Supplement No. 11 pursuant to § 16 (1) of the German Securities Prospectus Act

dated 14 July 2011 to the already published (single document) Base Prospectus of UBS AG, London Branch, dated 20 October 2005,

concerning the issue of

[Call] [Put] Warrants, HIT [Call] [Put] Warrants, Lock Out [Call] [Put] Warrants, Double Lock Out Warrants, [Turbo Long-] [Turbo Short-] Warrants, Digital [Call] [Put] Warrants and Hamster Warrants

at the same time

Supplement No. 9 pursuant to § 16 (1) of the German Securities Prospectus Act

dated 14 July 2011 to the already published (single document) Base Prospectus of UBS AG, [London] [Jersey] Branch, dated 20 October 2005,

concerning the issue of

[Discount] [Discount PLUS] [Sprint] [Multibloc] Certificates

at the same time

Supplement No. 12 pursuant to § 16 (1) of the German Securities Prospectus Act

dated 14 July 2011 to the already published (single document) Base Prospectus of UBS AG, [London] [Jersey] Branch, dated 5 January 2006,

concerning the issue of

UBS [Performance Certificates without settlement formula] [Performance-Certificates with settlement formula] [Outperformance Certificates] [Relative Performance Plus Certificates] [Open-End Certificates without settlement formula] [Open-End Certificates with settlement formula] [S^2MART Certificates] [Super S^2MART Certificates] [Bonus Certificates] [Bonus Plus Certificates] [Bonus Extra Plus Certificates] [Express Certificates] [Express Kick-In Certificates] [Express Plus Certificates] [Easy Express Certificates] [Express XL Certificates]

at the same time

Supplement No. 10 pursuant to § 16 (1) of the German Securities Prospectus Act

dated 14 July 2011 to the already published (single document) Base Prospectus of UBS AG, [London] [Jersey] Branch, dated 1 March 2006,

concerning the issue of

UBS [Capital Protected] Gearing Certificates

at the same time

Supplement No. 8 pursuant to § 16 (1) of the German Securities Prospectus Act

dated 14 July 2011 to the already published (single document) Base Prospectus of UBS AG, London Branch, dated 28 March 2006,

concerning the issue of

A(lternative) I(nvestment) S(trategies) Index - Certificates

at the same time

Supplement No. 9 pursuant to § 16 (1) of the German Securities Prospectus Act

dated 14 July 2011 to the already published (single document) Base Prospectus of UBS AG, London Branch, dated 11 July 2006,

concerning the issue of

UBS [TWIN-WIN] [•] Certificates

at the same time

Supplement No. 9 pursuant to § 16 (1) of the German Securities Prospectus Act

dated 14 July 2011 to the already published (single document) Base Prospectus of UBS AG, London Branch, dated 11 July 2006,

concerning the issue of

UBS Reverse [(Capped)] Bonus Certificates

at the same time

Supplement No. 10 pursuant to § 16 (1) of the German Securities Prospectus Act

dated 14 July 2011 to the already published (single document) Base Prospectus of UBS AG, London Branch, dated 16 November 2006,

concerning the issue of

UBS [[Call] [or, as the case may be,] [Put] Warrants] [Hit [Call] [or, as the case may be,] [Put] Warrants] [Lock Out [Call] [or, as the case may be,] [Put] Warrants] [Double Lock Out Warrants] [[Turbo Long-] [or, as the case may be,] [Turbo Short-] Warrants] [Digital [Call] [or, as the case may be,] [Put] Warrants] [Hamster Warrants]

at the same time

Supplement No. 11 pursuant to § 16 (1) of the German Securities Prospectus Act

dated 14 July 2011 to the already published (single document) Base Prospectus of UBS AG, [London] [Jersey] Branch, dated 17 November 2006,

concerning the issue of

UBS [Discount Certificates] [Discount PLUS Certificates] [Sprint [PLUS] Certificates] [Multibloc Certificates] [[Easy] [Outperformance [(Capped)]] Express [Kick-In] [PLUS] [XL] [Bonus] Certificates] [Callable Yield Certificates]

at the same time

Supplement No. 14 pursuant to § 16 (1) of the German Securities Prospectus Act

dated 14 July 2011 to the already published (single document) Base Prospectus of UBS AG, [London] [Jersey] Branch, dated 25 January 2007, concerning the issue of

UBS [[Performance] [PERLES] [(Capped)] Certificates [without] [with] settlement formula] [Outperformance [(Capped)] Certificates] [Relative Performance Plus Certificates] [Open-End [(Capped)] Certificates [without] [with] settlement formula] [[Super] S²MART Certificates] [[Lock-In] Bonus [(Capped)] [Extra] [Plus] [Flex] Certificates]

at the same time

Supplement No. 10 pursuant to § 16 (1) of the German Securities Prospectus Act

dated 14 July 2011 to the already published (single document) Base Prospectus of UBS AG, London Branch, dated 20 March 2007,

concerning the issue of

- Series 2007-[●] Up to CHF [●] 100% Principal Protected Type A Notes linked to the [●] CHF Protected Index
- Series 2007-[●] Up to CHF [●] 100% Principal Protected Type B Notes linked to the [●] CHF Protected Index ((i) and (ii) together, the CHF Notes) (for marketing purposes these securities are known as "[●] CHF Index Notes")
- Series 2007-[●] Up to EUR [●] 100% Principal Protected Type A Notes linked to the [●] EUR Protected Index
- Series 2007-[●] Up to EUR [●] 100% Principal Protected Type B Notes linked to the [●] EUR Protected Index ((iii) and (iv) together, the EUR Notes) (for marketing purposes these securities are known as the "[●] EUR Index Notes")
- Series 2007-[●] Up to USD [●] 100% Principal Protected Type A Notes linked to the [●] USD Protected Index
- Series 2007-[●] Up to USD [●] 100% Principal Protected Type B Notes linked to the [●] USD Protected Index ((v) and (vi) together, the USD Notes and, together with the CHF Notes and the EUR Notes, the Notes) (for marketing purposes these securities are known as "[●] USD Index Notes")

as well as for the

- Series 2007-[●] Up to CHF [●] Type A Certificates linked to the [●] CHF Index
- Series 2007-[●] Up to CHF [●] Type B Certificates linked to the [●] CHF Index ((vii) and (viii) together, the CHF Certificates) (for marketing purposes these securities are known as the "[●] CHF Index Certificates")
- Series 2007-[●] Up to EUR [●] Type A Certificates linked to the [●] EUR Index
- Series 2007-[●] Up to EUR [●] Type B Certificates linked to the [●] EUR Index ((ix) and (x) together, the EUR Certificates) (for marketing purposes these securities are known as "[●] EUR Index Certificates")
- Series 2007-[●] Up to USD [●] Type A Certificates linked to the [●] USD Index
- Series 2007-[●] Up to USD [●] Type B Certificates linked to the [●] USD Index ((xi) and (xii) together, the USD Certificates) (for marketing purposes these securities are known as "[●] USD Certificates")

at the same time

Supplement No. 14 pursuant to § 16 (1) of the German Securities Prospectus Act

dated 14 July 2011 to the already published (single document) Base Prospectus of UBS AG, [London] [Jersey] Branch, dated 12 April 2007,

concerning the issue of

UBS [Capital Protected] [Gearing] [•] [(Capped)] Certificates

at the same time

Supplement No. 10 pursuant to § 16 (1) of the German Securities Prospectus Act

dated 14 July 2011 to the already published (single document) Base Prospectus of UBS AG, [London] [Jersey] Branch, dated 17 April 2007,

concerning the issue of

UBS [Capital Protected] [A(lternative) I(nvestment) S(trategies)] [•] Index [(Capped)]-Certificates

at the same time

Supplement No. 8 pursuant to § 16 (1) of the German Securities Prospectus Act

dated 14 July 2011 to the already published (single document) Base Prospectus of UBS AG, [London] [Jersey] Branch, dated 17 August 2007

concerning the issue of

UBS [Capital Protected] [A(lternative) I(nvestment) S(trategies)] [•] [Portfolio] [(Capped)] Certificates

at the same time

Supplement No. 13 pursuant to § 16 (1) of the German Securities Prospectus Act

dated 14 July 2011 to the already published (single document) Base Prospectus of UBS AG, [London][Jersey] Branch, dated 13 November 2007,

concerning the issue of

UBS [Capital Protected] [[Call] [or, as the case may be,] [Put]] [Hit [Call] [or, as the case may be,] [Put]] [Lock Out [Call] [or, as the case may be,] [Put]] [Double Lock Out] [[Turbo Long-] [or, as the case may be,] [Turbo Short-]] [Digital [Call] [or, as the case may be,] [Put]] [Hamster] [•] [(Capped)] Warrants

at the same time

Supplement No. 12 pursuant to § 16 (1) of the German Securities Prospectus Act

dated 14 July 2011 to the already published (single document) Base Prospectus of UBS AG, [London] [Jersey] Branch, dated 23 November 2007,

concerning the issue of

UBS [Capital Protected] [Discount [PLUS]] [Sprint [PLUS]] [Multibloc] [[Easy] [Outperformance [Express]] [Kick-In] [PLUS] [XL] [Bonus]] [Callable Yield] [•] [(Capped)] Certificates

at the same time

Supplement No. 10 pursuant to § 16 (1) of the German Securities Prospectus Act

dated 14 July 2011to the already published (single document) Base Prospectus of UBS AG, [London] [Jersey] Branch, dated 20 December 2007,

concerning the issue of

UBS [Capital Protected] [Bonus] [Express] [Reverse] [Lock-in] [(Capped)] Certificates

at the same time

Supplement No. 10 pursuant to § 16 (1) of the German Securities Prospectus Act

dated 14 July 2011 to the already published (single document) Base Prospectus of UBS AG, [London] [Jersey] Branch, dated 21 January 2008,

concerning the issue of

UBS [Capital Protected] [[Performance] [PERLES]] [Outperformance] [Relative Performance Plus] [Open-End] [[Super] S^2MART] [[Lock-In] Bonus [Extra] [Plus] [Flex]] [(Capped)] Certificates [[without] [with] settlement formula]

at the same time

Supplement No. 8 pursuant to § 16 (1) of the German Securities Prospectus Act

dated 14 July 2011 to the already published (single document) Base Prospectus of UBS AG [Zurich], [London] [Jersey] Branch, dated 29 February 2008,

concerning the issue of

UBS [Capital Protected] [A(lternative) I(nvestment) S(trategies)] [Reverse] [Performance] [Tracker] [(Capped)] Certificates

at the same time

Supplement No. 7 pursuant to § 16 (1) of the German Securities Prospectus Act

dated 14 July 2011 to the already published (single document) Base Prospectus of UBS AG [London] [Jersey] Branch, dated 18 April 2008,

concerning the issue of

UBS [Capital Protected] [Gearing] [(Capped)] Certificates

at the same time

Supplement No. 7 pursuant to § 16 (1) of the German Securities Prospectus Act

dated 14 July 2011 the already published (single document) Base Prospectus of UBS AG [Zurich], [London] [Jersey] Branch, dated 2 May 2008,

concerning the issue of

UBS [Capital Protected] [A(lternative) I(nvestment) S(trategies)] [•] [Portfolio] [(Capped)] Certificates

at the same time

Supplement No. 7 pursuant to § 16 (1) of the German Securities Prospectus Act

dated 14 July 2011 to the already published (single document) Base Prospectus of UBS AG, [London] [Jersey] Branch, dated 27 May 2008,

concerning the issue of

UBS [Capital Protected] [Kick-In] [GOAL] [(Capped)] Notes

at the same time

Supplement No. 4 pursuant to § 16 (1) of the German Securities Prospectus Act

dated 14 July 2011 to the already published (single document) Base Prospectus of UBS AG, [London] [Jersey] Branch, dated 16 June 2008,

in relation to the
Structured Warrant Programme

at the same time

Supplement No. 6 pursuant to § 16 (1) of the German Securities Prospectus Act

dated 14 July 2011 to the already published (single document) Base Prospectus of UBS AG, [London] [Jersey] Branch, dated 14 July 2008,

concerning the issue of

UBS [Capital Protected] [Champion] [Express] [(Capped)] Certificates

at the same time]

Supplement No. 4 pursuant to § 16 (1) of the German Securities Prospectus Act

dated 14 July 2011 to the already published (single document) Base Prospectus of UBS AG, [London] [Jersey] Branch, dated 25 November 2008,

concerning the issue of

UBS [Capital Protected] [Discount [PLUS]] [Sprint [PLUS]] [Multibloc] [[Easy] [Outperformance [Express] [Kick-In] [PLUS] [XL] [Bonus]] [Callable Yield] [Reverse] [Champion] [Express] [(Capped)] Certificates

at the same time

Supplement No. 4 pursuant to § 16 (1) of the German Securities Prospectus Act

dated 14 July 2011 to the already published (single document) Base Prospectus of UBS AG, [London] [Jersey] Branch, dated 17 December 2008,

concerning the issue of

UBS [Capital Protected] [Bonus] [Twin-Win] [Express] [Reverse] [Lock-In] [Basket] [Select] [(Capped)] [Certificates] [Notes]

at the same time

Supplement No. 3 pursuant to § 16 (1) of the German Securities Prospectus Act

dated 14 July 2011 to the already published (single document) Base Prospectus of UBS AG, [London] [Jersey] Branch, dated 29 January 2009,

concerning the issue of

UBS [Capital Protected] [[Performance] [Express] [Reverse] [PERLES]] [Outperformance] [Relative Performance Plus] [Open-End] [[Super] S2MART] [[Lock-In] [Bonus] [Extra Plus] [Flex]] [(Capped)] Certificates, dated 29 January 2009

at the same time

Supplement No. 2 pursuant to § 16 (1) of the German Securities Prospectus Act

dated 14 July 2011 to the already published (single document) Base Prospectus of UBS AG, [London] [Jersey] Branch, dated 21 April 2009,

concerning the issue of
UBS [CAPITAL PROTECTED] [GEARING] [(CAPPED)] [Certificates] [Notes]

at the same time

Supplement No. 2 pursuant to § 16 (1) of the German Securities Prospectus Act

dated 14 July 2011 to the already published (single document) Base Prospectus of UBS AG, [London] [Jersey] Branch, dated 15 June 2009,

in relation to the
Structured Warrant Programme

at the same time

Supplement No. 3 pursuant to § 16 (1) of the German Securities Prospectus Act

dated 14 July 2011 to the already published (single document) Base Prospectus of UBS AG, [London] [Jersey] Branch, dated 21 October 2009,

in relation to the
Structured Warrant Programme

at the same time

Supplement No. 2 pursuant to § 16 (1) of the German Securities Prospectus Act

dated 14 July 2011 to the already published (single document) Base Prospectus of UBS AG, [London] [Jersey] Branch, dated 26 April 2010,

concerning the issue of
UBS [Capital Protected] [Gearing] [Capital Yield] [Champion] [Outperformance] [Easy] [Express] [Kick-In] [PLUS] [XL] [Bonus] [(Capped)] [Certificates] [Notes]

at the same time

Supplement No. 1 pursuant to § 16 (1) of the German Securities Prospectus Act

dated 14 July 2011 to the already published (single document) Base Prospectus of UBS AG, [London] [Jersey] Branch, dated 19 August 2010,

concerning the issue of
Securities

at the same time

Supplement No. 2 pursuant to § 16 (1) of the German Securities Prospectus Act

dated 14 July 2011 to the already published (single document) Base Prospectus of UBS AG, [London]

[Jersey] Branch, dated 22 October 2010,

in relation to the
Structured Warrant Programme

at the same time

Supplement No. 2 pursuant to § 16 (1) of the German Securities Prospectus Act

dated 14 July 2011 to the already published (single document) Base Prospectus of UBS AG, [London] [Jersey] Branch, dated 3 December 2010,

concerning the issue of
Securities

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

TABLE OF CONTENTS OF THIS SUPPLEMENT

1) In the Base Prospectuses listed above, the section following the heading "Documents incorporated by reference" is completely replaced as follows:

"DOCUMENTS INCORPORATED BY REFERENCE

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

Incorporated document	Referred to in	Information
- UBS Annual Report 2010, in English; pages 71 -111 (inclusive)	- Business Overview	- Description of the Issuer's business groups
- UBS Annual Report 2010, in English; pages 362 – 365 (inclusive)	- Organisational Structure of the Issuer	- Illustration of the key subsidiaries
- UBS Annual Report 2010, in English; pages 193 – 195 (inclusive)	- Major Shareholders of the Issuer	- Further details on UBS shares
- UBS Annual Report 2010 Financial Information, in English:	- Financial Information concerning the Issuer's Assets and Liabilities, Financial Position and Profits and Losses	- Financial Statements of UBS AG (Group) for the financial year 2010:
(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 Annual Report 2009, in English:	- Financial Information concerning the Issuer's Assets and Liabilities, Financial Position and Profits and Losses	- Financial Statements of UBS AG (Group) for the financial year 2009:
(i) page 255,		(i) Income Statement,
(ii) page 257,		(ii) Balance Sheet,
(iii) pages 261 - 262 (inclusive),		(iii) Statement of Cash Flows,
(iv) pages 263 - 370 (inclusive),		(iv) Notes to the Financial Statements,
(v) pages 244 – 248 (inclusive),		(v) Accounting Standards and Policies,
(vi) pages 252 - 253 (inclusive).		(vi) Report of the Group Auditors.
		- Financial Statements of

		UBS AG (Parent Bank) for the financial year 2009:
(i) page 372,		(i) Income Statement,
(ii) page 373,		(ii) Balance Sheet,
(iii) page 373,		(iii) Statement of Appropriation of Retained Earnings,
(iv) pages 374 – 392 (inclusive),		(iv) Notes to the Financial Statements,
(v) page 371,		(v) Parent Bank Review,
(vi) pages 244 - 248 (inclusive),		(vi) Accounting Standards and Policies,
(vii) pages 393 – 394 (inclusive).		(vii) Report of the Statutory Auditors.
- UBS AG quarterly report at of 31 March 2011	- Financial Information concerning the Issuer's Assets and Liabilities, Financial Position and Profits and Losses	- UBS AG quarterly report as at 31 March 2011

(a) the Quarterly Report of UBS AG as at 31 March 2011 has been filed with the BaFin as appendix to the Supplement dated 14 July 2011;

(b) the Annual Report 2010 of UBS AG has been filed with the BaFin as appendix to the Supplement dated 20 April 2011 in relation to the Structured Note Programme;

(c) the Annual Report 2009 of UBS AG has been filed with the BaFin as appendix to Supplement No. 1 dated 7 April 2010 to the Structured Warrant Programme dated 21 October 2009.

2) In the Base Prospectuses as listed above the following bullet points in the section "*Summary*"

- "*Who is the Issuer*",
- "*Who are the members of the Issuer's management and supervisory bodies*?" and
- "*What is the Issuer's financial situation*?"

and in relation to the Base Prospectus dated 20 March 2007 the following bullet points in the section "*Summary*"

- "*Issuer*",
- "*Rating of the Issuer*" and
- "*Issuer's financial situation*"

and in relation to the Base Prospectuses dated 26 April, 19 August and 3 December 2010, the following bullet points in the section "*Summary*"

- "*Overview*",
- "*Corporate Information*",
- "*Organisational Structure of the Issuer*",
- "*Trend information*",
- "*Administrative-, Management-, and Supervisory Bodies of the Issuer*" *and*
- "*Auditors*"

are completely replaced by the following:

"***Overview***

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

On 31 March 2011 UBS's BIS Tier1[1] ratio was 17.9%, invested assets stood at CHF 2,198 billion, equity attributable to UBS shareholders was CHF 46,695 million and market capitalization was CHF 63,144 million. On the same date, UBS employed 65,396 people.[2]

Corporate Information

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

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

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

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

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

[2] Full-time equivalents.

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

Organizational Structure of the Issuer

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

The parent bank structure allows UBS to fully exploit the advantages generated for all business divisions through the use of a single legal entity. In cases where it is impossible or inefficient to operate via the parent, due to local legal, tax or regulatory provisions, or where additional legal entities join the Group through acquisition, the business is operated on location by legally independent Group companies.

Trend Information (Outlook statement as presented in UBS's first quarter 2011 report issued on 26 April 2011)

In the second quarter UBS expects trading volumes in the equity markets to remain at or around the levels obtained in the first quarter. This should support transaction-based income in UBS's wealth management businesses and flow trading in the Investment Bank. Price volatility will also continue to present potentially attractive buying opportunities for UBS's clients and investment managers. Volatility in currency markets is likely to continue, driven by concerns about European sovereign debt and developments in the Middle East and Japan. Notwithstanding the emergence of inflation in a number of economies, UBS expects short-term interest rates in the West, and in particular in Switzerland, to remain low, continuing to constrain interest margins, particularly in its wealth management businesses and in its Swiss retail and corporate banking operations. Subject to market conditions, UBS expects to see some improvement in a number of its business lines in the Investment Bank, even taking into account the constraint imposed on some of its fixed income, currencies and commodities (FICC) businesses by its focus on controlling risk levels. The competition for talent in certain regions and recent base salary increases will put some pressure on UBS's expense base. Nevertheless, UBS remains confident that it can continue to build on the progress it has made.

Administrative, Management and Supervisory Bodies of the Issuer

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

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

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

Auditors

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

3) In relation to

(a) the Base Prospectus dated 28 March 2006 concerning the issue of A(lternative) I(nvestment) S(trategies) Index – Certificates,
(b) the Base Prospectus dated 17 April 2007 concerning the issue of UBS [Capital Protected] [A(lternative) I(nvestment) S(trategies)] [•] Index [(Capped)]-Certificates,
(c) the Base Prospectus dated 17 August 2007 concerning the issue of UBS [Capital Protected] [A(lternative) I(nvestment) S(trategies)] [•] [Portfolio] [(Capped)] Certificates,
(d) the Base Prospectus dated 29 February 2008 for the issue of UBS [Capital Protected] [A(lternative) I(nvestment) S(trategies)] [Reverse] [Performance] [Tracker] [(Capped)] Certificates,
(e) the Base Prospectus dated 2 May 2008 concerning the issue of UBS [Capital Protected] [A(lternative) I(nvestment) S(trategies)] [•] [Portfolio] [(Capped)] Certificates,
(f) the Base Prospectus dated 25 November 2008 concerning the issue of UBS [Capital Protected] [Discount [PLUS]] [Sprint [PLUS]] [Multibloc] [[Easy] [Outperformance [Express] [Kick-In] [PLUS] [XL] [Bonus]] [Callable Yield] [Reverse] [Champion] [Express] [(Capped)] Certificates,
(g) the Base Prospectus dated 17 December 2008 concerning the issue of UBS [Capital Protected] [Bonus] [Twin-Win] [Express] [Reverse] [Lock-In] [Basket] [Select] [(Capped)] [Certificates] [Notes]
(h) the Base Prospectus dated 29 January 2009 concerning the issue of UBS [Capital Protected] [[Performance] [Express] [Reverse] [PERLES]] [Outperformance] [Relative Performance Plus] [Open-End] [[Super] S2MART] [[Lock-In] [Bonus] [Extra Plus] [Flex]] [(Capped)] Certificates, and
(i) the Base Prospectus dated 21 April 2009 concerning the issue of UBS [Capital Protected] [Gearing] [(Capped)] [Certificates] [Notes],

the following bullet points in the section "*Zusammenfassung*"

- "*Wer ist die Emittentin*",
- "*Wer sind die Mitglieder der Geschäftsführungs- und Aufsichtsorgane der Emittentin?*" and
- "*Wie ist die finanzielle Situation der Emittentin?*"

and in relation to the Base Prospectus dated 20 March 2007, the following bullet points in the section "*Zusammenfassung*"

- "*Emittentin*",
- "*Rating der Emittentin*" and
- "*Vermögenslage der Emittentin*"

and in relation to the Base Prospectus dated 19 August 2010 and 3 December 2010, the following bullet points in the section "*Zusammenfassung*"

- "*Überblick*",
- "*Unternehmensinformation*",
- "*Organisationsstrukturen*",
- "*Trendinformation*",
- "*Verwaltungs-, Management-, und Aufsichtsorgane der Emittentin*" *and*
- "*Abschlussprüfer*"

are completely replaced by the following:

"***Überblick***

Seit 150 Jahren betreut UBS AG mit ihren Tochtergesellschaften (UBS AG ebenso die "**Emittentin**" oder die "**Gesellschaft**" und zusammen mit ihren Tochtergesellschaften "**UBS Gruppe**", "**Gruppe**" oder "**UBS**") weltweit private Kunden, Institutionelle und Firmenkunden sowie Privatkunden in der Schweiz. Die Verbindung von Wealth Management, Investment Banking und Asset Management mit ihrem Schweizer Geschäft ermöglicht es UBS, hervorragende Finanzlösungen anzubieten. UBS verfügt über Hauptsitze in Zürich und Basel und ist in mehr als 50 Ländern, einschliesslich aller wichtigen Finanzplätze, vertreten.

Am 31. März 2011 belief sich die BIZ-Kernkapitalquote (Tier 1)[3] von UBS auf 17,9%, das verwaltete Vermögen belief sich auf CHF 2.198 Mrd., und das den UBS-Aktionären zurechenbare Eigenkapital betrug CHF 46.695 Mio. Die Marktkapitalisierung betrug CHF 63.144 Mio. Zum gleichen Datum beschäftigte UBS 65.396 Mitarbeiter.[4]

Unternehmensinformationen

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

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

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

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

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

Organisationsstrukturen der Emittentin

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

Die Stammhaus-Struktur ermöglicht es UBS, die Vorteile, die sich aus der Bündelung aller Unternehmensbereiche unter einem Dach ergeben, voll auszuschöpfen. 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 gemäss Bericht von UBS zum ersten Quartal 2011 vom 26. April 2011)

Für das zweite Quartal 2011 erwartet UBS, daß sich das Handelsvolumen an den Aktienmärkten auf oder nahe dem Stand des 1. Quartals bewegt. Dies dürfte die transaktionsbasierten Einnahmen im Wealth-Management-Geschäft sowie das kundengetriebene Handelsgeschäft in der Investment Bank unterstützen. Aufgrund der Preisvolatilität werden sich weiterhin potenziell attraktive Kaufgelegenheiten für Kunden der UBS und Investmentmanager bieten. Die Devisenmärkte werden wahrscheinlich volatil bleiben angesichts der Bedenken hinsichtlich europäischer Staatsschulden und der Entwicklungen im Nahen Osten und in Japan. Ungeachtet des Entstehens von Inflation in einigen Volkswirtschaften rechnet UBS damit, dass die kurzfristigen Zinsen im Westen und insbesondere in der Schweiz tief und die Zinsmargen damit begrenzt bleiben werden, speziell im Wealth Management und im Schweizer Privat- und Firmenkundengeschäft. Abhängig von den Marktverhältnissen erwartet UBS eine gewisse Verbesserung in einigen Sparten der

[3] Die BIZ-Kernkapitalquote (Tier 1) entspricht dem Verhältnis zwischen dem anrechenbaren Tier-1-Kapital und den risikogewichteten Aktiven (BIZ) gemäss den Basel-II-Standards. Das anrechenbare Tier-1-Kapital beinhaltet das einbezahlte Aktienkapital, die Kapitalreserven, die Gewinnreserven einschließlich des aktuellen Jahresgewinns, Währungsumrechnungen, Trust Preferred Securities (innovative und nicht innovative Kapitalinstrumente) sowie die nicht beherrschenden Anteile, unter Berücksichtigung von Abzügen für *Treasury Shares* und eigene Aktien, Goodwill und immaterieller Vermögenswerte sowie anderer Abzüge wie z.B. für bestimmte Risiken aus Verbriefungen. Ausgenommen sind Auswirkungen eigener Bonitätsveränderungen auf zum *fair value* angesetzte Verbindlichkeiten, die für die Zwecke der Kapitalermittlung unberücksichtigt bleiben.

[4] Mitarbeiter auf Vollzeitbasis.

Investment Bank, selbst unter Berücksichtigung der Restriktionen, die sich für gewisse FICC-Bereiche (*fixed income, currencies and commodities*) durch den Fokus auf Risikokontrolle ergeben. Der Rekrutierungswettbewerb in einigen Regionen und die kürzlich erfolgten Basissalärerhöhungen werden einen gewissen Druck auf die Kostenbasis der UBS ausüben. Trotzdem ist die UBS nach wie vor zuversichtlich, dass es ihr gelingen wird, weiter auf den bisher erzielten Fortschritten aufzubauen.

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

UBS AG verfügt über zwei streng getrennte Führungsgremien, wie dies von der schweizerischen Bankengesetzgebung vorgeschrieben ist. Diese Struktur schafft gegenseitige Kontrolle («Checks and Balances») und macht den Verwaltungsrat unabhängig vom Tagesgeschäft des Unternehmens, für das die Konzernleitung die Verantwortung trägt.

Die Aufsicht und Kontrolle der operativen Unternehmensführung liegt beim Verwaltungsrat. Niemand kann Mitglied beider Gremien sein.

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

Abschlussprüfer
Am 28. April 2011 wurde die Ernst & Young AG, Aeschengraben 9, 4002 Basel, Schweiz, auf der Generalversammlung der UBS AG Generalversammlung 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."

4) In the Base Prospectuses as listed above, in the section "Risk Factors relating to the Issuer and the Securities" or "Risk Factors", as the case may be, the paragraph headed "I. Issuer-specific risks" or in relation to the Base Prospectus dated 30 March 2007, the paragraph headed "Essential characteristics and risks associated with the Issuer" is except for the chapter headed "Potential conflicts of interest" completely replaced by the following:

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

General insolvency risk
Each investor bears the general risk that the financial situation of the Issuer could deteriorate. The 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.

Potentially significant litigation risks
The Issuer and other UBS Group companies operate in a legal and regulatory environment that exposes them to potentially significant litigation risks. As a result, UBS AG is involved in various disputes and legal proceedings, including litigation, arbitration, and regulatory and criminal investigations. Such cases are subject to many uncertainties, and their outcome often is difficult to predict, particularly in the earlier stages of a case. In certain circumstances, to avoid the expense and distraction of legal proceedings, UBS AG may based on a cost benefit analysis enter a settlement even though UBS AG denies any wrongdoing. UBS Group makes provisions for cases brought against it only when after seeking legal advice, in the opinion of management, it is probable that a liability exists, and the amount can be reasonably estimated. No provision is made for claims asserted against UBS Group that in the opinion of management are without merit and where it is not likely that UBS AG will be found liable.

Negative 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 Moody's, Fitch and Standard & Poor's.

UBS' reputation is key to the success of its business
UBS' reputation has been severely damaged by its very large losses during the financial crisis and by the US cross-border matter. This has resulted in client attrition in different parts of UBS' business and has negatively affected UBS' financial performance. Restoring UBS' reputation is essential to maintaining its relationships with clients, investors, regulators and the general public, as well as with its employees. Accordingly, it is critical to the success of UBS' strategic plans. Reputational damage is difficult to reverse. The process is slow and success can be difficult to measure. UBS has taken what it believes are very important steps to restore its reputation, but it is possible that it will take longer to repair than UBS expects, particularly if further events were to occur that cause additional damage to UBS' reputation. Any failure to restore or further damage to UBS' reputation could have a material adverse effect on UBS' operational results and financial condition. Even if UBS' reputation is restored, UBS may not progress quickly enough to achieve its medium-term goals.

Regulatory changes may adversely affect UBS' business and ability to execute its strategic plans
In the wake of the recent financial crisis, regulators and legislators are actively considering a wide range of measures designed to address the perceived causes of the crisis and to limit the systemic risks posed by major financial institutions.

Potential changes include:

– significantly higher regulatory capital requirements

– changes in the capital treatment of certain capital instruments issued by UBS and other banks

- changes in the calculation of risk-weighted assets
- new or significantly enhanced liquidity requirements
- requirements to maintain liquidity and capital in multiple jurisdictions where activities are conducted
- limitations on principal trading activities
- taxes and government fees 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 make major financial institutions easier to wind down or disassemble
- outright size limitations

Notwithstanding attempts by regulators to coordinate their efforts, the proposals differ by jurisdiction, and enhanced regulation may be imposed in a manner that makes it more difficult to manage global institutions. Swiss authorities have expressed concern about the systemic risks posed by its two largest banks, particularly in relation to the size of the Swiss economy and governmental resources. This may lead to more stringent regulations applicable to major banks headquartered in Switzerland in comparison with those based elsewhere. The potential regulatory and legislative developments in Switzerland and in other jurisdictions in which UBS' has operations may have a material adverse effect on UBS' ability to execute its strategic plans, on the profitability or viability of certain business lines globally or in particular locations, and on UBS' ability to compete with other financial institutions. They could also have an impact on UBS' legal structure or UBS' business model.

UBS is exposed to possible further reduction in client assets in its wealth management and asset management businesses
In 2008 and 2009, UBS experienced substantial net outflows of client assets in its wealth management and asset management businesses. This resulted from a number of different factors, including UBS' substantial losses, the damage to UBS' reputation, the loss of client advisors and developments concerning UBS' cross-border private banking business. As some of these factors can only be addressed over an extended period of time, UBS may continue to experience net outflows of client assets. This may adversely affect the results of UBS' wealth management and asset management businesses.

