifische Risikohinweise**

Mit einer Investition in die Wertpapiere sind gewisse Risiken im Zusammenhang mit dem Basiswert [bzw. den Indexbestandteilen] verbunden:

#### 1. **Allgemeine Risiken im Zusammenhang mit dem Basiswert**

Anleger sollten sich bewusst machen, dass mit dem Basiswert [bzw. den Indexbestandteilen] allgemeine Risiken verbunden sind:

##### **Risiko von Wertschwankungen**

Die Wertentwicklung des Basiswerts [bzw. der Indexbestandteile] ist Schwankungen unterworfen. Daher können die Wertpapiergläubiger nicht vorhersehen, welche Gegenleistung sie zu einem bestimmten in der Zukunft liegenden Tag für die Wertpapiere erwarten können. Es können bei Tilgung, Ausübung oder sonstiger Veräußerung an einem bestimmten Tag erhebliche Wertverluste gegenüber der Veräußerung zu einem späteren oder früheren Zeitpunkt eintreten.

##### **Unsicherheit über die zukünftige Wertentwicklung**

Es ist nicht möglich, zuverlässige Aussagen über die künftige Wertentwicklung des Basiswerts [bzw. der Indexbestandteile] der Wertpapiere zu treffen. Auch auf Grund historischer Daten des Basiswerts können keine Rückschlüsse auf die zukünftige Wertentwicklung des Basiswerts [bzw. der Indexbestandteile] und der Wertpapiere gezogen werden.

*[Gegebenenfalls weitere Informationen über die mit dem verbundenen allgemeinen Risiken einfügen: [•]]*

## 2. **Spezifische Risiken im Zusammenhang mit dem Basiswert**

Darüber hinaus sind die folgenden Risiken spezifisch mit dem Basiswert verbunden:

### **[Fehlende Einflussmöglichkeit der Emittentin**

Die Zusammensetzung des als Basiswert verwendeten Index wird allein oder im Zusammenwirken mit anderen Stellen bestimmt. Die Emittentin kann die Zusammensetzung nicht beeinflussen.

Dem Index Sponsor steht es grundsätzlich frei, Veränderungen der Zusammensetzung oder Berechnung des Index vorzunehmen, die sich negativ auf die Wertentwicklung der Wertpapiere auswirken können, oder die Berechnung des als Basiswert verwendeten Index dauerhaft einzustellen, ohne einen Nachfolgeindex aufzulegen.

[Potentiellen Erwerbern der Wertpapiere sollte zudem bewusst sein, dass die Emittentin in dem Fall, dass die Berechnung und/oder Veröffentlichung des als Basiswert verwendeten Index dauerhaft eingestellt wird, in Übereinstimmung mit den Bedingungen der Wertpapiere berechtigt ist, die Wertpapiere insgesamt zu kündigen und vor dem Fälligkeitstag zu tilgen.]]

### **[Der Index ist kein anerkannter Finanzindex**

Der als Basiswert verwendete Index ist kein anerkannter Finanzindex, sondern wurde für die Ausgabe der Wertpapiere oder aus sonstigen Gründen geschaffen.]

### **[Der Index Sponsor ist kein unabhängiger Dritter**

Der Index Sponsor, der den als Basiswert verwendeten Index berechnet, ist kein Dritter, der von der Emittentin unabhängig ist, sondern durch geschäftliche Beziehungen mit der Emittentin oder anderen Beteiligten verbunden.]

### **[Keine Berücksichtigung von Dividenden / Preisindex**

Der als Basiswert verwendete Index wird als so genannter Preisindex berechnet, weshalb Dividenden oder andere gegebenenfalls erfolgende Ausschüttungen, die auf Ebene der Indexbestandteile ausgezahlt werden, bei der Berechnung des Indexstands nicht berücksichtigt werden.

Demensprechend nehmen Wertpapiergläubiger grundsätzlich nicht an Dividenden oder anderen gegebenenfalls erfolgenden Ausschüttungen an Aktien teil, die in dem als Basiswert verwendeten Index enthalten sind.]

*[Gegebenenfalls andere oder weitere Informationen über die mit dem Basiswert verbundenen Risiken einfügen: [•] ]*

## **RESPONSIBILITY STATEMENT**

UBS AG, having its registered offices at Bahnhofstrasse 45, 8001 Zurich, Switzerland, and Aeschenvorstadt 1, 4051 Basel, Switzerland, as Issuer accepts responsibility for the content of this Prospectus and declares that the information contained in this Prospectus is, to the best of its knowledge, accurate and that no material facts have been omitted.

Where this Prospectus contains information obtained from third parties, such information was reproduced accurately, and to the best knowledge of the Issuer - as far as it is able to ascertain from information provided or published by such third party - no facts have been omitted which would render the reproduced information inaccurate or misleading.

The Issuer is liable for the Summary including any translation thereof contained in this Prospectus, but only if the Summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus.

The Issuer accents that following the date of publication of this Prospectus, events and changes may occur, which render the information contained in this Prospectus incorrect or incomplete. Supplemental information will only be published as required by and in a manner stipulated in section 16 of the German Securities Prospectus Act (*Wertpapierprospektgesetz* - "**WpPG**") and, in the case of a listing of Securities at SIX Swiss Exchange ("**SIX**"), as required by and in a manner stipulated in the rules and regulations of SIX.

## **IMPORTANT NOTICE**

The Base Prospectus should be read and construed with any supplement hereto and with any other documents incorporated by reference and with the relevant Final Terms.

UBS Limited in its capacity as lead manager (the "**Lead Manager**") has not independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Lead Manager as to the accuracy or completeness of the information contained in this Prospectus or any other information provided by the Issuer in connection with the Base Prospectus.

No person has been authorised by the Issuer to issue any statement which is not consistent with or not contained in this document, any other document entered into in relation to the Base Prospectus or any information supplied by the Issuer or any information as in the public domain and, if issued, such statement may not be relied upon as having been authorised by the Issuer or the Lead Manager.

The distribution of the Base Prospectus, any Final Terms, any simplified prospectus in case Securities (which qualify as "Structured Products" in terms of the Swiss Federal Act on Collective Investment Schemes (Collective Investment Scheme Act, CISA)) in Switzerland are not publicly distributed by listing them at SIX but by publishing a simplified prospectus pursuant to Article 5 Collective Investment Scheme Act (hereinafter a "**Simplified Prospectus**"), and any offering material relating to the Securities and the offering, sale and delivery of the Securities in certain jurisdictions may be restricted by law. Nobody may use the Base Prospectus or any Final Terms or any Simplified Prospectus for the purpose of an offer or solicitation if in any jurisdiction such use would be unlawful. In particular, this document may only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) of the Financial Services and Markets Act 2000 does not apply. Additionally, Securities issued under the Base Prospectus will not be registered under the United States Securities Act of 1933, as amended, and will include Securities in bearer form that are subject to U.S. tax law requirements. Therefore, subject to certain exceptions, Securities may not be offered, sold or delivered within the United States or to U.S. persons.

For a more detailed description of some restrictions, see "Issue, Sale and Offering".

Neither the Base Prospectus nor any Final Terms nor any Simplified Prospectus constitute an offer or a solicitation of an offer to purchase any Securities and should not be considered as a recommendation by the Issuer or the Lead Manager that any recipient of the Base Prospectus or any Final Terms or any Simplified Prospectus should purchase any Securities. Each such recipient shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer (see "Risk Factors").

## DESCRIPTION OF THE CERTIFICATES

The following description of the Certificates includes a description of the entitlement and further features of the Securities, as provided for in the Terms and Conditions of the Certificates, and terms and expressions defined in other parts of the Prospectus and not otherwise defined in this "Description of the Securities" shall have the same meanings in this part of the Prospectus.

### **I. Object of the Prospectus**

The object of this Prospectus are [specify designation and number of the Securities: [•]] with [specify security identification number(s) of the Securities: [•]], issued by UBS AG, acting through its London Branch, in accordance with German law.

The Securities are based on the [insert description of the index: [•]] (the "**Underlying**") [comprising [insert description of the index components: [•]] (each an "**Index Component**" or, collectively, the "**Index Components**")], as described in the section "Information about the Underlying".

The Securities have - in contrast to securities with a fixed term - no pre-determined maturity date, and thus no defined term. As a result, the Securityholder's right vested in those Securities, must be exercised by the respective Securityholder on a specific Exercise Date (as defined in the section "Terms and Conditions of the Certificates") in accordance with the exercise procedure described in the Terms and Conditions of the Certificates, if the Certificate Right is to be asserted.

### **II. Entitlement under the Certificates**

With the purchase of each (1) Security, the investor acquires the right, under certain conditions and as provided for in the Terms and Conditions of the Certificates, to demand from the Issuer the payment of a settlement amount in the Redemption Currency [multiplied by the Ratio] depending on the performance of the Underlying (the "**Settlement Amount**") (the "**Certificate Right**") all as defined in the section "Terms and Conditions of the Certificates".

None of the Securities vests a right to payment of fixed or variable interest or dividends and, as such, they **generate no regular income**. Therefore, potential reductions in the value of the Securities cannot be offset by any other income from the Securities.

All payments relating to the Securities are made in [•] (the "**Redemption Currency**").

### **III. Dependency on the Underlying**

The following features describe the dependency of the value of the Securities or, as the case may be, of any amount, if any, payable according to the Terms and Conditions of the Certificates from the Underlying:

*[in the case of a Ratio, the following paragraph applies:*

#### **Extent of participation in the performance of the Underlying**

The application of the Ratio within the determination of the Certificate Right results in the Securities being in economic terms similar to a direct investment in the Underlying, but being nonetheless not fully comparable with such a direct investment, in particular because the Securityholders do not participate in the relevant performance by a 1:1 ratio, but by the proportion of the Ratio.]

*[If appropriate, insert alternative or further description of the dependency of the Securities from the Underlying: [•]]*

## [PUBLICATIONS]



*[if the Securities are to be listed at SIX Swiss Exchange, insert indication (overview) where information about the Securities and the Issuer will be published:* In the case of a listing of the Securities at SIX, all notices concerning the Securities which are subject to reporting obligations of the Issuer towards SIX pursuant to the applicable rules, directives and circulars of SIX will be submitted to SIX for their further distribution by SIX in accordance with its applicable rules, directives and circulars. The Issuer publishes information which shall be published either in print medias or through Internet Based Listing ("**IBL**") pursuant to the relevant rules, directives and circular of SIX in connection with reporting obligations regarding the maintenance of a listing at SIX through IBL on SIX's websites. In addition, potentially price-sensitive facts in terms of ad hoc-publicity will be published on the internet pages of the Issuer at [www.ubs.com/investors](http://www.ubs.com/investors) or a successor internet page.]

## TERMS AND CONDITIONS OF THE CERTIFICATES

### Zertifikatsbedingungen

*Diese Zertifikatsbedingungen gelten für [jeweils eine Serie von] [die] Open End Index-Zertifikate[n]] (die "Zertifikatsbedingungen") [und sind in Zusammenhang mit der "Zusammenfassung der wichtigsten Ausstattungsmerkmale der Zertifikate" zu lesen].*

*Der folgende Text enthält die Zertifikatsbedingungen der Open End Index-Zertifikate, die der Inhaber-Sammelurkunde (wie nachstehend definiert) beigefügt werden. Allein der deutsche Text ist rechtlich bindend. Die englische Übersetzung dient nur zu Informationszwecken.*

*[Die Bedingungen der Wertpapiere sind gegliedert in*

**Teil 1: Zusammenfassung der wichtigsten Ausstattungsmerkmale der Zertifikate]**

**Teil 2: Zertifikatsbedingungen]**

### Terms and Conditions of the Certificates

*The terms and conditions of the Certificates [in each case] apply to [one series of] [the] Open End Index Certificates (the "**Terms and Conditions of Certificates**") [and shall be read in conjunction with the "Summary of the most Important Features of the Certificates".]*

*The following text sets out the Terms and Conditions of the Open End Index Certificates which will be attached to the Global Bearer Certificate (as defined below). Only the German version shall be legally binding. The English translation is for convenience only.*

*[The Terms and Conditions of the Certificates are composed of*

**Part 1: Summary of the most Important Features of the Certificates**

**Part 2: Terms and Conditions of the Certificates]**

**[Zertifikatsbedingungen Teil 1: Zusammenfassung der wichtigsten Ausstattungsmerkmale der Zertifikate /**

***Terms and Conditions of the Certificates Part 1: Summary of the most Important Features of the Certificates***

<b>Emittentin:</b>	UBS AG, Zürich/Basel, handelnd durch die UBS AG, Niederlassung London /
<b><i>Issuer:</i></b>	<i>UBS AG, Zürich/Basel, acting through UBS AG, London Branch</i>
<b>Anbieterin/Federführerin:</b>	UBS Limited, London /
<b><i>Offeror and Lead Manager:</i></b>	<i>UBS Limited, London</i>
<b>Name der Zertifikate:</b>	[•] Open End Index-Zertifikate (das " <b>Zertifikat</b> ", die " <b>Zertifikate</b> ") /
<b><i>Name of the Certificates:</i></b>	[•] Open End Index Certificates (the " <b>Certificate</b> ", the " <b>Certificates</b> ")
<b>Basiswert:</b>	[•] (der " <b>Index</b> ") [•]
<b><i>Underlying:</i></b>	[•] (the " <b>Index</b> ") [•]
<b>Beginn des öffentlichen Angebots ("Emissionstag"):</b>	[•] /
<b><i>Start of the Public Offer ("Issue Date"):</i></b>	[•]
<b>Auszahlungswährung:</b>	[•] /
<b><i>Redemption Currency:</i></b>	[•]
<b>[Bezugsverhältnis:</b>	[•] /
<b><i>Ratio:</i></b>	[•]
<b>[Referenzkurs:</b>	[•] /
<b><i>Reference Price:</i></b>	[•]
<b>Zahltag:</b>	[•] /
<b><i>Payment Date:</i></b>	[•]
<b>Anzahl:</b>	[•] Zertifikate /
<b><i>Number:</i></b>	[•] Certificates
<b>Laufzeit:</b>	Ohne Laufzeitbegrenzung: [•] /
<b><i>Term:</i></b>	<i>Without pre-determined maturity date: [•]</i>
<b>Rückzahlung bei Ausübung bzw. Kündigung:</b>	Barausgleich [•] /
<b><i>Repayment in case of exercise or termination:</i></b>	<i>Cash settlement [•].</i>

<b>Abwicklung:</b>	Barausgleich innerhalb von [•] [fünf] Bankgeschäftstagen nach wirksamer Ausübung bzw. Kündigung. /
<b>Settlement:</b>	<i>Cash settlement within [•] [five] Banking Days following effective exercise or, as the case may be, termination</i>
<b>Mindestgröße:</b>	[•] Zertifikat (oder ein ganzzahliges Vielfaches hiervon) /
<b>Minimum Size:</b>	[•] <i>Certificate (or an integral multiple of thereof)</i>
<b>[Börsenzulassung:</b>	[•] /
<b>Listing / Admission to trading:</b>	[•]
<b>[Zertifikatsstelle:</b>	[UBS Deutschland AG, Frankfurt am Main] [•] /
<b>Certificate Agent:</b>	[UBS Deutschland AG, Frankfurt am Main] [•]
<b>Index-Sponsor:</b>	[•] /
<b>Index Sponsor:</b>	[•]
<b>Form:</b>	Sammelurkunde /
<b>Form:</b>	<i>Global certificate</i>
<b>Clearing-System:</b>	Clearstream Banking AG (" <b>Clearstream</b> ") [, Euroclear und Clearstream Banking S.A.] /
<b>Clearing System:</b>	<i>Clearstream Banking AG ("<b>Clearstream</b>") [, Euroclear und Clearstream Banking S.A.]</i>
<b>[ISIN:</b>	[•] /
<b>ISIN:</b>	[•]
<b>WKN:</b>	[•] /
<b>WKN:</b>	[•]
<b>[Valor:</b>	[•] /
<b>Valor:</b>	[•]
<b>Anwendbares Recht:</b>	Deutsches Recht /
<b>Governing law:</b>	<i>German law</i>

[gegebenenfalls weitere Ausstattungsmerkmale der Zertifikate einfügen: [•] / if applicable, insert further Features of the Certificates: [•]

## Zertifikatsbedingungen Teil 2: Bedingungen der Zertifikaten]

## Terms and Conditions of the Certificates Part 2: Terms and Conditions of the Certificates]

### § 1

#### Zertifikatsrecht; Abrechnungsbetrag

[(1) Die Open-End-Index-Zertifikate (das "**Zertifikat**", die "**Zertifikate**") verbrieften das Recht, ohne Laufzeitbegrenzung an der Entwicklung des [•] Index (der "**Index**", wie zum Zeitpunkt der Emission unter dem Bloomberg-Kürzel [•] veröffentlicht) zu partizipieren. Nach Maßgabe dieser Zertifikatsbedingungen gewährt die UBS AG, Zürich/Basel, handelnd durch die UBS AG, Niederlassung London, (die "**Emittentin**") hiermit dem Inhaber von je einem Open-End-Index-Zertifikat bezogen auf den [•] Index (1 Index-Punkt entspricht [•]) das Recht (das "**Zertifikatsrecht**"), bei Ausübung der Zertifikate (§ 4) den Abrechnungsbetrag in [•] (Absatz (2)) zu beziehen. Eine Verzinsung der Zertifikate erfolgt nicht.]