UBS holds proprietary risk positions that may be adversely affected by conditions in the financial markets
UBS, like many 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. UBS has drastically reduced its risk exposures, in part due to transfers to a fund controlled by the Swiss National Bank ("SNB"). UBS does, however, continue to hold sizeable legacy risk positions that are exposed to the general systemic and counterparty risks that were exacerbated by the financial crisis. The illiquidity of most of these legacy risk positions is likely to make it increasingly difficult to reduce UBS' exposures to them.

During the market crisis, UBS incurred large losses (realized and mark to market) on its holdings of securities related to the US residential mortgage market. Although UBS' exposure to that market was reduced dramatically in 2008 and 2009, UBS remains exposed to a smaller degree to such losses, most notably through monoline-insured positions. Monoline insurers have been adversely affected by their exposure to US residential mortgage-linked products, and UBS has recorded large credit valuation adjustments on its claims against them. If the financial condition of monoline insurers or their perceived creditworthiness deteriorates further, UBS would have to record further material credit valuation adjustments on the CDSs bought from them.

The market dislocation also affected other asset classes. In 2008 and 2009, UBS recorded markdowns on other assets carried at fair value, including auction rate securities ("**ARS**"), leveraged finance commitments, commercial mortgages in the US and non-US mortgage-backed and asset-backed securities ("**ABS**"). UBS has a very large inventory of ARS, which is likely to increase as a result of its partially satisfied commitment to repurchase client-owned ARS. UBS holds positions related to real estate in countries other than the US, including a very substantial Swiss mortgage portfolio, and UBS could suffer losses on these positions. In addition, further market dislocation or continued weak financial conditions could result in further writedowns on UBS' assets carried at fair value or in the impairment of assets classified as or reclassified to loans or receivables. UBS is also 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.

Performance in the financial services industry depends on the economic climate
The financial services industry prospers in conditions of economic growth, stable geopolitical conditions, capital markets that are transparent, liquid and buoyant and positive investor sentiment. An economic downturn, inflation or a severe financial crisis (as seen in 2008 and to a lesser extent in 2009) can negatively affect UBS' revenues and ultimately UBS' 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 impact 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 geopolitical developments, or as a result of the failure of a major market participant. As UBS' presence and business in emerging markets increases, UBS becomes more exposed to these risks. Adverse developments of this kind have affected UBS' businesses in a number of ways, and may continue to have further adverse effects on UBS' businesses as follows:

– a general reduction in business activity and market volumes would affect fees, commissions and margins from market-making and customer-driven transactions and activities;

– a market downturn is likely to reduce the volume and valuations of assets UBS manages on behalf of clients, reducing UBS' asset- and performance-based fees;

– reduced market liquidity limits trading and arbitrage opportunities and impedes UBS' ability to manage risks, impacting both trading income and performance-based fees;

– assets UBS owns and accounts for as investments or trading positions could continue to 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, UBS could suffer losses from enforced default by counterparties, be unable to access its own assets, or be impeded in – or prevented from – managing UBS' risks.

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

In addition, interest rate increases triggered by central banks may adversely affect the economy and UBS' business and funding costs.

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' retail, wealth management and Investment Bank activities. This includes lending, underwriting and derivatives businesses and positions. Changes in interest rates, equity prices, foreign exchange levels and other market fluctuations can adversely affect UBS' earnings. Some losses from risk-taking strategy, performance and responsibility activities are inevitable, but to be successful over time, UBS must balance the risks UBS 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 recent market crisis, UBS is not always able to prevent serious losses arising from extreme or sudden market events that are not anticipated by its risk measures and systems. Value-at-Risk ("**VaR**"), a statistical measure for market risk, is derived from historical market data, and thus by definition could not have predicted the losses seen in the stressed conditions in the past few years. 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' assessment of the risks identified or UBS' response to negative trends proves to be inadequate or incorrect;
- markets move in ways that are unexpected – in terms of their speed, direction, severity or correlation – and UBS' 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' models, and UBS accordingly suffers defaults and impairments beyond the level implied by its risk assessment; or
- collateral or other security provided by UBS' counterparties proves inadequate to cover their obligations at the time of their default.

UBS also manages risk on behalf of its clients in UBS' asset and wealth management businesses. UBS' 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 UBS' asset or wealth management business (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 UBS manages, may also be affected by market risk factors. These investments are often not liquid and are generally 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' earnings.

Valuations of certain assets rely on models. For some of the inputs to these models there is no observable source

Where possible, UBS marks its trading book assets at their quoted market price in an active market. In the current environment, such price information is not available for certain instruments and 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. For positions of which some or all of the reference data are not observable or have limited observability, UBS uses valuation models with nonmarket observable inputs. There is no single market standard for valuation models in this area. Such models have inherent limitations; different assumptions and inputs would generate different results, and these differences could have a significant impact on UBS' 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 could have a material adverse effect on UBS' financial results.

Credit ratings and liquidity and funding management are critical to UBS' ongoing performance

Moody's Investors Service, Fitch Ratings and Standard & Poor's lowered UBS' long-term credit rating several times in 2008 and 2009. Further reductions in UBS' credit rating could increase its funding costs, in particular with regard to funding from wholesale unsecured sources. Some of these downgrades have required UBS to make additional cash payments or post additional collateral, and additional reductions in the credit ratings could have similar effects. UBS' credit ratings also have an impact on the performance of its businesses. Along with UBS' capital strength and reputation, UBS' credit ratings contribute to maintaining client and counterparty confidence in UBS.

A substantial part of UBS' 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 these funding sources has generally been stable, but may change in the future due, among other things, to general market strategy, performance and responsibility disruptions. Any such change could occur quickly and without notice. UBS may be required to maintain substantially higher levels of liquidity than has been UBS' usual practice due to possible changes in regulatory requirements. This could have an adverse impact on the attractiveness of certain lines of business, particularly in the Investment Bank, and may reduce UBS' overall ability to generate profits.

UBS' capital strength is important in supporting its client franchise
UBS' capital position, as measured by the BIS tier 1 and total capital ratios, is determined by (i) risk-weighted assets ("**RWAs**") (balance sheet, off-balance sheet and other market and operational risk positions, measured and risk-weighted according to regulatory criteria) and (ii) eligible capital. Both RWAs and eligible capital are subject to change. Eligible capital, for example, could experience a reduction resulting from financial losses, acquired goodwill or as a result of foreign exchange movements. RWAs, on the other hand, will be driven by UBS' business activities and by changes in the risk profile of these assets. They could furthermore be subject to a change in regulatory requirements or the interpretation thereof. For instance, substantial market volatility, a widening of credit spreads (the major driver of UBS' VaR), a change in regulatory treatment of certain positions, stronger foreign currencies, increased counterparty risk or a deterioration in the economic environment could result in a rise in RWAs or a change in capital requirements, thereby potentially reducing UBS' capital ratios. UBS is subject to regulatory capital requirements imposed by the Swiss Financial Market Supervisory Authority ("**FINMA**"), under which UBS has higher RWAs than would be the case under the Basel II Capital Framework (BIS guidelines). Forthcoming changes in the calculation of RWAs under FINMA requirements are expected to increase the level of UBS' RWAs and therefore have an adverse effect on UBS' capital ratios. In addition, FINMA has introduced a minimum leverage ratio which is being progressively implemented and will be fully applicable in 2013. Changes by FINMA in the tier 1 and total capital requirements or in the leverage ratio requirement, whether pertaining to the minimum levels required for large Swiss banks or to the calculation thereof (including changes made to implement the proposed Basel III standards), could have a material adverse effect on UBS' business and ability to execute its strategic plans or pay dividends in the future.

Operational risks may affect UBS' business
All of UBS' businesses are dependent on its ability to process a large number of complex transactions across multiple and diverse markets in different currencies, and to comply with the requirements of the many different legal and regulatory regimes. UBS' operational risk management and control systems and processes are designed to help ensure that the risks associated with its activities, including those arising from process error, failed execution, unauthorized trading, fraud, systems failure and failure of security and physical protection, are appropriately controlled. If UBS' internal controls fail or prove ineffective in identifying and remedying such risks, UBS could suffer operational failures that might result in material losses.

Legal claims and regulatory risks and restrictions arise in the conduct of UBS' business
In the ordinary course of UBS' business, UBS are 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 types of 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' businesses. The outcome of these matters cannot be predicted and they could adversely affect UBS' future business. UBS continues to be subject to government inquiries and investigations, and is involved in a number of litigations and disputes related to the financial crisis. These matters concern, among other things, UBS' valuations, accounting classifications, disclosures, investment suitability, writedowns, underwriting and contractual obligations, as well as UBS' role as an underwriter in securities offerings for other issuers.

UBS has been in active dialogue with its regulators concerning remedial actions that UBS is taking to address deficiencies in its risk management and control, funding and certain other processes and systems. UBS will for some time be subject to increased scrutiny by FINMA and UBS' other major regulators, and accordingly will be subject to regulatory measures that might affect the implementation of its strategic plans.

In February 2009, UBS entered into a Deferred Prosecution Agreement (DPA) with the US Department of Justice (DOJ) and a Consent Order with the US Securities and Exchange Commission in connection with UBS' cross-border private banking services provided to US private clients. In addition, a petition for enforcement of a civil summons issued by the US Internal Revenue Service (IRS), seeking information concerning UBS' cross-border business, including records located in Switzerland, was filed by the civil division of the DOJ. In August 2009, UBS entered into a settlement agreement with the IRS and the DOJ. Pursuant to this agreement and a related agreement between the US and Switzerland, the summons enforcement proceeding will be dismissed if certain requirements are satisfied. It is not yet clear what effect, if any, the recent Swiss court decision prohibiting the provision of certain UBS client data to the IRS may have on UBS' 2009 settlements with US authorities and UBS' businesses.

Tax and regulatory authorities in a number of other jurisdictions have also requested information relating to the cross-border wealth management services provided by UBS and other financial institutions. These governmental actions, and UBS' responses to them, could adversely affect the future profitability of UBS' international wealth management businesses.

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 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.

UBS' 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 changes recently introduced in UBS' balance sheet management, funding framework and risk management and control, as well as possible new or enhanced regulatory requirements, may constrain the revenue contribution of certain lines of business. For example, parts of the Investment Bank's fixed income, currencies and commodities (FICC) business may be affected as they require substantial funding and are capital-intensive.

Following the losses incurred in 2008, UBS significantly reduced the variable compensation granted to its employees for that year. This and other factors adversely affected UBS' ability to retain and attract key employees, which in turn negatively affected UBS' revenues in a number of business lines in 2009. The amount of variable compensation granted for 2009 was higher than in 2008, but the portion of variable compensation granted in the form of deferred shares was much higher than in the past, and the percentage of compensation deferred was higher than that of most of UBS' competitors. 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 UBS' competitors in attracting qualified employees. This risk also arises in connection with the increasing legislation, regulation and regulatory pressure relating to remuneration in general and variable compensation in particular. Although this affects many if not all of the major banks, the constraints are likely to differ by jurisdiction and therefore less regulated competitors may tend to have an advantage.

UBS' global presence exposes UBS to risks arising from being subject to different regulatory, legal and tax regimes, as well as from currency fluctuation

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' 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' clients to do business with the bank, or the viability of UBS' strategies and business model. In UBS' financial accounts UBS accrues taxes, but the final effect of taxes on earnings is only determined after the completion of tax audits (which generally takes a number of years) or the expiration of statutes of limitations. In addition, changes in tax laws, judicial interpretation of tax laws or policies and practices of tax authorities could cause the amount of taxes ultimately paid by UBS to differ materially from the amount accrued.

Because UBS prepares its accounts in Swiss francs and a substantial portion of its assets, liabilities, assets under management, revenues and expenses are denominated in other currencies, changes in foreign exchange rates, particularly between the Swiss franc and the US dollar and to a much lesser extent between the Swiss franc and the Euro and UK sterling (US dollar income represents the major part of UBS' non-Swiss-franc income), have an effect on UBS' reported income and shareholders' equity."

5) In the Base Prospectuses as listed above, in the section headed "Tax consideration" or "Taxation", as the case may be, the paragraph headed "Federal Republic of Germany" and in relation to the Base Prospectus dated 20 March 2007, the paragraph headed "Tax Considerations in the Federal Republic of Germany" is completely replaced by the following or, if such paragraph is not already displayed, the following is inserted:

"**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 at the time of publication 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.

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

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 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 Notes 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.

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. In such case, the withholding tax rate is reduced by 25% of the church tax due on the savings income. 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.

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."

6) In the Base Prospectuses as listed above, the section headed "Description of the Issuer" and in relation to the Base Prospectus dated 20 March 2007, the section headed "Description of UBS AG" is completely replaced by the following:

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

On 31 March 2011 UBS's BIS Tier1[5] ratio was 17.9%, invested assets stood at CHF 2,198 billion, equity attributable to UBS shareholders was CHF 46,695 million and market capitalization was CHF 63,144 million. On the same date, UBS employed 65,396 people.[6]

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

Standard & Poor’s, Fitch and Moody’s are not established in the European Union and are to the Issuer's knowledge not registered under Regulation (EC) No. 1060/2009 on rating agencies.

I. Corporate Information

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

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

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

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

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

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

[6] Full-time equivalents.

II. BUSINESS OVERVIEW

Business divisions and Corporate Center

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

Wealth Management & Swiss Bank

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

Wealth Management Americas

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

Global Asset Management

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

Investment Bank

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

Corporate Center

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

Competition

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

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

IV. Recent Developments:

26 April 2011, UBS published its first quarter 2011 report and reported a net profit attributable to UBS shareholders for the first quarter of 2011 of CHF 1,807 million, compared with CHF 1,663 million in the

fourth quarter of 2010. Revenues for the Group increased to CHF 8.3 billion compared with CHF 7.1 billion. This reflects improved performance in UBS's credit and equities trading businesses within the Investment Bank, while equities capital market revenues were lower. Credit loss expenses across the Group also declined. Own credit losses fell significantly as UBS's credit spreads tightened, but less markedly than in the fourth quarter. Operating expenses increased marginally, up by 3% from the fourth quarter. This reflects lower litigation charges which were more than offset by increased personnel costs including the annual salary increases that took effect in early March 2011. Moreover, UBS recorded a net tax expense of CHF 426 million in the first quarter of 2011, compared with a net tax benefit of CHF 469 million recorded in the fourth quarter, when UBS realized additional deferred tax assets.

Risk-weighted assets calculated under Basel II rose marginally to CHF 203 billion from CHF 199 billion in the fourth quarter of 2010, partly attributable to UBS's continued growth in the credit business. Based on 31 March 2011 exposures, UBS's BIS RWA calculated under the enhanced Basel II market risk framework (commonly referred to as Basel 2.5)[7] was CHF 75.6 billion higher than the reported Basel II RWA. The increased RWA is composed of a new incremental risk charge which accounts for default and rating migration risk of trading book positions (CHF 32 billion of RWA), an additional stressed VaR requirement taking into account a one year observation period relating to significant losses (CHF 30 billion of RWA), a comprehensive risk measure requirement (CHF 12 billion of RWA) and a revised requirement for securitization positions held for trading that will attract banking book capital charges as well as higher risk weights for resecuritization exposures (CHF 9 billion of RWA), to better reflect the inherent risk in these products. These increases were partially offset by a RWA relief in VaR of CHF 7 billion. Furthermore, UBS's BIS tier 1 capital under the enhanced Basel II market risk framework was lower by CHF 1.2 billion and its BIS total capital was lower by CHF 2.4 billion. As a result, UBS's pro forma BIS tier 1 capital ratio including the effects of the enhanced Basel II market risk framework was 12.6%, its BIS core tier 1 capital ratio was 11.0% and its BIS total capital ratio stood at 13.3%.

On 31 March 2011, UBS's balance sheet stood at CHF 1,291 billion, down by CHF 26 billion mainly due to a decline in positive replacement values as the result of market and currency movements.

UBS's BIS tier 1 capital ratio improved to 17.9% on 31 March 2011 from 17.8% on 31 December 2010. UBS's FINMA leverage ratio for first quarter 2011 improved to 4.6%, compared with 4.4% in the fourth quarter of 2010.

Net new money for the Group increased to over CHF 22 billion, with positive net flows recorded across all of UBS's asset-gathering businesses. Wealth Management's net new money inflows were CHF 11.1 billion, compared with very small net inflows in the fourth quarter of 2010; Retail & Corporate recorded net inflows of CHF 2 billion, compared with net inflows of CHF 2.7 billion. Net new money inflows in the first quarter of 2011 were CHF 3.6 billion for Wealth Management Americas and CHF 5.6 billion for Global Asset Management (compared with net inflows of CHF 3.4 billion and CHF 1.0 billion in fourth quarter, respectively).

In its first quarter 2011 report published on 26 April 2011, UBS also provided information as to the status of regulatory and legislative responses to the financial crisis, in particular in Switzerland, the United Kingdom and the United States of America. Such responses may have significant effects on UBS's strategy and prospects for the foreseeable future.

As previously announced, UBS has decided not to pay dividends for some time to come in order to accumulate earnings that will augment its capital base. In light of the current regulatory climate, UBS has further determined to limit its risk-weighted assets for the reminder of 2011 to a level commensurate with that at the end of the first quarter.

Moreover, the evolving US and UK approaches to capital standards suggest that the Swiss requirements may be significantly higher than those that will be applicable to UBS's major international competitors. This likely would adversely affect the competitiveness of certain of UBS's businesses, particularly in the Investment Bank’s fixed income, currencies and commodities business unit, which accounts for a significant proportion of UBS's overall risk-weighted assets. For this reason, UBS will continue to analyze carefully the potential effect of regulatory developments on the profitability of its businesses, and will make adjustments as appropriate.

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

In addition to analyzing the effect of regulatory changes on the viability and profitability of its businesses, UBS is evaluating potential changes to its booking model and corporate structure in view of developing regulatory concerns and requirements, not only in Switzerland but also in the UK, US and elsewhere.

III. Organisational Structure of the Issuer

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

The parent bank structure allows UBS to fully exploit the advantages generated for all business divisions through the use of a single legal entity. In cases where it is impossible or inefficient to operate via the parent, due to local legal, tax or regulatory provisions, or where additional legal entities join the Group through acquisition, the business is operated on location by legally independent Group companies. UBS AG's significant subsidiaries are listed in the Annual Report 2010, on pages 362-365 (inclusive) of the English version.

IV. Trend Information (Outlook statement as presented in UBS's first quarter 2011 report issued on 26 April 2011)

Unless disclosed in the section "Recent Developments" above, there has been no material adverse change in the prospects of the Issuer since the date of its last published audited financial statements (*i.e.* since 31 December 2010).

In the second quarter UBS expects trading volumes in the equity markets to remain at or around the levels that obtained in the first quarter. This should support transaction-based income in UBS's wealth management businesses and flow trading in the Investment Bank. Price volatility will also continue to present potentially attractive buying opportunities for UBS's clients and investment managers. Volatility in currency markets is likely to continue, driven by concerns about European sovereign debt and developments in the Middle East and Japan. Notwithstanding the emergence of inflation in a number of economies, UBS expects short-term interest rates in the West, and in particular in Switzerland, to remain low, continuing to constrain interest margins, particularly in its wealth management businesses and in its Swiss retail and corporate banking operations. Subject to market conditions, UBS expects to see some improvement in a number of its business lines in the Investment Bank, even taking into account the constraint imposed on some of its FICC businesses by its focus on controlling risk levels. The competition for talent in certain regions and recent base salary increases will put some pressure on UBS's expense base. Nevertheless, UBS remains confident that it can continue to build on the progress it has made.

V. Administrative, Management and Supervisory Bodies of the Issuer

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

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

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

Board of Directors

The BoD is the most senior body of UBS AG. The BoD consists of at least six and a maximum of twelve members. All the members of the BoD are elected individually by the Annual General Meeting ("**AGM**") for a term of office of one year. The BoD's proposal for election must be such that three quarters of the BoD members will be independent. Independence is determined in accordance with the Swiss Financial Market Supervisory Authority ("**FINMA**") circular 08/24, the NYSE rules and the rules and regulations of other securities exchanges on which UBS shares are listed, if any. The Chairman does not need to be independent. The BoD has ultimate responsibility for the success of the UBS Group and for delivering sustainable shareholder value within a framework of prudent and effective controls. It decides on UBS's strategic aims and the necessary financial and human resources upon recommendation of the Group Chief Executive Officer ("**Group CEO**") and sets the UBS Group's values and standards to ensure that its obligations to its shareholders and others are met.

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

Board of Directors of UBS AG
(as of the date of this Base Prospectus)

Member and business address	**Title**	**Term of office**	**Positions outside UBS AG**
Kaspar Villiger UBS AG, Bahnhofstrasse 45, CH-8001 Zurich, Switzerland	Chairman	2012	None
Michel Demaré ABB Ltd., Affolternstrasse 44, P.O. Box 5009, CH-8050 Zurich, Switzerland	Independent Vice Chairman	2012	CFO and member of the Group Executive Committee of ABB; President Global Markets at ABB; member of the IMD Foundation Board, Lausanne.
David Sidwell UBS AG Bahnhofstrasse 45, CH-8001 Zurich, Switzerland	Senior Independent Director	2012	Director and Chairperson of the Risk Policy and Capital Committee of Fannie Mae, Washington D.C.; senior Advisor at Oliver Wyman; trustee of the International Accounting Standards Committee Foundation, London; Chairman of the board of Village Care, New York; Director of the National Council on Aging, Washington D.C..
Rainer-Marc Frey Office of Rainer-Marc Frey, Seeweg 39, CH-8807 Freienbach, Switzerland	Member	2012	Founder and Chairman of Horizon21 and its related entities and subsidiaries; member of the board of DKSH Group, Zurich and of the Frey Charitable Foundation, Freienbach.
Bruno Gehrig Swiss International Air Lines AG, Obstgartenstrasse 25, CH-8302 Kloten, Switzerland	Member	2012	Chairman of the board of Swiss International Air Lines and Vice Chairman and Chairperson of the Remuneration Committee of Roche Holding Ltd., Basel.
Ann F. Godbehere UBS AG, Bahnhofstrasse 45, CH-8001 Zurich Switzerland	Member	2012	Board member, and Chairperson of the Audit Committees, of Prudential plc, Rio Tinto plc and Rio Tinto Limited, London; board member of Atrium Underwriters Ltd. and Atrium Underwriting Group Ltd., London; member of the board and Chairperson of the Audit Committee of Ariel Holdings Ltd., Bermuda.
Axel P. Lehmann Zurich Financial Services, Mythenquai 2, CH-8002 Zurich Switzerland	Member	2012	Group Chief Risk Officer of Zurich Financial Services; Chairman of the board of the Institute of Insurance Economics at the University of St. Gallen and Chairman of the Chief Risk Officer Forum.
Wolfgang Mayrhuber Deutsche Lufthansa AG, Flughafen Frankfurt am Main 302, D-60549 Frankfurt am Main, Germany	Member	2012	Chairman of the supervisory board and Chairperson of the Mediation, the Nomination and the Executive Committees of Infineon Technologies AG as well as member of the supervisory boards of Munich Re Group, BMW Group, Lufthansa Technik AG and Austrian Airlines AG; member of the board of SN Airholding SA/NV, Brussels and HEICO Corp., Hollywood, FL.
Helmut Panke	Member	2012	Member of the board of Microsoft Corporation

BMW AG, Petuelring 130, D-80788 Munich, Germany			and Chairperson of the Antitrust Compliance Committee; member of the board of Singapore Airlines Ltd.; member of the supervisory board of Bayer AG, Germany.
William G. Parrett UBS AG Bahnhofstrasse 45 CH-8001 Zurich Switzerland	Member	20112	Independent Director, and Chairperson of the Audit Committee, of the Eastman Kodak Company, the Blackstone Group LP and Thermo Fisher Scientific Inc.; Immediate Past Chairman of the board of the United States Council for International Business and of United Way Worldwide; member of the Board of Trustees of Carnegie Hall.
Joseph Yam 18 B South Bay Towers 59 South Bay Rd. Hong Kong	Member	2012	Executive Vice President of the China Society for Finance and Banking; Chairman of the board of Macroprudential Consultancy Limited and member of the International Advisory Councils of a number of government and academic institutions. Board member and Chairperson of the Risk Committee of China Construction Bank. Board member 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.

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

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

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

As of the date of this Base Prospectus, the members of the AC are William G. Parrett (Chairperson), Ann F. Godbehere, Michel Demaré and Rainer-Marc Frey

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

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

Group Executive Board of UBS AG
(as of the date of this Base Prospectus)

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

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

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

VI. Auditors

On 28 April 2011, the AGM of UBS AG re-elected Ernst & Young Ltd, Aeschengraben 9, 4002 Basel, Switzerland ("**Ernst & Young**") as auditors for the Financial Statements of UBS AG and the Consolidated Financial Statements of the UBS Group for a further one-year term. Ernst & Young Ltd., Basel, 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 Swiss Stock Exchange Act (the Federal Act on Stock Exchanges and Securities Trading of 24 March 1995, as amended), anyone holding shares in a company listed in Switzerland, or derivative rights related to shares of such a company, has to notify the company and the SIX Swiss Exchange if the holding attains, falls below or exceeds one of the following thresholds: 3, 5, 10, 15, 20, 25, 33 1/3, 50, or 66 2/3% of the voting rights, whether they are exercisable or not.

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

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

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

As of 31 March 2011, the following shareholders were registered in the share register with 3% or more of the total share capital of UBS AG: Chase Nominees Ltd., London (10.31%); the US securities clearing organization DTC (Cede & Co.) New York, "The Depository Trust Company" (7.36%); Government of Singapore Investment Corp. (6.41%) and Nortrust Nominees Ltd, London (3.92%).

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

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

VIII. Financial Information concerning the Issuer's Assets and Liabilities; Financial Position and Profits and Losses

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

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

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

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

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

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

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

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

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

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

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

Reference is also made to the Quarterly Report of UBS AG as at 31 March 2011, 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 2011. The interim financial statements are not audited.

UBS's Annual Report 2009, the Annual Report 2010 and the Quarterly Report of UBS AG as at 31 March 2011 form an integral component of this Base Prospectus, and are therefore fully incorporated in this Base Prospectus.

1. Legal and Arbitration Proceedings

The UBS 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 their outcome is often difficult to predict, including the impact on operations or on the financial statements, particularly in the earlier stages of a case. In certain circumstances, to avoid the expense and distraction of legal proceedings, UBS may, based on a cost-benefit analysis, enter into a settlement even though denying any wrongdoing. The Group makes provisions for cases brought against it when, in the opinion of management after seeking legal advice, it is probable that a liability exists, and the amount can be reliably estimated.

Certain potentially significant legal proceedings within the last 12 months until the date of this document are described below. In some cases UBS provides the amount of damages claimed, the size of a transaction or other information in order to assist investors in considering the magnitude of any potential exposure. UBS is unable to provide an estimate of the possible financial effect of particular claims or proceedings (where the possibility of an outflow is more than remote) beyond the level of current reserves established. Doing so can be expected to prejudice seriously UBS's position in these matters and would require UBS to provide speculative legal assessments as to claims and proceedings which involve unique fact patterns or novel legal theories, have not yet been initiated or are at early stages of adjudication, or as to which alleged damages have not been quantified by the claimant. In many cases a combination of these factors impedes UBS's ability to estimate the financial effect of contingent liabilities.

1) *Municipal Bonds*

In November 2006, UBS and others received subpoenas from the Antitrust Division of the US Department of Justice (DOJ) and the US Securities and Exchange Commission (SEC) seeking information relating to the investment of proceeds of municipal bond issuances and associated derivative transactions. In addition, various state Attorneys General have issued subpoenas seeking similar information. Several putative class actions also have been filed in Federal District Courts against UBS and numerous other firms. In the SEC investigation, on 4 February 2008, UBS received a "Wells notice" advising that the SEC staff is considering recommending that the SEC bring a civil action against UBS in connection with the bidding of various financial instruments associated with municipal securities. In December 2010, three former UBS employees were indicted in connection with the Federal criminal antitrust investigation. On 4 May 2011, UBS announced that it reached a settlement with the SEC, the US Internal Revenue Service (IRS), the DOJ and a group of State Attorneys General to resolve those entities' investigations into the conduct of certain former employees in the firm's former municipal reinvestment and derivatives group from 2001 to 2006. The full settlement amount was provisioned in prior quarters and will have no effect on UBS's future financial results or on any current business of UBS.

2) *Auction Rate Securities*

UBS was the subject of an SEC investigation and state regulatory actions relating to the marketing and sale of auction rate securities (ARS) to clients, and to UBS's role and participation in ARS auctions and underwriting of ARS. UBS was also named in several putative class actions and individual civil suits and arbitrations. The regulatory actions and investigations and the civil proceedings followed the disruption in the markets for these securities and related auction failures since mid-February 2008. At the end of 2008 UBS entered into settlements with the SEC, the New York Attorney General (NYAG) and the Massachusetts Securities Division whereby UBS agreed to offer to buy back ARS from eligible customers within certain time periods, the last of which began on 30 June 2010, and to pay penalties of USD 150 million (USD 75 million to the NYAG, USD 75 million to the other states). UBS's settlement is largely in line with similar industry regulatory settlements. UBS has settled with the majority of states and is continuing to finalize settlements with the rest. The fines being paid in these state settlements are being charged against the USD 150 million provision that was established in 2008. The SEC continues to investigate individuals affiliated with UBS regarding the trading in ARS and disclosures. During the third quarter of 2010, a claimant alleging consequential damages from the illiquidity of ARS was awarded approximately USD 80 million by an arbitration panel and UBS has booked a provision of CHF 78 million relating to the case. UBS moved in state court to vacate theaward. This matter has since been settled. UBS is the subject of other pending arbitration and litigation claims by clients and issuers relating to ARS.

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

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

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

5) *Matters Related to the Credit Crisis*
UBS is responding to a number of governmental inquiries and investigations and is involved in a number of litigations, arbitrations and disputes related to the credit crisis and in particular mortgage-related securities and other structured transactions and derivatives. In particular, the SEC is investigating UBS's valuation of super senior tranches of collateralized debt obligations (CDOs) during the third quarter of 2007 and UBS's

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

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

7) *Claims Related to Sales of Residential mortgage-backed securities and Mortgages*
From 2002 through about 2007, UBS was a substantial underwriter and issuer of US residential mortgage-backed securities (RMBS). UBS has been named as a defendant relating to its role as underwriter and issuer of RMBS in more than 20 lawsuits relating to at least USD 39 billion in original face amount of RMBS underwritten or issued by UBS. Most of the lawsuits are in their early stages. Many have not advanced beyond the motion to dismiss phase; some are in the early stages of discovery. Of the original face amount of RMBS at issue in these cases, approximately USD 4.5 billion was issued in offerings in which a UBS subsidiary transferred underlying loans (the majority of which were purchased from third-party originators) into a securitization trust and made representations and warranties about those loans. The remaining USD 34.5 billion of RMBS to which these cases relate was issued in third-party securitizations where UBS acted as underwriter. In connection with most of the claims included in this latter category, UBS currently expects to be indemnified by the issuers against any loss or liability. These RMBS-related claims include cases in which UBS is named as a defendant in litigation by insurers of RMBS seeking recovery of insurance paid to RMBS investors. These insurers allege that UBS and other RMBS underwriters aided and abetted misrepresentations and fraud by RMBS issuers, and claim equitable and contractual subrogation rights. UBS has also been contacted by certain government-sponsored enterprises requesting that UBS repurchase USD 2 billion of securities issued in UBS-sponsored RMBS offerings.

As described below under section "VIII.2 Other contingent liabilities", UBS also has contractual obligations to repurchase US residential mortgage loans as to which its representations made at the time of transfer prove to have been materially inaccurate. Contested loan repurchase demands relating to loans with an initial principal balance of USD 30 million are the subject of litigation that has now been resolved.

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

9) *Madoff*

In relation to the Bernard L. Madoff Investment Securities LLC (BMIS) investment fraud, UBS AG, UBS (Luxembourg) SA and certain other UBS subsidiaries have been subject to inquiries by a number of regulators, including FINMA and the Luxembourg Commission de Surveillance du Secteur Financier (CSSF). Those inquiries concerned two third-party funds established under Luxembourg law substantially all assets of which were with BMIS, as well as certain funds established under offshore jurisdictions with either direct or indirect exposure to BMIS. These funds now face severe losses, and the Luxembourg funds are in liquidation. The last reported net asset value of the two Luxembourg funds before revelation of the Madoff scheme was approximately USD 1.7 billion in the aggregate, although that figure likely includes fictitious profit reported by BMIS. The documentation establishing both funds identifies UBS entities in various roles including custodian, administrator, manager, distributor and promoter, and indicates that UBS employees serve as board members. Between February and May 2009 UBS (Luxembourg) SA responded to criticisms made by the CSSF in relation to its responsibilities as custodian bank and demonstrated to the satisfaction of the CSSF that it has the infrastructure and internal organization in place in accordance with professional standards applicable to custodian banks in Luxembourg. In December 2009 and March 2010 the liquidators of the two Luxembourg funds filed claims on behalf of the funds against UBS entities, non-UBS entities and certain individuals including current and former UBS employees. The amounts claimed are approximately EUR 890 million and EUR 305 million respectively. In addition, a large number of alleged beneficiaries have filed claims against UBS entities (and non-UBS entities) for purported losses relating to the Madoff scheme. The majority of these cases are pending in Luxembourg, where appeals have been filed against the March 2010 decisions of the court in which the claims in a number of test cases were held to be inadmissible. In the US, the BMIS Trustee has filed claims against UBS entities, amongst others, in relation to the two Luxembourg funds and one of the offshore funds. A claim was filed in November 2010 against 23 defendants including UBS entities, the Luxembourg and offshore funds concerned and various individuals, including current and former UBS employees. The total amount claimed against all defendants is no less than USD 2 billion. A second claim was filed in December 2010 against 16 defendants including UBS entities and the Luxembourg fund concerned. The total amount claimed against all defendants is not less than USD 555 million. In Germany, certain clients of UBS are exposed to Madoff-managed positions through third-party funds and funds administered by UBS entities in Germany. A small number of claims have been filed with respect to such funds.

10) *Transactions with City of Milan and Other Italian Public Sector Entities*
In January 2009, the City of Milan filed civil proceedings against UBS Limited, UBS Italia SIM Spa and three other international banks in relation to a 2005 bond issue and associated derivatives transactions entered into with the City of Milan between 2005 and 2007. The claim is to recover alleged damages in an amount which will compensate for terms of the related derivatives which the City claims to be objectionable. In the alternative, the City seeks to recover alleged hidden profits asserted to have been made by the banks in an amount of approximately EUR 88 million (of which UBS Limited is alleged to have received approximately EUR 16 million) together with further damages of not less than EUR 150 million. The claims are made against all of the banks on a joint and several basis. 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 of Milan. The banks also face an administrative charge of failing to have in place a business organizational model to avoid the alleged misconduct by employees, the sanctions for which could include a limitation on activities in Italy. The City has separately asserted claims for damages against UBS Limited and UBS individuals in relation to this alleged failure. A number of transactions with other public entity counterparties in Italy have also been called into question or become the subject of legal proceedings and claims for damages and other awards. These include derivative transactions with the Regions of Calabria, Tuscany, Lombardy and Lazio and the City of Florence. UBS has issued proceedings before English courts in connection with a number of derivative transactions with Italian public entities, including some of those mentioned above, aimed at obtaining declaratory judgments as to the legitimacy of its behavior.

11) *HSH Nordbank AG (HSH)*
HSH has filed an action against UBS in New York State court relating to USD 500 million of notes acquired by HSH in a synthetic CDO transaction known as North Street Referenced Linked Notes, 2002-4 Limited (NS4). The notes were linked through a credit default swap between the NS4 issuer and UBS to a reference pool of corporate bonds and asset-backed securities. HSH alleges that UBS knowingly misrepresented the risk in the transaction, sold HSH notes with "embedded losses", and improperly profited at HSH's expense by misusing its right to substitute assets in the reference pool within specified parameters. HSH is seeking USD 500 million in compensatory damages plus pre-judgment interest. The case was initially filed in 2008.

Following orders issued in 2008 and 2009, in which the court dismissed most of HSH's claims and its punitive damages demand and later partially denied a motion to dismiss certain repleaded claims, the claims remaining in the case are for fraud, breach of contract and breach of the implied covenant of good faith and fair dealing. Both sides have appealed the court's most recent partial dismissal order, and a decision on the appeal is pending.

12) *Kommunale Wasserwerke Leipzig GmbH (KWL)*
In 2006 and 2007, KWL entered into a series of managed Credit Default Swap transactions with bank swap counterparties, including UBS. Under the CDS contracts between KWL and UBS, the last of which UBS terminated 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. On 15 October 2010, the English court dismissed an application by KWL contesting its jurisdiction, and ruled that it has jurisdiction and will hear the proceedings. On 18 October 2010, UBS issued a further claim against KWL in the English court seeking declarations concerning the validity of its early termination on that date of the remaining CDS with KWL. On 11 November 2010, the English Supreme Court ruled in a case concerning similar jurisdictional issues, but not involving UBS, that certain questions should be referred to the European Court of Justice. Thereafter, KWL was granted permission to appeal certain jurisdictional aspects of its claim, and the court ordered a temporary stay of the proceedings related to UBS's claim for a declaration as to validity. 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. UBS is contesting the claims and has also contested the jurisdiction of the Leipzig court. KWL made a submission in October 2010 making additional allegations including fraudulent collusion by UBS employees. By order dated 17 March 2011, the Leipzig court has stayed the proceedings against UBS and another bank pending the outcome of the appeal on the jurisdictional aspects in England.

The other two banks that entered into CDS transactions with KWL entered into back-to-back CDS transactions with UBS. In April 2010, UBS issued separate proceedings in the English High Court against those bank swap counterparties seeking declarations as to the parties' obligations under those transactions. The aggregate amount that UBS contends is outstanding under those transactions is approximately USD 189 million. These English proceedings are also currently stayed.
It is reported that in January 2011, the former managing director of KWL and two financial advisers were convicted on criminal charges related to certain KWL transactions, including swap transactions with UBS and other banks.

13) *Puerto Rico*
The SEC has been investigating UBS's secondary market trading and associated disclosures involving shares of closed-end funds managed by UBS Asset Managers of Puerto Rico, principally in 2008 and 2009. In November 2010, the SEC issued a "Wells notice" to two UBS subsidiaries, advising them that the SEC staff is considering whether to recommend that the SEC bring a civil action against them relating to these matters. UBS believes that the negative financial results, if any, to shareholders of the Funds who traded their shares through UBS during the relevant periods were less than USD 5 million in the aggregate. There is, however, no assurance that the SEC's staff will agree with UBS's analysis.

14) *LIBOR*
UBS has received subpoenas from the SEC, the US Commodity Futures Trading Commission and the US Department of Justice in connection with investigations regarding submissions to the British Bankers' Association, which sets LIBOR rates. UBS understands that the investigations focus on whether there were improper attempts by UBS, either acting on its own or together with others, to manipulate LIBOR rates at certain times. In addition, UBS has received an order to provide information to the Japan Financial Services Agency, and the UK Financial Services Authority has informed UBS that it is commencing an investigation, concerning similar matters. A number of putative class actions have been filed in federal courts in the US against UBS and numerous other banks on behalf of certain parties who transacted in LIBOR-based derivatives. The complaints allege manipulation, through various means, of the US dollar LIBOR rate and prices of US dollar LIBOR-based derivatives in various markets. Claims for damages are asserted under various legal theories, including violations of the US Commodity Exchange Act and antitrust laws.

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

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 Real Estate Securities Inc. ("UBS RESI"), acquired pools of residential mortgage loans from originators and (through an affiliate) deposited them into securitization trusts. In this manner, from 2004 through 2007 UBS RESI sponsored approximately USD 80 billion in RMBS, based on the original principal balances of the securities issued. The overall market for privately issued US RMBS during this period was approximately USD 3.9 trillion.

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

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

When UBS acted as an RMBS sponsor or mortgage seller, 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 most cases contractually obligated to repurchase the loans to which they related or to indemnify certain parties against losses. UBS has been notified by certain institutional purchasers and insurers of mortgage loans and RMBS that possible breaches of representations may entitle the purchasers to require that UBS repurchase the loans or to other relief. UBS has received relatively few repurchase demands and has repurchased only a small fraction of the underlying loans.

In the period from 2006 through 2009, UBS received demands to repurchase loans having an original principal balance of approximately USD 356 million in the aggregate. Of that principal balance of USD 356 million, as of 31 March 2011, UBS had repurchased or agreed to repurchase loans accounting for about 5%. Repurchase demands accounting for about 54% were rescinded after rebuttal by UBS. Demands accounting for a further 32% either were rebutted by UBS but not rescinded (and are the subject of ongoing discussions) or were not pursued by the party making the demand. Repurchase demands accounting for about 9% were the subject of litigation that has been settled by the parties. The settlement includes a release of the plaintiff's asserted claims and any potential claims in connection with approximately 13% of UBS RESI's total whole loan sales of USD 19 billion for the period 2004 to 2007.In 2010, UBS received demands to repurchase additional loans having an original principal balance of approximately USD 350 million. Of that principal balance of USD 350 million, as of 31 March 2011, UBS had agreed to repurchase loans accounting for about 13%, repurchase demands accounting for about 66% have been rebutted by UBS but not rescinded, UBS continues to review repurchase demands accounting for about 15%, and demands accounting for about 6% are being resolved between the repurchase requestor and the originators of the loans. UBS expects that the majority of the underlying loans subject to these 2010 repurchase demands will ultimately not be required to be repurchased. Since 1 January 2011 UBS has received demands to repurchase additional loans having an original principal balance of approximately USD 5 million. Those loans are under review.

As of the end of the first quarter 2011, UBS had a provision of USD 99 million based on its best estimate of the loss arising from loan repurchase demands received from 2006 through 2011 to which UBS has agreed, or which UBS has rebutted but which are unresolved, and for certain anticipated loan repurchase demands of which UBS has been informed. It is not yet clear when or to what extent this provision will be utilized in connection with actual repurchases or indemnity payments, because both the submission of anticipated demands and the timing of resolution of such demands are uncertain. UBS nevertheless expects that most of the repurchases and payments related to the demands received in 2010, excluding any that become the subject of litigation, will occur in 2011.

UBS has made or agreed to make indemnity payments in amounts equivalent to 62% of the original principal balance of already-liquidated loans that were the subject of 2010 demands to which UBS agreed. With respect to unliquidated loans that UBS agreed to repurchase in response to demands made in 2010, UBS does not yet have sufficient information to estimate the charge it will recognize upon repurchase. 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 prior to repurchase. It is not possible to predict future indemnity rates or percentage losses upon repurchase for reasons including timing and market uncertainties as well as possible differences in the characteristics of loans that may be the subject of future demands compared to those that have been the subject of past demands.

In most instances in which UBS would be required to repurchase loans or indemnify against losses due to misrepresentations, UBS would be able to assert demands against third-party loan originators who provided representations when selling the related loans to UBS. However, many of these third parties are insolvent or no longer exist. UBS estimates that, of the total original principal balance of loans sold or securitized by UBS from 2004 through 2007, less than 50% was purchased from third-party originators that remain solvent. In respect of loans that UBS has agreed to repurchase pursuant to demands received in 2010, UBS has in turn asserted indemnity or repurchase demands against third parties for loans with an aggregate original principal balance of USD 29 million. Only a small number of UBS's demands have been resolved, and UBS has not recognized any asset in respect of the unresolved demands.

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

As described above, under section "VIII.1. Legal and Arbitration Proceedings", UBS is also subject to claims and threatened claims in connection with its role as underwriter and issuer of RMBS.

3. Significant changes in the Financial Situation of the Issuer

There has been no material change in the financial position of UBS since 31 March 2011, being the date of the last financial period, for which a financial information has been published (i.e. UBS's first quarter 2011 report (including non-audited consolidated financial statements) for the period ending on 31 March 2011).

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

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

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

- the quarterly report of UBS AG as at 31 March 2011; and

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

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

7) In the Base Prospectuses listed above, in the section "Issue, Sale and Offering " the paragraph headed "European Economic Area" or, as the case may be, in the section "Selling Restrictions" the paragraph headed "Public Offer of the Securities within the European Economic Area" and in relation to the Base Prospectus dated 20 March 2007, in the section "Selling Restrictions" the paragraph headed "European Economic Area" is completely replaced by the following:

"*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**"), each 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;

b) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;

c) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than EUR 43,000,000; and (3) an annual net turnover of more than EUR 50,000,000, as shown in its last annual or consolidated accounts;

d) at any time to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Manager or Managers nominated by the Issuer for any such offer; or

e) 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 (e) 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 an 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 and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State."

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Appendix

Quarterly Report of UBS AG as at 31 March 2011

(original pagination)

UBS

First Quarter 2011 Report

Our financial results for the *first* quarter of 2011.

Dear shareholders,

For the first quarter of 2011 we achieved a net profit attributable to UBS shareholders of CHF 1.8 billion. Diluted earnings per share for the first quarter increased to CHF 0.47 from CHF 0.43 in the prior quarter. Net new money for the Group increased to over CHF 22 billion, with positive net flows recorded across all of our asset-gathering businesses confirming the return of client trust and confidence. Our Basel II tier 1 capital ratio of 17.9% remains amongst the highest in the industry.

This quarter, markets were characterized by greater levels of volatility sparked by the natural disaster in Japan, political unrest in North Africa and the Middle East, and continued concerns regarding sovereign credit risk in Europe. The occurrence of these extraordinary events over such a short period undoubtedly dampened the high levels of client activity usually associated with the start of the calendar year. Taking into account the state of the market, our result for the first quarter was satisfactory. Nevertheless, it falls short of our overall ambitions for the firm.

Revenues for the Group increased to CHF 8.3 billion compared with CHF 7.1 billion in the fourth quarter of 2010. This reflects improved performance in our credit and equities trading businesses within the Investment Bank, while equities capital market revenues were lower. Credit loss expenses across the Group also declined. Own credit losses fell significantly as our credit spreads tightened, but less markedly than in the fourth quarter. Overall, Group operating income increased by 17%.

Our operating expenses increased marginally, up by 3% from the fourth quarter. This reflects lower litigation charges which were offset by increased personnel costs including the annual salary increases that took effect in early March 2011. We recorded a net tax expense of CHF 426 million this quarter. This compares with a net tax benefit of CHF 469 million recorded in the fourth quarter, when we recognized additional deferred tax assets. At the end of the quarter our balance sheet assets stood at CHF 1,291 billion, down CHF 26 billion, mainly due to a decline in positive replacement values as the result of market and currency movements. Risk-weighted assets rose marginally to CHF 203 billion, partly attributable to the continued growth in our credit business.

Wealth Management's pre-tax profit increased to CHF 645 million from CHF 462 million in the fourth quarter of 2010. Revenues increased by 7% to CHF 1,928 million, largely due to higher fee and commission income as well as increased interest income. Fee and trading income improved as the initiatives we implemented to grow investment mandates and provide leverage to our clients began to bear fruit. Net new money increased significantly to over CHF 11 billion compared with small net inflows in the prior quarter. This was the primary driver of a 3% increase in our invested assets, which stood at CHF 791 billion at the end of the quarter. The improvement in our revenue was the main contributor to the 6 basis point increase in our gross margin this quarter, with the gross margin standing at 98 basis points for the quarter. Costs were down by 4% compared with the prior quarter.

Retail & Corporate again delivered a stable performance. Pre-tax profit was up 4% to over CHF 400 million compared with the previous quarter. Higher operating income, mainly as a result of significantly lower credit loss expenses compared with the fourth quarter, was partly offset by an increase in operating expenses. During the first quarter, client deposits and loans increased but continuing low interest rates impacted net interest income.

In Wealth Management Americas we continued to make demonstrable progress in delivering on our strategy. Our key performance indicators – profitability and net new money – as well as financial advisor attrition rates all improved, continuing the trend seen over the last few quarters. Pre-tax profit increased to CHF 111 million compared with a small loss in the fourth quarter of 2010, reflecting lower charges for litigation provisions as well as continued revenue growth in US dollar terms, offset by currency movements between the US dollar and the Swiss franc. Net new money, at CHF 3.6 billion, improved for the fifth consecutive quarter. Alongside this continued growth in client confidence we were encouraged by the fact that financial advisor attrition rates for the first quarter fell to their lowest level since before the financial crisis.

Our Global Asset Management business recorded a pre-tax profit of CHF 124 million. This was down on the fourth quarter result, reflecting lower revenues. The decrease in revenues was mainly due to lower net management and performance fees in our alternative and quantitative business. Net new money improved to its highest level since the fourth quarter of 2006. Excluding money market flows, we achieved net inflows of CHF 7.2 billion in the first quarter. The invested asset base increased by CHF 10 billion to CHF 569 billion at the end of the quarter. This was primarily due to positive market movements and net new money, which were partly offset by the continued strengthening of the Swiss franc. Operating expenses decreased mainly as a result of reduced personnel costs.

The Investment Bank delivered a pre-tax profit of CHF 835 million compared with CHF 100 million in the fourth quarter of 2010. Excluding own credit losses of CHF 133 million, the Investment Bank's pre-tax profit was CHF 967 million, up from CHF 608 million on the same basis in the fourth quarter. Equities revenues increased, benefiting from stronger client flows and increased trading activity in the US and Asia Pacific region. Revenues in our fixed income, currencies and commodities (FICC) business rose to CHF 1,801 million, largely as a result of increased revenues in our credit business. Investment banking revenues declined, reflecting lower equities capital market revenues. This quarter, the Investment Bank recorded a net credit loss recovery of CHF 1 million compared with credit loss expenses of CHF 108 million in the fourth quarter of 2010. Operating expenses increased to CHF 2,610 million, reflecting higher personnel costs.

In March 2011 the world witnessed the devastation caused by the earthquake and tsunami in northeast Japan. We offer our deepest sympathy to all who have been affected. We have operated in Japan since 1965 and employ over one thousand people there, mainly in Tokyo. The business has been, and will continue to be, important to the Group as a whole and remains a valuable business hub in Asia. We are proud that the determination and professionalism of our staff in Japan ensured that our business continued to operate normally in the aftermath of the disaster, amidst great uncertainty and disruption. It will take a long time before the affected areas are fully recovered and we will continue to provide all the support we can.

Following the too-big-to-fail consultation process in Switzerland, the Swiss Federal Council formally submitted proposed legislation to the Swiss parliament. We support many of the proposed measures, but we feel strongly that in order to preserve the stability and competitiveness of Switzerland as a global financial center it is vital that there be international co-ordination of regulatory measures as well as the timetable for implementation. We remain concerned that the international regulatory environment increasingly lacks consistency and we will continue to monitor and analyze global regulatory developments, and the effect they will have on the profitability of our businesses as well as on our corporate structure and, where necessary, take appropriate action.

Outlook – In the second quarter we expect trading volumes in the equity markets to remain at or around the levels that obtained in the first quarter. This should support transaction-based income in our wealth management businesses and flow trading in the Investment Bank. Price volatility will also continue to present potentially attractive buying opportunities for our clients and investment managers. Volatility in currency markets is likely to continue, driven by concerns about European sovereign debt and developments in the Middle East and Japan. Notwithstanding the emergence of inflation in a number of economies, we expect short-term interest rates in the West, and in particular in Switzerland, to remain low, continuing to constrain interest margins, particularly in our wealth management businesses and in our Swiss retail and corporate banking operations. Subject to market conditions, we expect to see some improvement in a number of our business lines in the Investment Bank, even taking into account the constraint imposed on some of our FICC businesses by our focus on controlling risk levels. The competition for talent in certain regions and recent base salary increases will put some pressure on our expense base. Nevertheless, we remain confident that we can continue to build on the progress we have made.

26 April 2011

Yours sincerely,

Kaspar Villiger
Chairman of the
Board of Directors

Oswald J. Grübel
Group Chief Executive Officer

UBS key figures

	As of or for the quarter ended		
CHF million, except where indicated	**31.3.11**	31.12.10	31.3.10
Group results			
Operating income	**8,344**	7,141	9,010
Operating expenses	**6,110**	5,928	6,200
Operating profit from continuing operations before tax	**2,235**	1,214	2,810
Net profit attributable to UBS shareholders	**1,807**	1,663	2,202
Diluted earnings per share (CHF)[1]	**0.47**	0.43	0.58
Key performance indicators, balance sheet and capital management[2]			
Performance			
Return on equity (RoE) (%)	**15.5**	16.7	21.0
Return on risk-weighted assets, gross (%)	**16.6**	15.5	17.1
Return on assets, gross (%)	**2.6**	2.3	2.6
Growth			
Net profit growth (%)	**8.7**	(0.1)	78.9
Net new money (CHF billion)[3]	**22.3**	7.1	(18.0)
Efficiency			
Cost / income ratio (%)	**73.3**	81.1	69.7
Capital strength			
BIS tier 1 ratio (%)[4]	**17.9**	17.8	
FINMA leverage ratio (%)[4]	**4.6**	4.4	
Balance sheet and capital management			
Total assets	**1,291,286**	1,317,247	
Equity attributable to UBS shareholders	**46,695**	46,820	
BIS total ratio (%)[4]	**19.4**	20.4	
BIS risk-weighted assets[4]	**203,361**	198,875	
BIS tier 1 capital[4]	**36,379**	35,323	
Additional information			
Invested assets (CHF billion)	**2,198**	2,152	2,267
Personnel (full-time equivalents)	**65,396**	64,617	64,293
Market capitalization[5]	**63,144**	58,803	65,660

1 Refer to "Note 8 Earnings per share (EPS) and shares outstanding" in the "Financial information" section of this report. 2 For the definitions of our key performance indicators, refer to the "Measurement and analysis of performance" section on page 33 of our Annual Report 2010. 3 Excludes interest and dividend income. 4 Refer to the "Capital management" section of this report. 5 Refer to the appendix "UBS registered shares" of this report.

Corporate calendar

Annual General Meeting
Thursday, 28 April 2011

Publication of the second quarter of 2011 results
Tuesday, 26 July 2011

Publication of the third quarter of 2011 results
Tuesday, 25 October 2011

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UBS and its businesses

We draw on our 150-year heritage to serve private, institutional and corporate clients worldwide, as well as retail clients in Switzerland. We combine our wealth management, investment banking and asset management businesses with our Swiss operations to deliver superior financial solutions. Headquartered in Zurich and Basel, Switzerland, we have offices in more than 50 countries, including all major financial centers, and employ approximately 65,000 people. Under Swiss company law, we are organized as an Aktiengesellschaft (AG), a corporation that has issued shares of common stock to investors. UBS AG is the parent company of the UBS Group (Group). The operational structure of the Group comprises the Corporate Center and four business divisions: Wealth Management & Swiss Bank, Wealth Management Americas, Global Asset Management and the Investment Bank.

Wealth Management & Swiss Bank

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

Wealth Management Americas

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

Global Asset Management

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

Investment Bank

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

Corporate Center

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

UBS Group

Management report

Accounting and reporting structure changes

Adjustment of comparative figures

Subsequent to the publication of the unaudited financial report for the fourth quarter of 2010 on 8 February 2011, management adjusted the annual financial statements for 2010. The net impact of these adjustments on net profit attributable to UBS shareholders was a gain of CHF 373 million, which increased basic and diluted earnings per share by CHF 0.10, as reflected in the Annual Report 2010. The fourth quarter 2010 figures in this report reflect the adjusted results.

➔ **Refer to "Note 1 Basis of accounting" in the "Financial information" section of this report for more information**

Wealth Management & Swiss Bank reporting

Starting with the first quarter of 2011, Wealth Management & Swiss Bank's income line is split into net interest income, net fee and commission income, net trading income and other income, in order to provide a more detailed revenue breakdown reflecting the various sources of income. As a result of this change, Wealth Management no longer reports "Recurring income". In order to increase the transparency of our overall business volume developments, additional balance sheet information on loans and deposits is also presented separately.

The reporting structures of Wealth Management and Retail & Corporate have been adapted to reflect the above improvements.

Wealth Management Americas reporting

The reporting structure of Wealth Management Americas has been changed in accordance with the changes made to Wealth Management & Swiss Bank reporting as described above.

In addition, from the first quarter of 2011 onwards, net new money including interest and dividend income is disclosed for the entire Wealth Management Americas business division, with comparative figures provided on the same basis. Previously, this information was provided only for the Wealth Management US business portion of Wealth Management Americas.

Investment Bank reporting

The commentary on the quarterly operating income for the Investment Bank now compares the results with those of the same quarter in the previous year, as was the practice until the second quarter of 2008. The key reason for this change is to reflect that general financial market activity and deal flows in investment banking are in some respects seasonal, a pattern that was generally not meaningful during the crisis.

Starting with the first quarter of 2011, the trading books and US distribution of securitized equity index products based on underlying commodities were moved from the equities business (reported within "derivatives and equity-linked" revenues) to the fixed income, currencies and commodities (FICC) business (where they are reported within "other" revenues).

In addition, we refined the allocation of risk management premiums (RMP) between the securities businesses and the investment banking department. RMP are charges incurred for making loan facilities available to clients in connection with the cost of hedging the related exposure. Previously, while all fees and other revenues from the joint ventures of the investment banking department with equities and FICC were reported as part of the investment banking department, some of the RMP charges were retained in equities and FICC. With effect from the first quarter of 2011, all RMP charges are reported only in the investment banking department.

In the first quarter of 2011, fixed brokerage fees related to proprietary transactions are presented for the first time under Net trading income in "Note 3 Net interest and trading income", as they are in substance a component of the transaction price. In prior quarters, respective amounts were presented under Administration in "Note 7 General and administrative expenses".

Prior periods have not been restated to reflect the above changes as the amounts involved were not material.

Corporate Center reporting

Commencing with the first quarter of 2011, the "Corporate Center" section has been re-introduced in our quarterly reports, in order to provide more transparency and to reflect the Corporate Center's importance as a provider of shared services to the Group. Prior to this change, significant Corporate Center items were disclosed only in the "Group results" section of our quarterly reports, where appropriate.

Refinement of Corporate Center personnel allocation methodology

During the first quarter of 2011, the process of allocating personnel from the Corporate Center to the business divisions was refined in order to more completely capture the interdivisional service agreements. The refinement gives a more accurate alignment between cost and personnel allocations from the Corporate Center to the respective business divisions. The result of this refinement is that both the Investment Bank and Global Asset Management received a higher share of allocated personnel from the Corporate Center and Wealth Management & Swiss Bank and Wealth Management Americas received a lower share.

The change in Corporate Center personnel allocation did not affect the costs allocated from the Corporate Center to the business divisions. A comparison between the previous and refined methodology of allocating Corporate Center personnel to the business divisions is shown in the table below, based on data as of 31 December 2010. Prior periods have not been restated to reflect these changes.

The number of Corporate Center personnel retained and allocated to the business divisions as of 31 December 2010 under the previous and refined methodology (in full-time equivalents) can be found in the chart below.

	Wealth Management & Swiss Bank					
Allocation Methodology	Wealth Management	Retail & Corporate	Wealth Management Americas	Global Asset Management	Investment Bank	Retained in Corporate Center
Refined	4,626	3,755	2,253	1,053	7,525	194
Previous	5,077	4,121	2,324	778	6,912	194
Effect	(451)	(366)	(71)	275	613	–

Investment Products & Services

In the first quarter of 2011, certain personnel (together with their associated income and expenses) were moved from the Investment Bank to Wealth Management & Swiss Bank as part of forming the Investment Products & Services unit. Prior periods have not been restated for this move. If figures for full year 2010 had been presented on a restated basis, Wealth Management & Swiss Bank's total operating income and total operating expenses each would have been approximately CHF 100 million higher, with the opposite effect in the Investment Bank. This move has no material impact on performance before tax in either business division.

Group results

Net profit attributable to UBS shareholders was CHF 1,807 million, compared with CHF 1,663 million in the fourth quarter of 2010. Operating income was higher due to increased trading income, partially offset by lower fees and commissions and other income. Operating expenses increased mainly on higher personnel expenses, but benefited from lower general and administrative expenses, most notably due to lower charges for litigation provisions. The result was also affected by a net credit loss recovery compared with a net credit loss expense, and a net tax expense compared with a net tax benefit in the previous quarter.

Income statement

	For the quarter ended			% change from	
CHF million, except per share data	31.3.11	31.12.10	31.3.10	4Q10	1Q10
Continuing operations					
Interest income	4,578	4,591	4,798	0	(5)
Interest expense	(2,796)	(2,888)	(2,980)	(3)	(6)
Net interest income	1,781	1,703	1,818	5	(2)
Credit loss (expense) / recovery	3	(164)	116		
Net interest income after credit loss expense	1,784	1,539	1,934	16	(8)
Net fee and commission income	4,240	4,444	4,372	(5)	(3)
Net trading income	2,203	785	2,368	181	(7)
Other income	117	373	337	(69)	(65)
Total operating income	8,344	7,141	9,010	17	(7)
Personnel expenses	4,407	3,777	4,521	17	(3)
General and administrative expenses	1,488	1,894	1,419	(21)	5
Depreciation of property and equipment	191	231	234	(17)	(18)
Amortization of intangible assets	24	26	27	(8)	(11)
Total operating expenses	6,110	5,928	6,200	3	(1)
Operating profit from continuing operations before tax	2,235	1,214	2,810	84	(20)
Tax expense / (benefit)	426	(469)	603		(29)
Net profit from continuing operations	1,809	1,683	2,207	7	(18)
Discontinued operations					
Profit from discontinued operations before tax	0	0	2		(100)
Tax expense	0	0	0		
Net profit from discontinued operations	0	0	2		(100)
Net profit	1,809	1,683	2,208	7	(18)
Net profit attributable to non-controlling interests	2	21	6	(90)	(67)
from continuing operations	2	21	5	(90)	(60)
from discontinued operations	0	0	1		(100)
Net profit attributable to UBS shareholders	1,807	1,663	2,202	9	(18)
from continuing operations	1,807	1,663	2,202	9	(18)
from discontinued operations	0	0	1		(100)
Comprehensive income					
Total comprehensive income	971	(678)	2,569		(62)
Total comprehensive income attributable to non-controlling interests	106	(251)	(80)		
Total comprehensive income attributable to UBS shareholders	865	(427)	2,649		(67)

Operating income: 1Q11 vs 4Q10

Total operating income was up 17% to CHF 8,344 million compared with CHF 7,141 million in the prior quarter, due to increased trading income and an improvement from a net credit loss expense to a net credit loss recovery, partially offset by lower fees and commissions as well as reduced other income.

Operating income by reporting segment

Wealth Management's total operating income increased 7% to CHF 1,928 million from CHF 1,803 million in the prior quarter, following an improvement of all major income components.

Retail & Corporate's total operating income was CHF 965 million, up 4% from CHF 931 million in the fourth quarter, mainly reflecting significantly lower credit loss expenses.

Wealth Management Americas' total operating income decreased 2% to CHF 1,347 million due to adverse currency effects. In US dollar terms, operating income increased 2%, principally due to higher fee income.

Global Asset Management's total operating income was CHF 496 million compared with CHF 542 million in the previous quarter, mainly due to lower net management fees and lower performance fees in alternative and quantitative investments and global real estate.

The *Investment Bank's* total operating income was CHF 3,445 million compared with CHF 2,177 million in the fourth quarter of 2010. This increase was primarily due to higher trading income in the fixed income, currencies and commodities (FICC) unit. Compared with the first quarter of 2010, Investment Bank's revenues were down, from CHF 3,889 million, reflecting weaker results of FICC and the investment banking department.

Corporate Center's total operating income was CHF 163 million compared with CHF 308 million in the prior quarter. The previous quarter included a gain of CHF 158 million on the sale of a property in Zurich.

Net interest and trading income

Net interest and trading income is analyzed below under the relevant business activities.

➔ Refer to "Note 3 Net interest and trading income" in the "Financial information" section of this report for more information

Net income from trading businesses

Net income from trading businesses was CHF 2,478 million, up from CHF 987 million in the previous quarter.

Equities trading revenues increased, primarily due to higher revenues in the equities derivatives business. FICC trading revenues increased significantly across most business lines, most notably in the credit business.

An own credit charge on financial liabilities designated at fair value of CHF 133 million was recorded in the quarter, compared

Operating income by reporting segment

	For the quarter ended			% change from	
CHF million	**31.3.11**	31.12.10	31.3.10	4Q10	1Q10
Wealth Management	**1,928**	1,803	1,904	7	1
Retail & Corporate	**965**	931	978	4	(1)
Wealth Management & Swiss Bank	**2,893**	2,734	2,882	6	0
Wealth Management Americas	**1,347**	1,379	1,362	(2)	(1)
Global Asset Management	**496**	542	521	(8)	(5)
Investment Bank	**3,445**	2,177	3,889	58	(11)
Corporate Center	**163**	308	356	(47)	(54)
Total operating income	**8,344**	7,141	9,010	17	(7)

Net interest and trading income

	For the quarter ended			% change from	
CHF million	**31.3.11**	31.12.10	31.3.10	4Q10	1Q10
Net interest and trading income					
Net interest income	**1,781**	1,703	1,818	5	(2)
Net trading income	**2,203**	785	2,368	181	(7)
Total net interest and trading income	**3,985**	2,488	4,186	60	(5)
Breakdown by businesses					
Net income from trading businesses[1]	**2,478**	987	2,700	151	(8)
Net income from interest margin businesses	**1,209**	1,189	1,119	2	8
Net income from treasury activities and other	**298**	311	367	(4)	(19)
Total net interest and trading income	**3,985**	2,488	4,186	60	(5)

1 Includes lending activities of the Investment Bank.

with a CHF 509 million charge in the fourth quarter. This was due to continuing but reduced tightening of our funding spreads in the first quarter. Debit valuation adjustments on derivatives in the Investment Bank's FICC business were negative CHF 38 million, compared with negative CHF 18 million in the previous quarter.

➔ Refer to "Note 11b Fair value of financial instruments" in the "Financial information" section of this report for more information on own credit

Net income from interest margin businesses

Net income from interest margin businesses was CHF 1,209 million compared with CHF 1,189 million in the fourth quarter. The increase came primarily from Wealth Management.

Net income from treasury activities and other

Net income from treasury activities and other was CHF 298 million compared with CHF 311 million in the prior quarter.

The first quarter included a gain of CHF 192 million on the valuation of our option to acquire the SNB StabFund's equity, compared with a valuation gain of CHF 153 million in the previous quarter.