[(2) Der "**Abrechnungsbetrag**" entspricht [, vorbehaltlich § 7(1) letzter Satz und § 12, dem *Abrechnungspreis* des Index, reduziert um die Summe der *Währungssicherungsgebühr*, welche täglich von der Berechnungsstelle nach billigem Ermessen gemäß § 315 BGB berechnet und in Abzug gebracht wird, das Ergebnis multipliziert mit dem Bezugsverhältnis (Absatz (3)).] *[gegebenenfalls andere Bestimmung des Abrechnungsbetrags einfügen: [•]]*

[Der "**Abrechnungspreis**" des Index ist der Wert des Index, wie am Bewertungstag (§ 5(1)) von dem Index-Sponsor (§ 12(1)) als Abrechnungspreis berechnet, festgestellt und veröffentlicht, wobei 1 Index Punkt [•] entspricht.]

[Der Abrechnungsbetrag pro Zertifikat wird demnach wie folgt berechnet.

$$(\text{Abrechnungspreis} - \sum_{1}^n \text{Währungssicherungsgebühr}) \times$$

BV

Wobei

"**Abrechnungspreis**" der von dem Index-Sponsor am Bewertungstag berechnete, festgestellte und veröffentlichte Abrechnungspreis des Index ist;

"**Währungssicherungsgebühr**" die von der Berechnungsstelle auf täglicher Basis ermittelte Währungssicherungsgebühr ist; die anfängliche Währungssicherungsgebühr beträgt [•].

"**n**" die Anzahl der seit und einschließlich des Zahltags vergangenen Kalendertage mit  $n = 1 =$  [•].

"**BV**" das Bezugsverhältnis ist.]

*[gegebenenfalls andere Bestimmung des*

### § 1

#### Certificate Right; Settlement Amount

[(1) The Open End Index Certificates (the "**Certificate(s)**") represent the right, for an unlimited term, to participate in the performance of the [•] Index (the "**Index**", as published at the time of issue on Bloomberg page [•]). Pursuant to these Terms and Conditions of Certificates, UBS AG, Zurich/Basle, acting through UBS AG, London Branch, (the "**Issuer**") hereby grants to each holder of one Open End Index Certificates relating to the [•] Index, (1 Index point equals [•]), the right (the "**Certificate Right**") to receive the Settlement Amount in [•] (subparagraph (2)) upon exercise of the Certificates (§ 4). No interest is paid on the Certificates.]

(2) [Subject to § 7(1), last sentence, and § 12,] [T][t]he "**Settlement Amount**" will be [the *Settlement Price* of the Index, minus the sum of the *Currency Hedging Fee*, which is calculated and deducted by the Calculation Agent on a daily basis at its reasonable discretion pursuant to § 315 of the German Civil Code (*BGB*), the result multiplied by the Ratio (subparagraph (3)).] *[if appropriate, insert other determination of the Settlement Amount: [•]]*

[The "**Settlement Price**" is the Index value as calculated, determined and published by the Index Sponsor (§ 12(1)) as Settlement Price of the Index on the Valuation Date (§ 5(1)), whereby 1 Index point equals [•].]

[Thus the Settlement Amount for each Certificate will therefore be calculated as follows:

$$(\text{Settlement Price} - \sum_{1}^n \text{Currency Hedging Fee}) \times \text{BV}$$

With

"**Settlement Price**" as calculated, determined and published by the Index Sponsor as Settlement Price on the Valuation Date;

"**Currency Hedging Fee**" means the Currency Hedging Fee as determined by the Calculation Agent on a daily basis; the initial Currency Hedging Fee amounts to [•].

"**n**" means the number of calendar days since and including the Payment Date, with  $n = 1 =$  [•].

"**R**" means the Ratio.]

*[if appropriate, insert other determination of the*

*Abrechnungspreises einfügen: [•]*

- [(3) Das "**Bezugsverhältnis**" entspricht [•] [und wird am Emissionstag von der Emittentin festgelegt]. Der "**Emissionspreis**" je Zertifikat beträgt [•].]

*[gegebenenfalls alternative oder zusätzliche Bestimmungen einfügen: [•]]*

## § 2

### Form der Zertifikate; Girosammelverwahrung; Übertragbarkeit

- (1) Die [•] von der Emittentin begebenen Zertifikate sind durch eine Dauer-Inhaber-Sammelurkunde (die "**Inhaber-Sammelurkunde**") verbrieft. Effektive Zertifikate werden nicht ausgegeben. Der Anspruch der Inhaber der Zertifikate auf Lieferung effektiver Zertifikate ist ausgeschlossen.
- (2) Die Inhaber-Sammelurkunde ist bei der Clearstream Banking Aktiengesellschaft in Frankfurt am Main (die "**Clearstream**") hinterlegt. Die Zertifikate sind als Miteigentumsanteile übertragbar.]
- (3) Im Effekten giroverkehr sind die Zertifikate einzeln übertragbar.

## § 3

### Status

Die Zertifikate begründen unmittelbare, unbesicherte und nicht nachrangige Verbindlichkeiten der Emittentin, die untereinander und mit allen sonstigen gegenwärtigen und künftigen unbesicherten und nicht nachrangigen Verbindlichkeiten der Emittentin gleichrangig sind, ausgenommen solche Verbindlichkeiten, denen aufgrund zwingender gesetzlicher Vorschriften Vorrang zukommt.

## § 4

### Ausübungstag, Ausübung der Zertifikatsrechte; Kündigung

- [(1) Das Zertifikatsrecht kann, vorbehaltlich einer vorzeitigen Beendigung durch Kündigung gemäß § 4(5), jeweils zum [•] eines Jahres (der "**Ausübungstag**"), bis [•] Uhr (Ortszeit [•]) (die "**Ausübungsfrist**") ausgeübt werden.]
- [(2) Zertifikatsrechte können jeweils nur für mindestens [•] Zertifikat bzw. ein ganzzahliges Vielfaches davon ausgeübt werden. Eine Ausübung von weniger als [•] Zertifikat ist ungültig und entfaltet keine Wirkung. Eine Ausübung von mehr als [•] Zertifikat, deren Anzahl nicht durch [•] teilbar ist, gilt als Ausübung der nächstkleineren Anzahl von Zertifikaten, die durch [•] teilbar ist.]
- [(3) Zur wirksamen Ausübung der Zertifikatsrechte müssen innerhalb der Ausübungsfrist die

*Settlement Price: [•]*

- [(3) The "**Ratio**" is [•] [and will be determined by the Issuer on the Issue Date]. The "**Issue Price**" per Certificate is [•].]

*[if appropriate, insert alternative or additional provisions: [•].]*

## § 2

### Form of Certificates; Common Securities Depository ; Transfer

- (1) The [•] Certificates issued by the Issuer are represented in a permanent global bearer certificate (the "**Global Bearer Certificate**"). No definitive Certificates will be issued. The claim of the holders of the Certificates for delivery of definitive Certificates shall be excluded.
- (2) The Global Bearer Certificate will be deposited at Clearstream Banking Aktiengesellschaft in Frankfurt am Main ("**Clearstream**"). The Certificates may be transferred in the form of co-ownership interests.
- (3) The Certificates may be transferred individually in the collective securities settlement procedure.

## § 3

### Status

The Certificates constitute direct, unsecured and unsubordinated obligations of the Issuer, ranking equally among themselves and with all other present and future unsecured and unsubordinated obligations of the Issuer, other than obligations preferred by mandatory provisions of law.

## § 4

### Exercise Date, Exercise of Certificate Rights; Acceleration

- [(1) The Certificate Right may be exercised, subject to an acceleration by way of termination pursuant to § 4(5), as per [•] (the "**Exercise Date**") by [•] (local time [•]) (the "**Exercise Period**").]
- [(2) Certificate Rights may in each case only be exercised for at least [•] Certificate or an integral multiple thereof. An exercise of less than 1 Certificate shall be null and void and of no consequence. An exercise of more than [•][•] Certificates, the number of which is not divisible by [•], shall be deemed an exercise of the next lower number of Certificates, which is divisible by [•].]
- [(3) For an effective exercise of the Certificate Rights the following conditions have to be met within

folgenden Bedingungen erfüllt sein:]

- [(a) Bei der Zertifikatsstelle (§ 8) muss eine ordnungsgemäß ausgefüllte und rechtsverbindlich unterzeichnete Erklärung (die "**Ausübungserklärung**") des Inhabers der Zertifikate, dass er das durch das Zertifikat verbrieftete Recht ausübt, eingegangen sein. Die Ausübungserklärung ist unwiderruflich und bindend und hat unter anderem folgende Angaben zu enthalten: (i) den Namen des Zertifikatsinhabers, (ii) die Bezeichnung und die Anzahl der Zertifikate, deren Zertifikatsrechte ausgeübt werden, und (iii) das Euro-Konto des Inhabers der Zertifikate bei einem Kreditinstitut in der Bundesrepublik Deutschland, auf das der nach § 1(2) gegebenenfalls zu zahlende Abrechnungsbetrag überwiesen werden soll;]
- [(b) die Übertragung der betreffenden Zertifikate auf die Zertifikatsstelle, und zwar entweder (i) durch eine unwiderrufliche Anweisung an die Zertifikatsstelle, die Zertifikate aus dem gegebenenfalls bei der Zertifikatsstelle unterhaltenen Wertpapierdepot zu entnehmen oder (ii) durch Gutschrift der Zertifikate auf das Konto [Nr. 7307] [•] der Zahlstelle (§ 8) bei der Clearstream.]
- [(4) Alle im Zusammenhang mit der Ausübung von Zertifikaten anfallenden Steuern, Gebühren oder Abgaben sind von dem Zertifikatsinhaber zu tragen und zu zahlen.]
- [(5) Die Emittentin ist jederzeit berechtigt, die noch nicht ausgeübten Zertifikate durch Bekanntmachung gemäß § 9 [, erstmals [•],] unter Angabe des Kündigungstages (der "**Kündigungstag**") zu kündigen. Die Kündigungsfrist beträgt [•]. Im Falle der Kündigung zahlt die Emittentin an jeden Zertifikatsinhaber einen Betrag (der "**Kündigungsbetrag**"), der dem Abrechnungsbetrag (§ 1(2)) am Bewertungstag (§ 5(1)) entspricht.]

[gegebenenfalls alternative oder zusätzliche Bestimmungen einfügen: [•]]

## § 5

### Bewertungstag; Bankgeschäftstag

- [(1) "**Bewertungstag**" ist [•] [, vorbehaltlich § 7(1), der jeweilige Ausübungstag bzw. der Kündigungstag bzw., falls ein solcher Tag kein Index-Berechnungstag (§ 12(1)) ist, gilt der unmittelbar nächstfolgende Index-Berechnungstag als Bewertungstag].]
- [(2) "**Bankgeschäftstag**" ist [•] [, vorbehaltlich der nachfolgenden Regelung, jeder Tag, an dem die Banken in Frankfurt am Main geöffnet sind. Im Zusammenhang mit Zahlungsvorgängen gemäß § 6 ist "Bankgeschäftstag" jeder Tag, an dem

the Exercise Period:]

- [(a) A duly executed notice with legally binding signature (the "**Exercise Notice**") of the holder of the Certificates has to be received by the Certificate Agent (§ 8) to the effect that the right represented by the Certificate is exercised. The Exercise Notice shall be irrevocable and binding and, inter alia, has to specify the following: (i) the name of the holder of the Certificates; (ii) the description and number of the Certificates for which the Certificate Rights are exercised, and (iii) the Euro-account with a bank in the Federal Republic of Germany of the holder of the Certificates to which the Settlement Amount payable pursuant to § 1(2), if applicable, is to be transferred;]
- [(b) the transfer of the relevant Certificates to the Certificate Agent, either (i) by way of an irrevocable instruction to the Certificate Agent to withdraw the Certificates from the securities deposit account, if any, maintained with the Certificate Agent or (ii) by way of crediting the Certificates to the account [no. 7307] [•] maintained by the Paying Agent (§ 8) with Clearstream.]
- [(4) All taxes, governmental fees or duties incurred in connection with the exercise of Certificates are to be borne and paid by the holder of the Certificates.]
- [(5) The Issuer shall be entitled at any time to terminate the Certificates not yet exercised by way of publication pursuant to § 9 [, for the first time [•]] specifying the termination date (the "**Termination Date**"). The period of notice shall be [•]. In the case of a termination the Issuer shall pay to each holder of Certificates a sum (the "**Termination Amount**") equal to the Settlement Amount (§ 1(2)) on the Valuation Date (§ 5(1)).]

[if appropriate, insert alternative or additional provisions: [•]]

## § 5

### Valuation Date; Banking Day

- [(1) [Subject to § 7(1),] the "**Valuation Date**" in each case shall be [•] [, the Exercise Date or the Termination Date or, if such Date is not a Index Calculation Day (§ 12(1)) the Index Calculation Day immediately succeeding is the Valuation Date].]
- [(2) "**Banking Day**" means [•] [, subject to the provision set out below, each day on which banks in Frankfurt am Main are open for business. In relation to payments pursuant to § 6, "Banking Day" means each day, on which the

das TARGET-System geöffnet ist und Clearstream Zahlungen abwickelt. "**TARGET-System**" bezeichnet das Trans-European Automated Real-time Gross settlement Express Transfer-System].]

[gegebenenfalls alternative oder zusätzliche Bestimmungen einfügen: [•]]

TARGET-System is open for business and Clearstream settles payments. "**TARGET-System**" refers to the Trans-European Automated Real-time Gross settlement Express Transfer system].]

[if appropriate, insert alternative or additional provisions: [•]]

### § 6

#### Zahlung des Abrechnungs- bzw. Kündigungsbetrages

[Die Emittentin wird bis zu dem [•] Bankgeschäftstag nach dem Bewertungstag die Überweisung des gegebenenfalls zu beanspruchenden Abrechnungsbetrages bzw. Kündigungsbetrages an die Clearstream zur Gutschrift auf die Konten der Hinterleger der Zertifikate bei der Clearstream veranlassen. Alle in diesem Zusammenhang anfallenden Steuern, Gebühren oder Abgaben sind von dem Inhaber der Zertifikate zu tragen und zu zahlen. Die Emittentin bzw. die Zahlstelle ist berechtigt, von dem Abrechnungsbetrag etwaige Steuern, Gebühren oder Abgaben einzubehalten, die von dem Inhaber der Zertifikate gemäß § 4(4) zu zahlen sind.]