➔ Refer to the "Risk management and control" section of this report for more information on the valuation of our option to acquire the SNB StabFund's equity

Credit loss expense / recovery

We recorded a net credit loss recovery of CHF 3 million in the first quarter of 2011, compared with a net credit loss expense of CHF 164 million in the fourth quarter of 2010.

All reporting segments reported only immaterial credit loss expenses or recoveries in the first quarter. In the fourth quarter of 2010, credit losses mainly related to impaired reclassified securities in the Investment Bank and a small number of large impairments in Retail & Corporate.

➔ Refer to the "Risk management and control" section of this report for more information on credit risk

Net fee and commission income

Net fee and commission income was CHF 4,240 million compared with CHF 4,444 million in the previous quarter.

- *Underwriting fees* were CHF 355 million compared with CHF 642 million, due to lower deal volumes and reduced participation in initial public offerings.
- *Mergers and acquisitions and corporate finance fees* were CHF 276 million compared with CHF 265 million, due to the increased size of deals completed in the first quarter.
- *Net brokerage fees* rose by CHF 90 million to CHF 1,011 million, due to higher trading volumes in the Investment Bank's equities business and higher client activity in Wealth Management & Swiss Bank.
- *Investment fund fees* were higher at CHF 966 million compared with CHF 957 million in the prior quarter, primarily due to higher transaction-based fees in Wealth Management & Swiss Bank, partially offset by lower asset-based fees in the same business division.
- *Portfolio management and advisory fees* decreased to CHF 1,454 million from CHF 1,486 million, mainly due to lower performance fees in Global Asset Management and lower fees in the Investment Bank, partially offset by higher custodian fees in Wealth Management & Swiss Bank.

➔ Refer to "Note 4 Net fee and commission income" in the "Financial information" section of this report for more information

Other income

Other income was CHF 117 million in the first quarter of 2011 compared with CHF 373 million in the fourth quarter of 2010.

The first quarter included gains of CHF 43 million from disposals of loans and receivables, including sales and issuer redemptions of auction rate securities, compared with CHF 38 million in the fourth quarter. Net gains from disposals of investments in associates were CHF 5 million compared with CHF 78 million in the prior quarter. The fourth quarter of 2010 included a gain of CHF 158 million from the sale of a property in Zurich.

➔ Refer to "Note 5 Other income" in the "Financial information" section of this report for more information

Credit loss (expense) / recovery

	For the quarter ended			% change from	
CHF million	**31.3.11**	31.12.10	31.3.10	4Q10	1Q10
Wealth Management	**9**	8	1	13	800
Retail & Corporate	**(7)**	(63)	2	(89)	
Wealth Management & Swiss Bank	**2**	(56)	3		
Wealth Management Americas	**1**	(1)	0		
Investment Bank	**1**	(108)	112		
of which: related to reclassified securities[1]	***9***	*(57)*	*(29)*		
of which: related to acquired securities	***(6)***	*(25)*		*(76)*	
Corporate Center	**(1)**	0	0		
Total	**3**	(164)	116		

1 Refer to "Note 12 Reclassification of financial assets" in the "Financial information" section of this report.

Operating expenses: 1Q11 vs 4Q10

Operating expenses were up 3% to CHF 6,110 million compared with CHF 5,928 million in the fourth quarter of 2010. The increase was due to higher personnel expenses, partially offset by lower general and administrative expenses in almost all categories, most notably due to lower charges for litigation provisions.

Operating expenses by reporting segment

Wealth Management's operating expenses were CHF 1,283 million compared with CHF 1,341 million. The previous quarter included a CHF 40 million charge for a litigation provision and a CHF 40 million charge to reimburse the Swiss government for costs incurred in connection with the US cross-border matter. Personnel expenses increased 10% to CHF 863 million.

Retail & Corporate's operating expenses were CHF 562 million compared with CHF 544 million in the previous quarter, due to higher personnel expenses.

Wealth Management Americas' total operating expenses decreased 12% to CHF 1,236 million from CHF 1,411 million. Excluding the impact of currency translation, operating expenses decreased 9%. This was mainly due to a significant reduction in charges for litigation provisions.

Global Asset Management's total operating expenses were CHF 373 million compared with CHF 394 million, mainly due to lower bonus accruals.

The *Investment Bank's* total operating expenses were CHF 2,610 million compared with CHF 2,078 million in the fourth quarter of 2010, and CHF 2,699 million in the first quarter of 2010. Personnel expenses were CHF 1,871 million compared with CHF 1,256 million in the fourth quarter of 2010, largely due to an increase in bonus accruals.

Total operating expenses of the *Corporate Center* (after service cost allocation to the business divisions) were CHF 46 million compared with CHF 160 million in the prior quarter.

Personnel expenses

Personnel expenses were CHF 4,407 million compared with CHF 3,777 million. The increase was primarily due to higher bonus accruals, which were CHF 1,233 million, including a charge for amortization of prior years' awards of CHF 467 million, and salary increases effective 1 March 2011.

➔ Refer to "Note 6 Personnel expenses" in the "Financial information" section of this report for more information

General and administrative expenses

General and administrative expenses were CHF 1,488 million in the first quarter, compared with CHF 1,894 million in the fourth quarter. Expenses were down in almost all categories, most notably due to reduced charges for litigation provisions and lower professional fees and marketing costs.

➔ Refer to "Note 7 General and administrative expenses" in the "Financial information" section of this report for more information

Depreciation and amortization

Depreciation of property and equipment was CHF 191 million compared with CHF 231 million in the prior quarter. The fourth quarter included higher costs for IT and communication equipment resulting from new purchases, which were immediately recognized in the income statement. Amortization of intangible assets was CHF 24 million compared with CHF 26 million in the previous quarter.

Performance: 1Q11 vs 4Q10

Our profit from continuing operations before tax was CHF 2,235 million in the first quarter of 2011, compared with CHF 1,214 million in the fourth quarter of 2010. The increase was primarily due to higher net trading income.

Performance by reporting segment

Wealth Management's pre-tax profit was CHF 645 million compared with CHF 462 million in the previous quarter, as a result of

Operating expenses by reporting segment

	For the quarter ended			% change from	
CHF million	**31.3.11**	31.12.10	31.3.10	4Q10	1Q10
Wealth Management	**1,283**	1,341	1,208	(4)	6
Retail & Corporate	**562**	544	512	3	10
Wealth Management & Swiss Bank	**1,844**	1,885	1,720	(2)	7
Wealth Management Americas	**1,236**	1,411	1,347	(12)	(8)
Global Asset Management	**373**	394	385	(5)	(3)
Investment Bank	**2,610**	2,078	2,699	26	(3)
Corporate Center	**46**	160	49	(71)	(6)
Total operating expenses	**6,110**	5,928	6,200	3	(1)

a 7% increase in operating income and 4% lower operating expenses.

Retail & Corporate's pre-tax profit was CHF 403 million in the first quarter of 2011, up 4% from the previous quarter, as higher operating income was only partially offset by an increase in operating expenses.

Wealth Management Americas' pre-tax profit was CHF 111 million in the first quarter of 2011, an improvement from a loss of CHF 32 million in the fourth quarter of 2010, mainly due to lower charges for litigation provisions.

Global Asset Management's pre-tax profit was CHF 124 million in the first quarter of 2011, compared with CHF 148 million in the fourth quarter of 2010. The decrease resulted from lower operating income.

The *Investment Bank* recorded a pre-tax profit of CHF 835 million in the first quarter of 2011 compared with CHF 100 million in the fourth quarter of 2010 and CHF 1,190 million in the first quarter of 2010. The pre-tax profit excluding own credit was CHF 967 million compared with CHF 608 million in the fourth quarter of 2010, and CHF 1,437 million in the first quarter of 2010.

Profit from continuing operations before tax for the *Corporate Center* was CHF 116 million compared with CHF 149 million.

Tax: 1Q11 vs 4Q10

We recognized a net income tax expense of CHF 426 million for the first quarter of 2011. This included deferred tax expenses of CHF 448 million with respect to the amortization of deferred tax assets, previously recognized in relation to tax losses carried forward, to offset taxable profits for the quarter in Switzerland and the US. It also included other tax expenses of CHF 145 million in respect of the taxable profits of Group entities. These expenses were partially offset by tax benefits of CHF 93 million, arising from the release of provisions upon the agreement of prior period positions with tax authorities in various locations, and tax benefits of CHF 74 million arising from the adjustment of the carrying amount of the investment in UBS Americas Inc. held in the statutory financial statements of UBS AG.

For the fourth quarter of 2010, we recognized a net income tax benefit of CHF 469 million. This included an increase in deferred tax assets in respect of Swiss and US tax losses following updated profit forecast assumptions over the five-year horizon used for recognition purposes. In addition, it included an increase in deferred tax assets in respect of Swiss tax losses resulting from an adjustment of the carrying amount of the investment in UBS Americas Inc. held in the statutory financial statements of UBS AG.

Net profit attributable to non-controlling interests: 1Q11 vs 4Q10

Net profit attributable to non-controlling interests was CHF 2 million in the first quarter of 2011 compared with CHF 21 million in the prior quarter. In the first quarter of 2011, no event triggering dividend obligations for preferred securities occurred and no preferred securities dividend not previously accrued was paid. The fourth quarter of 2010 included charges for the recognition of dividend obligations of CHF 23 million for preferred securities.

Comprehensive income attributable to UBS shareholders: 1Q11 vs 4Q10

Comprehensive income attributable to UBS shareholders includes all changes in equity (including net profit) attributed to UBS shareholders during a period, except those resulting from investments by and distributions to shareholders as well as equity-settled share-based payments. Items included in comprehensive income, but not in net profit, are reported under other comprehensive income (OCI). Items recognized in OCI are generally

Performance by reporting segment

	For the quarter ended			% change from	
CHF million	**31.3.11**	31.12.10	31.3.10	4Q10	1Q10
Wealth Management	**645**	462	696	40	(7)
Retail & Corporate	**403**	387	465	4	(13)
Wealth Management & Swiss Bank	**1,049**	849	1,161	24	(10)
Wealth Management Americas	**111**	(32)	15		640
Global Asset Management	**124**	148	137	(16)	(9)
Investment Bank	**835**	100	1,190	735	(30)
Corporate Center	**116**	149	306	(22)	(62)
Operating profit from continuing operations before tax	**2,235**	1,214	2,810	84	(20)

subsequently recognized in net profit when the underlying item is sold or realized.

Comprehensive income attributable to UBS shareholders was CHF 865 million as net profit attributable to UBS shareholders of CHF 1,807 million was partially offset by negative OCI attributable to UBS shareholders of CHF 942 million (net of tax). This negative OCI resulted from fair value losses on interest rate swaps designated as cash flow hedges of CHF 639 million, foreign currency translation movements of negative CHF 182 million and fair value losses of CHF 121 million of financial investments available-for-sale.

The majority of fair value losses of net fixed-receiver interest rate swaps designated to hedge other forecast future cash flows related to upward shifts of long-term euro yield curves. In addition, increases in relevant long-term US dollar yield curves contributed significantly to the losses. The vast majority of the foreign currency translation-related OCI losses attributable to UBS shareholders resulted from the weakening of the US dollar against the Swiss franc, only partially offset by the strengthening of the euro against the Swiss franc. The fair value of financial investments available-for-sale decreased in the first quarter due to rising long-term market interest rates. An important component of this decrease was related to our holdings of long-term fixed-interest rate US and UK government bonds.

In the fourth quarter of 2010, comprehensive income attributable to UBS shareholders was a loss of CHF 427 million, as net profit attributable to UBS shareholders of CHF 1,663 million was more than offset by losses of CHF 2,089 million recognized in OCI attributable to UBS shareholders. OCI losses attributable to UBS shareholders in the fourth quarter were predominantly due to rising long-term market interest rates and the strengthening of the Swiss franc against the US dollar, British pound and euro.

➔ Refer to the "Statement of comprehensive income" in the "Financial information" section of this report for more information

Results: 1Q11 vs 1Q10

Net profit attributable to UBS shareholders was CHF 1,807 million compared with CHF 2,202 million.

Operating income decreased to CHF 8,344 million from CHF 9,010 million. This was mainly due to lower net income from trading businesses in FICC, lower net fee and commission income and lower other income. Other income in the first quarter of 2010 included a CHF 180 million gain from the sale of investments in associates owning real estate in New York. In addition, we recorded a significantly lower net credit loss recovery than in the first quarter of 2010.

Operating expenses were slightly lower at CHF 6,110 million compared with CHF 6,200 million, mainly due to lower personnel expenses.

Invested assets development: 1Q11 vs 4Q10

Net new money

In Wealth Management, net new money inflows improved significantly to CHF 11.1 billion from very small inflows in the prior quarter.

Wealth Management Americas recorded net new money inflows of CHF 3.6 billion, a slight improvement from CHF 3.4 billion in the fourth quarter.

In Global Asset Management, net new money inflows were CHF 5.6 billion compared with net inflows of CHF 1.0 billion in the prior quarter.

➔ Refer to the various discussions of net new money flows in the "UBS business divisions and Corporate Center" section of this report for more information

Invested assets

Invested assets were CHF 2,198 billion as of 31 March 2011, compared with CHF 2,152 billion as of 31 December 2010. Pos-

Net new money[1]

	For the quarter ended		
CHF billion	**31.3.11**	31.12.10	31.3.10
Wealth Management	**11.1**	0.0	(8.0)
Retail & Corporate	**2.0**	2.7	(0.2)
Wealth Management & Swiss Bank	**13.1**	2.7	(8.2)
Wealth Management Americas	**3.6**	3.4	(7.2)
Traditional investments	**3.7**	2.3	(1.0)
Alternative and quantitative investments	**1.7**	(1.5)	(2.4)
Global real estate	**0.2**	0.2	0.7
Infrastructure	**0.0**	0.0	0.1
Global Asset Management	**5.6**	1.0	(2.6)

1 Excludes interest and dividend income.

itive market performance and net new money inflows were partially offset by the depreciation of the US dollar, in which a significant proportion of invested assets are denominated, against the Swiss franc.

➔ Refer to the various discussions of invested assets in the "UBS business divisions and Corporate Center" section of this report for more information

Personnel: 1Q10 vs 4Q10

We employed 65,396 personnel as of 31 March 2011 compared with 64,617 personnel as of 31 December 2010, mainly due to hiring in the Investment Bank and Wealth Management.

In the first quarter of 2011, certain personnel were transferred from the Investment Bank to Wealth Management & Swiss Bank as part of the Investment Products & Services initiative.

➔ Refer to the various discussions of personnel in the "UBS business divisions and Corporate Center" section of this report for more information

➔ Refer to the "Accounting and reporting structure changes" section of this report for more information on how the process of allocating Corporate Center personnel to the business divisions has been refined

Invested assets

	As of			% change from	
CHF billion	**31.3.11**	31.12.10	31.3.10	31.12.10	31.3.10
Wealth Management	**791**	768	827	3	(4)
Retail & Corporate	**138**	136	136	1	1
Wealth Management & Swiss Bank	**929**	904	963	3	(4)
Wealth Management Americas	**700**	689	714	2	(2)
Traditional investments	**495**	487	513	2	(4)
Alternative and quantitative investments	**37**	34	38	9	(3)
Global real estate	**36**	36	38	0	(5)
Infrastructure	**1**	1	1	0	0
Global Asset Management	**569**	559	590	2	(4)
Total	**2,198**	2,152	2,267	2	(3)

Personnel by region

	As of			% change from	
Full-time equivalents	**31.3.11**	31.12.10	31.3.10	31.12.10	31.3.10
Switzerland	**23,454**	23,284	23,373	1	0
UK	**6,843**	6,634	6,307	3	8
Rest of Europe	**4,154**	4,122	4,083	1	2
Middle East and Africa	**145**	137	126	6	15
USA	**22,066**	22,031	22,335	0	(1)
Rest of Americas	**1,171**	1,147	1,148	2	2
Asia Pacific	**7,563**	7,263	6,922	4	9
Total	**65,396**	64,617	64,293	1	2

Personnel by reporting segment

	As of			% change from	
Full-time equivalents	**31.3.11**	31.12.10	31.3.10	31.12.10	31.3.10
Wealth Management	**15,997**	15,663	15,365	2	4
Retail & Corporate	**11,545**	12,089	12,187	(4)	(5)
Wealth Management & Swiss Bank	**27,542**	27,752	27,552	(1)	0
Wealth Management Americas	**16,234**	16,330	16,667	(1)	(3)
Global Asset Management	**3,789**	3,481	3,521	9	8
Investment Bank	**17,628**	16,860	16,373	5	8
Corporate Center	**203**	194	180	5	13
Total	**65,396**	64,617	64,293	1	2
of which: Corporate Center personnel (before allocations)	***19,588***	*19,406*	*19,673*	*1*	*0*

Regulatory and legislative responses to the financial crisis

Regulatory and legislative responses to the financial crisis may have significant effects on our strategy and prospects for the foreseeable future.

We have previously outlined the recommendations of the Swiss Commission of Experts issued in October 2010. The recommended capital requirements for systemically important Swiss banks potentially amount to at least 19% of risk-weighted assets, including a 6% "systemic surcharge". In December 2010, the Swiss Federal Council initiated a consultation process on its "too big to fail" legislative proposals. On 20 April 2011, the Swiss Federal Council responded to the comments submitted in the consultation process and formally submitted proposed legislation to the Swiss Parliament. The proposed legislation contains, or provides regulatory authority to implement, the measures recommended by the Commission of Experts, and in some respects goes beyond those measures. It would require systemically relevant banks such as UBS to ensure the continuation of their systemically relevant functions within Switzerland in the event of a threat, or perceived threat, of insolvency. The Federal Council would be authorized to determine what actions the Swiss Financial Market Supervisory Authority (FINMA) could take with respect to a bank that does not develop an adequate plan for this purpose. The earlier proposal would have specifically empowered FINMA in such a case to impose structural changes such as the separation of lines of business into separate legal entities and restrictions on intra-group funding and guarantees. The capital requirements may also be linked to structural changes to some extent, as FINMA and the Swiss National Bank have separately indicated that some limited relief from the 6% systemic surcharge may be granted to banks that voluntarily adopt structural measures to reduce their systemic risk in Switzerland or internationally. It is not precisely clear what organizational changes would lead the Swiss authorities to grant such capital relief, and what additional obligations they might impose relating to, for example, the funding or independent operation of certain entities or business divisions within the group.

In our response to the initially proposed legislation in March, we emphasized the importance of taking into account not only the goal of the safety of the Swiss financial center but also its competitiveness. We urged that a true cost/benefit analysis, including an assessment of the effect on the competitive position of the two large Swiss international banks, be conducted before the Swiss Parliament decides upon the legislative proposal. Because proposals in other major financial centers are still being considered, and because standards for systemically important financial institutions will be proposed by the Financial Stability Board only towards the end of 2011, we argued that it would be a mistake for Switzerland to enact requirements that may prove to be at odds with international standards. The revisions made following the consultation process included a number of technical improvements, but did not alleviate these fundamental concerns.

Also this month, the UK Independent Commission on Banking published its interim report. The Commission stated that systemic banking risk could be reduced through a combination of measures curbing incentives for excessive risk-taking, making banks better able to absorb losses and providing better tools to resolve banks more easily and efficiently. The Commission recommended that the UK retail banking operations be ring-fenced in subsidiaries and that systemically important UK banks be required to maintain equity capital at the level of 10% of risk-weighted assets, in addition to loss-absorbing debt.

Following the adoption of the Dodd-Frank Act, the US regulatory and legislative response to the financial crisis is becoming clearer, although much remains to be clarified through implementing regulations. The Act did not address bank capital requirements in general, and to date the US authorities have not suggested that they would impose higher risk-based capital requirements than those recommended in 2010 by the Basel Committee on Banking Supervision: common equity of 7% and total capital of 10.5% of risk-weighted assets.

As previously announced, we have decided not to pay dividends for some time to come in order to accumulate earnings that will augment our capital base. In light of the current regulatory climate, we have further determined to limit our risk-weighted assets for the remainder of 2011 to a level commensurate with that at the end of the first quarter.

The evolving US and UK approaches to capital standards suggest that the Swiss requirements may be significantly higher than those that will be applicable to our major international competitors. This likely would adversely affect the competitiveness of certain of our businesses, particularly in the Investment Bank's fixed income, currencies and commodities business unit, which accounts for a significant proportion of our overall risk-weighted assets. For this reason, we will continue to analyze carefully the potential effect of regulatory developments on the profitability of our businesses, and will make adjustments as appropriate.

In addition to analyzing the effect of regulatory changes on the viability and profitability of our businesses, we are evaluating potential changes to our booking model and corporate structure in view of developing regulatory concerns and requirements, not only in Switzerland but also in the UK, US and elsewhere.

UBS business divisions and Corporate Center

Management report

Wealth Management & Swiss Bank

Business division reporting

	As of or for the quarter ended			% change from	
CHF million, except where indicated	**31.3.11**	31.12.10	31.3.10	4Q10	1Q10
Net interest income	**1,083**	1,066	1,013	2	7
Net fee and commission income	**1,538**	1,477	1,612	4	(5)
Net trading income	**260**	225	230	16	13
Other income	**9**	22	24	(59)	(63)
Income	**2,891**	2,790	2,879	4	0
Credit loss (expense) / recovery	**2**	(56)	3		
Total operating income	**2,893**	2,734	2,882	6	0
Personnel expenses	**1,285**	1,193	1,191	8	8
General and administrative expenses	**518**	619	471	(16)	10
Services (to) / from other business divisions	**(35)**	(13)	(24)	(169)	(46)
Depreciation of property and equipment	**75**	84	80	(11)	(6)
Amortization of intangible assets	**2**	3	2	(33)	0
Total operating expenses	**1,844**	1,885	1,720	(2)	7
Business division performance before tax	**1,049**	849	1,161	24	(10)
Key performance indicators[1]					
Pre-tax profit growth (%)	**23.6**	(9.5)	4.7		
Cost / income ratio (%)	**63.8**	67.6	59.7		
Net new money (CHF billion)[2]	**13.1**	2.7	(8.2)		
Additional information					
Average attributed equity (CHF billion)[3]	**10.0**	9.0	9.0	11	11
Return on attributed equity (RoaE) (%)	**42.0**	45.3	51.6		
BIS risk-weighted assets (CHF billion)	**43.4**	43.4	48.5	0	(11)
Return on risk-weighted assets, gross (%)	**26.6**	24.3	23.7		
Goodwill and intangible assets (CHF billion)	**1.5**	1.5	1.6	0	(6)
Invested assets (CHF billion)	**929**	904	963	3	(4)
Client assets (CHF billion)	**1,841**	1,799	1,864	2	(1)
Loans, gross (CHF billion)	**206.9**	201.9	199.1	2	4
Due to customers (CHF billion)	**280.5**	268.5	278.7	4	1
Personnel (full-time equivalents)	**27,542**	27,752	27,552	(1)	0

1 For the definitions of our key performance indicators, refer to the "Measurement and analysis of performance" section on page 33 of our Annual Report 2010. 2 Excludes interest and dividend income. 3 Refer to the "Capital management" section of this report for more information about the equity attribution framework.

Wealth Management

Pre-tax profit was CHF 645 million compared with CHF 462 million in the previous quarter, mainly as a result of 7% higher operating income following an improvement in all major income components. The gross margin on invested assets improved to 98 basis points, and net new money inflows increased to CHF 11.1 billion.

Business unit reporting

	As of or for the quarter ended			% change from	
CHF million, except where indicated	**31.3.11**	31.12.10	31.3.10	4Q10	1Q10
Net interest income	**493**	449	409	10	21
Net fee and commission income	**1,243**	1,193	1,314	4	(5)
Net trading income	**182**	154	170	18	7
Other income	**1**	(1)	11		(91)
Income	**1,919**	1,795	1,903	7	1
Credit loss (expense) / recovery	**9**	8	1	13	800
Total operating income	**1,928**	1,803	1,904	7	1
Personnel expenses	**863**	783	782	10	10
General and administrative expenses	**299**	402	275	(26)	9
Services (to) / from other business divisions	**79**	111	106	(29)	(25)
Depreciation of property and equipment	**40**	43	43	(7)	(7)
Amortization of intangible assets	**2**	3	2	(33)	0
Total operating expenses	**1,283**	1,341	1,208	(4)	6
Business unit performance before tax	**645**	462	696	40	(7)
Key performance indicators[1]					
Pre-tax profit growth (%)	**39.6**	(6.1)	3.3		
Cost / income ratio (%)	**66.9**	74.7	63.5		
Net new money (CHF billion)[2]	**11.1**	0.0	(8.0)		
Gross margin on invested assets (bps)[3]	**98**	92	93	7	5
Swiss wealth management					
Income	**401**	385	388	4	3
Net new money (CHF billion)[2]	**2.2**	1.1	(1.2)		
Invested assets (CHF billion)	**136**	137	142	(1)	(4)
Gross margin on invested assets (bps)	**118**	112	110	5	7
International wealth management					
Income	**1,518**	1,410	1,515	8	0
Net new money (CHF billion)[2]	**8.9**	(1.1)	(6.8)		
Invested assets (CHF billion)	**654**	631	685	4	(5)
Gross margin on invested assets (bps)[3]	**95**	88	90	8	6

1 For the definitions of our key performance indicators, refer to the "Measurement and analysis of performance" section on page 33 of our Annual Report 2010. 2 Excludes interest and dividend income. 3 Excludes negative valuation adjustments on a property fund (1Q11: CHF 0 million, 4Q10: CHF 0 million, 1Q10: CHF 28 million).

Business unit reporting (continued)

	As of or for the quarter ended			% change from	
CHF billion, except where indicated	**31.3.11**	31.12.10	31.3.10	4Q10	1Q10
Additional information					
Average attributed equity[1]	**5.0**	4.4	4.4	14	14
Return on attributed equity (RoaE) (%)	**51.6**	52.5	63.3		
BIS risk-weighted assets	**16.9**	16.9	18.5	0	(9)
Return on risk-weighted assets, gross (%)	**45.4**	41.4	41.8		
Goodwill and intangible assets	**1.5**	1.5	1.6	0	(6)
Invested assets	**791**	768	827	3	(4)
Client assets	**948**	920	1,002	3	(5)
Loans, gross	**70.9**	67.1	63.9	6	11
Due to customers	**163.3**	156.8	172.2	4	(5)
Personnel (full-time equivalents)	**15,997**	15,663	15,365	2	4
Client advisors (full-time equivalents)	**4,194**	4,172	4,138	1	1

1 Refer to the "Capital management" section of this report for more information about the equity attribution framework.

Results: 1Q11 vs 4Q10

Operating income

Total operating income increased 7% to CHF 1,928 million from CHF 1,803 million in the prior quarter, following an improvement in all major income components.

Net interest income was CHF 493 million, up 10% from CHF 449 million in the previous quarter. This improvement included an adjustment to the allocation of treasury-related income between Wealth Management and Retail & Corporate, which increased Wealth Management's net interest income by CHF 32 million in the first quarter. In addition, net interest income benefited from higher lending volumes.

Net fee and commission income increased by CHF 50 million, or 4%, due to higher average invested assets and an increase in client activity. Furthermore, sales of structured products and investment funds as well as client demand for mandates increased compared with the previous quarter. Trading income was up 18%, also due to higher client activity. Other income and net credit loss recoveries remained virtually unchanged.

Operating expenses

Operating expenses decreased 4% to CHF 1,283 million from CHF 1,341 million, as the previous quarter included a CHF 40 million litigation provision and a CHF 40 million charge to reimburse the Swiss government for costs incurred in connection with the US cross-border matter.

Personnel expenses increased 10% to CHF 863 million. This increase mainly reflects a transfer of personnel from the Investment Bank and Retail & Corporate to the Investment Products & Services (IPS) unit, as well as salary increases effective from 1 March 2011 and higher bonus accruals. General and administrative expenses were down by CHF 103 million, mainly due to the abovementioned charge for reimbursement costs and a litigation provision in the previous quarter, as well as lower professional fees in the current quarter.

Net charges from other businesses declined by CHF 32 million, mainly due to higher charges to other businesses related to services provided by the IPS unit. Depreciation was virtually unchanged compared with the previous quarter.

Invested assets development: 1Q11 vs 4Q10

Net new money

Net new money inflows of CHF 11.1 billion improved significantly from very small inflows in the prior quarter.

International wealth management reported net inflows of CHF 8.9 billion with net inflows in the Asia Pacific region and emerging markets, as well as globally from ultra high net worth clients. Small net inflows in our European onshore business were more than offset by outflows from neighboring countries of Switzerland in our cross-border business.

Swiss wealth management reported net inflows of CHF 2.2 billion compared with CHF 1.1 billion in the previous quarter.

Invested assets

Invested assets were CHF 791 billion on 31 March 2011, an increase of CHF 23 billion from 31 December 2010. This was mainly due to net new money inflows, a 4% increase in the value of the euro against the Swiss franc, and positive market performance. In Wealth Management, 31% of invested assets were denominated in euros and 31% in US dollars as of 31 March 2011.

Gross margin on invested assets

The gross margin on invested assets improved by 6 basis points to 98 basis points in the first quarter, as revenues increased 7% and average invested assets remained virtually unchanged.

Personnel: 1Q11 vs 4Q10

Wealth Management employed 15,997 personnel on 31 March 2011, compared with 15,663 on 31 December 2010. In the first quarter, approximately 400 personnel were transferred from the Investment Bank and Retail & Corporate to the IPS unit, as part of our strategy to deliver the capabilities of the entire firm to our clients. In addition, selective hiring took place in key areas of the organization. These increases were partly offset by a lower allocation of Corporate Center shared services personnel.

➔ **Refer to the "Accounting and reporting structure changes" section of this report for more information on how the process of allocating Corporate Center personnel to the business divisions has been refined and on the IPS transfer from the Investment Bank**

The number of client advisors has gradually increased over the past three quarters, reflecting our strategy of focusing on adding highly qualified industry professionals. At the end of the first quarter, the number of client advisors stood at 4,194, up 1% from the previous quarter.

Results: 1Q11 vs 1Q10

Pre-tax profit decreased 7% to CHF 645 million from CHF 696 million in the first quarter of 2010.

Total operating income was CHF 1,928 million compared with CHF 1,904 million. Net interest income was up, mainly as an effect of higher treasury-related income allocated to Wealth Management and increased lending volumes, partially offset by lower margins resulting from low market interest rates.

Fee and commission income declined compared with the first quarter of 2010, mainly as a result of a lower average invested asset base. Trading income was up compared with the first quarter of 2010, mainly due to higher client activity. Other income decreased by CHF 10 million, while net credit loss recoveries increased by CHF 8 million.

Operating expenses were up 6% compared with the first quarter of 2010 due to higher personnel expenses, which increased 10% to CHF 863 million, reflecting overall personnel growth of 4% and higher compensation for existing personnel. Non-personnel expenses were down CHF 6 million compared with the first quarter of 2010.

Retail & Corporate

Pre-tax profit was CHF 403 million in the first quarter of 2011, up 4% from the previous quarter, mainly due to significantly lower credit loss expenses.

Business unit reporting

	As of or for the quarter ended			% change from	
CHF million, except where indicated	**31.3.11**	31.12.10	31.3.10	4Q10	1Q10
Net interest income	**590**	617	604	(4)	(2)
Net fee and commission income	**295**	284	298	4	(1)
Net trading income	**79**	71	60	11	32
Other income	**8**	23	13	(65)	(38)
Income	**972**	995	976	(2)	0
Credit loss (expense) / recovery	**(7)**	(63)	2	(89)	
Total operating income	**965**	931	978	4	(1)
Personnel expenses	**422**	410	409	3	3
General and administrative expenses	**219**	217	196	1	12
Services (to) / from other business divisions	**(113)**	(124)	(130)	9	13
Depreciation of property and equipment	**34**	41	37	(17)	(8)
Amortization of intangible assets	**0**	0	0		
Total operating expenses	**562**	544	512	3	10
Business unit performance before tax	**403**	387	465	4	(13)
Key performance indicators[1]					
Pre-tax profit growth (%)	**4.1**	(13.2)	6.9		
Cost / income ratio (%)	**57.8**	54.7	52.5		
Impaired lending portfolio as a % of total lending portfolio, gross (%)[2]	**0.9**	0.9	1.1		
Additional information					
Average attributed equity (CHF billion)[3]	**5.0**	4.6	4.6	9	9
Return on attributed equity (RoaE) (%)	**32.2**	38.5	40.4		
BIS risk-weighted assets (CHF billion)	**26.6**	26.5	30.1	0	(12)
Return on risk-weighted assets, gross (%)	**14.6**	13.7	12.8		
Goodwill and intangible assets (CHF billion)	**0.0**	0.0	0.0		
Net new money (CHF billion)[4]	**2.0**	2.7	(0.2)		
Invested assets (CHF billion)	**138**	136	136	1	1
Client assets (CHF billion)	**894**	879	861	2	4
Loans, gross (CHF billion)	**136.0**	134.8	135.2	1	1
Due to customers (CHF billion)	**117.2**	111.7	106.4	5	10
Personnel (full-time equivalents)	**11,545**	12,089	12,187	(4)	(5)

1 For the definitions of our key performance indicators, refer to the "Measurement and analysis of performance" section on page 33 of our Annual Report 2010. 2 Impaired lending portfolio as a % of total lending portfolio, gross (%) includes Loans, gross and Due from banks. Refer to the "Risk management and control" section of this report for more information on impairment ratios. 3 Refer to the "Capital management" section of this report for more information about the equity attribution framework. 4 Excludes interest and dividend income.

Results: 1Q11 vs 4Q10

Operating income

Total operating income was CHF 965 million, up 4% from CHF 931 million in the prior quarter, mainly reflecting reduced credit loss expenses.

Net interest income was CHF 590 million, down CHF 27 million from the prior quarter, primarily due to an adjustment to the allocation of treasury-related income between Wealth Management and Retail & Corporate, which lowered Retail & Corporate's net interest income by CHF 32 million in the first quarter of 2011. In addition, the prior quarter included a breakage fee from one large client. The positive effects of increased volumes of client deposits and loans were offset by the continuing pressure on interest margins, influenced by low market interest rate levels.

Net fee and commission income at CHF 295 million was up 4%, reflecting increased client activity. In addition, fee income benefited from an increase in client assets. Net trading income was CHF 79 million, up from the previous quarter due to stronger client activity. Other income was CHF 8 million, down CHF 15 million, due to lower revenues from financial investments.

Credit loss expenses declined to CHF 7 million from CHF 63 million.

Operating expenses

Operating expenses increased 3% to CHF 562 million compared with CHF 544 million in the previous quarter.

Personnel expenses were CHF 422 million, up CHF 12 million, reflecting increased bonus accruals which were particularly low in the fourth quarter, as well as salary increases effective from March 2011 and higher pension fund costs. This was partly offset by a shift of personnel to the Investment Product & Services unit. General and administrative expenses at CHF 219 million remained virtually unchanged compared with the previous quarter, despite costs related to a voluntary payment to retirees in Switzerland and seasonally higher administrative costs. Net charges to other businesses decreased by CHF 11 million to CHF 113 million, mainly due to a refinement of cost allocations effective from the first quarter of 2011. Depreciation was CHF 34 million, down 7 CHF million from the previous quarter.

Personnel: 1Q11 vs 4Q10

Retail & Corporate employed 11,545 personnel on 31 March 2011, compared with 12,089 on 31 December 2010. This development was mainly the result of a lower allocation of Corporate Center shared services personnel, and a shift of approximately 100 personnel to Wealth Management in connection with the Investment Products & Services unit.

➔ Refer to the "Accounting and reporting structure changes" section of this report for more information on how the process of allocating Corporate Center personnel to the business divisions has been refined

Results: 1Q11 vs 1Q10

Pre-tax profit was CHF 403 million compared with CHF 465 million in the first quarter of 2010.

Total operating income decreased to CHF 965 million compared with CHF 978 million. Net interest income was 2% lower than in the first quarter of 2010, due to a decrease in deposit margins as a result of the adverse interest rate environment as well as shifts in treasury-related income from Retail & Corporate to Wealth Management. Net fee and commission income, at CHF 295 million, was virtually unchanged from CHF 298 million in the first quarter of 2010. Net trading income was CHF 79 million, up from CHF 60 million, resulting from stronger client activity. Other income was CHF 8 million, down from CHF 13 million.

Credit loss expense was CHF 7 million in the first quarter of 2011, compared with a net credit loss recovery of CHF 2 million in the first quarter of 2010.

Operating expenses increased 10% compared with the first quarter of 2010. Personnel expenses increased to CHF 422 million from CHF 409 million, partially reflecting salary increases effective 1 March 2011. Net charges to other businesses decreased by CHF 17 million to CHF 113 million. This decrease was mainly the result of a refinement of cost allocations.

Depreciation was CHF 34 million, slightly down from CHF 37 million in the first quarter of 2010.

Wealth Management Americas

Pre-tax result improved to a profit of CHF 111 million in the first quarter of 2011 from a loss of CHF 32 million in the fourth quarter of 2010. Excluding currency translation effects, revenues improved, reflecting higher fee income. Charges for litigation provisions declined significantly to CHF 9 million from CHF 152 million in the fourth quarter. Net new money at CHF 3.6 billion marked the third consecutive quarter of net new money inflows.

Business division reporting

	As of or for the quarter ended			% change from	
CHF million, except where indicated	**31.3.11**	31.12.10	31.3.10	4Q10	1Q10
Net interest income	**165**	179	164	(8)	1
Net fee and commission income	**1,049**	1,066	1,037	(2)	1
Net trading income	**118**	127	150	(7)	(21)
Other income	**15**	9	10	67	50
Income	**1,346**	1,380	1,361	(2)	(1)
Credit loss (expense) / recovery	**1**	(1)	0		
Total operating income	**1,347**	1,379	1,362	(2)	(1)
Personnel expenses	**1,005**	1,002	1,069	0	(6)
Financial advisor compensation[1]	**507**	517	510	(2)	(1)
Compensation commitments and advances related to recruited FAs[2]	**134**	141	149	(5)	(10)
Salaries and other personnel costs	**364**	344	410	6	(11)
General and administrative expenses	**194**	359	221	(46)	(12)
Services (to) / from other business divisions	**0**	(2)	(2)	100	100
Depreciation of property and equipment	**25**	39	45	(36)	(44)
Amortization of intangible assets	**12**	13	14	(8)	(14)
Total operating expenses	**1,236**	1,411	1,347	(12)	(8)
Business division performance before tax	**111**	(32)	15		640
Key performance indicators[3]					
Pre-tax profit growth (%)[4]	**N/A**	N/A	(91.6)		
Cost / income ratio (%)	**91.8**	102.2	99.0		
Net new money (CHF billion)[5]	**3.6**	3.4	(7.2)		
Net new money including interest and dividend income (CHF billion)[6]	**7.8**	8.9	(2.8)		
Gross margin on invested assets (bps)	**78**	80	78	(3)	0

1 Financial advisor compensation consists of grid-based compensation based directly on compensable revenues generated by financial advisors (FAs) and supplemental compensation calculated based on financial advisor productivity, firm tenure, assets and other variables. 2 Compensation commitments and advances related to recruited FAs represents costs related to compensation commitments and advances granted to financial advisors at the time of recruitment, which are subject to vesting requirements. 3 For the definitions of our key performance indicators, refer to the "Measurement and analysis of performance" section on page 33 of our Annual Report 2010. 4 Not meaningful if either the current period or the comparison period is a loss period. 5 Excludes interest and dividend income. 6 For purposes of comparison with US peers.

Business division reporting (continued)

	As of or for the quarter ended			% change from	
CHF billion, except where indicated	**31.3.11**	31.12.10	31.3.10	4Q10	1Q10
Additional information					
Average attributed equity[1]	**8.0**	8.0	8.0	0	0
Return on attributed equity (RoaE) (%)	**5.6**	(1.6)	0.8		
BIS risk-weighted assets	**23.5**	23.8	23.0	(1)	2
Return on risk-weighted assets, gross (%)	**22.8**	23.8	23.8		
Goodwill and intangible assets	**3.6**	3.7	4.2	(3)	(14)
Invested assets	**700**	689	714	2	(2)
Client assets	**750**	738	768	2	(2)
Loans, gross	**23.4**	22.5	22.6	4	4
Due to customers	**35.0**	35.8	38.4	(2)	(9)
of which: deposit accounts	***25.3***	*26.0*	*27.7*	*(3)*	*(9)*
Personnel (full-time equivalents)	**16,234**	16,330	16,667	(1)	(3)
Financial advisors (full-time equivalents)	**6,811**	6,796	6,867	0	(1)
Business division reporting excluding PaineWebber acquisition costs[2]					
Business division performance before tax (CHF million)	**134**	(7)	42		219
Cost / income ratio (%)	**90.2**	100.4	97.0		
Average attributed equity[1]	**5.0**	4.8	4.5	4	11

1 Refer to the "Capital management" section of this report for more information about the equity attribution framework. 2 Acquisition costs represent goodwill and intangible assets funding costs and intangible asset amortization costs related to UBS's 2000 acquisition of the PaineWebber retail brokerage business.

Results: 1Q11 vs 4Q10

Operating income

Total operating income decreased 2%, or CHF 32 million, to CHF 1,347 million. In US dollar terms, operating income increased 2%, principally due to higher fee income.

Net fee and commission income decreased 2%, but increased 3% in US dollar terms due to stronger managed account fees related to higher invested asset levels priced on a one-quarter lag. In addition, mutual fund revenues and commissions from equities transactions increased, partly offset by lower fees related to lower transactional fixed income activity. Net trading income decreased 7%, or 3% in US dollar terms, reflecting lower equity-linked trading activity, partly offset by higher municipal trading income. Net interest income declined 8%, or 4% in US dollar terms, due to lower allocations of treasury-related revenue. This was partly offset by higher income related to increased client balances in securities-based lending and mortgages. Other income increased by CHF 6 million, as the quarter included realized gains of CHF 7 million on financial investments held as available-for-sale.

Operating expenses

Total operating expenses decreased 12% to CHF 1,236 million from CHF 1,411 million, mainly due to lower charges for litigation provisions. Excluding the impact of currency translation, operating expenses decreased 9%.

Personnel expenses of CHF 1,005 million were flat compared with the fourth quarter. In US dollar terms, personnel expenses increased 5%. Financial advisor compensation decreased 2%, but rose 2% in US dollar terms due to higher revenue production. Expenses for compensation commitments and advances related to recruited financial advisors declined 5%, or 1% in US dollar terms. Salaries and other personnel expense increased 6%, or 10% in US dollar terms, due to higher bonus accruals, which were particularly low in the fourth quarter. This was partly offset by lower non-financial advisor compensation and benefits costs. Compensation advance balances increased 10% to CHF 3,417 million at the end of the quarter, mainly due to scheduled payments related to the second tranche of the GrowthPlus program. Compensation advances continue to be expensed over the life of the employees' agreements on a straight-line amortization basis. Non-personnel expenses decreased 44% to CHF 231 million from CHF 409 million, reflecting 46% lower general and administrative costs, mainly due to a significant reduction in charges for litigation provisions to CHF 9 million from CHF 152 million in the prior quarter. In addition, depreciation expenses declined 36%, primarily from lower allocations from Corporate Center shared services areas reflecting lower global IT software expenditures.

Invested assets development: 1Q11 vs 4Q10

Net new money

Wealth Management Americas recorded net new money of CHF 3.6 billion, a slight improvement from CHF 3.4 billion in the fourth quarter, maintaining positive net new money for the third consecutive quarter. Net new money in the first quarter was primarily generated by net inflows from financial advisors employed with UBS for more than one year.

Including interest and dividend income, net new money inflows were CHF 7.8 billion compared with inflows of CHF 8.9 billion in the prior quarter.

Invested assets

Invested assets increased by CHF 11 billion, or 2%, to CHF 700 billion on 31 March 2011, reflecting positive market performance and net new money inflows, partly offset by currency translation effects. In US dollar terms, invested assets increased 3% from 31 December 2010.

Gross margin on invested assets

The gross margin on invested assets fell 2 basis points to 78 basis points, reflecting a 2% decrease in income compared with a 1% increase in average invested assets. In US dollar terms, the gross margin on invested assets decreased 2 basis points to 77 basis points, as a 4% increase in average invested assets exceeded a 2% increase in income. The lower rate of growth in income, compared with average invested assets growth, is partly attributed to the one-quarter lag in the majority of asset-based fee pricing.

Personnel: 1Q11 vs 4Q10

Wealth Management Americas employed 16,234 personnel as of 31 March 2011, down 96 from 31 December 2010. The number of financial advisors increased by 15 to 6,811, reflecting improved retention, with financial advisor attrition near historic lows. The number of non-financial-advisor employees decreased by 111 to 9,423, due to a lower allocation of Corporate Center shared services personnel.

➔ Refer to the “Accounting and reporting structure changes” section of this report for more information on how the process of allocating Corporate Center personnel to the business divisions has been refined

Results: 1Q11 vs 1Q10

Wealth Management Americas’ pre-tax profit improved to CHF 111 million in the first quarter of 2011, from CHF 15 million in the first quarter of 2010.

Operating income of CHF 1,347 million decreased 1%, or CHF 15 million, from the first quarter of 2010. Excluding currency translation effects, operating income increased 13% as a result of higher managed account fees and mutual fund revenue related to an increase in invested assets and stronger transactional activity. In addition, interest income improved due to higher yields and increased lending volumes.

Operating expenses decreased 8% to CHF 1,236 million. The first quarter of 2010 included restructuring charges of CHF 21 million related to personnel reductions. Operating expenses in US dollar terms increased 5%, due to higher financial advisor compensation tied to revenue growth, and higher bonus accruals. This was partly offset by lower salary costs, depreciation expenses, and the absence of restructuring charges.

Global Asset Management

Global Asset Management's pre-tax profit was CHF 124 million in the first quarter of 2011 compared with CHF 148 million in the fourth quarter of 2010. The decrease resulted from lower operating income.

Business division reporting

	As of or for the quarter ended			% change from	
CHF million, except where indicated	**31.3.11**	31.12.10	31.3.10	4Q10	1Q10
Net management fees[1]	**443**	470	473	(6)	(6)
Performance fees	**53**	72	49	(26)	8
Total operating income	**496**	542	521	(8)	(5)
Personnel expenses	**259**	273	279	(5)	(7)
General and administrative expenses	**102**	109	94	(6)	9
Services (to) / from other business divisions	**0**	0	(1)		100
Depreciation of property and equipment	**10**	11	11	(9)	(9)
Amortization of intangible assets	**2**	2	2	0	0
Total operating expenses	**373**	394	385	(5)	(3)
Business division performance before tax	**124**	148	137	(16)	(9)
Key performance indicators[2]					
Pre-tax profit growth (%)	**(16.2)**	29.8	(51.8)		
Cost / income ratio (%)	**75.2**	72.7	73.9		
Information by business line					
Income					
Traditional investments	**301**	303	325	(1)	(7)
Alternative and quantitative investments	**88**	111	92	(21)	(4)
Global real estate	**61**	74	48	(18)	27
Infrastructure	**3**	4	3	(25)	0
Fund services	**43**	49	53	(12)	(19)
Total operating income	**496**	542	521	(8)	(5)
Gross margin on invested assets (bps)					
Traditional investments	**25**	25	26	0	(4)
Alternative and quantitative investments	**99**	126	94	(21)	5
Global real estate	**68**	81	50	(16)	36
Infrastructure	**120**	154	109	(22)	10
Total gross margin	**35**	39	36	(10)	(3)
Net new money (CHF billion)[3]					
Traditional investments	**3.7**	2.3	(1.0)		
Alternative and quantitative investments	**1.7**	(1.5)	(2.4)		
Global real estate	**0.2**	0.2	0.7		
Infrastructure	**0.0**	0.0	0.1		
Total net money	**5.6**	1.0	(2.6)		

1 Net management fees include transaction fees, fund administration revenues (including interest and trading income from lending business and foreign exchange hedging as part of the fund services offering), gains or losses from seed money and co-investments, funding costs and other items that are not performance fees. 2 For the definitions of our key performance indicators, refer to the "Measurement and analysis of performance" section on page 33 of our Annual Report 2010. 3 Excludes interest and dividend income.

Business division reporting (continued)

	As of or for the quarter ended			% change from	
CHF billion, except where indicated	**31.3.11**	31.12.10	31.3.10	4Q10	1Q10
Invested assets					
Traditional investments	**495**	487	513	2	(4)
Alternative and quantitative investments	**37**	34	38	9	(3)
Global real estate	**36**	36	38	0	(5)
Infrastructure	**1**	1	1	0	0
Total invested assets	**569**	559	590	2	(4)
Assets under administration by fund services					
Assets under administration[1]	**403**	390	413	3	(2)
Net new assets under administration[2]	**8.3**	16.5	(0.5)		
Gross margin on assets under administration (bps)	**4**	5	5	(20)	(20)
Additional information					
Average attributed equity[3]	**2.5**	2.5	2.5	0	0
Return on attributed equity (RoaE) (%)	**19.8**	20.6	21.9		
BIS risk-weighted assets	**3.5**	3.5	3.7	0	(5)
Return on risk-weighted assets, gross (%)	**56.7**	56.8	53.4		
Goodwill and intangible assets	**1.5**	1.5	1.7	0	(12)
Personnel (full-time equivalents)	**3,789**	3,481	3,521	9	8

1 This includes UBS and third-party fund assets, for which the fund services unit provides legal fund set-up and registration services, valuation, accounting and reporting and shareholder services. 2 Inflows of assets under administration from new and existing funds less outflows from existing funds or fund defection. 3 Refer to the "Capital management" section of this report for more information about the equity attribution framework.

Results: 1Q11 vs 4Q10

Operating income

Total operating income was CHF 496 million compared with CHF 542 million, mainly due to lower net management fees across alternative and quantitative investments, global real estate and fund services. In addition, performance fees were lower in comparison with the fourth quarter in alternative and quantitative investments and, to a lesser extent, in global real estate.

Operating expenses

Total operating expenses were CHF 373 million compared with CHF 394 million. Personnel expenses decreased to CHF 259 million from CHF 273 million, mainly due to lower bonus accruals. General and administrative expenses were also down at CHF 102 million compared with CHF 109 million, mainly through lower professional fees, IT costs and advertising expenses.

Invested assets development: 1Q11 vs 4Q10

Net new money

Net new money inflows were CHF 5.6 billion compared with CHF 1.0 billion in the prior quarter. Excluding money market flows, net new money inflows were CHF 7.2 billion compared with net outflows of CHF 0.3 billion. Net new money in the first quarter included CHF 1.8 billion related to the transfer of investment management responsibility for a multi-manager alternative fund from Wealth Management & Swiss Bank to Global Asset Management. Note that these assets are reported as invested assets in both business divisions as Wealth Management & Swiss Bank continues to advise the clients of the fund.

Net new money inflows from third parties were higher at CHF 5.8 billion compared with CHF 3.8 billion in the prior quarter. These were partly offset by net outflows of CHF 0.2 billion from clients of UBS's wealth management businesses, lower than the CHF 2.8 billion of net outflows in the prior quarter. Excluding money market flows, net inflows from third parties were CHF 4.7 billion, and net inflows from clients of UBS's wealth management businesses were CHF 2.6 billion.

Invested assets

Invested assets were CHF 569 billion on 31 March 2011, an increase of CHF 10 billion from CHF 559 billion on 31 December 2010. This increase was primarily due to positive market performance and net new money inflows, partly offset by negative net currency effects. On 31 March 2011, CHF 93 billion (16%) of the invested assets were money market assets. On a regional basis, 34% of invested assets related to clients serviced in Switzerland; 30% in the Americas; 20% in the rest of Europe, Middle East and Africa; and 16% in Asia Pacific.

Gross margin on invested assets

Total gross margin was 35 basis points compared with 39 basis points in the prior quarter, mainly due to lower performance fees.

Results by business line: 1Q11 vs 4Q10

Traditional investments

Revenues were CHF 301 million compared with CHF 303 million. The *gross margin* was 25 basis points, unchanged from the prior quarter.

Net new money inflows were CHF 3.7 billion compared with net inflows of CHF 2.3 billion. Excluding money market flows, net new money inflows were CHF 5.3 billion compared with net inflows of CHF 1.1 billion. Equities saw increased net inflows of CHF 5.9 billion, mainly into passive global equities and passive Swiss equities, compared with net inflows of CHF 2.1 billion in the fourth quarter. Fixed income's net inflows were CHF 0.8 billion, mainly into Swiss short duration bonds, compared with net inflows of CHF 0.6 billion. Multi-asset net outflows were CHF 1.4 billion, mainly from Korean and UK multi-asset strategies, a decrease from net outflows of CHF 1.6 billion in the previous quarter.

Invested assets were CHF 495 billion on 31 March 2011 compared with CHF 487 billion on 31 December 2010, due to positive market performance and net new money inflows, partly offset by negative net currency effects. By mandate type, CHF 161 billion of invested assets related to equities, CHF 129 billion to fixed income, CHF 93 billion to money markets and CHF 112 billion to multi-asset mandates (including CHF 6 billion of alternative investments not managed by alternative and quantitative investments, global real estate or infrastructure).

Alternative and quantitative investments

Revenues were CHF 88 million compared with CHF 111 million, mainly due to lower performance fees in comparison with a very strong fourth quarter. The *gross margin* consequently decreased to 99 basis points from 126 basis points in the prior quarter.

Net new money inflows were CHF 1.7 billion compared with net outflows of CHF 1.5 billion, mainly from multi-manager funds. The first quarter of 2011 included CHF 1.8 billion related to the abovementioned transfer of investment management responsibility for a multi-manager alternative fund. Note that these assets are reported as invested assets in both business divisions as Wealth Management & Swiss Bank continues to advise the clients of the fund.

Invested assets were CHF 37 billion on 31 March 2011 compared with CHF 34 billion on 31 December 2010, due to net new money inflows and positive market performance, partly offset by negative net currency effects.

Global real estate

Revenues were CHF 61 million compared with CHF 74 million, mainly due to lower performance fees in the US, and lower transaction fees. The *gross margin* was 68 basis points compared with 81 basis points.

Net new money inflows were unchanged at CHF 0.2 billion, mostly into the main US strategy.

Invested assets were CHF 36 billion on 31 March 2011, in line with 31 December 2010.

Infrastructure

Revenues were CHF 3 million, down by CHF 1 million.

Net new money inflows were nil, as in the prior quarter.

Invested assets were CHF 1 billion on 31 March 2011, unchanged from 31 December 2010.

Fund services

Revenues were CHF 43 million compared with CHF 49 million, mainly due to lower administrative fees and interest income. The *gross margin* on assets under administration was 4 basis points, compared with 5 basis points.

Net new assets under administration inflows were CHF 8.3 billion compared with CHF 16.5 billion in the prior quarter, and consisted of CHF 5.8 billion from third-party funds (down from CHF 16.8 billion in the prior quarter) and CHF 2.5 billion from UBS funds (compared with net outflows of CHF 0.3 billion in the prior quarter).

Total assets under administration were CHF 403 billion on 31 March 2011 compared with CHF 390 billion on 31 December 2010, due to asset inflows and positive market movements, partly offset by negative net currency effects.

Personnel: 1Q11 vs 4Q10

The number of personnel on 31 March 2011 was 3,789 compared with 3,481 on 31 December 2010. Of the increase, 275 related to a refined headcount allocation methodology for the Corporate Center, and the remaining 33 personnel mainly reflected increased headcount in traditional investments.

➔ Refer to the "Accounting and reporting structure changes" section of this report for more information on how the process of allocating Corporate Center personnel to the business divisions has been refined

Results: 1Q11 vs 1Q10

Pre-tax profit was CHF 124 million compared with CHF 137 million. Total operating income was CHF 496 million, a decrease from CHF 521 million, mainly due to lower net management fees. Traditional investments revenues were CHF 301 million compared with CHF 325 million, as management fees were impacted by the strengthening of the Swiss franc against other major currencies. Alternative and quantitative investments revenues were CHF 88 million compared with CHF 92 million; the decrease was mainly due to lower performance fees. Global real estate revenues increased to CHF 61 million from CHF 48 million, mainly as a result of higher performance fees and lower co-investment losses. Infrastructure revenues were CHF 3 million, unchanged from the prior period. Fund services revenues decreased to CHF 43 million from CHF 53 million, mainly due to the strengthening of the Swiss franc against other major currencies.

Total operating expenses were CHF 373 million compared with CHF 385 million, mainly due to lower personnel expenses.

Investment performance – key composites

The table below shows investment performance for approximately 40% of Global Asset Management's CHF 309 billion actively-managed invested assets in traditional investments on 31 March 2011. This figure excludes CHF 93 billion in actively-managed money market funds, CHF 87 billion in passively-managed investments and CHF 80 billion in alternatives (including alternative and quantitative investments, global real estate and infrastructure).

			Annualized	
	3 months	1 year	3 years	5 years
Equities				
Global Equity Composite vs. MSCI World Equity (Free) Index	–	–	+	+
US Large Cap Equity Composite vs. Russell 1000 Index	–	–	–	–
Pan European Composite vs. MSCI Europe Free Index	–	–	+	+
Swiss Equity Composite vs. SPI (Total Return) Index	–	–	+	+
Asian Equity Composite vs. MSCI All Country Asia ex Japan Index	–	–	+	+
Emerging Equity Composite vs. Emerging Markets Equity Index	–	–	+	–
Global Equity Ex-US Growth Composite vs. MSCI EAFE (Free) Index	–	–	–	–
US Large Cap Select Growth Equity Composite vs. Russell 1000 Growth Index	+	+	+	+
Fixed income				
Global Bond Composite vs. Citigroup World Government Bond Index	+	+	+	–
US Bond Composite vs. Barclays Capital U.S. Aggregate Index	+	+	–	–
EUR Aggregate Bonds Composite vs. Barclays Capital Euro Aggregate 500mio+ Index	+	+	+	+
CHF Bonds Ausland Composite vs. Swiss Bond Foreign AAA-BBB (Total Return) Index	+	+	+	+
Australian Bond Composite vs. UBS Australian Composite Bond Index (0+ Yrs)	+	+	+	+
Emerging Bond Composite vs. Emerging Markets Debt Index[1]	+	+	–	–
Global investment solutions				
Global Securities Composite vs. Global Securities Markets Index[1]	–	–	–	–

1 Customized benchmark.

(+) above benchmark; (–) under benchmark; (=) equal to benchmark. All are before the deduction of investment management fees. Global composites are stated in USD terms; all others are in appropriate local currencies (unless otherwise stated). A composite is an aggregation of one or more portfolios in a single group that is representative of a particular strategy, style, or objective. The composite is the asset-weighted average of the performance results of all the portfolios it holds.

Investment Bank

Pre-tax profit was CHF 835 million in the first quarter of 2011 compared with CHF 1,190 million in the first quarter of 2010. The pre-tax profit excluding own credit was CHF 967 million compared with CHF 1,437 million, reflecting lower revenues in the fixed income, currencies and commodities and investment banking businesses, partly offset by an increase in the equities business.

Business division reporting

	As of or for the quarter ended			% change from	
CHF million, except where indicated	**31.3.11**	31.12.10	31.3.10	4Q10	1Q10
Investment banking	**466**	910	604	(49)	(23)
Advisory revenues	**273**	264	208	3	31
Capital market revenues	**388**	757	475	(49)	(18)
Equities	**176**	461	262	(62)	(33)
Fixed income, currencies and commodities	**212**	296	213	(28)	0
Other fee income and risk management	**(194)**	(111)	(78)	(75)	(149)
Securities	**3,111**	1,884	3,420	65	(9)
Equities	**1,310**	945	1,255	39	4
Fixed income, currencies and commodities	**1,801**	939	2,165	92	(17)
Total income	**3,577**	2,794	4,024	28	(11)
Credit loss (expense) / recovery[1]	**1**	(108)	112		
Total operating income excluding own credit	**3,578**	2,686	4,136	33	(13)
Own credit[2]	**(133)**	(509)	(247)	74	46
Total operating income as reported	**3,445**	2,177	3,889	58	(11)
Personnel expenses	**1,871**	1,256	1,993	49	(6)
General and administrative expenses	**635**	726	601	(13)	6
Services (to) / from other business divisions	**34**	12	22	183	55
Depreciation of property and equipment	**63**	75	75	(16)	(16)
Amortization of intangible assets	**8**	8	9	0	(11)
Total operating expenses	**2,610**	2,078	2,699	26	(3)
Business division performance before tax	**835**	100	1,190	735	(30)
Business division performance before tax excluding own credit	***967***	*608*	*1,437*	*59*	*(33)*
Key performance indicators[3]					
Pre-tax profit growth (%)[4]	**735.0**	N/A	300.7		
Cost / income ratio (%)	**75.8**	90.9	71.5		
Return on attributed equity (RoaE) (%)	**11.5**	8.7	19.8		
Return on assets, gross (%)	**1.4**	1.2	1.5		
Average VaR (1-day, 95% confidence, 5 years of historical data)	**73**	66	52	11	40

1 Includes credit loss (expense) / recovery on reclassified and acquired securities (1Q11: recovery of CHF 3 million; 4Q10: loss of CHF 82 million; 1Q10 loss of CHF 29 million). 2 Represents own credit changes on financial liabilities designated at fair value through profit or loss. The cumulative own credit gain for such debt held on 31 March 2011 amounts to CHF 0.1 billion. This gain has reduced the fair value of financial liabilities designated at fair value through profit or loss recognized on our balance sheet. Refer to "Note 11b Fair value of financial instruments" in the "Financial information" section of this report for more information. 3 For the definitions of our key performance indicators, refer to the "Measurement and analysis of performance" section on page 33 of our Annual Report 2010. 4 Not meaningful if either the current period or the comparison period is a loss period.

Business division reporting (continued)

	As of or for the quarter ended			% change from	
CHF billion, except where indicated	**31.3.11**	31.12.10	31.3.10	4Q10	1Q10
Additional information					
Total assets[1]	**951.1**	966.9	990.1	(2)	(4)
Average attributed equity[2]	**29.0**	27.0	24.0	7	21
BIS risk-weighted assets	**123.5**	119.3	124.6	4	(1)
Return on risk-weighted assets, gross (%)	**11.4**	9.7	12.2		
Goodwill and intangible assets	**3.1**	3.2	3.6	(3)	(14)
Compensation ratio (%)	**54.3**	55.0	52.8		
Impaired lending portfolio as a % of total lending portfolio, gross (%)[3]	**5.5**	5.5	6.9		
Personnel (full-time equivalents)	**17,628**	16,860	16,373	5	8

1 Based on third-party view, i.e. without intercompany balances. 2 Refer to the "Capital management" section of this report for more information about the equity attribution framework. 3 Impaired lending portfolio as a % of total lending portfolio, gross (%) includes Loans, gross and Due from banks. Refer to the "Risk management and control" section of this report for more information on impairment ratios.

Results: 1Q11 vs 1Q10

Total operating income as reported
We recorded total operating income of CHF 3,445 million in the first quarter of 2011 compared with CHF 3,889 million in the first quarter of 2010, a decline of 11%.

Total income
Total income was CHF 3,577 million compared with CHF 4,024 million. Revenues in the fixed income, currencies and commodities (FICC) and investment banking businesses decreased significantly compared with the first quarter of 2010. This was partly offset by an increase in the equities business.

Credit loss expense/recovery
Net credit loss recovery was CHF 1 million compared with a recovery of CHF 112 million in the first quarter of 2010. There were no significant items in the quarter.

➔ Refer to the "Risk management and control" section of this report for more information on credit risk

Own credit
An own credit loss on financial liabilities designated at fair value of CHF 133 million was recorded in the first quarter of 2011, compared with a loss of CHF 247 million in the first quarter of 2010, primarily due to a reduced tightening of our credit spreads over the quarter.

➔ Refer to "Note 11b Fair value of financial instruments" in the "Financial information" section of this report for more information on own credit

Operating income by business segment

In the first quarter of 2011, we implemented two structural changes in our business division relating to commodities and risk management premiums (RMP). The changes were not material to restate at a divisional level, however, where relevant, we have made reference to the adjusted comparative to aid explanation of the business segment results.

➔ Refer to the "Accounting and reporting structure changes" section of this report for more information

Investment banking
In the first quarter of 2011, total revenues were CHF 466 million, down 23% compared with CHF 604 million in the first quarter of 2010. An increase in advisory revenues was more than offset by lower capital market revenues and other fee income and risk management.

Advisory revenues increased 31% to CHF 273 million from CHF 208 million, versus market fee pool growth of 14%.

Capital market revenues were CHF 388 million compared with CHF 475 million. Equities capital market revenues decreased to CHF 176 million from CHF 262 million, versus a market fee pool increase of 11%, due to participation in fewer initial public offerings and follow-ons. Fixed income capital market revenues at CHF 212 million, were broadly in line with the first quarter of 2010.

Other fee income and risk management revenues were negative CHF 194 million compared with negative CHF 78 million. The reduction was due to the inclusion of mark-ups on our loan portfolio in the first quarter of 2010, and the impact from the revised allocation of RMP in the first quarter 2011 as previously referenced.

Securities
Securities revenues were CHF 3,111 million, down from CHF 3,420 million in the first quarter of 2010.

Equities
Equities revenues increased 4% to CHF 1,310 million from CHF 1,255 million.

Cash revenues were CHF 515 million, up from CHF 484 million, due to a stronger trading performance in the US and Asia Pacific, partly offset by lower revenues in Europe, the Middle East and Africa.

Derivatives and equity-linked revenues were lower at CHF 459 million compared with CHF 491 million. Excluding the impact of the commodities transfer as previously referenced, derivatives and equity-linked revenues would have been marginally higher. Derivatives income improved in Asia Pacific, partially offset by a reduction in Europe, the Middle East and Africa. Equity-linked revenues were lower across all regions compared with the first quarter of 2010, which benefited from a strong inflow of funds, particularly in Asia Pacific.

In the prime services business, revenues increased to CHF 235 million from CHF 231 million. Prime brokerage revenues were up, reflecting an increase in client balances, partly offset by spread compression. Exchange-traded derivatives commissions were down, partly offset by higher financing revenues.

Other equities revenues, at CHF 101 million, were CHF 52 million higher than the first quarter of 2010, mainly reflecting an increased contribution from proprietary trading.

Fixed income, currencies and commodities

FICC revenues were CHF 1,801 million, down 17% from CHF 2,165 million. A strong improvement in credit revenues was more than offset by lower gains from legacy positions and reduced revenues in macro and emerging markets.