[gegebenenfalls alternative oder zusätzliche Bestimmungen einfügen: [•]]

### § 6

#### Payment of the Settlement or Termination Amount

[The Issuer will cause by the [•] Banking Day following the Valuation Date the transfer of the Settlement Amount or Termination Amount to be paid, if any, to Clearstream to be credited to the accounts of the persons depositing the Certificates with Clearstream. The holder of the Certificates will be required to bear and pay all taxes, governmental fees and duties incurred in this context. The Issuer or the Paying Agent, respectively, will be entitled to withhold any taxes, governmental fees or duties from the Settlement Amount which are payable by the holder of the Certificates pursuant to § 4(4).]

[if appropriate, insert alternative or additional provisions: [•]]

### § 7

#### Marktstörungen

[(1) Wenn nach Auffassung der Emittentin an [einem Bewertungstag] [•] eine Marktstörung (§ 7(2)) vorliegt, dann wird der jeweilige [Bewertungstag] [•] auf den nächstfolgenden Index-Berechnungstag, an dem keine Marktstörung mehr vorliegt, verschoben. Die Emittentin wird sich bemühen, den Beteiligten unverzüglich gemäß § 9 mitzuteilen, dass eine Marktstörung eingetreten ist. Eine Pflicht zur Mitteilung besteht jedoch nicht. Wenn [ein Bewertungstag] [•] aufgrund der Bestimmungen dieses Absatzes um acht Bankgeschäftstage verschoben worden ist und auch an diesem Tag die Marktstörung fortbesteht, dann gilt dieser Tag als der Bewertungstag, wobei die Emittentin den Abrechnungsbetrag nach billigem Ermessen gemäß § 315 BGB sowie unter Berücksichtigung der an dem Bewertungstag herrschenden Marktgegebenheiten, bestimmen wird.]

[(2) Eine "**Marktstörung**" bedeutet die Suspendierung oder eine nach Auffassung der Emittentin wesentliche Einschränkung des Handels]

[(i) an der/den Börse(n) bzw. in dem Markt/den Märkten, an/in der/dem/denen die dem Index zugrunde liegenden Werte notiert bzw. gehandelt werden, allgemein oder]

### § 7

#### Market Disruptions

[(1) If, in the opinion of the Issuer, a Market Disruption (§ 7(2)) prevails on [the Valuation Date] [•], [the Valuation Date] [•]concerned shall be postponed to the next succeeding Index Calculation Date on which no Market Disruption prevails. The Issuer shall endeavour to notify the parties pursuant to § 9 without delay of the occurrence of a Market Disruption. However, there is no notification obligation. If any [Valuation Date] [•], due to the provisions of this subparagraph has been postponed by eight Banking Days, and if the Market Disruption continues to prevail on this day, this day shall be deemed [the Valuation Date] [•], in which case the Issuer will determine the Settlement Amount at its reasonable discretion pursuant to § 315 of the German Civil Code and taking into account the market conditions prevailing on [the Valuation Date] [•].]

[(2) A "**Market Disruption**" shall mean a temporary suspension or restriction, the latter of which is in the Issuer's opinion significant, imposed on trading]

[(i) on the Stock Exchange/s or in the market/s on/in which the underlying values of the Index are quoted or traded in general, or]



- [(ii) einzelner dem Index zugrunde liegender Werte an der/den Börse(n) bzw. in dem Markt/den Märkten, an/in der/dem/denen diese Werte notiert bzw. gehandelt werden, sofern eine wesentliche Anzahl oder ein wesentlicher Anteil unter Berücksichtigung der Marktkapitalisierung betroffen ist (als wesentliche Anzahl oder als wesentlicher Anteil gilt eine solche oder ein solcher von mehr als 20 %), oder]
- [(iii) in Options- oder Terminkontrakten in Bezug auf den Index oder dem Index zugrunde liegende Werte an der Maßgeblichen Terminbörse, falls solche Options- oder Terminkontrakte dort gehandelt werden. "Maßgebliche Terminbörse" ist diejenige Terminbörse, an der der umsatzstärkste Handel in Bezug auf Options- oder Terminkontrakte auf den Index oder dem Index zugrunde liegende Werte stattfindet, oder]
- [(iv) bedeutet, nach einer nach billigem Ermessen gemäß § 315 BGB getroffenen Entscheidung der Emittentin über das Eintreten und/oder das Bestehen von Ereignissen, die der Emittentin, einer Tochtergesellschaft, Treuhändern oder Geschäftspartnern für Absicherungsgeschäfte, die Durchführung folgender Maßnahmen nicht zulassen oder nur mit Verzögerung erlauben:]
- [- die Konvertierung von US-Dollars ("**USD**") in EUR auf gewöhnliche Art und Weise;]
  - [- die Konvertierung von USD in EUR zu einem Wechselkurs, der zumindest dem Wechselkurs entspricht, den einheimische Institutionen, die in den Vereinigten Staaten von Amerika ansässig sind, verwenden;]
  - [- Transfer von EUR von Konten in den Vereinigten Staaten von Amerika auf Konten außerhalb der Vereinigten Staaten von Amerika;]
  - [- Transfer von USD auf Konten innerhalb der Vereinigten Staaten von Amerika oder auf ein Konto einer gebietsfremden Gesellschaft;]
  - [- die Realisierung des Werts des zugrunde liegenden Absicherungsgeschäfts in USD zu irgendeinem Zeitpunkt;]
  - [- wenn die Regierung der Vereinigten Staaten von Amerika öffentlich ihre Absicht ankündigt, dass Kapitalverkehrskontrollen eingeführt werden, die nach Ausübung billigen Ermessens der Emittentin gemäß § 315 BGB geeignet sind, den Abschluss und die Auflösung von Absicherungsgeschäften bezogen auf die Zertifikate wesentlich zu beeinflussen, oder]
- [(v) aufgrund der Anordnung einer Behörde
- [(ii) of individual underlying values of the Index on the stock exchange/s or in the market/s on/in which these values are quoted or traded, provided that a major number or a material portion in terms of market capitalization is concerned (a number or amount in excess of 20 % shall be deemed to be material), or]
- [(iii) in options or futures contracts with respect to the Index or its underlying components on the Relevant Futures and Options Exchange, if such options or futures contracts are traded on such exchange. The "Relevant Futures and Options Exchange" is the Futures and Options Exchange on which the largest volume of options or futures contracts on the Index or its underlying components is being traded, or]
- [(iv) as determined by the Issuer at its sole discretion in accordance with § 315 of the German Civil Code (BGB), the occurrence and/or existence of an event that has the effect of preventing or delaying the Issuer or any of its affiliates or nominees or the hedge counterparties directly or indirectly from:]
- [- converting US Dollars ("**USD**") into EUR through customary legal channels;]
  - [- converting USD into EUR at a rate at least as favourable as the rate for domestic institutions located in the United States of America;]
  - [- delivering EUR from accounts inside the United States of America to accounts outside the United States of America;]
  - [- delivering USD between accounts inside the United States of America or to a party that is a non-resident of the United States of America;]
  - [- effectively realizing the value of its underlying hedge in USD at any time;]
  - [- if the Government of the United States of America gives public notice of its intention to impose any capital controls which the Issuer determines in good faith pursuant to § 315 of the German Civil Code (BGB) to be likely to materially affect the Issuer's ability to hedge its position under the Certificates or to unwind such hedge, or]
- [(v) due to the directive of an authority, the

oder der Maßgeblichen Börse, der Maßgeblichen Terminbörse oder des betreffenden Marktes bzw. eines allgemeinen Moratoriums für Bankgeschäfte in dem Land, in dem die Maßgebliche(n) Börse(n) ansässig ist/sind.]

[Eine Beschränkung der Stunden oder Anzahl der Tage, an denen ein Handel stattfindet, gilt nicht als Marktstörung, sofern die Einschränkung auf einer vorher angekündigten Änderung der regulären Handelszeiten der betreffenden Börse bzw. des betreffenden Marktes beruht. Eine im Laufe eines Tages eintretende Beschränkung im Handel aufgrund von Preisbewegungen, die bestimmte vorgegebene Grenzen überschreiten, gilt nur dann als Marktstörung, wenn diese Beschränkung bis zum Ende der Handelszeit an dem betreffenden Tag fort dauert.]

[gegebenenfalls alternative oder zusätzliche Bestimmungen einfügen: [•]]

## § 8

### Zertifikatsstelle; [Berechnungsstelle;] Zahlstelle

[(1) "**Zertifikatsstelle**" [und "**Berechnungsstelle**"] ist die UBS Deutschland AG, Bockenheimer Landstraße 2 - 4, 60306 Frankfurt am Main, die diese Funktion in Übereinstimmung mit diesen Zertifikatsbedingungen übernommen hat. "**Zahlstelle**" ist die UBS Limited, 1 Finsbury Avenue, London EC2M 2PP, United Kingdom. Die Zertifikatsstelle [, die Berechnungsstelle] und die Zahlstelle handeln ausschließlich für die Emittentin und stehen nicht in einem Auftrags-, Treuhand- oder Vertretungsverhältnis zu den Inhabern der Zertifikate. Die Zertifikatsstelle [, die Berechnungsstelle] und die Zahlstelle haften dafür, dass sie im Zusammenhang mit den Zertifikaten Berechnungen oder Anpassungen vornehmen, nicht vornehmen oder nicht richtig vornehmen oder sonstige Maßnahmen treffen oder unterlassen nur, wenn und soweit sie die Sorgfalt eines ordentlichen Kaufmanns verletzt haben.]

[(2) Die Zertifikatsstelle [, die Berechnungsstelle] und die Zahlstelle sind berechtigt, jederzeit ihr Amt als Zertifikatsstelle [, Berechnungsstelle] bzw. Zahlstelle niederzulegen. Die Niederlegung wird nur wirksam mit der Bestellung eines anderen Finanzinstituts zur Zertifikatsstelle [, Berechnungsstelle] bzw. Zahlstelle durch die Emittentin. Niederlegung und Bestellung werden unverzüglich gemäß § 9 bekannt gemacht.]

[(3) Die Zertifikatsstelle [, die Berechnungsstelle] und die Zahlstelle sind von den Beschränkungen des § 181 BGB befreit.]

[gegebenenfalls alternative oder zusätzliche

Relevant Exchange, the Relevant Futures and Options Exchange or to a general moratorium, which has been declared in respect of banking activities in the country in which the Relevant Exchange(s) is/are located.]

[A restriction of the hours or the number of days during which trading is effected is not deemed a Market Disruption, if the restriction is based on a change in regular trading hours of the Relevant Stock Exchange or in the relevant market announced in advance. A restriction of trading which is levied during the course of any day due to price developments exceeding certain prescribed limits shall only be deemed a Market Disruption, if such restriction continues until the end of trading hours on the relevant day.]

[if appropriate, insert alternative or additional provisions: [•]]

## § 8

### Certificate Agent; [Calculation Agent;] Paying Agent

[(1) "**Certificate Agent**" [and "**Calculation Agent**"] shall be UBS Deutschland AG, Bockenheimer Landstrasse 2 - 4, 60306 Frankfurt am Main, which has assumed this function pursuant to these Terms and Conditions of Certificates. UBS Limited, 1 Finsbury Avenue, London EC2M 2PP, United Kingdom, is the Paying Agent. The Certificate Agent [, the Calculation Agent] and the Paying Agent act exclusively on behalf of the Issuer and there is no relationship of agency or trust between the Certificate Agent [, Calculation Agent] and the holders of the Certificates. The Certificate Agent [, the Calculation Agent] and the Paying Agent shall be held responsible for making or failing to make or incorrectly making any calculations or adjustments in connection with the Certificates or for taking or failing to take any other measures, only if, and insofar as, they fail to act with the due diligence of a prudent businessman.]

[(2) The Certificate Agent [, the Calculation Agent] and the Paying Agent are entitled to retire at any time from their offices as Certificate Agent [, Calculation Agent] or Paying Agent. Such retirement shall only become effective if another financial institution is appointed by the Issuer as Certificate Agent [, Calculation Agent] or Paying Agent, as the case may be. Notices of retirement and appointment will be published in accordance with § 9.

[(3) The Certificate Agent [, Calculation Agent] and the Paying Agent are exempt from the restrictions under § 181 of the German Civil Code.]

[if appropriate, insert alternative or additional

*Bestimmungen einfügen: [•]*

*provisions: [•]*

### § 9 Bekanntmachungen

[Bekanntmachungen, welche die Zertifikate betreffen, werden in einem überregionalen Börsenpflichtblatt und, sofern rechtlich erforderlich, im Bundesanzeiger veröffentlicht.]

*[gegebenenfalls alternative oder zusätzliche Bestimmungen einfügen: [•]]*

### § 10 Aufstockung

Die Emittentin ist berechtigt, jederzeit weitere Zertifikate mit gleicher Ausstattung zu begeben, so dass sie mit den Zertifikaten zusammengefasst werden, eine einheitliche Emission mit ihnen bilden und ihre Anzahl erhöhen. Der Begriff "Zertifikate" umfasst im Fall einer solchen Aufstockung auch solche zusätzlich begebenen Zertifikate.

### § 11 Ersetzung der Emittentin

- [(1) Die Emittentin ist jederzeit berechtigt, ohne Zustimmung der Inhaber von Zertifikaten eine andere Gesellschaft der UBS-Gruppe, deren Anteile direkt oder indirekt mehrheitlich von der UBS AG gehalten werden, als Emittentin (die "**Neue Emittentin**") hinsichtlich aller Verpflichtungen aus oder in Verbindung mit den Zertifikaten an die Stelle der Emittentin zu setzen, sofern
- [(a) die Neue Emittentin alle Verpflichtungen der Emittentin aus oder in Verbindung mit den Zertifikaten übernimmt,]
  - [(b) die Neue Emittentin alle etwa notwendigen Genehmigungen von den zuständigen Behörden erhalten hat, wonach die Neue Emittentin alle sich aus oder in Verbindung mit den Zertifikaten ergebenden Verpflichtungen erfüllen kann und Zahlungen ohne Einbehalt oder Abzug von irgendwelchen Steuern, Gebühren oder Abgaben an die Zahlstelle (§ 8) transferieren darf, und]
  - [(c) die Emittentin, unbedingt und unwiderruflich die Verpflichtungen der Neuen Emittentin garantiert.]
- [(2) Im Falle einer solchen Ersetzung der Emittentin gilt jede in diesen Zertifikatsbedingungen enthaltene Bezugnahme auf die Emittentin fortan als auf die Neue Emittentin bezogen.]
- [(3) Eine Ersetzung der Emittentin gemäß § 11 ist für die Inhaber von Zertifikaten bindend und unverzüglich gemäß § 9 bekannt zu machen.]

### § 9 Publications

[Announcements relating to the Certificates will be published in a supra-regional mandatory newspaper (*Börsenpflichtblatt*) and, to the extent required by law, in the German Federal Gazette (*Bundesanzeiger*).]

*[if appropriate, insert alternative or additional provisions: [•]]*

### § 10 Additional Certificates

The Issuer is entitled at any time to issue additional Certificates with identical terms so as to consolidate them with the Certificates, to form a single issue with them and to increase their number. In case of such an additional issue the term "Certificates" shall also refer to such additionally issued certificates.

### § 11 Substitution of the Issuer

- [(1) The Issuer is entitled, without the consent of the holders of the Certificates, to substitute for the Issuer another company of the UBS Group, the majority of whose shares, directly or indirectly, is held by UBS AG, as issuer (the "**New Issuer**") with respect to all obligations under or in connection with the Certificates, provided that]
- [(a) the New Issuer assumes all obligations of the Issuer under or in connection with the Certificates,]
  - [(b) the New Issuer has obtained all necessary authorizations, if any, by the competent authorities pursuant to which the New Issuer may meet all obligations arising under or in connection with the Certificates and transfer to the Paying Agent (§ 8) any payments without withholding or deduction of any taxes, governmental fees or duties, and]
  - [(c) the Issuer, unconditionally and irrevocably guarantees the obligations of the New Issuer.]
- [(2) In case of such a substitution of the Issuer any reference in these Terms and Conditions of Certificates to the Issuer shall forthwith be deemed to refer to the New Issuer. ]
- [(3) The substitution of the Issuer pursuant to § 11 shall be binding on the holders of the Certificates and be published without delay in accordance with § 9.]

[gegebenenfalls alternative oder zusätzliche Bestimmungen einfügen: [•]]

[if appropriate, insert alternative or additional provisions: [•]]

## § 12

### Index-Sponsor; [Anpassungen;] [Index Berechnungstag;] [Nachfolgeindex;] [Anpassung] [;] [Vorzeitige Kündigung]

- [(1) Der Index wird von [•] (der "**Index-Sponsor**") berechnet, fest-gestellt und veröffentlicht. "**Index-Berechnungstag**" ist, vorbehaltlich einer Marktstörung (§ 7(2)), jeder Tag, an dem der Index nach den dafür maßgebenden Bestimmungen von dem Index-Sponsor berechnet und veröffentlicht wird.]
- [(2) Der "**Abrechnungspreis**" ist [der Indexwert, der an einem Bewertungstag (§ 5(1)) von dem Index-Sponsor berechnet und als Abrechnungspreis festgestellt und veröffentlicht wird oder gegebenenfalls ein von der Berechnungsstelle gemäß Absatz (6) bestimmter Nachfolgeindexwert, jeweils ausgedrückt in [•].] *[gegebenenfalls andere Bestimmung des Abrechnungspreises einfügen: [•]]*
- [(3) Wird der Index nicht mehr von dem Index-Sponsor, sondern von einer anderen Person, Gesellschaft oder Institution, die die Berechnungsstelle nach billigem Ermessen gemäß § 315 BGB für geeignet hält (der "**Neue Index Sponsor**") berechnet, festgestellt und veröffentlicht, so wird der Abrechnungsbetrag auf der Grundlage des von dem Neuen Index-Sponsor berechneten, festgestellten und veröffentlichten Abrechnungspreis des Index berechnet. Ferner gilt dann jede in diesen Zertifikatsbedingungen enthaltene Bezugnahme auf den Index-Sponsor, sofern es der Zusammenhang erlaubt, als Bezugnahme auf den Neuen Index-Sponsor.]
- [(4) Veränderungen in der Berechnung des Index (einschließlich Bereinigungen) oder der Zusammensetzung oder Gewichtung der Kurse oder Bestandteile, auf deren Grundlage der Index berechnet wird, führen nicht zu einer Anpassung des Zertifikatsrechts, es sei denn, dass das maßgebende Konzept und die Berechnung des Index infolge einer Veränderung (einschließlich einer Bereinigung) nach Auffassung der Berechnungsstelle nach billigem Ermessen gemäß § 315 BGB nicht mehr vergleichbar ist mit dem bisher maßgebenden Konzept oder der maßgebenden Berechnung des Index. Dies gilt insbesondere, wenn sich aufgrund irgendeiner Änderung trotz gleich bleibender Kurse der in dem Index enthaltenen Bestandteile und ihrer Gewichtung eine wesentliche Änderung des Indexwertes ergibt. Eine Anpassung des Zertifikatsrechts kann auch bei Aufhebung des Index und/oder seiner Ersetzung durch einen anderen Index erfolgen. Zum Zweck einer Anpassung des Zertifikatsrechts ermittelt

## § 12

### Index Sponsor; [Adjustments] [Index Calculation Day;] [Successor Index;] [Adjustment] [;] [Early Termination]

- [(1) The Index is calculated, determined, and published by [•] (the "**Index Sponsor**"). "**Index Calculation Day**" is, subject to Market Disruption (§ 7(2)), any day on which the Index Sponsor calculates and publishes the Settlement Price of the Index according to the applicable rules.]
- [(2) The "**Settlement Price**" is [the index value as calculated, determined and published by the Index Sponsor as Settlement Price on the Valuation Date (§ 5(1)), or as the case may be a Successor Index Value as determined by the Calculation Agent pursuant to subparagraph (6), in each case expressed in [•].] *[if appropriate, insert other determination of the Settlement Price: [•]]*
- [(3) If the Index is no longer calculated, determined and published by the Index Sponsor but is calculated, determined and published by another person, company or institution, which is acceptable to the Calculation Agent at its reasonable discretion (§ 315 of the German Civil Code (BGB)) (the "**Successor Index Sponsor**"), the Settlement Amount shall be calculated on the basis of the Settlement Price of the Index so calculated, determined and published by the Successor Index Sponsor. In this case, each reference in these Terms and Conditions of the Certificate to the Index Sponsor shall, to the extent appropriate, be deemed to refer to the Successor Index Sponsor.]
- [(4) Any changes in the calculation of the Index (including corrections) or of the composition or of the weighting of the prices or components which form the basis of the calculation of the Index, shall not lead to an adjustment of the Certificate Right unless the Calculation Agent, upon exercise of its reasonable discretion (§ 315 of the German Civil Code (BGB)), determines that the underlying concept and the calculation of the Index (including corrections) applicable is no longer comparable to the underlying concept or calculation of the Index applicable prior to such change. This applies especially, if due to any change the index value changes considerably, although the prices and weightings of the components included in the Index remain unchanged. Adjustments of the Certificate Right may also be made as a result of the termination of the Index and/or its substitution by another Index. For the purpose of making any adjustments of the Certificate Right, the Calculation Agent shall at its reasonable discretion pursuant

die Berechnungsstelle nach billigem Ermessen gemäß § 315 BGB einen angepassten Wert je Index-Punkt, der bei der Berechnung des Abrechnungsbetrages zugrunde gelegt wird und in seinem wirtschaftlichen Ergebnis der bisherigen Regelung entspricht, unter Berücksichtigung gegebenenfalls für die Emittentin durch die Anpassung von auf die Zertifikate bezogenen Absicherungsgeschäften entstandener Kosten, und bestimmt unter Berücksichtigung des Zeitpunktes der Veränderung den Tag, zu dem der angepasste Wert je Index-Punkt erstmals zugrunde zu legen ist. Der angepasste Wert je Index-Punkt sowie der Zeitpunkt seiner erstmaligen Anwendung werden unverzüglich gemäß § 8 bekannt gemacht.]

- [(5) Wird der Index zu irgendeiner Zeit während der Laufzeit der Zertifikate aufgehoben und/oder durch einen anderen Index ersetzt, legt die Berechnungsstelle nach billigem Ermessen gemäß § 315 BGB, gegebenenfalls unter entsprechender Anpassung des Zertifikatsrechts gemäß § 12(4), fest, welcher Index künftig zugrunde zu legen ist (der "**Nachfolgeindex**"). Der Nachfolgeindex sowie der Zeitpunkt seiner erstmaligen Anwendung werden unverzüglich gemäß § 8 bekannt gemacht. Jede in diesen Zertifikatsbedingungen enthaltene Bezugnahme auf den Index gilt dann, sofern es der Zusammenhang erlaubt, als Bezugnahme auf den Nachfolgeindex.]
- [(6) Ist nach Ansicht der Berechnungsstelle, nach billigem Ermessen gemäß § 315 BGB, eine Anpassung des Zertifikatsrechts oder die Festlegung eines Nachfolgeindex, aus welchen Gründen auch immer, nicht möglich, wird die Berechnungsstelle, nach billigem Ermessen gemäß § 315 BGB, für die Weiterrechnung und Veröffentlichung des Index auf der Grundlage des bisherigen Indexkonzeptes und des letzten festgestellten Indexwertes Sorge tragen. Eine derartige Fortführung wird unverzüglich gemäß § 9 bekannt gemacht.
- [(7) Ein Vorzeitiger Kündigungsgrund liegt auch dann vor, wenn die Emittentin, aus welchen Gründen auch immer, nicht mehr in der Lage ist, Deckungsgeschäfte zur Absicherung der Risiken und Verpflichtungen im Zusammenhang mit den Zertifikaten einzugehen oder aufzulösen.]
- [(8) In Zweifelsfällen über das Entstehen des Vorzeitigen Kündigungsgrunds entscheidet die Emittentin gemäß § 315 BGB nach billigem Ermessen.]
- [(9) Im Fall einer Vorzeitigen Kündigung wird die Emittentin an jeden Zertifikatsinhaber auf jedes von ihm gehaltene Zertifikat einen Betrag (der "**Vorzeitige Kündigungsbetrag**") zahlen, den sie nach billigem Ermessen (§ 315 BGB) als angemessenen Marktpreis eines Zertifikats am Kündigungstag festlegt. Soweit die vor-

to § 315 of the German Civil Code (BGB) determine an adjusted value per Index point as the basis of calculation of the Settlement Amount, which in its result corresponds with the economic result prior to this change, reflecting any costs to the Issuer of adjusting any positions hedging the Certificates, and shall, taking into account the time the change occurred, determine the day on which the adjusted value per Index point shall apply for the first time. The adjusted value per Index point as well as the date of its first application shall be published without undue delay pursuant to § 9.]

- [(5) In the event that, at any time during the Term of the Certificates, the Index is terminated and/or replaced with another Index, the Calculation Agent shall determine at its reasonable discretion pursuant to § 315 of the German Civil Code (BGB), after having made appropriate adjustments of the Certificate Right according to § 12(4), which Index (the "**Successor Index**") shall be applicable in the future. The Successor Index and the date it is applied for the first time shall be published without undue delay in accordance with § 8. Any reference in these Terms and Conditions of the Certificate to the Index shall, to the extent appropriate, be deemed to refer to the Successor Index.]
- [(6) If, in the opinion of the Calculation Agent at its reasonable discretion pursuant to § 315 of the German Civil Code (BGB), an adjustment of the Certificate Right or the determination of a Successor Index is not possible, for whatsoever reason, the Calculation Agent shall, at its reasonable discretion pursuant to § 315 of the German Civil Code (BGB) provide for the continued calculation and publication of the Index on the basis of the existing index concept and the last determined index value. Any such continuation shall be published without undue delay pursuant to § 9.
- [(7) An Early Termination Event shall also be the fact that the Issuer becomes unable, for any reason whatsoever, to enter into or dispose of any transactions it deems necessary to hedge the risks or obligations with respect to the Certificates.]
- [(8) The Issuer reserves the right to determine in cases of doubt the occurrence of an Early Termination Event. Such determination shall be done at the Issuer's reasonable discretion pursuant to § 315 of the German Civil Code.]
- [(9) In case of an Early Termination the Issuer will pay to the Certificate holders in respect of each Certificate held by such holder an amount (the "**Early Termination Amount**") which shall be determined by the Issuer at its reasonable discretion pursuant to § 315 of the German Civil Code and shall adequately reflect the market

stehenden Bestimmungen für die Vorzeitige Kündigung der Zertifikate durch die Emittentin nicht entgegenstehen, finden im Übrigen auf den Vorzeitigen Kündigungsbetrag und seine Zahlung die in diesen Zertifikatsbedingungen enthaltenen Bestimmungen über den Abrechnungsbetrag entsprechende Anwendung.]

[(10) Die in den vorgenannten § 12(3) bis (9) erwähnte Ermittlung der Emittentin nach billigem Ermessen gemäß § 315 BGB ist abschließend und verbindlich, es sei denn, es liegt ein offensichtlicher Irrtum vor.]

[gegebenenfalls alternative oder zusätzliche Bestimmungen einfügen: [•]]

### § 13 Verschiedenes

- (1) Form und Inhalt der Zertifikate sowie alle Rechte und Pflichten aus den in diesen Zertifikatsbedingungen geregelten Angelegenheiten bestimmen sich in jeder Hinsicht nach dem Recht der Bundesrepublik Deutschland.
- (2) Erfüllungsort ist Frankfurt am Main.
- (3) Gerichtsstand für alle Klagen oder sonstigen Verfahren aus oder im Zusammenhang mit den Zertifikaten ist Frankfurt am Main.
- (4) Die UBS AG, Niederlassung London, in ihrer Funktion als Emittentin und die UBS Limited in ihrer Funktion als Anbieterin und Federführerin ernennen hiermit die UBS Deutschland AG, Stephanstraße 14 – 16, 60313 Frankfurt am Main, Bundesrepublik Deutschland, als deutsche Bevollmächtigte, an die innerhalb der Bundesrepublik Deutschland im Rahmen jedes Verfahrens aus oder im Zusammenhang mit den Zertifikaten die Zustellung bewirkt werden kann (die "**Zustellungsbevollmächtigte**"). Falls, aus welchem Grund auch immer, die Zustellungsbevollmächtigte diese Funktion nicht mehr ausübt oder keine Anschrift innerhalb der Bundesrepublik Deutschland mehr hat, verpflichten sich die UBS AG, Niederlassung London, und die UBS Limited, eine Ersatz-Zustellungsbevollmächtigte in Deutschland zu ernennen. Hiervon unberührt bleibt die Möglichkeit, die Zustellung in jeder anderen gesetzlich zulässigen Weise zu bewirken.
- (5) Die Emittentin ist berechtigt, in diesen Zertifikatsbedingungen (i) offensichtliche Schreib- oder Rechenfehler oder sonstige offensichtliche Irrtümer sowie (ii) widersprüchliche oder lückenhafte Bestimmungen ohne Zustimmung der Inhaber der Zertifikate zu ändern bzw. zu ergänzen, wobei in den unter (ii) genannten Fällen nur solche Änderungen bzw. Ergänzungen zulässig sind, die unter Berücksichtigung der Interessen der Emittentin für die Inhaber der Zertifikate zumutbar sind, das heißt die finanzielle Situation der Inhaber der

value of each Certificate on the Termination Date. Provided that the above-mentioned rulings for the Issuer's Early Termination of the Certificates do not contradict, the provisions of these Terms and Conditions of Certificates relating to the Settlement Amount shall apply mutatis mutandis to such Early Termination Amount.]

[(10) The determination of the Issuer pursuant to the above § 12(3) through (9) at its reasonable discretion pursuant to § 315 of the German Civil Code shall be conclusive and binding, except where there is a manifest error.]

[if appropriate, insert alternative or additional provisions: [•]]

### § 13 Miscellaneous

- (1) Form and contents of the Certificates as well as all rights and duties arising from the matters provided for in these Terms and Conditions of Certificates shall in every respect be governed by the laws of the Federal Republic of Germany.
- (2) Place of performance shall be Frankfurt am Main.
- (3) Place of jurisdiction for all actions or other procedures under or in connection with the Certificates shall be Frankfurt am Main.
- (4) Each of UBS AG, London Branch, in its role as Issuer and UBS Limited in its roles as Offeror and Lead Manager hereby appoints UBS Deutschland AG, Stephanstraße 14 – 16, 60313 Frankfurt am Main, Federal Republic of Germany, as its agent in the Federal Republic of Germany to receive service of process in any proceedings under or in connection with the Certificates in the Federal Republic of Germany (the "Agent of Process"). If, for any reason, such Agent of Process ceases to act as such or no longer has an address in the Federal Republic of Germany, UBS AG, London Branch, and UBS Limited agree to appoint a substitute agent of process in the Federal Republic of Germany. Nothing herein shall affect the right to serve the process in any other manner permitted by law.
- (5) The Issuer is entitled to change or amend, as the case may be, in these Terms and Conditions of Certificates (i) any manifest writing or calculation errors or other manifest errors as well as (ii) any conflicting or incomplete provisions without the consent of the holders of the Certificates, provided that in the cases referred to under (ii) only such changes or amendments shall be permissible which, taking into account the interests of the Issuer, are acceptable to the holders of the Certificates, i.e. which do not materially impair the financial situation of the holders of the

Zertifikate nicht wesentlich verschlechtern. Änderungen bzw. Ergänzungen dieser Zertifikatsbedingungen werden unverzüglich gemäß § 9 bekannt gemacht.