Credit revenues rose to CHF 988 million from CHF 744 million, largely due to gains in structured credit and flow trading resulting from higher flow volumes and client business in Europe and the US.

In macro, revenues decreased to CHF 556 million from CHF 922 million. The rates business declined as market uncertainty kept volatility high, but reduced liquidity. This impacted both our short-term interest rate as well as our long-term derivative and government bond activities. Revenues in the foreign exchange business were marginally lower.

Emerging markets revenues were CHF 206 million compared with CHF 241 million, as client flows and risk appetite were impacted by inflation concerns in certain markets as well as Middle Eastern political unrest and events in Japan.

Other FICC revenues were CHF 50 million compared with CHF 258 million. Most of the positive revenues in the first quarter 2010 stemmed from the reduction of credit valuation adjustments to derivatives receivables from monoline bond insurers as spreads tightened. The first quarter of 2011 included positive contributions from commodities (including the impact from the structural change from derivatives and equity-linked as previously referenced) and from residual risk positions. These were partly offset by losses from counterparty exposure management and debit valuation adjustments of CHF 38 million on our derivatives portfolio as spreads tightened.

Operating expenses

Total operating expenses were CHF 2,610 million compared with CHF 2,699 million, primarily due to lower personnel expenses on reduced bonus accruals. General and administrative expenses increased to CHF 635 million compared with CHF 601 million, mainly due to an increase in professional fees, travel and entertainment and advertising costs.

Personnel: 1Q11 vs 4Q10

The Investment Bank employed 17,628 personnel on 31 March 2011, an increase of 768 from 16,860 on 31 December 2010. This increase was mainly due to the revised allocation methodology for the Corporate Center personnel implemented as of the first quarter of 2011 and new hires associated with planned strategic growth in the Investment Bank, partly offset by attrition and the transfer of approximately 280 personnel to Wealth Management & Swiss Bank as part of forming the Investment Products & Services unit.

➔ Refer to the "Accounting and reporting structure changes" section of this report for more information on how the process of allocating Corporate Center personnel to the business divisions has been refined and on the Investment Products & Services transfer to Wealth Management & Swiss Bank

Results: 1Q11 vs 4Q10

In the first quarter of 2011, we recorded a pre-tax profit of CHF 835 million compared with CHF 100 million in the fourth quarter of 2010. The pre-tax profit excluding own credit was CHF 967 million compared with CHF 608 million. Total income was CHF 3,577 million compared with CHF 2,794 million. Net credit loss recovery was CHF 1 million compared with net credit loss expenses of CHF 108 million. An own credit loss on financial liabilities designated at fair value of CHF 133 million was recorded, compared with an own credit loss of CHF 509 million in the prior quarter.

Revenues in investment banking declined to CHF 466 million from CHF 910 million, mainly due to lower capital market revenues. Within securities, equities revenues increased to CHF 1,310 million from CHF 945 million, as all businesses reported broadly flat or positive revenue growth over the prior quarter. Revenues in the FICC business increased to CHF 1,801 million from CHF 939 million, largely due to higher revenues across all businesses, in particular credit and macro.

Total operating expenses were CHF 2,610 million compared with CHF 2,078 million. Personnel expenses were CHF 1,871 million compared with CHF 1,256 million, largely due to an increase in bonus accruals, which were particularly low in the fourth quarter, and severance costs. General and administrative expenses decreased to CHF 635 million from CHF 726 million, mainly due to a reduction of charges for litigation provisions and lower travel and entertainment costs.

Corporate Center

Pre-tax result from continuing operations in the first quarter of 2011 was CHF 116 million. This compares with CHF 149 million in the previous quarter, which benefited from a gain of CHF 158 million on the sale of a property in Zurich.

The Corporate Center provides treasury services and manages support and control functions for the business divisions and the Group such as risk control, finance, legal and compliance, communication and branding, human resources, information technology, real estate, procurement, corporate development, security and service centers.

Potential sources of income and expenses, cash flows and capital gains and losses in the Corporate Center arise, for example, from the management of our own-used real estate, treasury income and expense items not allocated to the business divisions, and from certain other corporate items. Examples of corporate items include the value of our option to acquire the SNB StabFund's equity, and certain litigation provisions.

The Corporate Center allocates treasury income, operating expenses and personnel associated with these activities to the business divisions based on their individual capital and services consumption. Allocations equate to approximately 98% of the Corporate Center's operating expenses. For external reporting purposes, the costs of these shared services are reclassified back to their original cost lines in the business divisions.

For efficiency reasons, some shared services are charged out on a pro rata basis in the form of flat fees, based on anticipated annual cost developments. By their very nature, flat fee structures are inflexible and do not take into account minor variances on a quarter by quarter basis, either positive or negative. Thus, each quarter the Corporate Center's operating expenses may be affected by either an over- or under-recovery due to the flat fee charged to the business divisions.

Corporate Center reporting

	As of or for the quarter ended			% change from	
CHF million, except where indicated	**31.3.11**	31.12.10	31.3.10	4Q10	1Q10
Income	**163**	308	356	(47)	(54)
Credit loss (expense) / recovery	**(1)**	0	0		
Total operating income	**163**	308	356	(47)	(54)
Personnel expenses	**(13)**	54	(11)		(18)
General and administrative expenses	**41**	81	32	(49)	28
Services (to) / from other business divisions	**1**	3	4	(67)	(75)
Depreciation of property and equipment	**18**	22	23	(18)	(22)
Amortization of intangible assets	**0**	0	0		
Total operating expenses	**46**	160	49	(71)	(6)
Performance from continuing operations before tax	**116**	149	306	(22)	(62)
Performance from discontinued operations before tax	**0**	0	2		(100)
Performance before tax	**116**	149	308	(22)	(62)

Corporate Center reporting (continued)

	As of or for the quarter ended			% change from	
CHF million, except where indicated	**31.3.11**	31.12.10	31.3.10	4Q10	1Q10
Additional information					
BIS risk-weighted assets (CHF billion)	**9.5**	8.9	9.3	7	2
Personnel before allocations (full-time equivalents)	**19,588**	19,406	19,673	1	0
Net allocations to business divisions (full-time equivalents)	**(19,385)**	(19,212)	(19,492)	(1)	1
Personnel after allocations (full-time equivalents)	**203**	194	180	5	13
Corporate Center expenses before service allocation to business divisions					
Personnel expenses	**969**	907	981	7	(1)
General and administrative expenses	**842**	950	813	(11)	4
Depreciation of property and equipment	**183**	206	209	(11)	(12)
Total operating expenses before service allocation to business divisions	**1,994**	2,062	2,003	(3)	0
Net allocations to business divisions	**(1,948)**	(1,902)	(1,954)	(2)	0
Total operating expenses	**46**	160	49	(71)	(6)

Results: 1Q11 vs 4Q10

Operating income

The Corporate Center's operating income was CHF 163 million in the first quarter of 2011, down 47% compared with the prior quarter, which included a gain of CHF 158 million on the sale of a property in Zurich. The revaluation of our option to acquire the SNB StabFund's equity resulted in a gain of CHF 192 million in the first quarter of 2011, compared with a gain of CHF 153 million in the prior quarter. Treasury income remaining in the Corporate Center after allocations to the business divisions amounted to a loss of CHF 13 million in the first quarter of 2011.

Operating expenses

On a gross basis before service allocations to the business divisions, the Corporate Center reported operating expenses of CHF 1,994 million, down from CHF 2,062 million in the prior quarter. Personnel expenses increased 7% to CHF 969 million in the first quarter of 2011, due to higher bonus accruals. This was more than offset by an 11% decrease in general and administrative expenses to CHF 842 million, reflecting lower upfront investments relating to IT outsourcing, provision releases in corporate real estate and lower communication and branding expenses. The majority of the Corporate Center costs were related to IT services (39%), corporate real estate expenses (23%) and services provided by the control functions such as finance, risk control and legal and compliance (16%).

Business divisions were charged net CHF 1,948 million for the shared services utilized, an increase of CHF 46 million from the prior quarter, due to the aforementioned flat fee concept. Remaining total operating expenses, after allocations to the business divisions, were CHF 46 million, down from CHF 160 million. This mainly related to operating expenses for Group governance functions and other corporate items, such as certain litigation provisions, partially offset by a minor allocation over-recovery due to the aforementioned flat fee concept for shared services costs.

Personnel

At the end of the first quarter of 2011, the Corporate Center employed 19,588 personnel, of which 19,385 were reclassified to the business divisions based on services consumed by them. The remaining 203 personnel related to the aforementioned Group governance functions and other corporate items.

➔ Refer to the "Accounting and reporting structure changes" section of this report for more information on how the process of allocating Corporate Center personnel to the business divisions has been refined

Results: 1Q11 vs 1Q10

Pre-tax profit from continuing operations decreased to CHF 116 million from CHF 306 million.

The first quarter of 2010 included a gain of CHF 180 million on the sale of investments in associates owning real estate in New York and a CHF 231 million positive revaluation of our option to acquire the SNB StabFund's equity compared with CHF 192 million in the first quarter of 2011.

Costs before allocations to business divisions reduced slightly from 2,003 million in the first quarter of 2010 to 1,994 million in the first quarter of 2011. Further consolidation of services and functions into the Corporate Center took place since the first quarter of 2010, which led to a higher cost base in the Corporate Center. This was more than offset by realized cost savings in the same period and favorable foreign exchange movements.

Risk and treasury management

Management report

Risk management and control

Overall, our risk profile did not materially change during the first quarter of 2011.

Our risk management and control framework is described in the "Risk and treasury management" section of our Annual Report 2010, including details on how we define, measure and manage credit, market and operational risks as well as risk concentrations.

Credit risk

The tables in this section provide an update on our credit risk exposures on 31 March 2011, including details of our allowances and provisions for credit losses and the composition and credit quality of our key banking products portfolios in Wealth Management & Swiss Bank, and of counterparty exposures booked within the Investment Bank from banking products and over-the-counter (OTC) derivative contracts.

➔ **Refer to the "Group results" section of this report for more information on credit loss expense / recovery in the first quarter**

Gross banking products and impairments

The credit risk exposures reported in the table "Allowances and provisions for credit losses" represent the International Financial Reporting Standards (IFRS) balance sheet view of our gross banking products portfolio. This comprises the balance sheet line items *Balances with central banks*, *Due from banks* and *Loans* as well as the off-balance sheet items *Guarantees* and *Loan commitments*. The table also shows the IFRS reported allowances and provisions for credit losses and impaired exposure.

Our gross loan exposure increased to CHF 268 billion on 31 March 2011, from CHF 264 billion on 31 December 2010. Our gross impaired loan portfolio, comprising reclassified and acquired securities, was CHF 4.0 billion at the end of the first quarter, compared with CHF 4.2 billion at the end of the prior quarter. The ratio of the impaired loan portfolio to total gross loan portfolio was 1.5% on 31 March 2011, compared with 1.6% on 31 December 2010. Excluding securities, the ratio remained stable at 0.9% in the first quarter of 2011.

The total gross loan portfolio in the Investment Bank was CHF 38 billion on 31 March 2011, down from CHF 39 billion on 31 December 2010. The Investment Bank held CHF 5.3 billion of assets at carrying value in its loan portfolio, on which protection was purchased from monoline insurers (CHF 5.3 billion on 31 December 2010), and CHF 0.4 billion at carrying value of US commercial real estate positions (CHF 0.5 billion on 31 December 2010). These assets were reclassified to *Loans and receivables* from *Held for trading* in the fourth quarter of 2008. The reduction in our exposures to these assets in the first quarter resulted from a combination of sales and foreign exchange movements.

➔ **Refer to "Note 12 Reclassification of financial assets" in the "Financial information" section of this report for more information on reclassified securities**

➔ **Refer to the "Risk concentrations" section of this report for more information on our exposures to monoline insurers**

The Investment Bank's gross impaired loan portfolio excluding securities decreased to CHF 832 million on 31 March 2011, compared with CHF 913 million on 31 December 2010.

In Wealth Management & Swiss Bank, the gross loan portfolio increased to CHF 207 billion on 31 March 2011, compared with CHF 202 billion on 31 December 2010. The gross impaired loan exposure remained stable at CHF 1.3 billion on 31 March 2011.

Allowances and provisions for credit losses

CHF million, except where indicated	IFRS exposure, gross		Impaired exposure[1]		Allowances and provisions for credit losses[2]		Estimated liquidation proceeds of collateral		Impairment ratio (%)	
As of	31.3.11	31.12.10	31.3.11	31.12.10	31.3.11	31.12.10	31.3.11	31.12.10	31.3.11	31.12.10
Group										
Balances with central banks	25,075	24,459							0.0	0.0
Due from banks	16,361	17,158	18	21	22	24			0.1	0.1
Loans	268,406	263,964	4,015	4,172	1,046	1,039	2,233	2,286	1.5	1.6
of which: related to reclassified securities[3]	*11,395*	*11,719*	*1,506*	*1,574*	*208*	*221*	*1,319*	*1,376*	*13.2*	*13.4*
of which: related to acquired securities	*9,229*	*9,673*	*373*	*351*	*57*	*52*	*334*	*313*	*4.0*	*3.6*
of which: related to other loans	*247,783*	*242,572*	*2,136*	*2,247*	*781*	*766*	*580*	*597*	*0.9*	*0.9*
Guarantees	17,179	16,535	105	160	88	96	6	7	0.6	1.0
Loan commitments	61,386	56,851	123	142	22	34	8	5	0.2	0.2
Banking products	**388,407**	378,967	**4,262**	4,495	**1,177**	1,193	**2,247**	2,298	**1.1**	1.2
Investment Bank										
Balances with central banks	23,226	13,732							0.0	0.0
Due from banks	11,608	12,007							0.0	0.0
Loans	38,043	39,392	2,711	2,838	341	348	1,891	1,926	7.1	7.2
of which: related to reclassified securities[3]	*11,395*	*11,719*	*1,506*	*1,574*	*208*	*221*	*1,319*	*1,376*	*13.2*	*13.4*
of which: related to acquired securities	*9,229*	*9,673*	*373*	*351*	*57*	*52*	*334*	*313*	*4.0*	*3.6*
of which: related to other loans	*17,419*	*18,000*	*832*	*913*	*76*	*76*	*238*	*237*	*4.8*	*5.1*
Guarantees	5,708	5,536	66	67	62	43			1.2	1.2
Loan commitments	52,888	48,509	94	95	11	26			0.2	0.2
Banking products	**131,472**	119,177	**2,872**	3,000	**414**	417	**1,891**	1,926	**2.2**	2.5
Wealth Management & Swiss Bank										
Balances with central banks	566	10,727							0.0	0.0
Due from banks	2,684	2,678	18	21	22	24			0.7	0.8
Loans	206,869	201,942	1,303	1,333	704	689	342	360	0.6	0.7
Guarantees	10,975	10,505	39	93	22	49	6	7	0.4	0.9
Loan commitments	7,146	7,276	29	47	11	8	8	5	0.4	0.6
Banking products	**228,240**	233,128	**1,389**	1,494	**758**	770	**357**	372	**0.6**	0.6
Wealth Management										
Balances with central banks	416	463							0.0	0.0
Due from banks	572	456							0.0	0.0
Loans	70,906	67,104	142	166	116	126	35	45	0.2	0.2
Guarantees	2,378	2,391							0.0	0.0
Loan commitments	1,077	983							0.0	0.0
Banking products	**75,349**	71,397	**142**	166	**116**	126	**35**	45	**0.2**	0.2
Retail & Corporate										
Balances with central banks	151	10,265							0.0	0.0
Due from banks	2,113	2,222	18	21	22	24			0.9	0.9
Loans	135,962	134,838	1,161	1,167	588	563	307	315	0.9	0.9
Guarantees	8,597	8,114	39	93	22	49	6	7	0.5	1.1
Loan commitments	6,069	6,293	29	47	11	8	8	5	0.5	0.7
Banking products	**152,892**	161,732	**1,247**	1,328	**643**	644	**321**	327	**0.8**	0.8

1 Excludes reclassified securities with adverse cash flow estimate revisions cumulatively below 5% of the carrying value at reclassification date, adjusted for redemptions. 2 Excludes CHF 47 million in collective loan loss allowances (31.12.10: CHF 47 million). 3 Refer to "Note 12 Reclassification of financial assets" in the "Financial information" section of this report.

Wealth Management & Swiss Bank – loan portfolio

The table "Wealth Management & Swiss Bank: composition of loan portfolio, gross" shows the composition of the loan portfolio for Wealth Management & Swiss Bank as shown in the "Allowances and provisions for credit losses" table.

The composition of Wealth Management & Swiss Bank's loan portfolio remained stable over the quarter. On 31 March 2011, 92% of the portfolio was secured by collateral. Approximately 52% of the unsecured loan portfolio was rated investment grade based on our internal ratings, and 57% of the unsecured portfolio was related to cash flow-based lending to corporate counterparties. In addition, 31% of our unsecured loans related to lending to public authorities, mainly in Switzerland.

Investment Bank – banking products and OTC derivatives exposure

The tables on the next page show the composition and credit quality of the Investment Bank's banking products portfolio based on the internal management view of credit risk.

The table "Investment Bank: banking products and OTC derivatives exposure" shows banking products (loans, guarantees and loan commitments) and OTC derivatives, gross and net of allowances, provisions, credit valuation adjustments (CVA) and credit hedges. The second table provides a breakdown of the internal rating and loss given default profile of the banking products portfolio, with additional detail provided on the sub-investment grade component.

The net banking products exposure after credit hedges increased to CHF 44.8 billion at the end of the first quarter from CHF 41.6 billion on 31 December 2010. Approximately 62% of our net banking products exposures after the application of credit hedges are classified as investment grade, based on our internal ratings. The vast majority of sub-investment grade exposures have a loss given default of 0–50%.

Loss given default is determined based on our estimation of the likely recovery rate of any defaulted claims. Recovery rates are dependent upon the characteristics of the counterparty in addition to any credit mitigation such as collateral held.

Included in the Investment Bank's total net banking products exposure to corporates and other non-banks is our loan to the RMBS Opportunities Master Fund, LP, a special purpose entity managed by BlackRock Financial Management, Inc. On 31 March 2011, the loan had an outstanding balance of USD 5.4 billion (compared with USD 5.7 billion on 31 December 2010), taking into account amounts held in escrow. The aggregate notional balance of the RMBS fund's assets collateralizing the loan on 31 March 2011 was USD 12.9 billion. By notional balance, this portfolio was comprised primarily of Alt-A (53%) and sub-prime (33%) products. In terms of priority, the portfolio was dominated by senior positions (95%).

We closely monitor the RMBS fund and its performance, particularly to determine if deterioration of the underlying residential mortgage-backed securities (RMBS) mortgage pools indicates that the equity investors in the fund no longer receive the majority of the risks and rewards, and also to assess whether the loan to the RMBS fund has been impaired. Developments during the first quarter have not altered our conclusion that the loan is not impaired and that consolidation is not required.

➔ Refer to the "Risk and treasury management" section of our Annual Report 2010 for more information on our loan to the RMBS Opportunities Master Fund, LP

Wealth Management & Swiss Bank: composition of loan portfolio, gross

CHF million, except where indicated	**31.3.11**		31.12.10	
Secured by residential property	**123,371**	**59.6%**	122,815	60.8%
Secured by commercial / industrial property	**20,981**	**10.1%**	20,766	10.3%
Secured by securities	**46,811**	**22.6%**	42,993	21.3%
Unsecured loans	**15,706**	**7.6%**	15,367	7.6%
Total loans, gross	**206,869**	**100.0%**	201,942	100.0%
Total loans, net of allowances and credit hedges	**205,810**		201,012	

Investment Bank: banking products and OTC derivatives exposure[1]

CHF million	Banking products		OTC derivatives	
	31.3.11	31.12.10	**31.3.11**	31.12.10
Total exposure, before deduction of allowances and provisions, CVA and hedges	**73,507**	70,885	**37,774**	47,452
Less: allowances, provisions and CVA	**(111)**	(124)	**(1,452)**	(2,224)
Less: credit protection bought (credit default swaps, notional)	**(28,552)**	(29,154)	**(3,764)**	(3,683)
Net exposure after allowances and provisions, CVA and hedges	**44,844**	41,608	**32,558**	41,546

1 Banking products: risk view, excludes balances with central banks, due from banks, reclassified and acquired securities and internal risk adjustments; OTC derivatives: net replacement value includes the impact of netting agreements (including cash collateral) in accordance with Swiss Federal Banking Law, based on the IFRS scope of consolidation.

Investment Bank: distribution of net banking products exposure to corporates and other non-banks, across UBS-internal rating and loss given default (LGD) buckets

CHF million, except where indicated			**31.3.11**						31.12.10	
				LGD buckets				**Weighted average LGD (%)**		Weighted average LGD (%)
UBS-internal rating	Moody's Investor Services equivalent	Standard & Poor's equivalent	**Exposure**	**0–25%**	**26–50%**	**51–75%**	**76–100%**		Exposure	
Investment grade	Aaa to Baa3	AAA to BBB–	**27,771**	**9,777**	**11,550**	**3,862**	**2,582**	**40**	25,603	43
Sub-investment grade			**17,073**	**6,758**	**6,757**	**2,684**	**873**	**35**	16,005	33
of which: 6–9	*Ba1 to Ba3*	*BB+ to BB–*	***7,033***	***2,229***	***3,374***	***1,275***	***155***	***37***	*6,812*	*36*
of which: 10–12	*B1 to B3*	*B+ to B–*	***8,999***	***3,858***	***3,163***	***1,329***	***650***	***34***	*8,285*	*31*
of which: 13 & defaulted	*Caa & lower*	*CCC & lower*	***1,041***	***671***	***221***	***80***	***69***	***29***	*908*	*35*
Net banking products exposure to corporates and other non-banks, after application of credit hedges			**44,844**	**16,535**	**18,307**	**6,546**	**3,456**	**38**	41,608	39

Market risk

Most of our market risk comes from the Investment Bank's trading activities. Group Treasury assumes foreign exchange and interest rate risk in connection with its balance sheet, profit and loss and capital management responsibilities. Our wealth and asset management operations also take limited market risk in support of client business.

Trading portfolios

For the purposes of our disclosure, value-at-risk (VaR) is used to quantify market risk exposures in our trading portfolios.

Value-at-risk

VaR is a statistical measure of market risk, representing the market risk losses that could potentially be realized over a set time horizon at an established level of confidence. This assumes no change in the firm's trading positions over the relevant time period.

Actual realized market risk losses may differ from those implied by our VaR for a variety of reasons. For example, the historical period used in creating our VaR measure may include fluctuations in market rates and prices that differ from those in the future; our VaR measure is calibrated to a specified level of confidence and may not indicate potential losses beyond this confidence level and the impact on revenue of a market move may differ from that assumed by our VaR model. All VaR measures are subject to limitations and must be interpreted accordingly.

As a complement to VaR, we run macro stress scenarios bringing together various combinations of macro-economic and market moves to reflect the most common types of potential stress events, and more targeted stress tests for concentrated exposures and vulnerable portfolios.

The tables on the next page show our 1-day 95% management VaR for the Group and the Investment Bank. The Investment Bank's average management VaR in the first quarter increased moderately to CHF 73 million compared with CHF 66 million in the fourth quarter of 2010, primarily due to an increase in credit spread risk. Period-end Investment Bank VaR was higher at CHF 71 million on 31 March 2011, compared with CHF 68 million on 31 December 2010. Credit spread risk continued to be the dominant component of our VaR.

VaR for the Group as a whole followed a similar pattern to Investment Bank VaR.

Backtesting

Backtesting compares 1-day 99% regulatory VaR calculated on positions at the close of each business day with the revenues generated by those positions on the following business day. Backtesting revenues exclude non-trading revenues, such as fees and commissions, and estimated revenues from intraday trading. A backtesting exception occurs when backtesting revenues are negative and the absolute value of those revenues is greater than the previous day's VaR. We did not have any backtesting exceptions in the first quarter of 2011.

Group: value-at-risk (1-day, 95% confidence, 5 years of historical data)

	For the quarter ended 31.3.11				For the quarter ended 31.12.10			
CHF million	**Min.**	**Max.**	**Average**	**31.3.11**	Min.	Max.	Average	31.12.10
Business divisions and Corporate Center								
Investment Bank	**64**	**89**	**73**	**71**	48	78	66	68
Wealth Management & Swiss Bank	**0**	**0**	**0**	**0**	0	0	0	0
Wealth Management Americas	**1**	**1**	**1**	**1**	1	2	2	1
Global Asset Management	**0**	**0**	**0**	**0**	0	0	0	0
Corporate Center	**4**	**9**	**6**	**5**	4	22	11	5
Diversification effect	[1]	[1]	**(6)**	**(5)**	[1]	[1]	(12)	(7)
Total management VaR, Group[2]	**66**	**92**	**74**	**72**	49	76	67	68
Diversification effect (%)			**(8)**	**(6)**			(15)	(9)

1 As the minimum and maximum occur on different days for different business divisions, it is not meaningful to calculate a portfolio diversification effect. 2 Includes all positions subject to internal management VaR limits.

Investment Bank: value-at-risk (1-day, 95% confidence, 5 years of historical data)

	For the quarter ended 31.3.11				For the quarter ended 31.12.10			
CHF million	**Min.**	**Max.**	**Average**	**31.3.11**	Min.	Max.	Average	31.12.10
Risk type								
Equities	**13**	**21**	**17**	**15**	14	26	20	17
Interest rates	**21**	**31**	**25**	**26**	21	44	29	23
Credit spreads	**59**	**75**	**68**	**66**	55	70	63	59
Foreign exchange	**4**	**17**	**7**	**12**	4	15	8	6
Energy, metals and commodities	**3**	**10**	**5**	**6**	2	8	4	7
Diversification effect	[1]	[1]	**(49)**	**(54)**	[1]	[1]	(58)	(43)
Total management VaR, Investment Bank[2]	**64**	**89**	**73**	**71**	48	78	66	68
Diversification effect (%)			**(40)**	**(43)**			(47)	(39)

1 As the minimum and maximum occur on different days for different risk types, it is not meaningful to calculate a portfolio diversification effect. 2 Includes all positions subject to internal management VaR limits.

Non-trading portfolios

For the purpose of our disclosure, the market risks associated with our non-trading portfolios are quantified using sensitivity analysis. This includes an aggregate measure of our exposures to interest rate risk in the banking book as disclosed in our Annual Report 2010 and specific sensitivity information disclosed below for certain significant instrument categories that are not included in our management VaR.

Non-trading portfolios – valuation and sensitivity information by instrument category

Credit valuation adjustments on monoline credit protection

We previously entered into negative basis trades with monolines, whereby they provided credit default swap protection against UBS-held underlyings, including residential and commercial mortgage-backed securities collateralized debt obligations (RMBS and CMBS CDO), transactions with collateralized loan obligations (CLO), and asset-backed securities collateralized debt obligations (ABS CDO). Since the start of the financial crisis, the credit valuation adjustments (CVA) relating to these monoline exposures have been a source of valuation uncertainty, given market illiquidity and the contractual terms of these exposures relative to other monoline-related instruments.

CVA amounts related to monoline credit protection are based on a methodology that uses credit default swap (CDS) spreads on the monolines as a key input in determining an implied level of expected loss. Where a monoline has no observable CDS spread, a judgment is made on the most comparable monoline or combination of monolines and the corresponding spreads are used instead. For RMBS CDO, CMBS CDO, and CLO asset categories, cash flow projections are used in conjunction with current fair values of the underlying assets to provide estimates of expected future exposure levels. For other asset categories, future exposure is derived from current exposure levels.

To assess the sensitivity of the monoline CVA calculation to alternative assumptions, the impact of a 10% increase in monoline credit default swap spreads (e.g. from 1,000 basis points to 1,100 basis points for a specific monoline) was considered. On 31 March 2011, such an increase would have resulted in an increase in the monoline credit valuation adjustment of USD 40 million (CHF 37 million; 31 December 2010: USD 45 million or CHF 42 million).

The sensitivity of the monoline CVA to a decrease of 1 percentage point in the monoline recovery rate assumptions (e.g. from 35% to 34% for a specific monoline, conditional on default occurring) is estimated to result in an increase of approximately USD 9 million (CHF 8 million; 31 December 2010: USD 9 million or CHF 8 million) in the CVA. The sensitivity to credit spreads and recovery rates is linear.

US reference-linked notes (RLN)

The US reference-linked notes (RLN) consist of a series of transactions whereby we purchased credit protection, predominantly in note form, on a notional portfolio of fixed income assets. The referenced assets are comprised of USD asset-backed securities (ABS). These are primarily commercial mortgage-backed securities and subprime residential mortgage-backed securities and/or corporate bonds and loans across all rating categories. While the assets in the portfolio are marked-to-market, the credit protection embodied in the RLNs is fair valued using a market standard approach to the valuation of portfolio credit protection (Gaussian copula). This approach is intended to effectively simulate correlated defaults within the portfolio, where the expected losses and defaults of the individual assets are closely linked to the observed market prices (spread levels) of those assets. Key assumptions of the model include correlations and recovery rates. We apply fair value adjustments related to potential uncertainty in each of these parameters, which are only partly observable. In addition, we apply fair value adjustments for uncertainties associated with the use of observed spread levels as the primary inputs. These fair value adjustments are calculated by applying shocks to the relevant parameters and revaluing the credit protection. These shocks for correlation, recovery and spreads are set to various levels depending on the asset type and / or region and may vary over time depending on the best judgment of the relevant trading and control personnel. Correlation and recovery shocks are generally in the reasonably possible range of 5 to 15 percentage points. Spread shocks vary more widely and depend on whether the underlying protection is funded or unfunded to reflect cash or synthetic basis effects.

There were further redemptions across the US RLN program in first quarter 2011. On 31 March 2011, the fair value of the US RLN credit protection was approximately USD 521 million (CHF 477 million; 31 December 2010: USD 629 million or CHF 588 million). This fair value includes fair value adjustments which were calculated by applying the shocks described above of approximately USD 29 million (CHF 27 million; 31 December 2010: USD 31 million or CHF 29 million). The fair value adjustments may also be considered a measurement of sensitivity.

Non-US reference-linked notes

The same valuation model and the same approach to calculation of fair value adjustments are applied to the non-US RLN credit protection and the US RLN credit protection as described above, except that the spread is shocked by 10% for European corporate names.

On 31 March 2011, the fair value of the non-US RLN credit protection was approximately USD 573 million (CHF 525 million; 31 December 2010: USD 660 million or CHF 616 million). This fair value includes fair value adjustments which were calculated by applying the shocks described above of approximately USD 62 million (CHF 57 million; 31 December 2010: USD 72 million or CHF 67 million). This adjustment may also be considered a measurement of sensitivity.

Option to acquire equity of the SNB StabFund

Our option to purchase the SNB StabFund's equity is recognized on the balance sheet as a derivative at fair value (positive replacement values) with changes to fair value recognized in profit and loss. On 31 March 2011, the fair value (after adjustments) of the call option held by UBS was approximately USD 2,112 million (CHF 1,935 million; 31 December 2010: USD 1,906 million or CHF 1,781 million).

The model incorporates cash flow projections for all assets within the fund across various scenarios. It is calibrated to market levels by setting the spread above one-month LIBOR rates used to discount future cash flows such that the model-generated price of the underlying asset pool equals our assessed fair value of the asset pool. The model incorporates a model reserve (fair value adjustment) to address potential uncertainty in this calibration. On 31 March 2011, this adjustment was USD 227 million (CHF 208 million; 31 December 2010: USD 250 million or CHF 234 million).

On 31 March 2011, a 100-basis-point increase in the discount rate would have decreased the option value by approximately USD 173 million (CHF 159 million; on 31 December 2010: USD 167 million or CHF 156 million), and a 100-basis-point decrease would have increased the option value by approximately USD 192 million (CHF 176 million; on 31 December 2010: USD 188 million or CHF 176 million).

Risk concentrations

Based on our assessment of our portfolios and asset classes with potential for material loss in a stress scenario that we consider most relevant to the current environment, we believe that our exposures to monoline insurers and student loan ARS as shown below can be considered risk concentrations.

It is possible that material losses could occur on asset classes, positions and hedges other than those disclosed in this section of the report, particularly if the correlations that emerge in a stressed environment differ markedly from those we had anticipated. We are exposed to price risk, basis risk, credit spread risk, default risk, and other idiosyncratic and correlation risks on both equities and fixed income inventories. We are also exposed to price risk on our option to acquire the SNB StabFund's equity.

➔ **Refer to "Non-trading portfolios – valuation and sensitivity information by instrument category" above for more information**

In addition, we have lending, counterparty and country risk exposures that could sustain significant losses if economic conditions were to worsen.

➔ **Refer to the discussion of market risk and credit risk as well as to the "Risk and treasury management" section of our Annual Report 2010 for more information on the risks to which we are exposed**

Exposure to monoline insurers

The vast majority of our direct exposures with monoline insurers arise from OTC derivative contracts, mainly CDS purchased to hedge specific positions. The table on the next page shows the CDS protection purchased from monoline insurers to hedge specific positions.

Exposure under CDS contracts to monoline insurers is calculated as the sum of the fair values of individual CDS after CVA. Changes in CVA result from changes in CDS fair value. This, in turn, arises from changes in the fair value of the instruments against which protection has been purchased, and also by movements in monoline credit spreads.