- (6) Sollte eine Bestimmung dieser Zertifikatsbedingungen ganz oder teilweise unwirksam sein oder werden, so bleiben die übrigen Bestimmungen wirksam. Die unwirksame Bestimmung ist durch eine wirksame Bestimmung zu ersetzen, die den wirtschaftlichen Zwecken der unwirksamen Bestimmung so weit wie rechtlich möglich Rechnung trägt.

Certificates. Any changes or amendments of these Terms and Conditions of Certificates will be published without delay in accordance with § 9.

- (6) Should any provision of these Terms and Conditions of Certificates be or become invalid, in whole or in part, the other provisions shall remain in force. The invalid provision is to be replaced with a valid provision taking into account the economic purposes of the invalid provision as far as legally possible.

**INFORMATION ABOUT THE UNDERLYING**

The following information about the Underlying comprises extracts or summaries **[of information publicly available under [indication of source(s) of information: [•]]]** **[of information, received by the Issuer from [indication of source(s) of information: [•]]]**. The Issuer confirms that such information has been accurately reproduced. As far as the Issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

**[Insert description of the Index used as Underlying [with ISIN, if available, and name of the relevant index sponsor] and, where applicable, an indication of source(s) of information given in this section: [•]]**

**[Indication where information about the past and the further performance of the Index used as Underlying and its volatility can be obtained:] [•]**



## **ISSUE, SALE AND OFFERING**

### **I. Issue and Sale**

It has been agreed that, on or after [●] (the “**Issue Date**”) of the Securities UBS Limited in its capacity as lead manager (the “**Lead Manager**”) shall underwrite the Securities by means of an underwriting agreement and shall place them for sale. The Securities will be offered on a continuous basis by the Issuer to the Lead Manager and may be resold by the Lead Manager.

### **Selling Restrictions**

#### General

The Lead Manager has represented and agreed (and each additional manager will be required to represent and agree) that it will comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Securities or possesses or distributes the Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Securities under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer nor any manager shall have any responsibility therefor. Neither the Issuer nor the Lead Manager has represented that Securities may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or has assumed any responsibility for facilitating such sale. The Lead Manager will be required to comply with such other additional restrictions as the relevant Issuer and the Lead Manager shall agree and as shall be set out in the applicable Final Terms.

#### United States of America

[The Securities (or any rights thereunder) have not been registered and will not be registered under the United States Securities Act of 1933, as amended, (the “**Securities Act**”); trading in these Securities has not and will not be approved by the United States Commodity Futures Trading Commission pursuant to the United States Commodity Exchange Act, as amended. The Securities (or any rights thereunder) will be offered only outside of the United States and only to persons that are not U.S. persons as defined in Regulation S of the Securities Act.]

#### European Economic Area

[In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), the Lead Manager has represented and agreed, and each further manager appointed under the Base Prospectus will be required to represent 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 Securities which are the subject of the offering contemplated by this Prospectus as completed by the final terms in relation thereto 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 such Securities to the public in that Relevant Member State:

- (a) if the final terms in relation to the Securities specify that an offer of those Securities 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 Securities 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 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) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (c) 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 Lead Manager or managers nominated by the Issuer for any such offer; or
- (d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Securities referred to in (b) to (d) above shall require the Issuer or any Manager to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression “offer of Securities to the public” in relation to any Securities 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 Securities to be offered so as to enable an investor to decide to purchase or subscribe the Securities, 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 restriction addressing additional securities laws of the United Kingdom**

The Lead Manager has represented and agreed (and each additional manager will be required to represent and agree) that:

- a) in relation to any Securities which have 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 Securities other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or 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 Securities would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act (“**FSMA**”) by the Issuer;
- b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an 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 Securities in circumstances in which Section 21(1) of the FSMA would not, if it was not an authorised person, apply to the Issuer; and
- c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Securities in, from or otherwise involving the United Kingdom.]

**[Selling restriction addressing additional securities laws of the Republic of Italy**

The offering of the Securities has not been registered pursuant to Italian securities legislation and, accordingly, the Lead Manager has represented and agreed that, save as set out below, it has not offered or sold, and will not offer or sell, any Securities in the Republic of Italy in an offer to the public and that sales of the Securities in the Republic of Italy shall be effected in accordance with all Italian securities, tax and exchange control and other applicable laws and regulation.

Accordingly, the Lead Manager has represented and agreed that it will not offer, sell or deliver any Securities or distribute copies of the Base Prospectus and any other document relating to the Securities in the Republic of Italy, except:

- (i) to “qualified investors” (*investitori qualificati*), as referred pursuant to Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the Financial Services Act) and defined in Article 34-ter, first paragraph, letter b) of *Commissione Nazionale per le Società e la Borsa* (“**CONSOB**”) Regulation No. 11971 of 14 May 1999 (as amended from time to time) (Regulation No. 11971); or
- (ii) that it may offer, sell or deliver Securities or distribute copies of any prospectus relating to such Securities in an offer to the public in the period commencing on the date of publication of such prospectus, provided that such prospectus has been approved in another Relevant Member State and notified to CONSOB, all in accordance with the Prospectus Directive, as implemented in Italy under Decree 58 and Regulation No. 11971, and ending on the date which is 12 months after the date of publication of such prospectus; or
- (iii) in any other circumstances where an express exemption from compliance with the offer restrictions applies, as provided under the Financial Services Act and Regulation No. 11971.

Any such offer, sale or delivery of the Securities or distribution of copies of the Base Prospectus or any other document relating to the Securities in the Republic of Italy must be:

- (a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 16190 of 29 October 2007 (as amended from time to time) and Legislative Decree No. 385 of 1 September 1993, as amended (the “**Banking Act**”);
- (b) in compliance with Article 129 of the Banking Act, as amended, and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may require information on the issue or the offer of securities in the Republic of Italy; and
- (c) in compliance with any other applicable requirement or limitation which may be imposed by CONSOB or the Bank of Italy.

***Provisions relating to the secondary market in the Republic of Italy***

Investors should also note that, in any subsequent distribution of the Securities in the Republic of Italy, Article 100-bis, of the Financial Services Act may require compliance with the law relating to public offers of securities. Furthermore, where the Securities are placed solely with “qualified investors” and such Securities are then systematically resold on the secondary market at any time in the 12 months following such placing, purchasers of Securities who are acting outside of the course of their business or profession may in certain circumstances be entitled to declare such purchase void and, in addition, to claim damages from any authorised person at whose premises the Securities were purchased, unless an exemption provided for under the Financial Services Act applies.]

*[If appropriate, insert alternative or further selling restrictions: [●]]*

**II. Offering for Sale and Issue Price [ / Consent to use the Prospectus]**

It has been agreed that, on or after [●] (the “**Issue Date**”) of the Securities, the Lead Manager may purchase Securities and shall place the Securities for sale [at the issue price of [●] Security (the “**Issue Price**”) under terms subject to change. [The [Issue Price] [issue price (the “**Issue Price**”) [will be] [was] fixed [●], [based on the prevailing market situation and the level of the Underlying [, and [will then be made] [is] available at the Lead Manager].] [After closing of the Subscription Period (as defined below)] [As of the Start of public offer of the Securities (as defined below)] [As of the Fixing Date (as defined in the section “Terms and Conditions of the Certificates”)] [Thereafter,] the selling price [will then be] [was] adjusted on a continual basis to reflect the prevailing market situation.

The Lead Manager shall be responsible for coordinating the entire Securities offering.

[The Lead Manager and/or each further financial intermediary placing or subsequently reselling the Securities issued are entitled to use and rely upon this Prospectus, provided however, that the Prospectus is still valid in accordance with Article 9 of the Prospectus Directive. The Prospectus may only be delivered to potential investors together with all supplements published before such delivery. Copies of any supplement to the Base Prospectus shall, as long as any of the Securities are outstanding, also be maintained in printed format, for free distribution, at the registered offices of the Issuer. When using the Prospectus, the Lead Manager and/or relevant financial intermediary must make certain that it complies with all applicable laws and regulations in force in the respective jurisdictions.] *[if appropriate, insert further insert alterantive information on the consent to use the Prospectus: [●]]*

[The total commission due for the respective underwriting and/or placement service relating to the underwriting of the Securities is: [●].]

**III. [Subscription] [Purchase] and Delivery of the Securities**

*[in the case of a Subscription Period insert the following text:* The Securities may be subscribed from the Lead Manager(s) [and at [●]] *[if appropriate, insert further financial intermediaries placing or subsequently reselling the Securities: [●]]* during normal banking hours within [●] (the “**Subscription Period**”). [The Securities may only be subscribed in the minimum investment amount of [●] (the “**Minimum Investment Amount**”).] The Issue Price per Security is payable on [●] (the “**Initial Payment Date**”).

The Issuer reserves the right to earlier close or to extend the Subscription Period if market conditions so require.

After the Initial Payment Date, the appropriate number of Securities shall be credited to the investor's account in accordance with the rules of the corresponding Clearing System (as defined in the section "Terms and Conditions of the Certificates"). If the Subscription Period is shortened or extended, the Initial Payment Date may also be brought forward or postponed.】

*[in case that no Subscription Period is intended insert the following text: As of [•] (the "**Start of public offer of the Securities**"), the Securities may be purchased from the Lead Manager [and at [•]] [if appropriate, insert further financial intermediaries placing or subsequently reselling the Securities: [•]] during normal banking hours. [Such offer of the Securities is made on a continuous basis.] [The Securities may only be purchased in the minimum investment amount of [•] (the "**Minimum Investment Amount**").] There will be no subscription period. The Issue Price per Security is payable on [•] (the "**Initial Payment Date**").*

After the Initial Payment Date, the appropriate number of Securities shall be credited to the investor's account in accordance with the rules of the corresponding Clearing System (as defined in the section "Terms and Conditions of the Certificates").】

## **TAXATION**

### **General information**

The following outline of the tax implications of investing in the Securities is based on the legislation in force as of the date of this Base Prospectus. Potential investors and sellers of the Securities should be aware that the tax implications may change due to any future amendments to the legislation. Although this outline reflects the Issuer's opinion of the tax implications, it must not be understood as a guarantee in an area that is not conclusively clarified.

Moreover, it must not provide the sole basis for assessing the tax implications of investing in the Securities, since the individual situation of the particular investor must also be taken into account. The outline is thus restricted to a general summary of the possible tax implications.

**The Issuer does not assume any responsibility for the withholding of taxes at the source.**

### **1. Switzerland**

*The following is a generic summary only of the Issuer's understanding of current law and practice in Switzerland relating to the taxation of the Securities issued under the Base Prospectus. Because this summary does not address all tax considerations under Swiss law and as the specific tax situation of an investor cannot be considered in this context, prospective investors are recommended to consult their personal tax advisors as to the tax consequences of the purchase, ownership, sale or redemption of and the income derived from the Securities issued under the Base Prospectus including, in particular, the effect of tax laws of any other jurisdiction.*

The Swiss Federal Tax Administration has issued on 7 February 2007 a Circular Letter No. 15 regarding Certificates and Derivative Financial Instruments subject to Direct Federal Tax, Withholding Tax and Stamp Tax. The Securities issued under the Base Prospectus will be taxed in accordance with this Circular Letter No. 15 and its appendices. Depending on the qualification of the relevant Security by the competent Swiss tax authorities the taxation may be different.

The taxation depends on the set-up of each single Security for which reason the following remarks are again only of generic nature.

#### *Income Tax*

For private investors resident in Switzerland, investment income derived from the Securities (such as interest and dividends) is subject to Swiss personal income tax. The sale of some securities triggers taxable interest income for these investors (mainly zerobonds and other securities which include a bond component where the majority of the return consists of a discount oragio as opposed to coupons). For other products, capital gains realized in a sale may be tax exempt, depending on the qualification of each product.

For individual investors resident in Switzerland holding the Securities as business assets as well as for Swiss corporate investors, capital gains realized upon a sale, exchange, redemption or re-evaluation of the Securities or income derived from the Securities, irrespective of whether such income stems from investment income or capital gains, are in principle subject to either Swiss individual income tax with respect to an individual investor resident in Switzerland holding the Securities as business assets or subject to Swiss corporate income tax with respect to a corporate investor resident in Switzerland.

#### *Withholding Tax*

The Swiss federal withholding tax is in principle levied on income (such as, but not limited to, interest, profit distributions etc.) from, amongst others, bonds and other similar negotiable debt instruments issued by a Swiss tax resident ("*Inländer*"), distributions from Swiss tax resident corporations, interest on deposits with Swiss banks as well as distributions of or in connection with Swiss collective investment schemes. For withholding tax purposes, an individual or corporation qualifies as a Swiss tax resident ("*Inländer*") being subject to withholding taxation if (i) is resident in Switzerland, (ii) has its

permanent abode in Switzerland, (iii) is a company incorporated under Swiss law having its statutory seat in Switzerland, (iv) is a company incorporated under foreign law but with a registered office in Switzerland, or (v) is a company incorporated under foreign law but is managed and conducts business activities in Switzerland. Hence, as long as the Securities are not issued by an issuer qualifying as a Swiss tax resident for the purposes of the Swiss withholding tax, income derived from the Securities is in principle not subject to Swiss withholding tax provided that the net proceeds from the issue of the Securities are used outside Switzerland at all times while they are outstanding. The net proceeds 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.

The Swiss Federal Council proposed draft legislation as part of the Swiss TBTF (Too Big To Fail) legislation. For bonds, this draft legislation foresees a shift from the current source withholding tax system to a paying agent tax system with regard to interest payments. Therefore, if this legislation is enacted, Swiss paying agents such as banks in Switzerland would be required to deduct Swiss withholding tax at a rate of 35 per cent on certain payments to certain investors irrespective of the fact whether the Securities are issued by UBS AG Switzerland or a foreign branch of UBS AG. According to the draft legislation Swiss paying agents would be required to deduct a Swiss paying agent tax on interest paid on bonds to Swiss-resident individuals as final recipients. For the time being not all relevant details of the proposed regime are published.

Neither the Issuer nor any other person would pursuant to the Terms and Conditions of the Certificates be obliged to pay additional amounts with respect to any Security as a result of the deduction or imposition of such Swiss withholding tax.

#### *Transfer and Issue Stamp Tax*

Swiss Stamp Tax is, amongst other, either levied as securities transfer tax or as issuance tax.

Swiss Transfer Stamp Tax is levied on the transfer of ownership against consideration of certain taxable securities if a Swiss securities dealer in the sense of the Swiss Stamp Tax Act is involved in the transaction. This tax levy applies in particular to bonds and Structured Products which include a bond component or which qualify as instruments similar to a collective investment scheme or as shares and share-like instruments as per the practice of the Swiss Federal Tax Administration.

Swiss Issuance Stamp Tax is levied on the issuance of Swiss shares and similar participation rights.

For Swiss Stamp Tax purposes, an individual or corporation qualifies as a Swiss tax resident ("*Inländer*") being subject to Swiss Stamp Tax if it (i) is resident in Switzerland, (ii) has its permanent abode in Switzerland, (iii) is incorporated under Swiss law and having its statutory or legal seat in Switzerland or (v) if it is registered as an enterprise with the Swiss register of commerce. Hence, as long as the Securities are not issued by an issuer qualifying as a Swiss tax resident they are not subject to Swiss Issuance Stamp Tax.

#### *Measures equivalent to the EU Savings Directive*

Switzerland has introduced a tax retention (withholding tax) pursuant to the agreement between the European Community and the Swiss Confederation providing for measures equivalent to those laid down in the Council Directive 2003/48/EC on taxation of savings income in the form of interest payments effective as of 1 July 2005 (the "**Agreement**") on interest payments or similar income paid by a Swiss paying agent to an individual resident of an EU Member State of 35% (tax rate applicable to interest payments made on or after July 1, 2011), unless the interest payments are made as debt-claims issued by debtors who are residents of Switzerland or pertaining to permanent establishments in Switzerland of non-residents.