➔ **Refer to the discussion of "Non-trading portfolios – valuation and sensitivity information by instrument category" for more information**

On 31 March 2011, based on fair values, approximately 72% of the assets included in the table "Exposure to monoline insurers, by rating" were CLO, 26% were collateralized commercial mortgage-backed securities and other asset-backed security CDO, and only 2% were US RMBS CDO. The vast majority of the CLO positions were rated AA and above.

On 31 March 2011, the total fair value of CDS protection purchased from monoline insurers was USD 1.3 billion after cumulative CVA of USD 0.9 billion. The changes reported in the table "Exposure to monoline insurers, by rating" do not equal the profit or loss associated with this portfolio in the first quarter as a significant portion of the underlying assets are classified as *Loans and receivables* for accounting purposes.

In addition to credit protection purchased on the positions detailed in the table "Exposure to monoline insurers, by rating", UBS held direct derivative exposure to monoline insurers of USD 236 million after CVA of USD 131 million on 31 March 2011.

Exposure to student loan auction rate securities

Our inventory of student loan ARS decreased slightly to USD 9.7 billion on 31 March 2011 from USD 9.8 billion on 31 December 2010, after factoring in sales and redemptions by issuers.

Approximately 77% of the collateral underlying our inventory of student loan ARS is currently backed by Federal Family Education Loan Program guaranteed collateral, which is reinsured by the US Department of Education for no less than 97% of principal and interest. All of our student loan ARS positions are held as *Loans and receivables.* Each position is subject to a quarterly impairment test that includes a review of performance reports for each issuing trust. Overall, we reported net credit losses of USD 5 million (CHF 5 million) in the first quarter due to further impairments on our inventory of student loan ARS.

Based on par values, our remaining buy-back commitments amounted to USD 9 million on 31 March 2011. As of next quarter, we will cease reporting the remaining buy-back commitments, as the amount is no longer material.

➔ **Refer to the "Group results" section of this report for more information on credit loss expense / recovery in the first quarter**

Exposure to monoline insurers, by rating[1]

	31.3.11				
	Notional amount[3]	Fair value of underlying assets	Fair value of CDS prior to credit valuation adjustment	Credit valuation adjustment	Fair value of CDS after credit valuation adjustment
USD million	Column 1	Column 2	Column 3 (=1–2)	Column 4	Column 5 (=3–4)
Credit protection on US sub-prime residential mortgage-backed securities (RMBS) CDO high grade, from monolines rated sub-investment grade (BB and below)[2]	**744**	**212**	**532**	**382**	**149**
Credit protection on other assets[2]	**11,276**	**9,560[4]**	**1,716**	**565**	**1,151**
of which: from monolines rated investment grade (BBB and above)	*2,285*	*2,060*	*225*	*41*	*184*
of which: from monolines rated sub-investment grade (BB and below)	*8,991*	*7,499*	*1,491*	*524*	*967*
Total 31.3.11	**12,020**	**9,772**	**2,248**	**948**	**1,300**
Total 31.12.10	11,906	9,206	2,699	1,087	1,612

1 Excludes the benefit of credit protection purchased from unrelated third parties. 2 Categorization based on the lowest insurance financial strength rating assigned by external rating agencies. 3 Represents gross notional amount of credit default swaps (CDS) purchased as credit protection. 4 Includes USD 6.2 billion (CHF 5.7 billion) at fair value / USD 5.8 billion (CHF 5.3 billion) at carrying value of assets that were reclassified to Loans and receivables from Held for trading in the fourth quarter of 2008. Refer to "Note 12 Reclassification of financial assets" in the "Financial information" section of this report for more information.

Student loan ARS inventory

	Carrying value	
USD million	**31.3.11**	31.12.10
US student loan ARS	**9,668[1]**	9,784

1 Includes USD 4.5 billion (CHF 4.1 billion) at carrying value of student loan ARS that were reclassified to Loans and receivables from Held for trading in the fourth quarter of 2008. Refer to "Note 12 Reclassification of financial assets" in the "Financial information" section of this report for more information.

Balance sheet

On 31 March 2011, our balance sheet stood at CHF 1,291 billion, down by CHF 26 billion from 31 December 2010. Our funded assets, which exclude positive replacement values, increased by CHF 17 billion, as higher trading activity (collateral trading and trading portfolio assets) increased our funded assets by approximately CHF 22 billion. Currency movements deflated our funded assets by CHF 4 billion.

Balance sheet positions disclosed in this section represent quarter-end positions. Intra-quarter balance sheet positions may be different.

➔ **Refer to the table "FINMA leverage ratio" in the "Capital management" section of this report for our average month-end balance sheet size for the quarter**

Assets

Product category view

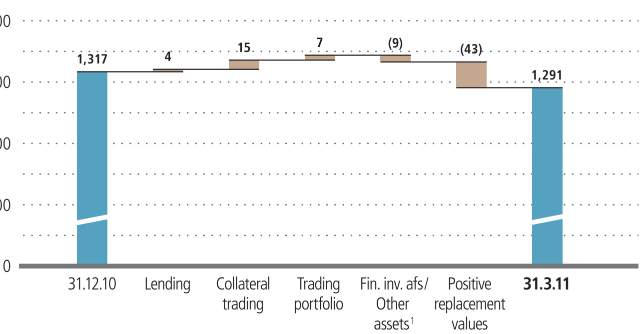
Replacement values (RVs) decreased by similar amounts on both sides of the balance sheet, as market and currency movements drove down positive replacement values 11%, or CHF 43 billion. Other assets declined by CHF 9 billion, primarily due to lower financial investments available-for-sale, current accounts arising from cash collateral receivables on derivative instruments and prime brokerage balances. These declines were partially offset by collateral trading assets, which rose by CHF 15 billion, mainly attributable to business growth within the Investment Bank. Trading portfolio assets increased by CHF 7 billion to CHF 236 billion, primarily in equity instruments, mainly due to higher market valuations. Lending assets rose by CHF 4 billion due to increased loans to wealth management clients.

Divisional view

Much of our total asset reduction originated in the Investment Bank, as the abovementioned change in positive replacement values contributed significantly to the business division's CHF 16 billion balance sheet decline to CHF 951 billion. The CHF 17 billion increase in funded assets stemmed almost entirely from the Investment Bank. The balance sheet assets of Retail & Corporate (CHF 144 billion) declined by CHF 9 billion, mainly related to an internal transfer of excess cash placed at central banks to the Investment Bank. The balance sheet sizes of Wealth Management (CHF 96 billion), Wealth Management Americas (CHF 49 billion), Corporate Center (CHF 36 billion), and Global Asset Management (CHF 16 billion) all remained relatively stable.

First quarter of 2011 asset development

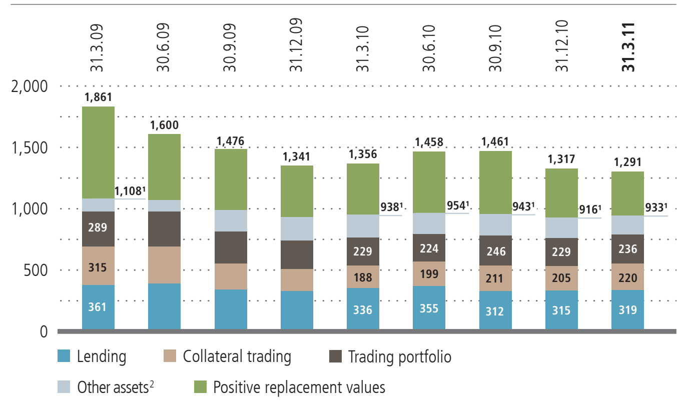
CHF billion



1 Including cash collateral receivables on derivative instruments.

Balance sheet development – assets

CHF billion



1 Total balance sheet excluding positive replacement values.
2 Including cash collateral receivables on derivative instruments.

Liabilities

The increase in funded assets was mainly financed by additional secured funding, as repurchase agreements rose by CHF 22 billion. In unsecured borrowing, interbank deposits fell by CHF 7 billion mainly within fixed deposits in the Investment Bank and to a lesser extent, current accounts within Wealth Management & Swiss Bank. Our customer deposits rose by CHF 3 billion, mainly due to growth within current accounts as well as personal and savings accounts in our Wealth Management & Swiss Bank business, which contributed CHF 12 billion to the increase. These increases were partially offset by a decline in our wholesale deposits, which fell by CHF 8 billion. Financial liabilities designated at fair value rose by CHF 2 billion on higher market valuations of equity-linked notes. The balance of debt issued remained stable at CHF 131 billion. Finally, the decline in other liabilities of CHF 3 billion was primarily related to lower variation margins received for collateralized OTC derivative transactions.

➔ **Refer to the "Liquidity and funding" section of this report for more information**

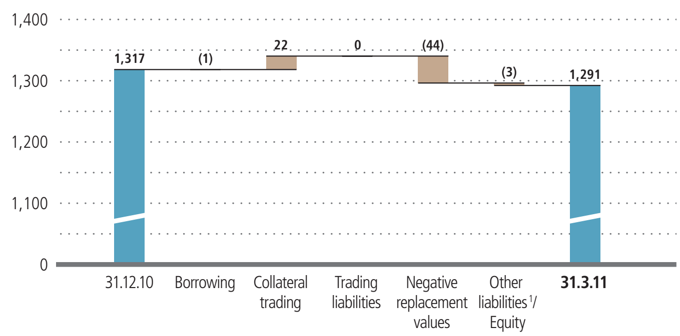
Equity

Equity attributable to UBS shareholders remained largely stable at CHF 46.7 billion, as the quarterly net profit of CHF 1.8 billion and other positive effects of CHF 0.2 billion recognized directly in equity were offset by the negative effect of equity compensation plans of CHF 1.2 billion and other comprehensive income losses of CHF 0.9 billion.

➔ **Refer to the "Statement of changes in equity" in the "Financial information" section, and to "Comprehensive income attributable to UBS shareholders: 1Q11 vs 4Q10" in the "Group results" section of this report for more information**

First quarter of 2011 liabilities and equity development

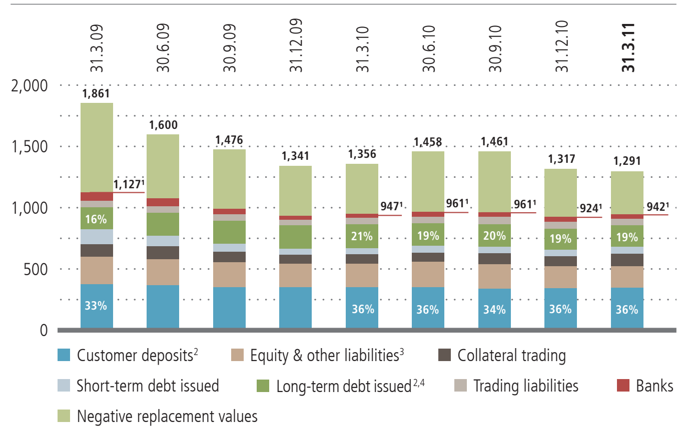
CHF billion



1 Including cash collateral payables on derivative instruments.

Balance sheet development – liabilities and equity

CHF billion



1 Total balance sheet excluding negative replacement values. 2 Percentages based on total balance sheet size excluding negative replacement values. 3 Including cash collateral payables on derivative instruments. 4 Including financial liabilities designated at fair value.

Liquidity and funding

We continued to maintain a sound liquidity position and a diversified portfolio of funding sources. The CHF 17 billion rise in funded assets in the first quarter was predominantly funded on a secured basis. There was a shift of unsecured funding from wholesale deposits into Wealth Management client cash deposits.

Market liquidity overview: the first quarter of 2011

The year started positively for funding markets, with substantial volumes of new public long-term debt issued by financial institutions, especially in January. Issuance markets remained resilient throughout the quarter despite several adverse factors, such as: ongoing sovereign debt concerns within certain eurozone countries and accompanying rating downgrades; continued uncertainty around regulatory developments for financial institutions; the uncertain economic outlook of major developed economies; geopolitical tensions in the Middle East and North African region and the events in Japan. We saw a further tightening in our secondary bond spreads and other credit risk premiums in the first quarter, compared with the end of the prior quarter.

Liquidity

We continuously monitor our liquidity position and asset/liability profile. This involves modeling cash flow maturity profiles under both contractual and behavioral expectations and projecting our liquidity exposures under various stress scenarios. The results are then factored into our overall contingency plans. The underlying assumptions in the analysis reflect the general characteristics of the recent financial crisis, including strong investor risk aversion, dislocation of the money markets and a substantial reduction of market liquidity for all but a few select asset classes. The severity of the assumptions underlying our current stress scenario analysis reflects – and in some cases exceeds – our experience during the recent financial crisis.

We seek to preserve at all times a prudent liquidity and funding profile, a balanced asset/liability profile and robust contingency planning processes. We continue to maintain a substantial multi-currency portfolio of unencumbered high-quality short-term assets.

Funding

Our portfolio of liabilities is broadly diversified by market, product and currency. The diversification of our liability portfolio improved during the quarter as the percentage of secured funding via repurchase agreements rose (as shown in the "UBS: funding by product and currency" table) and a portion of cash deposits shifted from wholesale to wealth management client deposits. We raise funds via numerous short-, medium- and long-term funding programs, which allow institutional and private investors in Europe, the US and Asia Pacific to customize their investments in UBS. These broad product offerings, and the global scope of our business activities, are the primary reasons for our funding stability to date. Our wealth management businesses continue to represent a significant, cost-efficient and reliable source of funding. These businesses provided an additional CHF 11 billion of funding from increased cash deposits in the first quarter. Overall they contributed CHF 316 billion, or 94%, of the CHF 335 billion total customer deposits shown in the "UBS asset funding" graph, compared with 92% at the prior quarter-end.

Our outstanding long-term debt, including financial liabilities at fair value, increased by CHF 4 billion during the quarter to CHF 179 billion (constituting 19% of our balance sheet liabilities and total equity, excluding negative replacement values, or 22% of our funding sources as shown in the "UBS: funding by product and currency" table). In the first quarter, we issued USD 1.75 billion of public benchmark bonds and raised approximately CHF 0.5 billion via Swiss Pfandbriefe, in addition to funds we raised through medium-term note issuances and private placements. Senior unsecured public bonds totaling approximately CHF 0.5 billion equivalent matured in the first quarter, as did approximately CHF 0.4 billion of Swiss Pfandbriefe. In March 2011, we announced the redemption of USD 1.6 billion of lower tier 2 subordinated bonds which were redeemed on 18 April 2011. Our interbank deposits declined by CHF 7 billion, compared with the prior quarter-end, and our outstanding money market paper issuances remained fairly stable at CHF 55 billion.

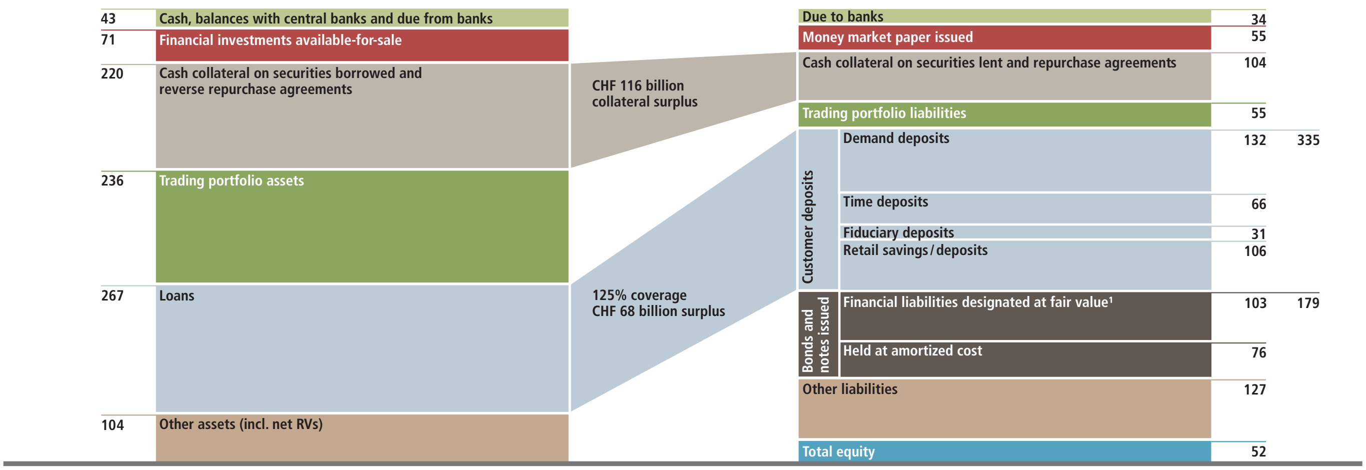
As of 31 March 2011, our coverage ratio of customer deposits to our outstanding loan balance was 125%, stable when compared with our 31 December 2010 position.

In terms of secured funding (i.e. repurchase agreements and securities lent against cash collateral received) at the close of the first quarter, we borrowed CHF 116 billion less cash on a collateralized basis than we lent, a decline of CHF 8 billion when compared with the year-end 2010 balance of CHF 124 billion.

UBS asset funding

CHF billion, except where indicated

As of 31.3.11



1 Including compound debt instruments – OTC.

UBS: funding by product and currency

	All currencies		CHF		EUR		USD		Others	
In % [1]	**31.3.11**	31.12.10	**31.3.11**	31.12.10	**31.3.11**	31.12.10	**31.3.11**	31.12.10	**31.3.11**	31.12.10
Securities lending	**0.9**	0.9	**0.0**	0.0	**0.2**	0.2	**0.5**	0.6	**0.2**	0.1
Repurchase agreements	**12.1**	9.6	**1.0**	1.0	**1.8**	1.4	**8.5**	6.4	**0.9**	0.8
Interbank	**4.3**	5.3	**1.0**	1.1	**0.5**	0.6	**0.7**	1.3	**2.1**	2.3
Money market paper	**6.9**	7.2	**0.2**	0.2	**0.5**	0.7	**5.6**	5.7	**0.6**	0.6
Retail savings / deposits	**13.3**	13.4	**9.3**	9.3	**0.8**	0.8	**3.2**	3.3	**0.0**	0.0
Demand deposits	**16.5**	15.6	**6.1**	5.9	**3.2**	3.1	**5.0**	4.5	**2.2**	2.1
Fiduciary	**3.9**	3.9	**0.2**	0.2	**1.1**	1.1	**2.1**	2.1	**0.5**	0.6
Time deposits	**8.3**	9.6	**0.5**	0.5	**1.1**	1.2	**3.8**	5.3	**2.9**	2.6
Long-term debt	**22.4**	22.4	**3.1**	3.2	**8.0**	8.0	**8.2**	8.0	**3.1**	3.2
Cash collateral payables on derivative instruments	**6.8**	7.5	**0.2**	0.2	**2.8**	3.2	**2.9**	3.2	**0.9**	0.9
Prime brokerage payables	**4.7**	4.7	**0.1**	0.1	**0.5**	0.5	**3.3**	3.4	**0.7**	0.7
Total	**100.0**	100.0	**21.6**	21.5	**20.5**	20.7	**43.8**	43.9	**14.1**	13.9

1 As a percent of total funding sources defined as the CHF 799 billion and CHF 782 billion respectively on the balance sheet as of 31 March 2011 and 31 December 2010, comprising repurchase agreements, securities lending against cash collateral received, due to banks, money market paper issued, due to customers, long-term debt (including financial liabilities at fair value) and cash collateral on derivative transactions and prime brokerage payables.

Capital management

The increase in our regulatory capital more than compensated for an increase in risk-weighted assets, improving our BIS tier 1 capital ratio to 17.9% on 31 March 2011, compared with the previous quarter. Regulatory proposals were finalized by the Basel Committee on Banking Supervision, and the consultation period ended for the draft legislation based on the recommendations of the Swiss Expert Commission, which was published by the Swiss Federal Council.

Regulatory developments

Public consultation on Swiss legislative proposals on "Too big to fail"

On 22 December 2010, the Swiss Federal Council launched a consultation on the "too big to fail" legislative proposals. The draft contains the measures recommended by the Commission of Experts, which form the heart of the proposals. There were two additional elements compared with the Commission's final report: (i) proposed legal changes to grant tax relief for the Swiss capital market, and (ii) a paragraph that empowers the Federal Council to rule on variable compensation for bank employees in case of future government support for a bank. The consultation ended on 23 March 2011 and, after consolidation, the papers will enter the parliamentary process.

We have filed a comprehensive consultation response. Overall, we support the measures aimed at enhancing the safety of the Swiss financial center. However, we take the view that important elements of the legislative proposals and the related regulatory scheme will need to be adjusted to be more compatible with regulatory developments in other major financial centers. These include capital requirements that are much higher than the proposed international standard and also the linkage of capital and resolution measures.

➔ **Refer to the sidebar on "Regulatory and legislative responses to the financial crisis" in the "Group results" section of this report for more information**

Enhanced Basel II market risk framework

The revisions to the Basel II market risk framework (commonly referred to as Basel 2.5) primarily introduce new capital requirements to incorporate effects of "stressed markets". The new requirements will lower our BIS tier 1 and total capital and lead to higher BIS risk-weighted assets (RWA). In line with the BIS transition requirement, the impact of the enhanced Basel II market risk framework will be included in the financial statement disclosures as of 31 December 2011.

Based on 31 March 2011 exposures, our BIS RWA were higher by CHF 75.6 billion. The increased RWA is composed of a new incremental risk charge which accounts for default and rating migration risk of trading book positions (CHF 32 billion of RWA), an additional stressed VaR requirement taking into account a one year observation period relating to significant losses (CHF 30 billion of RWA), a comprehensive risk measure requirement (CHF 12 billion of RWA) and a revised requirement for securitization positions held for trading that will attract banking book capital charges as well as higher risk weights for resecuritization exposures (CHF 9 billion of RWA), to better reflect the inherent risk in these products. These increases were partially offset by a RWA relief in VaR of CHF 7 billion. Furthermore, our BIS tier 1 capital was lower by CHF 1.2 billion and our BIS total capital was lower by CHF 2.4 billion. As a result, our pro forma BIS tier 1 capital ratio including the effects of the enhanced Basel II market risk framework was 12.6%, our BIS core tier 1 capital ratio was 11.0% and our BIS total capital ratio stood at 13.3%.

Capital ratios

On 31 March 2011, our BIS tier 1 capital ratio stood at 17.9% (compared with 17.8% on 31 December 2010), and our BIS core tier 1 capital ratio stood at 15.6% (up from 15.3% on 31 December 2010). Our BIS tier 1 capital increased by CHF 1.1 billion to CHF 36.4 billion, while RWA increased by CHF 4.5 billion to CHF

203.4 billion. Our BIS total capital ratio was 19.4% on 31 March 2011, down from 20.4% on 31 December 2010, mainly as a result of the exclusion from eligible capital of the USD 1.6 billion subordinated bond (lower tier 2 capital).

Risk-weighted assets

To facilitate comparability, we publish RWA according to the Basel II Capital Framework (BIS guidelines). However, our RWA for supervisory purposes are based on FINMA regulations, and are higher than under the BIS guidelines. The main difference as of 31 March 2011 relates to the FINMA implementation as of 1 January 2011 of the enhanced Basel II market risk framework.

The BIS RWA increase of CHF 4.5 billion in the first quarter was primarily related to a rise in market risk RWA of CHF 4.6 billion mainly related to increased credit spread exposures, and higher credit risk RWA of CHF 1.9 billion, mainly due to higher exposures. In addition, certain securitizations that were downgraded were excluded from the RWA calculation but resulted in higher capital deduction items. Furthermore, operational risk RWA decreased by CHF 2.0 billion due to enhancements made to our model.

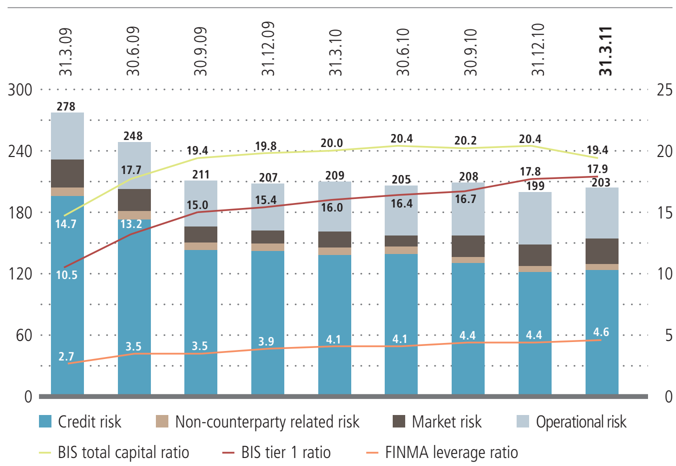
Eligible capital

Eligible BIS tier 1 capital is determined by making specific adjustments to equity attributable to UBS shareholders as defined by IFRS and disclosed on our balance sheet. The most notable adjustments are the deductions for goodwill, intangible assets, investments in unconsolidated entities engaged in banking and financial activities, and own credit effects on liabilities designated at fair value.

Further, we have excluded the floating-rate USD 1.6 billion subordinated bond redeemed on 18 April 2011, and have established a USD 0.5 billion reserve for the hybrid tier 1 instrument, callable on 26 June 2011, subject to FINMA approval.

Capital ratios and RWA

CHF billion *Ratio in %*



BIS tier 1 capital

The CHF 1.1 billion increase in BIS tier 1 capital reflects the CHF 1.8 billion first quarter net profit recognized under IFRS plus CHF 0.1 billion related to own credit losses, which are reversed for capital purposes as well as CHF 0.4 billion related to share-based compensation. These items were partially offset by increased deductions for securitization exposures of CHF 0.5 billion, a reserve for the USD 0.5 billion hybrid tier 1 instrument callable on 26 June 2011, subject to FINMA approval, and CHF 0.2 billion of other impacts.

BIS tier 2 capital

Our BIS tier 2 capital declined by CHF 2.1 billion to CHF 3.2 billion. This reduction is mainly due to the aforementioned exclusion from capital of the USD 1.6 billion subordinated bond and higher deductions of low-rated securitization exposures.

Capital adequacy

CHF million, except where indicated	**31.3.11**	31.12.10	31.3.10
BIS core tier 1 capital	**31,818**	30,420	26,242
BIS tier 1 capital	**36,379**	35,323	33,404
BIS total capital	**39,542**	40,542	41,820
BIS core tier 1 capital ratio (%)	**15.6**	15.3	12.5
BIS tier 1 capital ratio (%)	**17.9**	17.8	16.0
BIS total capital ratio (%)	**19.4**	20.4	20.0
BIS risk-weighted assets	**203,361**	198,875	209,138
of which: credit risk[1]	***121,854***	*119,919*	*137,368*
of which: non-counterparty related risk	***6,153***	*6,195*	*6,821*
of which: market risk	***25,389***	*20,813*	*15,904*
of which: operational risk	***49,964***	*51,948*	*49,046*

1 Includes securitization exposures and equity exposures not part of the trading book and capital requirements for settlement risk (failed trades).

Capital components

CHF million	31.3.11	31.12.10	31.3.10
BIS core tier 1 capital prior to deductions	46,631	46,365	41,177
of which: paid-in share capital	*383*	*383*	*383*
of which: share premium, retained earnings, currency translation differences and other elements	*46,248*	*45,982*	*40,794*
Less: treasury shares / deduction for own shares[1]	(1,438)	(2,993)	(1,053)
Less: goodwill & intangible assets	(9,649)	(9,822)	(11,111)
Less: securitization exposures[2]	(2,922)	(2,385)	(2,106)
Less: other deduction items[3]	(803)	(744)	(664)
BIS core tier 1 capital	31,818	30,420	26,242
Hybrid tier 1 capital	4,561	4,903	7,162
of which: non-innovative capital instruments	*1,569*	*1,523*	*1,734*
of which: innovative capital instruments	*2,991*	*3,380*	*5,429*
BIS tier 1 capital	36,379	35,323	33,404
Upper tier 2 capital	85	110	104
Lower tier 2 capital	6,803	8,239	11,082
Less: securitization exposures[2]	(2,922)	(2,385)	(2,106)
Less: other deduction items[3]	(803)	(744)	(664)
BIS total capital	39,542	40,542	41,820

1 Consists of: i) net long position in own shares held for trading purposes; ii) own shares bought for unvested or upcoming share awards; and iii) accruals built for upcoming share awards. 2 Includes a 50% deduction of the fair value of our option to acquire the SNB StabFund's equity (CHF 1,935 million on 31.3.11 and CHF 1,781 million on 31.12.10). 3 Positions to be deducted as 50% from tier 1 and 50% from total capital mainly consist of: i) net long position of non-consolidated participations in the finance sector; ii) expected loss on advanced internal ratings-based portfolio less general provisions (if difference is positive); and iii) expected loss for equities (simple risk weight method).

FINMA leverage ratio

FINMA requires a minimum leverage ratio of 3% at the Group level, with the expectation that the ratio will exceed this level during normal times. These targets are to be achieved by 1 January 2013 at the latest. Our ratio for the first quarter improved to 4.6%, due to a 2.8% decrease of total adjusted assets which outweighed the slight decrease of FINMA tier 1 capital. The table on the next page shows the calculation of our Group FINMA leverage ratio.

Equity attribution

Our equity attribution framework aims to guide each business towards activities that appropriately balance profit potential, risk and capital usage. The design of the framework, which includes some forward-looking elements, enables us to calculate and assess return on attributed equity (RoaE) in each of our business divisions, and integrates Group-wide capital management activities with those at a business division level.

➔ **Refer to the "Capital management" section of our Annual Report 2010 for further information**

The amount of equity attributed to the Investment Bank and Wealth Management & Swiss Bank increased by CHF 2 billion and CHF 1 billion, respectively, compared with the fourth quarter of 2010. The increase in the Investment Bank was influenced by RWA increases related to the implementation of the enhanced Basel II market risk framework as well as the business division growth plans. The increase in Wealth Management & Swiss Bank was due to the expectation that the capital requirement for this business will increase, taking into account current regulatory trends and capital positions of relevant competitors. The "Average attributed equity" table indicates that a total of CHF 52.5 billion of average equity was attributed to our business divisions as well as Corporate Center in the first quarter. Equity attributable to UBS shareholders averaged CHF 46.8 billion during the quarter, which resulted in a deficit of CHF 5.7 billion.

UBS shares

Total UBS shares issued increased by 729,473 shares in the first quarter, due to the exercise of employee options. We hold our own shares primarily to hedge employee share and option participation plans. A smaller number are held by the Investment Bank in its capacity as a market-maker in UBS shares and related derivatives. Treasury shares decreased by 10,501,978 shares in the first quarter, mainly due to the delivery of shares for employee plans.

FINMA leverage ratio

CHF billion, except where indicated	**Average 1Q11**	Average 4Q10	Average 1Q10
Total balance sheet assets (IFRS)[1]	**1,302.1**	1,398.5	1,410.8
Less: netting of replacement values[2]	**(334.9)**	(410.1)	(396.6)
Less: loans to Swiss clients (excluding banks)[3]	**(163.0)**	(161.6)	(161.3)
Less: cash and balances with central banks	**(18.2)**	(20.1)	(29.1)
Less: other[4]	**(13.8)**	(12.4)	(12.9)
Total adjusted assets	**772.1**	794.2	810.8
FINMA tier 1 capital (at quarter end)[5]	**35.2**	35.3	33.4
FINMA leverage ratio (%)	**4.6**	4.4	4.1

1 Total assets are calculated as the average of the month-end values for the three months in the calculation period. 2 Includes the impact of netting agreements (including cash collateral) in accordance with Swiss Federal Banking Law, based on the IFRS scope of consolidation. 3 Includes mortgage loans to international clients for properties located in Switzerland. 4 Refer to the "Capital components" table for more information on deductions of assets from BIS tier 1 capital. 5 As of 31 March 2011, FINMA tier 1 capital was CHF 1.2 billion lower than BIS tier 1 capital due to the early adoption by FINMA as of 1 January 2011 of the enhanced Basel II market risk framework.