The beneficial owner may avoid the retention by expressly authorizing the paying agent in Switzerland to report the interest payments to the competent authority of that state. The competent authority of Switzerland then communicates the information to the competent authority of the EU Member State of residence of the beneficial owner.

## **2. Federal Republic of Germany**

The information about the German taxation of the Securities issued under the Base Prospectus set out in the following section deals only with German withholding tax and is not exhaustive. It is based on

current tax laws in force as of the date of this Base Prospectus, which may be subject to change at short notice and, within certain limits, also with retroactive effect.

The following is a general description of certain German withholding tax considerations relating to the Securities since each series of Securities may be subject to a different tax treatment according to the applicable Final Terms. It does not purport to be a complete analysis of all German tax considerations relating to the Securities. In particular, this discussion does not consider any specific facts or circumstances that may apply to a particular Securityholder. This summary does not allow any conclusions to be drawn with respect to issues not specifically addressed.

**Prospective purchasers of Securities are advised to consult their own tax advisors as to the tax consequences of the purchase, ownership and disposition of the Securities on the basis of the relevant Final Terms, including the effect of any state or local taxes, under the tax laws of Germany and each country of which they are residents.**

### ***German withholding tax***

In principle, only persons (individuals and incorporated entities) who are tax resident in Germany (in particular, persons having a residence, habitual abode, seat or place of management in Germany) are subject to German withholding tax. Non-resident persons generally do not suffer German withholding tax. If, however, the income from the Securities is subject to German tax, i.e. if (i) the Securities are held as business assets (*Betriebsvermögen*) of a German permanent establishment (including a permanent representative) which is maintained by the relevant Securityholder or (ii) the income from the Securities qualifies for other reasons as taxable German source income, German withholding tax is applied like in the case of a German tax resident Securityholder.

German withholding tax will be levied at a flat withholding tax rate of 26.375% (including solidarity surcharge) on interest, settlement amounts or benefits and on proceeds from the sale of the Securities if the Securities are held in a custodial account which the relevant Securityholder maintains with a German branch of a German or non-German credit or financial services institution or with a German securities trading business or a German securities trading bank (a "**German Disbursing Agent**"). If the Securities are redeemed, repaid, assigned or contributed into a corporation by way of a hidden contribution (*verdeckte Einlage*), such transaction is treated like a sale. If the Securities are not held in a custodial account, German withholding tax will nevertheless be levied if the Securities are issued as definitive securities and the savings earnings (*Kapitalerträge*) are paid by a German Disbursing Agent against presentation of the Securities or interest coupons (so-called over-the-counter transaction – *Tafelgeschäft*).

In the case of sale proceeds, the tax base is, in principle, the difference between the acquisition costs and the proceeds from the sale of the Securities reduced by expenses directly and factually related to the sale. If the acquisition costs of the Securities are not proven to the German Disbursing Agent in the form required by law (e.g. in the case of over-the-counter transactions or if the Securities are transferred from a non-EU custodial account), withholding tax is applied to 30% of the proceeds from the sale or redemption of the Securities. Should the Securities qualify as contracts for differences (*Terminingeschäfte*) in terms of section 20 para 2 sentence 1 no 3 German Income Tax Act (*Einkommensteuergesetz*), which depends on the applicable Final Terms, and a settlement takes place, the tax base is the settlement amount or benefit reduced by expenses directly and factually related to the contract for differences.

When computing the tax base for withholding tax purposes, the German Disbursing Agent may deduct any negative savings income (*negative Kapitaleinkünfte*) or accrued interest (*Stückzinsen*) in the same calendar year or unused negative savings income of previous calendar years.

Individuals who are subject to church tax may apply in writing for this tax to be withheld as a surcharge to the withholding tax. Individuals subject to church tax but declining to apply have to include their savings income in their tax return and will then be assessed to church tax. For German credit institutions an electronic information system as regards church withholding tax will presumably be introduced as of 2014, with the effect that a written application for church withholding tax is no longer necessary. Accordingly, the obligation to include savings income in the tax return for church tax purposes will no longer apply.

With regard to individuals holding the Securities as private assets, any withholding tax levied shall, in principle, become definitive and replace the income taxation of the relevant Securityholder. If no withholding tax has been levied other than by virtue of a withholding tax exemption certificate (*Freistellungsauftrag*) and in certain other cases, the relevant Securityholder is nevertheless obliged to file a tax return, and the savings income will then be taxed within the tax assessment procedure. However, the separate tax rate for savings income applies in most cases also within the assessment procedure. In certain cases, the investor may apply to be assessed on the basis of its personal tax rate if such rate is lower than the above tax rate. With regard to other Securityholders, German withholding tax is a prepayment of (corporate) income tax and will be credited or refunded within the tax assessment procedure.

No German withholding tax will be levied if an individual holding the Securities as private assets has filed a withholding tax exemption certificate (*Freistellungsauftrag*) with the German Disbursing Agent, but only to the extent the savings income does not exceed the maximum exemption amount shown on the withholding tax exemption certificate. Currently, the maximum exemption amount is EUR 801 (EUR 1,602 in the case of jointly assessed husband and wife). Similarly, no withholding tax will be levied if the relevant Securityholder has submitted to the German Disbursing Agent a certificate of non-assessment (*Nichtveranlagungsbescheinigung*) issued by the relevant local tax office. Further, with regard to Securityholders holding the Securities as business assets, no withholding tax will be levied on capital gains from the redemption, sale or assignment of the Securities if (a) the Securities are held by a company in terms of section 43 para 2 sentence 3 no 1 German Income Tax Act (*Einkommensteuergesetz*) or (b) the proceeds from the Securities qualify as income of a domestic business and the Securityholder has notified this to the German Disbursing Agent by use of the officially required form.

### ***EU directive on the taxation of savings income in the form of interest payments***

Under EC Council Directive 2003/48/EC on the taxation of savings income (the “**EU Savings 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 and Luxembourg will, subject to certain exceptions, apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35% (unless during that transitional period they elect to provide information in accordance with the EU Savings Directive). 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. The Belgian State elected to abandon the transitional withholding system and provide information in accordance with the EU Savings Directive as from 1 January 2010.

A number of non-EU countries including Switzerland, Andorra, Liechtenstein, Monaco and San Marino, and certain dependent or associated territories of certain Member States Jersey, Guernsey, Isle of Man, Montserrat, British Virgin Islands, Netherlands Antilles, Aruba, Anguilla, Cayman Islands, Turks and Caicos Islands, Bermuda, and Gibraltar, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

The European Commission has proposed certain amendments to the EU Savings 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.

### **3. Luxembourg**

*The following is a general description of certain Luxembourg withholding tax considerations relating to the Securities. It does not purport to be a complete analysis of all tax considerations relating to the Securities, whether in Luxembourg or elsewhere. Prospective purchasers of the Securities should*



*consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of the Securities and receiving payments of interest, principal and/or other amounts under the Securities and the consequences of such actions under the tax laws of Luxembourg. This summary is based upon the law as in effect on the date of the Base Prospectus. The information contained within this section is limited to withholding taxation issues, and prospective investors should not apply any information set out below to other areas, including (but not limited to) the legality of transactions involving the Securities.*

### ***Withholding Tax***

All payments of interest and principal by the Issuer in the context of the holding, disposal, redemption or repurchase of the Securities can be made free and clear of any withholding or deduction for or on account of any taxes of whatsoever nature imposed, levied, withheld, or assessed by Luxembourg or any political subdivision or taxing authority thereof or therein, in accordance with the applicable Luxembourg law, subject however to:

- (a) the application of the Luxembourg law of 21 June 2005 implementing the European Union Savings Directive (Council Directive 2003/48/EC – the “EU Savings Directive”) and several agreements concluded with certain dependent or associated territories and providing for the possible application of a withholding tax (35% from 1 July 2011) on interest paid to certain non Luxembourg resident investors (individuals and certain types of entities called “residual entities”) in the event of the Issuer appointing a paying agent in Luxembourg within the meaning of the above-mentioned directive (see section “EU Savings Directive” below) or agreements;
- (b) the application as regards Luxembourg resident individuals of the Luxembourg law of 23 December 2005 which has introduced a 10% withholding tax on savings income (i.e. with certain exemptions, savings income within the meaning of the Luxembourg laws of 21 June 2005 implementing the European Union Savings Directive). This law should apply to savings income accrued as from 1 July 2005 and paid as from 1 January 2006.

Pursuant to the law of 23 December 2005 as amended by the law of 17 July 2008, Luxembourg resident individuals can opt to self declare and pay a 10% tax on interest payments made by paying agents located in a Member State of the European Union other than Luxembourg, a Member State of the European Economic Area or in a State or territory which has concluded an agreement directly relating to the EU Savings Directive on the taxation of savings income.

The 10% withholding tax as described above or the 10% tax are final when Luxembourg resident individuals are acting in the context of the management of their private wealth.

The 10% withholding tax as described above or the 10% tax are final when Luxembourg resident individuals are acting in the context of the management of their private wealth.

Responsibility for the withholding of tax in application of the above-mentioned Luxembourg laws of 21 June 2005 and 23 December 2005 is assumed by the Luxembourg paying agent within the meaning of these laws and not by the Issuer.

### ***EU Savings Directive***

Under EC Council Directive 2003/48/EC, implemented in Luxembourg by the laws of 21 June 2005, on the taxation of savings income, each Member State is required, from 1 July 2005, to provide to the tax authorities of another Member State details of payments of interest or other similar income within the meaning of article 4.2 of the EU Savings Directive paid by a paying agent within the meaning of the EU Savings Directive to an individual resident or certain types of entities called “residual entities”, within the meaning of the EU Savings Directive (the “Residual Entities”), established in that other Member State (or certain dependent or associated territories). For a transitional period, however, Austria, Belgium and Luxembourg are permitted to apply an optional information reporting system whereby if a beneficial owner, within the meaning of the EU Savings Directive, does not comply with one of two procedures for information reporting, the relevant Member State will levy a withholding tax on payments to such beneficial owner. The withholding tax system applies for a transitional period during which the rate of the withholding of 35% as from 1 July 2011. 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.

Also with effect from 1 July 2005, a number of non-EU countries (Switzerland, Andorra, Liechtenstein, Monaco and San Marino) and certain dependent or associated territories (including Jersey, Guernsey, Isle of Man, Montserrat, British Virgin Islands, former Netherlands Antilles and Aruba) have agreed to adopt similar measures (either provision of information or transitional withholding) in relation to payments made by a paying agent (within the meaning of the EU Savings Directive) within its jurisdiction to, or collected by such a paying agent for, an individual resident or a Residual Entity established in a Member State. In addition, Luxembourg has entered into reciprocal provision of information or transitional withholding arrangements with those dependent or associated territories in relation to payments made by a paying agent (within the meaning of the EU Savings Directive) in a Member State to, or collected by such a paying agent for, an individual resident or a Residual Entity established in one of those territories.

The European Commission has announced on 13 November 2008 a proposal to amend the EU Savings Directive. If implemented, the proposed amendments would, inter alia, extend the scope of the EU Savings Directive to (i) payments made through certain intermediate structures (whether or not established in a Member State) for the ultimate benefit of an EU resident individual, and (ii) provide for a wider definition of interest subject to the EU Savings Directive 2003/48/EC. The European Parliament approved an amendment version of this proposal on 24 April 2009.

**Investors who are in any doubt as to their position should consult their professional advisors.**

#### **4. Austria**

*This section on taxation contains a brief summary of the Issuer's understanding with regard to certain important principles which are of significance in connection with the purchase, holding or sale of the Securities in the Republic of Austria. This summary does not purport to exhaustively describe all possible tax aspects and does not deal with specific situations which may be of relevance for certain potential investors. The following comments are rather of a general nature and included herein solely for information purposes. These comments are not intended to be, nor should they be construed to be, legal or tax advice. This summary furthermore only refers to investors which are subject to unlimited (corporate) income tax liability in Austria. It is based on the currently valid tax legislation, case law and regulations of the tax authorities, as well as their respective interpretation, all of which may be amended from time to time. Such amendments may possibly also be effected with retroactive effect and may negatively impact on the tax consequences described. It is recommended that potential purchasers of the Securities consult with their legal and tax advisors as to the tax consequences of the purchase, holding or sale of the Securities. Tax risks resulting from the Securities (in particular from a potential qualification as a foreign investment fund within the meaning of sec. 42 of the Austrian Investment Funds Act 1993 (Investmentfondsgesetz 1993)) shall in any case be borne by the purchaser. For the purposes of the following it is assumed that the Securities are legally and factually offered to an indefinite number of persons and purchased after 31 March 2012.*

##### ***General remarks***

Individuals having a permanent domicile (*Wohnsitz*) and/or their habitual abode (*gewöhnlicher Aufenthalt*) in Austria are subject to income tax (*Einkommensteuer*) in Austria on their worldwide income (unlimited income tax liability; *unbeschränkte Einkommensteuerpflicht*). Individuals having neither a permanent domicile nor their habitual abode in Austria are subject to income tax only on income from certain Austrian sources (limited income tax liability; *beschränkte Einkommensteuerpflicht*).

Corporations having their place of effective management (*Ort der Geschäftsleitung*) and/or their legal seat (*Sitz*) in Austria are subject to corporate income tax (*Körperschaftsteuer*) in Austria on their worldwide income (unlimited corporate income tax liability; *unbeschränkte Körperschaftsteuerpflicht*). Corporations having neither their place of effective management nor their legal seat in Austria are

subject to corporate income tax only on income from certain Austrian sources (limited corporate income tax liability; *beschränkte Körperschaftsteuerpflicht*).

Both in case of unlimited and limited (corporate) income tax liability Austria's right to tax may be restricted by double taxation treaties.

### ***Income taxation of Securities***

With the passing of the Budget Accompanying Act of 2011 (*Budgetbegleitgesetz 2011*), the Austrian legislator intended to comprehensively realign the taxation of financial instruments, in particular with regard to capital gains. Pursuant to the newly worded sec. 27(1) of the Austrian Income Tax Act, the term investment income (*Einkünfte aus Kapitalvermögen*) comprises:

- income from the letting of capital (*Einkünfte aus der Überlassung von Kapital*) pursuant to sec. 27(2) of the Austrian Income Tax Act, including dividends and interest;
- income from realised increases in value (*Einkünfte aus realisierten Wertsteigerungen*) pursuant to sec. 27(3) of the Austrian Income Tax Act, including gains from the sale, redemption and other realisation of assets that lead to income from the letting of capital, zero coupon bonds and also broken-period interest; and
- income from derivatives (*Einkünfte aus Derivaten*) pursuant to sec. 27(4) of the Austrian Income Tax Act, including cash settlements, option premiums received and income from the sale or other realisation of forward contracts like options, futures and swaps and other derivatives such as index certificates.

Also the withdrawal of Securities from a bank deposit (*Depotentnahme*) is considered as a sale (except if the transfer to another bank deposit does not result in Austria losing its right to tax vis-à-vis other countries and if specific notifications as mentioned in sec. 27(6)(1)(a) of the Austrian Income Tax Act are effected).

Individuals subject to unlimited income tax liability in Austria holding Securities as a non-business asset are subject to income tax on all resulting investment income pursuant to sec. 27(1) of the Austrian Income Tax Act. In case of investment income with an Austrian nexus (*inländische Einkünfte aus Kapitalvermögen*), basically meaning income that is paid by an Austrian paying agent (*auszahlende Stelle*) or an Austrian custodian agent (*depotführende Stelle*), the income is subject to a withholding tax of 25%; no additional income tax is levied over and above the amount of tax withheld (final taxation pursuant to sec. 97(1) of the Austrian Income Tax Act). In case of investment income without an Austrian nexus, the income must be included in the income tax return and is subject to a flat income tax rate of 25%. In both cases upon application the option exists to tax all income subject to the tax rate of 25% at the lower progressive income tax rate (option to regular taxation pursuant to sec. 27a(5) of the Austrian Income Tax Act). Pursuant to sec. 27(8) of the Austrian Income Tax Act, losses from investment income may not be offset with other types of income. Negative income subject to the flat tax rate of 25% may not be offset with income subject to the progressive income tax rate (this equally applies in case of an exercise of the option to regular taxation). Further, an offsetting of losses from realised increases in value and from derivatives with (i) interest and other claims against credit institutions and (ii) income from Austrian or foreign private law foundations and comparable legal estates (*privatrechtliche Stiftungen und damit vergleichbare Vermögensmassen*) is not permissible.

Individuals subject to unlimited income tax liability in Austria holding Securities as a business asset are subject to income tax on all resulting investment income pursuant to sec. 27(1) of the Austrian Income Tax Act. In case of investment income with an Austrian nexus (as described above) the income is subject to a withholding tax of 25%. While this withholding tax has the effect of final taxation for income from the letting of capital, income from realised increases in value and income from derivatives must on the other hand be included in the income tax return (nevertheless flat income tax rate of 25%). In case of investment income without an Austrian nexus, the income must always be included in the income tax return (flat income tax rate of 25%). In both cases upon application the option exists to tax all income subject to the tax rate of 25% at the lower progressive income tax rate (option to regular taxation pursuant to sec. 27a(5) of the Austrian Income Tax Act). Pursuant to sec. 6(2)(c) of the

Austrian Income Tax Act, depreciations to the lower fair market value and losses from the sale, redemption and other realisation of financial assets and derivatives in the sense of sec. 27(3) and (4) of the Austrian Income Tax Act, which are subject to the special tax rate of 25%, are primarily to be offset against income from realised increases in value of such financial assets and derivatives and with appreciations in value of such assets; only half of the remaining negative difference may be offset against other types of income.

Corporations subject to unlimited corporate income tax liability in Austria are subject to corporate income tax on interest from the Securities at a rate of 25%. In case of investment income with an Austrian nexus (as described above) the income is subject to a withholding tax of 25%, which can be credited against the corporate income tax liability. However, under the conditions set forth in sec. 94(5) of the Austrian Income Tax Act no withholding tax is levied in the first place. Income from the sale of the Securities is subject to corporate income tax of 25%. Losses from the sale of the Securities can be offset against other income.

Private foundations pursuant to the Austrian Private Foundations Act fulfilling the prerequisites contained in sec. 13(3) and (6) of the Austrian Corporate Income Tax Act and holding Securities as a non-business asset are subject to interim taxation at a rate of 25% on interest income, income from realised increases in value and income from derivatives. In case of investment income with an Austrian nexus (as described above) the income is subject to a withholding tax of 25%, which can be credited against the tax falling due. Under the conditions set forth in sec. 94(12) of the Austrian Income Tax Act no withholding tax is levied.

As of 1 January 2013, pursuant to sec. 93(6) of the Austrian Income Tax Act, the Austrian custodian agent will be obliged to automatically offset negative investment income against positive investment income, taking into account all of a taxpayer's bank deposits with the custodian agent (for the period from 1 April 2012 to 31 December 2012 grandfathering provisions exist). Negative income is primarily to be offset against positive income which is earned at the same or a later point in time. If this is not possible, withholding tax on positive income withheld at an earlier point in time has to be credited. Losses may not be offset across bank deposits by the custodian agent, inter alia, in case of bank deposits held as business assets or in trust. The custodian agent has to issue a written confirmation on the offsetting of losses for each bank deposit.

Pursuant to sec. 42 of the Austrian Investment Funds Act 1993, a foreign investment fund is defined as any assets subject to a foreign jurisdiction which, irrespective of the legal form they are organized in, are invested according to the principle of risk-spreading on the basis either of a statute, of the entity's articles or of customary exercise. Certain collective investment vehicles investing in real estate are exempted. It should be noted that the Austrian tax authorities have commented upon the distinction between index certificates of foreign issuers on the one hand and foreign investment funds on the other hand in the Investment Fund Regulations (*Investmentfondsrichtlinien*). Pursuant to these, no foreign investment fund may be assumed if for the purposes of the issuance no predominant actual purchase of the underlying assets by the issuer or a trustee of the issuer, if any, is made and no actively managed assets exist. Directly held bonds shall not be considered as foreign investment funds if the performance of the bonds depends on an index, notwithstanding the fact of whether the index is a well-known one, an individually constructed "fixed" index or an index which is changeable at any time.

### ***EU withholding tax***

Sec. 1 of the Austrian EU Withholding Tax Act (*EU-Quellensteuergesetz*) – which transforms into national law the provisions of Council Directive 2003/48/EC of 3 June 2003 on taxation of savings income in the form of interest payments – provides that interest payments paid or credited by an Austrian paying agent to a beneficial owner who is an individual resident in another Member State (or in certain dependent or associated territories) are subject to a withholding tax of 35% if no exception from such withholding applies. Sec. 10 of the Austrian EU Withholding Tax Act provides for an exemption from withholding tax where the beneficial owner presents to the paying agent a certificate drawn up in his/her name by the competent authority of his/her Member State of residence for tax purposes, indicating the name, address and tax or other identification number or, failing such, the date and place of birth of the beneficial owner, the name and address of the paying agent, and the account number of the beneficial owner or, where there is none, the identification of the security; such certificate shall be valid for a period not exceeding three years.

Regarding the issue of whether also index certificates are subject to the EU withholding tax, the Austrian tax authorities distinguish between index certificates with and without a capital guarantee, a capital guarantee being the promise of repayment of a minimum amount of the capital invested or the promise of the payment of interest. The exact tax treatment of index certificates furthermore depends on their underlying.

Pursuant to guidelines published by the Austrian Federal Ministry of Finance, income from warrants, pursuant to which an investor is entitled (but not obliged) to buy or sell a specified underlying at a specific price or to receive or pay a difference amount relating to the value of such underlying at a predetermined date (*Optionsscheine*), does not qualify as interest within the meaning of the Austrian EU Withholding Tax Act.

### ***Austrian inheritance and gift tax***

Austria does not levy an inheritance and gift tax anymore.

However, it should be noted that certain gratuitous transfers of assets to (Austrian or foreign) private law foundations and comparable legal estates (*privatrechtliche Stiftungen und damit vergleichbare Vermögensmassen*) are subject to foundation tax (*Stiftungseingangssteuer*) pursuant to the Austrian Foundation Tax Act (*Stiftungseingangssteuergesetz*). Such tax is triggered if the transferor and/or the transferee at the time of transfer have a domicile, their habitual abode, their legal seat or their place of effective management in Austria. Certain exemptions apply in case of a transfer mortis causa, in particular for bank deposits, publicly placed bonds and portfolio shares (i.e., less than 1%). The tax basis is the fair market value of the assets transferred minus any debts, calculated at the time of transfer. The tax rate is in general 2.5%, with a higher rate of 25% applying in special cases.

In addition, a special notification obligation exists for gifts of money, receivables, shares in corporations, participations in partnerships, businesses, movable tangible assets and intangibles. The notification obligation applies if the donor and/or the donee have a domicile, their habitual abode, their legal seat or their place of effective management in Austria. Not all gifts are covered by the notification obligation: In case of gifts to certain related parties, a threshold of EUR 50,000 per year applies; in all other cases, a notification is obligatory if the value of gifts made exceeds an amount of EUR 15,000 during a period of five years. Furthermore, gratuitous transfers to foundations falling under the Austrian Foundation Tax Act described above are also exempt from the notification obligation. Intentional violation of the notification obligation may lead to the levying of fines of up to 10% of the fair market value of the assets transferred.

Further, it should be noted that pursuant to sec. 27(6)(1)(a) of the Austrian Income Tax Act the withdrawal of financial assets and derivatives in the sense of sec. 27(3) and (4) of the Austrian Income Tax Act is considered a sale. Thus, also gratuitous transfers of Securities can trigger income tax on the level of the transferor. Under the circumstances mentioned in sec. 27(6)(1)(a)(4) and (5) of the Austrian Income Tax Act, no income tax is triggered.

#### **[5. [●]]**

*[insert alternative or additional information on taxes on the income from the Securities in respect of the country(ies) where the offer of Securities is made or application for admission to trading is made:  
[●]]*

**Investors are also advised to consult their own tax advisor with regard to their personal tax implications resulting from such an investment.**

## DESCRIPTION OF THE ISSUER

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

### 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<sup>7</sup> UBS's Basel 2.5 tier1<sup>8</sup> ratio was 18.7%, 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<sup>9</sup>.

The rating agencies Standard & Poor's ("**S&P**"), Fitch Ratings ("**Fitch**") and Moody's ("**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<sup>10</sup> (negative outlook) from Standard & Poor's, A2<sup>11</sup> from Moody's and A<sup>12</sup> (stable outlook) from Fitch Ratings.

The following table gives an overview of the rating classes as used by the three major rating agencies and their respective meaning. UBS's rating is indicated by the red box.

Moody's		S&P		Fitch		
Long-term	Short-term	Long-term	Short-term	Long-term	Short-term	
Aaa	P-1	AAA	A-1+	AAA	F1+	Prime
Aa1		AA+		AA+		High grade
Aa2		AA		AA		
<b>Aa3</b>		AA-		AA-		
A1		A+	A-1	A+	F1	Upper medium grade
<b>A2</b>		<b>A</b>		<b>A</b>		
A3	P-2	A-	A-2	A-	F2	
Baa1		BBB+		BBB+		Lower medium grade
Baa2	P-3	BBB	A-3	BBB	F3	
Baa3		BBB-		BBB-		
Ba1	Not prime	BB+	B	BB+	B	Non-investment grade speculative

<sup>7</sup> The following information is taken from the UBS's first quarter 2012 report (unaudited) issued on 2 May 2012.

<sup>8</sup> 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.

<sup>9</sup> Full-time equivalents.

<sup>10</sup> Upper medium grade

<sup>11</sup> Upper medium grade

<sup>12</sup> Upper medium grade

Ba2		BB		BB		
Ba3		BB-		BB-		
B1		B+		B+		Highly speculative
B2		B		B		
B3		B-		B-		
Caa1		CCC+	C	CCC	C	Substantial risks
Caa2		CCC				Extremely speculative
Caa3		CCC-				In default with little prospect for recovery
Ca		CC				
		C				
C		D	/	DDD	/	In default
/				DD		
/				D		

The rating from Standard & Poor's has been issued by Standard & Poor's Credit Market Services Europe Limited, United Kingdom, registered as credit rating agency under Regulation (EC) No 1060/2009.

The rating from Moody's has been issued by Moody's Investors Service Limited, United Kingdom, registered as credit rating agency under Regulation (EC) No 1060/2009.

The rating from Fitch has been issued by Fitch Ratings Limited, United Kingdom, registered as credit rating agency under Regulation (EC) No 1060/2009.

## I. 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.

## II. Business Overview

### 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 of UBS AG published on 15 March 2012 (the "**Annual Report 2011**"), on pages 30-46 (inclusive) of the English version.

### Wealth Management

Wealth Management delivers comprehensive financial services to wealthy private clients around the world - except to 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.

### 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.

### 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.

### 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.

### 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.

### 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 StabFund.



## Competition

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

## Recent Developments:

Results as of and for the quarter ended 31 March 2012 (taken from the UBS's first quarter 2012 report (unaudited) issued on 2 May 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, pretax 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 previous quarter, 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 StabFund'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.

### III. Organisational Structure of the Issuer

UBS AG is the parent company of the UBS Group. The objective of UBS's group structure is to support the business activities of the 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 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 2011, on pages 394-397 (inclusive) of the English version.

### IV. Trend Information

(Outlook statement as presented in UBS's first quarter 2012 report (unaudited) 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, according to its own opinion, 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.

## V. Administrative, Management and Supervisory Bodies of the Issuer

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

UBS AG operates under a strict dual board structure, as mandated by Swiss banking law. This structure establishes checks and balances and preserves the institutional independence of the Board of Directors ("BoD") from the day-to-day management of the firm, for which responsibility is delegated to the Group Executive Board ("GEB") under the leadership of the Group 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.

### 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.

### 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 <i>Verein für Socialpolitik</i> ; 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.
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 Sidwell  UBS AG, Bahnhofstrasse 45,	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.

<b>Members and business addresses</b>	<b>Title</b>	<b>Term of office</b>	<b>Current positions outside UBS AG</b>
P.O. Box, CH-8001 Zurich, Switzerland			
Rainer-Marc Frey  Office of Rainer-Marc Frey, Seeweg 39, CH-8807 Freienbach Switzerland	Member	2013	Founder of Horizon21 AG; Chairman of Horizon 21 AG, its holding company and related entities and subsidiaries; member of the board of DKSH Group, Zurich, and of the Frey Charitable Foundation, Freienbach.
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, CH-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.
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	Partner at Froriep Renngli, Zurich; associate professor at the University of Fribourg and at the Federal Institute of Technology, Lausanne; Vice Chairman of the Sanction Commission of the SIX Swiss Exchange.
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 <i>Deutsche Investitions- und Entwicklungsgesellschaft</i> , Cologne.
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.

**Organizational principles and structure**

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

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

**Audit Committee**

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

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

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

**Group Executive Board**

Under the leadership of the Group Chief Executive Officer ("**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.

### Potential conflicts of interest

Members of the BoD and GEB may act as directors or executive officers of other companies (for current positions outside UBS AG (if any) please see above under "Members of the Board of Directors") and may have economic or other private interests that differ from those of UBS 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.

### VI. Auditors

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

### VII. Major Shareholders of the Issuer

Under the Federal Act on Stock Exchanges and Securities Trading of 24 March 1995, as amended (the "**Swiss Stock Exchange Act**"), anyone holding shares in a company listed in Switzerland, or derivative rights related to shares of such a company, 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, 33 1/3, 50, or 66 2/3% of the voting rights, whether they are exercisable or not.

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

- 30 September 2011: Norges Bank (the Central Bank of Norway), 3.04%;
- 12 March 2010: Government of Singapore Investment Corp., 6.45%;
- 17 December 2009: BlackRock Inc., New York, USA, 3.45%.

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

As of 31 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.

### **VIII. Financial Information concerning the Issuer's Assets and Liabilities, Financial Position and Profits and Losses**

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

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.

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 260-263 (inclusive) of the Annual Report 2010 in English (Financial Information section) and on pages 287-288 (inclusive) of the Annual Report 2011 in English (Financial Information section). The reports of the auditors on the Financial Statements of UBS AG (Parent Bank) can be found on pages 400-401 (inclusive) of the Annual Report 2010 in English (Financial Information section) and on pages 435-436 (inclusive) of the Annual Report 2011 in English (Financial Information section).

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

Parts of the UBS Annual Report 2010, the Annual Report 2011 and the first quarter 2012 report form an integral part of this Base Prospectus, and are therefore, to the extent indicated in the table "Documents incorporated by Reference" on page 116 of this Base Prospectus, incorporated in this Base Prospectus.

## 1. Litigation and Regulatory Matters

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

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

### 1. Municipal bonds

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

### 2. Auction rate securities



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

### 3. Inquiries regarding cross-border wealth management businesses

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

### 4. Matters related to the credit crisis

UBS is responding to a number of governmental inquiries and investigations and is involved in a number of litigations, arbitrations and disputes related to the credit crisis 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 the US Financial Industry Regulatory Authority ("**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 2. ("Other contingent liabilities") below, UBS has also received demands to repurchase US residential mortgage loans as to which UBS made certain representations at the time the loans were transferred to the securitization trust.

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

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

On 16 December 2011, the Japan Financial Services Agency ("**JFSA**") commenced an administrative action against UBS Securities Japan Ltd (UBS Securities Japan) based on findings by the Japan Securities and Exchange Surveillance Commission ("**SESC**") that (i) a trader of UBS Securities Japan engaged in inappropriate conduct

relating to Euroyen TIBOR (Tokyo Interbank Offered Rate) and Yen LIBOR, including approaching UBS AG, Tokyo Branch, and other banks to ask them to submit TIBOR rates taking into account requests from the trader for the purpose of benefiting trading positions; and (ii) serious problems in the internal controls of UBS Securities Japan resulted in its failure to detect this conduct. Based on the findings, the JFSA issued a Business Suspension Order requiring UBS Securities Japan to suspend trading in derivatives transactions related to Yen LIBOR and Euroyen TIBOR from 10 January to 16 January 2012 (excluding transactions required to perform existing contracts). The JFSA also issued a Business Improvement Order that requires UBS Securities Japan to (i) develop a plan to ensure compliance with its legal and regulatory obligations and to establish a control framework that is designed to prevent recurrences of the conduct identified in the JFSA's administrative action, and (ii) provide periodic written reports to the JFSA regarding the company's implementation of the measures required by the order. On the same day the JFSA also commenced an administrative action against UBS AG, Tokyo Branch, based on a finding that an employee of the Tokyo branch "continuously received approaches" from an employee of UBS Securities Japan regarding Euroyen TIBOR rate submissions, which was determined to be an inappropriate practice that was not reported to the branch's management. Pursuant to this administrative action, the JFSA issued an order under the Japan Banking Act which imposes requirements similar to those imposed under the Business Improvement Order directed to UBS Securities Japan.

A number of putative class actions and other actions 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 Sino-Tech Energy Limited ("**SinoTech**"), its officers and directors, its auditor at the time of the offering, and its underwriters, including UBS, alleging, among other claims, that the registration statement and prospectus in connection with SinoTech's November 2010 USD 168 million initial public offering of American Depositary Shares contained materially misleading statements and omissions, in violation of the US federal securities laws. UBS underwrote 70% of the offering. Plaintiffs seek unspecified compensatory damages, among other relief.

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

## 2. Other Contingent Liabilities

Demands related to sales of mortgages and RMBS

For several years prior to the crisis in the US residential mortgage loan market, UBS sponsored securitizations of US residential mortgage-backed securities (RMBS) and was a purchaser and seller of US residential mortgages. A subsidiary of UBS, 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\* <sup>1</sup>

<i>USD million</i>	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 <sup>2</sup>			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	100.418.8		8.3		237.7
Demands in review by UBS		2.10.1		9.0	4.2	15.3
<b>Total</b>	<b>122.5</b>	<b>205.1368.2</b>		<b>1,084.1</b>	<b>422.7</b>	<b>2,202.6</b>

\*Source: Quarterly report of UBS AG as of 31 March 2012, unaudited

<sup>1</sup> Loans submitted by multiple counterparties are counted only once. <sup>2</sup> 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 1 "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% 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% was purchased from surviving third-party originators. In connection with approximately 60% of the loans (by original principal balance) for which UBS has made payment or agreed to make payment in response to demands received in 2010, 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 above, under section "1. Litigation and regulatory matters", UBS is also subject to claims and threatened claims in connection with its role as underwriter and issuer of RMBS.

### **3. Significant Changes in the Financial or Trading Situation of the Issuer**

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

### **IX. Material Contracts**

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

### **X. Documents on Display**

- The Annual Report of UBS AG as of 31 December 2010, comprising the sections (1) Strategy, performance and responsibility, (2) UBS business divisions and Corporate Center (3) Risk and treasury management, (4) Corporate governance and compensation, (5) Financial information (including the "Report of the Statutory Auditor and the Independent Registered Public Accounting Firm on the Consolidated Financial Statements" and the "Report of the Statutory Auditor on the Financial Statements");
- The Annual Report of UBS AG as of 31 December 2011, comprising the sections (1) Operating environment and strategy, (2) Financial and operating performance, (3) Risk, treasury and capital management, (4) Corporate governance, responsibility and compensation, (5) Financial information (including the "Report of the Statutory Auditor and the Independent Registered Public Accounting Firm on the Consolidated Financial Statements" and the "Report of the Statutory Auditor on the Financial Statements");
- The quarterly report of UBS AG as of 31 March 2012; and



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

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

## **GENERAL INFORMATION**

### **I. General Note on the Prospectus**

The Base Prospectus should be read and construed with any supplement hereto and with any other documents incorporated by reference and with the relevant Final Terms.

The Lead Manager has not independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Lead Manager as to the accuracy or completeness of the information contained in this Prospectus or any other information provided by the Issuer in connection with the Base Prospectus.

No person has been authorised by the Issuer to issue any statement which is not consistent with or not contained in this document, any other document entered into in relation to the Base Prospectus or any information supplied by the Issuer or any information as in the public domain and, if issued, such statement may not be relied upon as having been authorised by the Issuer or the Lead Manager.

### **II. Form, Governing Law and Status**

The Securities issued by the Issuer are securities within the meaning of § 793 German Civil Code and are represented by one or more permanent global bearer certificate(s) (the "**Permanent Global Certificate**"). The Permanent Global Certificate is deposited with Clearstream Banking AG, Frankfurt am Main, (Mergenthalerallee 61, 65760 Eschborn, Federal Republic of Germany) ("**Clearstream**"). No definitive securities will be issued.

The Securities are governed by German law.

The Securities constitute direct, unsecured and unsubordinated obligations of the Issuer, ranking *pari passu* among themselves and with all other present and future unsecured and unsubordinated obligations of the Issuer, other than obligations preferred by mandatory provisions of law.

### **III. [Listing] [Trading] of the Securities**

*[In the case that the Issuer or a Manager, as the case may be, intends to apply for a listing of the Securities (at any stock exchange except for SIX/Scoach/Eurex via SIX), insert the following text: [The Issuer] [A Manager] intends to apply for [listing] [inclusion] [admission] of the Securities [to trading] on [the Regulated Market (Regulierter Markt) of the [Frankfurt Stock Exchange] [●]] [the Official List of the [Regulated Market of the Luxembourg Stock Exchange] [●]] [the unofficial regulated market of [Frankfurt Stock Exchange] [●]] [the Official List of Borsa Italiana S.p.A.] [the Euro TLX managed by TLX S.p.A.] [specify alternative exchange(s) or trading system(s): [●]]. [Provided that the Securities have not been terminated by the Issuer [and provided that the Securities have not expired early] prior to the Expiration Date, trading of the Securities shall cease [[two] [●] trading day(s) prior to] [on] [the Valuation Date] [the Final Valuation Date] [the Expiration Date] [the Maturity Date] [●] (such day, the "**Last Exchange Trading Day**"). [As of the Last Exchange Trading Day trading may only take place off exchange with [the Lead Manager] [●].]*

*[The Securities already issued are admitted to trading on the [●].]*

*[In the case that the Issuer intends to apply for a listing of the Securities at SIX Swiss Exchange, insert the following text: [The Issuer] [The Lead Manager (in its capacity as listing agent of the Issuer)] intends to apply for the listing of the Securities at SIX Swiss Exchange ("**SIX**") and for admittance to trading on the platform of Scoach Switzerland Ltd.]*

*[In the case that neither the Issuer nor a Manager intends to apply for a listing of the Securities, insert the following text: It is not intended to apply for inclusion of the Securities to trading on a securities exchange.]*

*[In the case of Securities listed on the regulated markets organised and managed by Borsa Italiana S.p.A., insert the following text: [The Issuer] [The Lead Manager (in its capacity as listing agent of the Issuer)] [●] shall undertake to act as a market maker in relation to the Securities and, therefore, to display continuous bid and offer prices that do not differ by more than the maximum spread indicated by Borsa Italiana S.p.A. (spread obligations) in its instructions to the listing rules of the markets managed and organised by Borsa Italiana S.p.A. (respectively, the "**Instructions**" and the "**Listing Rules**").]*

#### IV. Authorisation

The Issuer does not need to obtain (individual) authorisation from its Management Board to issue the Securities. There exists a general resolution for the issue of the Securities.

#### V. EEA-Passport

For certain EEA States, the Issuer reserves the right to apply to the Federal Financial Services Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht* – “**BaFin**”) for a certificate of the approval of the Base Prospectus pursuant to Section 18 WpPG, in order to be able to publicly offer the Securities also in those countries and/or have them admitted to trading at an organised market (within the meaning of Directive 93/22/EEC) (the “**EEA Passport**”). A special permit allowing for the Securities to be offered or the prospectus to be distributed in a jurisdiction outside of those countries for which an EEA Passport is possible and a permit required has not been obtained.

#### VI. Use of Proceeds

The net proceeds from the sale of the Securities will be used for funding purposes of the UBS Group. The Issuer shall not employ the net proceeds within Switzerland. The net proceeds from the issue shall be employed by the Issuer for general business purposes. A separate (“special purpose”) fund will not be established.

If, in the normal course of business, the Issuer trades in the Underlying or, as the case may be, the index components respectively or in related options and futures contracts, or hedges the financial risks associated with the Securities by means of hedging transactions in the Underlying or, as the case may be, the index components respectively or in related options or futures contracts, the Securityholders have no rights to or interests in the Underlying or, as the case may be, the index components respectively or in related options or futures contracts.

#### VII. Availability of the Base Prospectus and other documents

So long as any of the Securities are outstanding copies of the following documents will be available, during usual business hours on any weekday (Saturdays and public holidays excepted), at the office of the Issuer:

- (a) the Articles of Association of UBS AG;
- (b) a copy of the Base Prospectus (together with any supplement including any Final Terms thereto);
- (c) a copy of the base prospectus of UBS AG for the issue of Securities under the UBS A(Alternative) S(trategies) Programme dated 19 August 2010;
- (d) a copy of the base prospectus of UBS AG for the issue of Securities dated 3 December 2010;
- (e) a copy of the base prospectus of UBS AG for the issue of Securities dated 28 November 2011;
- (f) a copy of the Annual Report of UBS AG as at 31 December 2011;
- (g) a copy of the Annual Report of UBS AG as at 31 December 2010; and
- (h) copies of the quarterly reports of UBS AG.

Copies of the documents referred to under (a) through (h) above [and information which refers to sources such as Bloomberg] shall, as long as any of the Securities are outstanding, also be maintained in printed format, for free distribution, at the registered offices of the Issuer [as well as at UBS Deutschland AG, Bockenheimer Landstrasse 2 - 4, 60306 Frankfurt am Main, Federal Republic of Germany]. In addition, any annual and quarterly reports of UBS AG are published on the UBS website, at [www.ubs.com/investors](http://www.ubs.com/investors) or a successor address.

### VIII. Documents incorporated by Reference

The following documents shall be incorporated in, and form part of, the Base Prospectus and may be obtained free of charge at the registered offices of the Issuer for a period of twelve months after the publication of this Base Prospectus:

Incorporated document	Referred to in	Information
- UBS Annual Report 2011, in English; pages 30 - 46 (inclusive)	- Business Overview (page 96 of this Prospectus)	- Description of the Issuer's business groups
- UBS Annual Report 2011, in English; pages 394 – 397 (inclusive)	- Organisational Structure of the Issuer (page 98 of this Prospectus)	- Illustration of the key subsidiaries
- UBS Annual Report 2011, in English; pages 199 – 203 (inclusive)	- Major Shareholders of the Issuer (page 102 of this Prospectus)	- Further details on UBS shares
- UBS Annual Report 2011 (Financial Information Section), in English:	- Financial Information concerning the Issuer's Assets and Liabilities, Financial Position and Profits and Losses (page 103 of this Prospectus)	- Financial Statements of UBS AG (Group) for the financial year:
(i) page 289,		(i) Income Statement,
(ii) page 291,		(ii) Balance Sheet,
(iii) pages 295 - 296 (inclusive),		(iii) Statement of Cash Flows,
(iv) pages 297 - 410 (inclusive),		(iv) Notes to the Financial Statements,
(v) page 282,		(v) Accounting Standards and Policies,
(vi) pages 287 - 288 (inclusive).		(vi) Report of the Group Auditors.
		- Financial Statements of UBS AG (Parent Bank) for the financial year 2011:
(i) page 414,		(i) Income Statement,
(ii) page 415,		(ii) Balance Sheet,
(iii) page 416,		(iii) Statement of Appropriation of Retained Earnings,
(iv) pages 417 – 434 (inclusive),		(iv) Notes to the Financial Statements,
(v) pages 411 – 413 (inclusive),		(v) Parent Bank Review,
(vi) page 282,		(vi) Accounting Standards and Policies,
(vii) pages 435 – 436 (inclusive).		(vii) Report of the Statutory Auditors.
- UBS Annual Report 2010 (Financial Information Section), in English:	- Financial Information concerning the Issuer's Assets and Liabilities, Financial Position and Profits and Losses (page 103 of this Prospectus)	- Financial Statements of UBS AG (Group) for the financial year :
(i) page 265,		(i) Income Statement,
(ii) page 267,		(ii) Balance Sheet,
(iii) pages 271 - 272 (inclusive),		(iii) Statement of Cash Flows,
(iv) pages 273 - 378 (inclusive),		(iv) Notes to the Financial Statements,
(v) pages 254 - 258 (inclusive),		(v) Accounting Standards and Policies,
(vi) pages 260 - 263 (inclusive).		(vi) Report of the Group Auditors
		- Financial Statements of UBS AG (Parent Bank) for the financial year 2010:
(i) page 380,		(i) Income Statement,
(ii) page 381,		(ii) Balance Sheet,
(iii) page 382,		(iii) Statement of Appropriation of Retained Earnings,
(iv) pages 383 - 399 (inclusive),		(iv) Notes to the Financial Statements,
(v) page 379,		(v) Parent Bank Review,
(vi) pages 254 - 258 (inclusive),		(vi) Accounting Standards and Policies,
(vii) pages 400 - 401 (inclusive).		(vii) Report of the Statutory Auditors.
- UBS AG quarterly report as of 31 March 2012	- Financial Information concerning the Issuer's Assets and Liabilities, Financial Position and Profits and Losses (page 103 of this Prospectus)	- UBS AG quarterly report as of 31 March 2012

- (a) the Quarterly Report of UBS AG as of 31 March 2012 has been filed with the Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht* – “**BaFin**”) as appendix to the Short Form Prospectus of UBS AG dated 11 May 2012;
- (b) the Annual Report 2011 of UBS AG has been filed with the BaFin as appendix to the Supplement dated 19 April 2012 in relation to various base prospectuses; and
- (c) the Annual Report 2010 of UBS AG has been filed with the BaFin as appendix to Supplement No. 1 dated 20 April 2011 to the Structured Note Programme.

Any information not listed above but contained in the documents incorporated by reference is either not relevant to investors or is covered elsewhere in the Base Prospectus.

## **IX. Presentation of the Final Terms**

For each public offer of Securities on the basis of the Base Prospectus, the Final Terms will, in accordance with article 26(5) sub. para 1, alt. 2 of the Commission Regulation (EC) No 809/2004 of 29 April 2004, be presented by inclusion of the final terms into the Base Prospectus, i.e. any sections where changes occur due to the Final Terms are repeated. The data indicated by placeholders and text blocks in square brackets in this Base Prospectus for data, values, information and variables of the Securities which are issued on the basis of this Base Prospectus (the “**Final Terms**”, together with the Base Prospectus, the “**Prospectus**”) and for their offer will be determined not earlier than in the context of the relevant issue and will be included in the Final Terms.

Data, values, information and variables of the Securities indicated by a placeholder in square brackets (“[•]”) will be included only insofar as necessary for the determination of the final terms for the relevant issue. Similarly, only those text blocks in square brackets will be included in the Final Terms which are applicable for the specific issue. Any alternative or elective (marked in the Base Prospectus by square brackets (“[ ]”) details or provisions that are not explicitly referred to in the Final Terms shall be considered deleted from the Base Prospectus.

The Final Terms will have the following content:

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Complete information on a specific offer of Securities can only be gained from the Base Prospectus when read together with the applicable Final Terms.

**SIGNATORIES**

Signed on behalf of the Issuer,  
25 June 2012:

**UBS AG**

By:

  
\_\_\_\_\_

(signed by Sigrid Kossatz)

By:

  
\_\_\_\_\_

(signed by Stefanie Zaromitidis)