Average attributed equity

CHF billion	**1Q11**	4Q10	1Q10
Wealth Management	**5.0**	4.4	4.4
Retail & Corporate	**5.0**	4.6	4.6
Wealth Management & Swiss Bank	**10.0**	9.0	9.0
Wealth Management Americas	**8.0**	8.0	8.0
Global Asset Management	**2.5**	2.5	2.5
Investment Bank	**29.0**	27.0	24.0
Corporate Center	**3.0**	3.0	2.0
Average equity attributed to the business divisions	**52.5**	49.5	45.5
Surplus / (deficit)	**(5.7)**	(2.2)	(3.6)
Average equity attributable to UBS shareholders	**46.8**	47.3	41.9

UBS shares

	31.3.11	31.12.10	Change from 31.12.10
Ordinary shares issued	**3,831,569,986**	3,830,840,513	729,473
Issue of shares for employee options			*729,473*
Treasury shares	**28,390,053**	38,892,031	(10,501,978)
Shares outstanding	**3,803,179,933**	3,791,948,482	11,231,451

Financial information

Unaudited

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Financial statements (unaudited)

Income statement

		For the quarter ended			% change from	
CHF million, except per share data	Note	31.3.11	31.12.10	31.3.10	4Q10	1Q10
Continuing operations						
Interest income	3	4,578	4,591	4,798	0	(5)
Interest expense	3	(2,796)	(2,888)	(2,980)	(3)	(6)
Net interest income	3	1,781	1,703	1,818	5	(2)
Credit loss (expense) / recovery		3	(164)	116		
Net interest income after credit loss expense		1,784	1,539	1,934	16	(8)
Net fee and commission income	4	4,240	4,444	4,372	(5)	(3)
Net trading income	3	2,203	785	2,368	181	(7)
Other income	5	117	373	337	(69)	(65)
Total operating income		8,344	7,141	9,010	17	(7)
Personnel expenses	6	4,407	3,777	4,521	17	(3)
General and administrative expenses	7	1,488	1,894	1,419	(21)	5
Depreciation of property and equipment		191	231	234	(17)	(18)
Amortization of intangible assets		24	26	27	(8)	(11)
Total operating expenses		6,110	5,928	6,200	3	(1)
Operating profit from continuing operations before tax		2,235	1,214	2,810	84	(20)
Tax expense / (benefit)	9	426	(469)	603		(29)
Net profit from continuing operations		1,809	1,683	2,207	7	(18)
Discontinued operations						
Profit from discontinued operations before tax		0	0	2		(100)
Tax expense		0	0	0		
Net profit from discontinued operations		0	0	2		(100)
Net profit		1,809	1,683	2,208	7	(18)
Net profit attributable to non-controlling interests		2	21	6	(90)	(67)
from continuing operations		2	21	5	(90)	(60)
from discontinued operations		0	0	1		(100)
Net profit attributable to UBS shareholders		1,807	1,663	2,202	9	(18)
from continuing operations		1,807	1,663	2,202	9	(18)
from discontinued operations		0	0	1		(100)
Earnings per share (CHF)						
Basic earnings per share	8	0.48	0.44	0.58	9	(17)
from continuing operations		0.48	0.44	0.58	9	(17)
from discontinued operations		0.00	0.00	0.00		
Diluted earnings per share	8	0.47	0.43	0.58	9	(19)
from continuing operations		0.47	0.43	0.58	9	(19)
from discontinued operations		0.00	0.00	0.00		

Statement of comprehensive income

	For the quarter ended		
CHF million	**31.3.11**	31.12.10	31.3.10
Net profit	**1,809**	1,683	2,208
Other comprehensive income			
Foreign currency translation			
Foreign currency translation movements, before tax	**(76)**	(932)	41
Foreign exchange amounts reclassified to the income statement from equity	**(2)**	225	33
Income tax relating to foreign currency translation movements	**0**	126	(2)
Subtotal foreign currency translation movements, net of tax[1]	**(78)**	(581)	72
Financial investments available-for-sale			
Net unrealized gains / (losses) on financial investments available-for-sale, before tax	**(118)**	(593)	(11)
Impairment charges reclassified to the income statement from equity	**4**	8	26
Realized gains reclassified to the income statement from equity	**(44)**	(83)	(54)
Realized losses reclassified to the income statement from equity	**18**	27	6
Income tax relating to net unrealized gains / (losses) on financial investments available-for-sale	**20**	36	(13)
Subtotal net unrealized gains / (losses) on financial investments available-for-sale, net of tax[1]	**(121)**	(605)	(46)
Cash flow hedges			
Effective portion of changes in fair value of derivative instruments designated as cash flow hedges, before tax	**(510)**	(1,221)	759
Net realized (gains) / losses reclassified to the income statement from equity	**(297)**	(259)	(336)
Income tax effects relating to cash flow hedges	**168**	305	(88)
Subtotal changes in fair value of derivative instruments designated as cash flow hedges	**(639)**	(1,175)	335
Total other comprehensive income	**(837)**	(2,361)	361
Total comprehensive income	**971**	(678)	2,569
Total comprehensive income attributable to non-controlling interests	**106**	(251)	(80)
Total comprehensive income attributable to UBS shareholders	**865**	(427)	2,649

1 In the first quarter of 2011, other comprehensive income attributable to UBS shareholders related to foreign currency translations was negative CHF 182 million (fourth quarter of 2010: negative CHF 311 million, first quarter of 2010: positive CHF 159 million) and related to financial investments available-for-sale was negative CHF 121 million (fourth quarter of 2010: negative CHF 603 million, first quarter of 2010: negative CHF 47 million).

Balance sheet

CHF million	Note	31.3.11	31.12.10	% change from 31.12.10
Assets				
Cash and balances with central banks		**27,041**	26,939	0
Due from banks		**16,340**	17,133	(5)
Cash collateral on securities borrowed		**61,453**	62,454	(2)
Reverse repurchase agreements		**158,405**	142,790	11
Trading portfolio assets	10	**180,327**	167,463	8
Trading portfolio assets pledged as collateral	10	**55,761**	61,352	(9)
Positive replacement values	13	**358,643**	401,146	(11)
Cash collateral receivables on derivative instruments		**34,453**	38,071	(10)
Financial assets designated at fair value		**8,539**	8,504	0
Loans		**267,313**	262,877	2
Financial investments available-for-sale		**71,079**	74,768	(5)
Accrued income and prepaid expenses		**6,278**	5,466	15
Investments in associates		**778**	790	(2)
Property and equipment		**5,442**	5,467	0
Goodwill and intangible assets		**9,649**	9,822	(2)
Deferred tax assets		**9,115**	9,522	(4)
Other assets	14	**20,670**	22,681	(9)
Total assets		**1,291,286**	1,317,247	(2)
Liabilities				
Due to banks		**34,159**	41,490	(18)
Cash collateral on securities lent		**7,008**	6,651	5
Repurchase agreements		**96,743**	74,796	29
Trading portfolio liabilities	10	**55,158**	54,975	0
Negative replacement values	13	**349,563**	393,762	(11)
Cash collateral payables on derivative instruments		**54,599**	58,924	(7)
Financial liabilities designated at fair value		**103,073**	100,756	2
Due to customers		**335,333**	332,301	1
Accrued expenses and deferred income		**7,143**	7,738	(8)
Debt issued		**130,878**	130,271	0
Other liabilities	14, 15	**65,788**	63,719	3
Total liabilities		**1,239,444**	1,265,384	(2)
Equity				
Share capital		**383**	383	0
Share premium		**33,231**	34,393	(3)
Cumulative net income recognized directly in equity, net of tax		**(7,475)**	(6,534)	(14)
Retained earnings		**21,092**	19,285	9
Equity classified as obligation to purchase own shares		**(41)**	(54)	24
Treasury shares		**(495)**	(654)	24
Equity attributable to UBS shareholders		**46,695**	46,820	0
Equity attributable to non-controlling interests		**5,147**	5,043	2
Total equity		**51,842**	51,863	0
Total liabilities and equity		**1,291,286**	1,317,247	(2)

Statement of changes in equity

CHF million	Share capital	Share premium	Treasury shares	Equity classified as obligation to purchase own shares
Balance at 31 December 2009	**356**	**34,824**	**(1,040)**	**(2)**
Issuance of share capital	27			
Acquisition of treasury shares			(1,284)	
Disposition of treasury shares			1,719	
Net premium / (discount) on treasury share and own equity derivative activity		(207)		
Premium on shares issued and warrants exercised		(27)		
Employee share and share option plans		(937)		
Tax benefits from deferred compensation awards		(6)		
Transaction costs related to share issuances, net of tax		(113)		
Dividends[1]				
Equity classified as obligation to purchase own shares – movements				(35)
Preferred securities				
New consolidations and other increases				
Deconsolidations and other decreases				
Total comprehensive income for the period recognized in equity				
Balance at 31 March 2010	**383**	**33,534**	**(605)**	**(37)**
Balance at 31 December 2010	**383**	**34,393**	**(654)**	**(54)**
Issuance of share capital				
Acquisition of treasury shares			**(1,466)**	
Disposition of treasury shares			**1,625**	
Net premium / (discount) on treasury share and own equity derivative activity		**(11)**		
Premium on shares issued and warrants exercised		**8**		
Employee share and share option plans		**(1,150)**		
Tax benefits from deferred compensation awards		**(5)**		
Transaction costs related to share issuances, net of tax				
Dividends[1]				
Equity classified as obligation to purchase own shares – movements				**13**
Preferred securities				
New consolidations and other increases		**(4)**		
Deconsolidations and other decreases				
Total comprehensive income for the period recognized in equity				
Balance at 31 March 2011	**383**	**33,231**	**(495)**	**(41)**

1 Includes dividend payment obligations for preferred securities.

Preferred securities[1]

	For the quarter ended	
CHF million	**31.3.11**	31.3.10
Balance at the beginning of the period	**4,907**	7,254
Redemptions	**0**	0
Foreign currency translation	**103**	(88)
Balance at the end of the period	**5,010**	7,166

1 Represents equity attributable to non-controlling interests. Increases and offsetting decreases of equity attributable to non-controlling interests due to dividends are excluded from this table.

Retained earnings	Foreign currency translation	Financial investments available-for-sale	Cash flow hedges	Total equity attributable to UBS shareholders	Non-controlling interests	Total equity
11,751	**(6,445)**	**364**	**1,206**	**41,013**	**7,620**	**48,633**
				27		27
				(1,284)		(1,284)
				1,719		1,719
				(207)		(207)
				(27)		(27)
				(937)		(937)
				(6)		(6)
				(113)		(113)
				0		0
				(35)		(35)
				0		0
				0	5	5
				0		0
2,202	159	(47)	335	2,649	(80)	2,569
13,953	**(6,286)**	**317**	**1,541**	**42,800**	**7,545**	**50,345**
19,285	**(7,354)**	**(243)**	**1,063**	**46,820**	**5,043**	**51,863**
				(1,466)		**(1,466)**
				1,625		**1,625**
				(11)		**(11)**
				8		**8**
				(1,150)		**(1,150)**
				(5)		**(5)**
				0		**0**
				0		**0**
				13		**13**
				0		**0**
				(4)		**(4)**
				0	**(1)**	**(1)**
1,807	**(182)**	**(121)**	**(639)**	**865**	**106**	**971**
21,092	**(7,536)**	**(364)**	**424**	**46,695**	**5,147**	**51,842**

Statement of cash flows

	For the quarter ended	
CHF million	**31.3.11**	31.3.10
Cash flow from / (used in) operating activities		
Net profit	**1,809**	2,208
Adjustments to reconcile net profit to cash flow from / (used in) operating activities		
Non-cash items included in net profit and other adjustments:		
Depreciation of property and equipment	**191**	234
Impairment of goodwill / amortization of intangible assets	**24**	27
Credit loss expense / (recovery)	**(3)**	(116)
Share of net profits of associates	**(10)**	(34)
Deferred tax expense / (benefit)	**428**	542
Net loss / (gain) from investing activities	**(29)**	(194)
Net loss / (gain) from financing activities	**855**	(1,780)
Net (increase) / decrease in operating assets:		
Net due from / to banks	**(7,608)**	3,536
Reverse repurchase agreements and cash collateral on securities borrowed	**(14,614)**	(7,333)
Trading portfolio, net replacement values and financial assets designated at fair value	**(16,122)**	2,468
Loans / due to customers	**(1,401)**	(491)
Accrued income, prepaid expenses and other assets	**1,689**	(537)
Net increase / (decrease) in operating liabilities:		
Repurchase agreements, cash collateral on securities lent	**22,304**	5,359
Net cash collateral on derivative instruments	**(4,225)**	(506)
Accrued expenses, deferred income and other liabilities	**489**	594
Income taxes paid, net of refunds	**(58)**	(13)
Net cash flow from / (used in) operating activities	**(16,281)**	3,965
Cash flow from / (used in) investing activities		
Purchase of subsidiaries and associates	**(6)**	(7)
Disposal of subsidiaries and associates	**0**	191
Purchase of property and equipment	**(210)**	(114)
Disposal of property and equipment	**20**	4
Net (investment in) / divestment of financial investments available-for-sale	**377**	(7,113)
Net cash flow from / (used in) investing activities	**181**	(7,038)
Cash flow from / (used in) financing activities		
Net money market papers issued / (repaid)	**(1,042)**	(3,015)
Net movements in treasury shares and own equity derivative activity	**(602)**	(1,264)
Issuance of long-term debt, including financial liabilities designated at fair value	**26,524**	27,297
Repayment of long-term debt, including financial liabilities designated at fair value	**(23,847)**	(19,711)
Increase in non-controlling interests	**0**	5
Dividends paid to / decrease in non-controlling interests	**(2)**	0
Net cash flow from / (used in) financing activities	**1,032**	3,313
Effects of exchange rate differences	**1,824**	(1,143)
Net increase / (decrease) in cash and cash equivalents	**(13,246)**	(904)
Cash and cash equivalents at the beginning of the period	**140,822**	164,973
Cash and cash equivalents at the end of the period	**127,576**	164,068
Cash and cash equivalents comprise:		
Cash and balances with central banks	**27,041**	41,081
Money market papers[1]	**69,238**	78,453
Due from banks with original maturity of less than three months[2]	**31,297**	44,534
Total	**127,576**	164,068

1 Money market papers are included in the balance sheet under Trading portfolio assets, Trading portfolio assets pledged as collateral and Financial investments available-for-sale. Cash in- and outflows of money market papers represent a component of cash and cash equivalents and, as such, are not presented as operating, investing and financing activities. 2 Includes positions recognized in the balance sheet under Due from banks and Cash collateral receivables on derivative instruments.

Cash paid as interest was CHF 2,796 million and CHF 4,251 million during the first quarter of 2011 and 2010, respectively.

Notes to the financial statements

Note 1 Basis of accounting

Our consolidated financial statements (financial statements) are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and stated in Swiss francs (CHF). These financial statements are presented in accordance with IAS 34 *Interim Financial Reporting*.

In preparing the interim financial statements, the same accounting principles and methods of computation have been applied as in the financial statements on 31 December 2010 and for the year then ended, except for the changes set out below. For fair value measurements and changes in valuation techniques, we provide complementary information in "Note 11 Fair value of financial instruments" in the "Financial information" section of our quarterly reports.

The interim financial statements are unaudited. In the opinion of management, all adjustments necessary for a fair presentation of the financial position, results of operations and cash flows for the interim periods have been made. These interim financial statements should be read in conjunction with the audited financial statements included in our Annual Report 2010.

Improvements to IFRSs 2010

In May 2010, the IASB issued amendments to seven IFRS standards as part of its annual improvements project. We adopted the Improvements to IFRSs 2010 on 1 January 2011. The adoption of the amendments did not have a significant impact on our financial statements.

IFRIC 14 Prepayments of a Minimum Funding Requirement

In November 2009, the IASB issued the amended IFRIC 14 *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*, which itself is an interpretation of IAS 19 *Employee Benefits*. The amendment applies in the limited circumstances when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements. The amendment permits an entity to treat the benefit of such an early payment as an asset. The amendment was effective from 1 January 2011. We were not affected by this amendment.

Adjustment of comparative figures

Subsequent to the publication of the unaudited financial report for the fourth quarter of 2010 on 8 February 2011, management adjusted the annual financial statements for 2010. The net impact of these adjustments on net profit attributable to UBS shareholders was a gain of CHF 373 million, which increased basic and diluted earnings per share by CHF 0.10. The fourth quarter 2010 figures in this report reflect the adjusted results.

The principal change related to an adjustment of the investment carrying amount of a subsidiary held by UBS AG for purposes of the Parent Bank's 2010 statutory financial statements prepared pursuant to Swiss Federal banking law. The adjustment, a reduction in the subsidiary carrying amount of CHF 1,609 million, decreased the level of Swiss taxable profit reported for the year 2010. The adjustment resulted in an increase in the deferred tax benefit for the year, reflected in the Income statement of CHF 298 million.

In addition, other adjustments made to the income statement that formed part of the 2010 audited annual financial statements include a refinement in the 2010 bonus accrual at year-end of CHF 74 million (credit to the income statement) across the business divisions, a litigation matter resulting in a CHF 40 million charge affecting Wealth Management, a credit valuation adjustment gain of CHF 19 million affecting the Investment Bank, and a tax benefit of CHF 22 million to the income statement in relation to these other items.

Segment reporting changes

In the first quarter of 2011, certain personnel (together with their associated income and expenses) were moved from the Investment Bank to Wealth Management & Swiss Bank as part of the Investment Product & Services initiative. Prior period figures in "Note 2 Segment reporting" have not been restated for this move. If figures for full year 2010 had been presented on a restated basis, Wealth Management & Swiss Bank's total operating income and total operating expenses each would have been approximately CHF 100 million higher, with the opposite effect in the Investment Bank. This move has no material impact on performance before tax in either business division.

Fixed brokerage fees

In the first quarter of 2011, fixed brokerage fees related to proprietary transactions are presented for the first time under *Net trading income* in "Note 3 Net interest and trading income", as they are in substance a component of the transaction price. In prior quarters, respective amounts were presented under *Administration* in "Note 7 General and administrative expenses". Prior periods were not adjusted due to immateriality of the impact.

Changes to disclosure of provisions

Commencing in the first quarter of 2011, net increase/(release) of provisions for *Litigation and regulatory matters* recognized in the income statement are presented on a separate line in "Note 7 General and administrative expenses" in order to increase transparency. Previously, this amount was reported under *Other*. The change in presentation did not affect our total *General and administrative expenses*.

Provisions for contingent claims reported separately in "Note 20 Other liabilities" in our Annual Report 2010 are included in the line *Provisions* in "Note 14 Other assets and liabilities". In addition, we present for the first time in our quarterly report a movement table for the provisions in "Note 15 Provisions and contingent liabilities".

Note 2 Segment reporting

Transactions between the reportable segments are carried out at internally agreed rates or at arm's length and are reflected in the performance of each segment. Revenue-sharing agreements are used to allocate external client revenues to a segment and cost-allocation agreements are used to allocate shared costs between the segments.

	Wealth Management & Swiss Bank		Wealth Management Americas	Global Asset Management	Investment Bank	Corporate Center[1]	UBS
CHF million	Wealth Management	Retail & Corporate					
For the three months ended 31 March 2011							
Net interest income	493	590	165	(7)	565	(25)	1,781
Non-interest income	1,426	382	1,181	503	2,880	188	6,560
Income[2]	1,919	972	1,346	496	3,445	163	8,341
Credit loss (expense) / recovery	9	(7)	1	0	1	(1)	3
Total operating income	1,928	965	1,347	496	3,445	163	8,344
Personnel expenses	863	422	1,005	259	1,871	(13)	4,407
General and administrative expenses	299	219	194	102	635	41	1,488
Services (to) / from other business divisions	79	(113)	0	0	34	1	0
Depreciation of property and equipment	40	34	25	10	63	18	191
Amortization of intangible assets	2	0	12	2	8	0	24
Total operating expenses	1,283	562	1,236	373	2,610	46	6,110
Performance from continuing operations before tax	**645**	**403**	**111**	**124**	**835**	**116**	**2,235**
Performance from discontinued operations before tax						**0**	**0**
Performance before tax	**645**	**403**	**111**	**124**	**835**	**116**	**2,235**
Tax expense / (benefit) on continuing operations							426
Tax expense / (benefit) on discontinued operations							0
Net profit							**1,809**
As of 31 March 2011							
Total assets[3]	**95,948**	**143,605**	**49,001**	**15,878**	**951,123**	**35,732**	**1,291,286**

1 Certain cost allocations to the business divisions are based on periodically agreed flat fees charged to the business divisions on a monthly basis. This could lead to a difference between actually incurred Corporate Center costs and charges to the business divisions. 2 The total inter-segment revenues for the Group are immaterial as the majority of the revenues are allocated across the business divisions by means of revenue-sharing agreements. 3 The segment assets are based on a third-party view and this basis is in line with the internal reporting to the management, i.e. the amounts do not include inter-company balances.

Note 2 Segment reporting (continued)

Transactions between the reportable segments are carried out at internally agreed rates or at arm's length and are reflected in the performance of each segment. Revenue-sharing agreements are used to allocate external client revenues to a segment and cost-allocation agreements are used to allocate shared costs between the segments.

	Wealth Management & Swiss Bank		Wealth Management Americas	Global Asset Management	Investment Bank	Corporate Center[1]	UBS
CHF million	Wealth Management	Retail & Corporate					
For the three months ended 31 March 2010							
Net interest income	409	604	164	0	915	(274)	1,818
Non-interest income	1,494	372	1,197	521	2,862	630	7,076
Income[2]	1,903	976	1,361	521	3,777	356	8,894
Credit loss (expense) / recovery	1	2	0	0	112	0	116
Total operating income	1,904	978	1,362	521	3,889	356	9,010
Personnel expenses	782	409	1,069	279	1,993	(11)	4,521
General and administrative expenses	275	196	221	94	601	32	1,419
Services (to) / from other business units	106	(130)	(2)	(1)	22	4	0
Depreciation of property and equipment	43	37	45	11	75	23	234
Amortization of intangible assets	2	0	14	2	9	0	27
Total operating expenses	1,208	512	1,347	385	2,699	49	6,200
Performance from continuing operations before tax	**696**	**465**	**15**	**137**	**1,190**	**306**	**2,810**
Performance from discontinued operations before tax						**2**	**2**
Performance before tax	**696**	**465**	**15**	**137**	**1,190**	**308**	**2,811**
Tax expense / (benefit) on continuing operations							603
Tax expense / (benefit) on discontinued operations							0
Net profit							**2,208**
As of 31 December 2010							
Total assets[3]	**94,056**	**153,101**	**50,071**	**15,894**	**966,945**	**37,180**	**1,317,247**

1 Certain cost allocations to the business divisions are based on periodically agreed flat fees charged to the business divisions on a monthly basis. This could lead to a difference between actually incurred Corporate Center costs and charges to the business divisions. 2 The total inter-segment revenues for the Group are immaterial as the majority of the revenues are allocated across the business divisions by means of revenue-sharing agreements. 3 The segment assets are based on a third-party view and this basis is in line with the internal reporting to the management, i.e. the amounts do not include inter-company balances.

Note 3 Net interest and trading income

Accounting standards require separate disclosure of Net interest income and Net trading income (see the tables on this and the next page). This required disclosure, however, does not take into account that net interest and trading income are generated by a range of different businesses. In many cases, a particular business can generate both interest and trading income. Fixed income trading activity, for example, generates both trading profits and coupon income. We consider it to be more meaningful to analyze net interest and trading income according to the businesses that drive it. The second table below (Breakdown by businesses) provides information that corresponds to this view: Net income from trading businesses includes both interest and trading income generated by the Investment Bank, including its lending activities, and trading income generated by the other business divisions; Net income from interest margin businesses comprises interest income from the loan portfolios of Wealth Management & Swiss Bank and Wealth Management Americas; Net income from treasury activities and other reflects all income from the Group's centralized treasury function.

	For the quarter ended			% change from	
CHF million	**31.3.11**	31.12.10	31.3.10	4Q10	1Q10
Net interest and trading income					
Net interest income	**1,781**	1,703	1,818	5	(2)
Net trading income	**2,203**	785	2,368	181	(7)
Total net interest and trading income	**3,985**	2,488	4,186	60	(5)
Breakdown by businesses					
Net income from trading businesses[1]	**2,478**	987	2,700	151	(8)
Net income from interest margin businesses	**1,209**	1,189	1,119	2	8
Net income from treasury activities and other	**298**	311	367	(4)	(19)
Total net interest and trading income	**3,985**	2,488	4,186	60	(5)
Net interest income					
Interest income					
Interest earned on loans and advances[2]	**2,541**	2,492	2,847	2	(11)
Interest earned on securities borrowed and reverse repurchase agreements	**386**	393	297	(2)	30
Interest and dividend income from trading portfolio	**1,450**	1,453	1,495	0	(3)
Interest income on financial assets designated at fair value	**56**	72	65	(22)	(14)
Interest and dividend income from financial investments available-for-sale	**145**	182	94	(20)	54
Total	**4,578**	4,591	4,798	0	(5)
Interest expense					
Interest on amounts due to banks and customers[3]	**470**	469	492	0	(4)
Interest on securities lent and repurchase agreements	**283**	323	265	(12)	7
Interest and dividend expense from trading portfolio	**699**	698	833	0	(16)
Interest on financial liabilities designated at fair value	**571**	593	589	(4)	(3)
Interest on debt issued	**773**	805	801	(4)	(3)
Total	**2,796**	2,888	2,980	(3)	(6)
Net interest income	**1,781**	1,703	1,818	5	(2)

1 Includes lending activities of the Investment Bank. 2 Includes interest income on Cash collateral receivables on derivative instruments. 3 Includes interest expense on Cash collateral payables on derivative instruments.

Interest includes forward points on foreign exchange swaps used to manage short-term interest rate risk on foreign currency loans and deposits.

Note 3 Net interest and trading income (continued)

	For the quarter ended			% change from	
CHF million	**31.3.11**	31.12.10	31.3.10	4Q10	1Q10
Net trading income[1]					
Investment Bank equities	**611**	335	585	82	4
Investment Bank fixed income, currencies and commodities	**1,025**	(144)	949		8
Other business divisions	**568**	593	834	(4)	(32)
Net trading income	**2,203**	785	2,368	181	(7)
of which: net gains / (losses) from financial liabilities designated at fair value[2]	***(574)***	*(1,669)*	*798*	*66*	

1 Refer to the table "Net interest and trading income" on the previous page for the Net income from trading businesses (for an explanation, refer to the corresponding introductory comment). 2 Financial liabilities designated at fair value are to a large extent economically hedged with derivatives and other instruments whose change in fair value is also reported in Net trading income. For more information on own credit refer to "Note 11b Fair value of financial instruments".

Net trading income in the first quarter of 2011 included a gain of CHF 0.1 billion from credit valuation adjustments for monoline credit protection (CHF 0.2 billion gain in the fourth quarter of 2010 and CHF 0.3 billion gain in the first quarter of 2010).

➔ **Refer to the "Risk management and control" section of this report for more information on exposure to monolines**

Net trading income in the first quarter of 2011 also included a gain of CHF 0.2 billion from the valuation of our option to acquire the SNB StabFund's equity (CHF 0.2 billion gain in the fourth quarter of 2010 and CHF 0.2 billion gain in the first quarter of 2010).

➔ **Refer to the "Risk management and control" section of this report for more information on the valuation of our option to acquire the SNB StabFund's equity**

Note 4 Net fee and commission income

	For the quarter ended			% change from	
CHF million	**31.3.11**	31.12.10	31.3.10	4Q10	1Q10
Equity underwriting fees	**189**	477	272	(60)	(31)
Debt underwriting fees	**166**	164	199	1	(17)
Total underwriting fees	**355**	642	471	(45)	(25)
M&A and corporate finance fees	**276**	265	204	4	35
Brokerage fees	**1,271**	1,187	1,280	7	(1)
Investment fund fees	**966**	957	1,012	1	(5)
Portfolio management and advisory fees	**1,454**	1,486	1,519	(2)	(4)
Insurance-related and other fees	**103**	88	92	17	12
Total securities trading and investment activity fees	**4,425**	4,626	4,578	(4)	(3)
Credit-related fees and commissions	**118**	115	110	3	7
Commission income from other services	**198**	213	210	(7)	(6)
Total fee and commission income	**4,741**	4,953	4,897	(4)	(3)
Brokerage fees paid	**260**	266	273	(2)	(5)
Other	**241**	243	253	(1)	(5)
Total fee and commission expense	**501**	509	526	(2)	(5)
Net fee and commission income	**4,240**	4,444	4,372	(5)	(3)
of which: net brokerage fees	***1,011***	*921*	*1,008*	*10*	*0*

Note 5 Other income

	For the quarter ended			% change from	
CHF million	**31.3.11**	31.12.10	31.3.10	4Q10	1Q10
Associates and subsidiaries					
Net gains from disposals of consolidated subsidiaries[1]	**2**	(3)	(34)		
Net gains from disposals of investments in associates	**5**	78	180	(94)	(97)
Share of net profits of associates	**10**	12	34	(17)	(71)
Total	**16**	87	180	(82)	(91)
Financial investments available-for-sale					
Net gains from disposals	**26**	56	48	(54)	(46)
Impairment charges	**(4)**	(8)	(26)	50	85
Total	**22**	48	21	(54)	5
Net income from properties[2]	**10**	12	14	(17)	(29)
Net gains from investment properties[3]	**4**	3	(10)	33	
Other[4]	**65**	223	131	(71)	(50)
Total other income	**117**	373	337	(69)	(65)

1 Includes foreign exchange amounts reclassified from equity upon disposal or deconsolidation of subsidiaries. 2 Includes net rent received from third parties and net operating expenses. 3 Includes unrealized and realized gains from investment properties at fair value and foreclosed assets. 4 Includes net gains from disposals of loans and receivables and own-used property.

Note 6 Personnel expenses

	For the quarter ended			% change from	
CHF million	**31.3.11**	31.12.10	31.3.10	4Q10	1Q10
Salaries and variable compensation	**3,062**	2,502	3,163	22	(3)
Contractors	**58**	68	52	(15)	12
Social security	**237**	204	238	16	0
Pension and other post-employment benefit plans	**181**	182	191	(1)	(5)
Wealth Management Americas: Financial advisor compensation[1]	**640**	658	659	(3)	(3)
Other personnel expenses	**228**	163	217	40	5
Total personnel expenses	**4,407**	3,777	4,521	17	(3)

1 Financial advisor compensation consists of grid-based compensation based directly on compensable revenues generated by financial advisors and supplemental compensation calculated based on financial advisor productivity, firm tenure and other variables. It also includes costs related to compensation commitments and advances granted to financial advisors at the time of recruitment, which are subject to vesting requirements.

Note 7 General and administrative expenses

	For the quarter ended			% change from	
CHF million	**31.3.11**	31.12.10	31.3.10	4Q10	1Q10
Occupancy	**283**	290	334	(2)	(15)
Rent and maintenance of IT and other equipment	**113**	147	132	(23)	(14)
Telecommunications and postage	**161**	154	164	5	(2)
Administration	**165**	200	140	(18)	18
Marketing and public relations	**71**	122	50	(42)	42
Travel and entertainment	**112**	134	98	(16)	14
Professional fees	**175**	232	154	(25)	14
Outsourcing of IT and other services	**293**	334	216	(12)	36
Litigation and regulatory matters[1]	**107**	270	97	(60)	10
Other	**8**	11	34	(27)	(76)
Total general and administrative expenses	**1,488**	1,894	1,419	(21)	5

1 Reflects the net increase / (release) of provisions for Litigation and regulatory matters recognized in the income statement.

Note 8 Earnings per share (EPS) and shares outstanding

	As of or for the quarter ended			% change from	
	31.3.11	31.12.10	31.3.10	4Q10	1Q10
Basic earnings (CHF million)					
Net profit attributable to UBS shareholders	1,807	1,663	2,202	9	(18)
from continuing operations	1,807	1,663	2,202	9	(18)
from discontinued operations	0	0	1		(100)
Diluted earnings (CHF million)					
Net profit attributable to UBS shareholders	1,807	1,663	2,202	9	(18)
Less: (profit)/loss on equity derivative contracts	0	(3)	0	100	
Net profit attributable to UBS shareholders for diluted EPS	1,807	1,660	2,202	9	(18)
from continuing operations	1,807	1,660	2,202	9	(18)
from discontinued operations	0	0	1		(100)
Weighted average shares outstanding					
Weighted average shares outstanding for basic EPS	3,791,963,103	3,794,872,701	3,777,504,682	0	0
Potentially dilutive ordinary shares resulting from unvested exchangeable shares, in-the-money options and warrants outstanding[1]	57,494,693	54,855,259	28,403,845	5	102
Weighted average shares outstanding for diluted EPS	3,849,457,796	3,849,727,960	3,805,908,527	0	1
Earnings per share (CHF)					
Basic	0.48	0.44	0.58	9	(17)
from continuing operations	0.48	0.44	0.58	9	(17)
from discontinued operations	0.00	0.00	0.00		
Diluted	0.47	0.43	0.58	9	(19)
from continuing operations	0.47	0.43	0.58	9	(19)
from discontinued operations	0.00	0.00	0.00		
Shares outstanding					
Ordinary shares issued	3,831,569,986	3,830,840,513	3,830,795,869	0	0
Treasury shares	28,390,053	38,892,031	36,894,804	(27)	(23)
Shares outstanding	3,803,179,933	3,791,948,482	3,793,901,065	0	0
Exchangeable shares	573,823	580,261	613,456	(1)	(6)
Shares outstanding for EPS	3,803,753,756	3,792,528,743	3,794,514,521	0	0

1 Total equivalent shares outstanding on out-of-the-money options that were not dilutive for the respective periods but could potentially dilute earnings per share in the future were 235,649,014; 241,740,330; and 278,104,176 for the quarters ended 31 March 2011, 31 December 2010 and 31 March 2010, respectively. An additional 100 million ordinary shares ("contingent share issue") related to the SNB transaction were not dilutive for all periods, but could potentially dilute earnings per share in the future.

Note 9 Income taxes

We recognized a net income tax expense of CHF 426 million for the first quarter of 2011. This included deferred tax expenses of CHF 448 million with respect to the amortization of deferred tax assets, previously recognized in relation to tax losses carried forward, to offset taxable profits for the quarter in Switzerland and the US. It also included other tax expenses of CHF 145 million in respect of the taxable profits of Group entities. These expenses were partially offset by tax benefits of CHF 93 million, arising from the release of provisions upon the agreement of prior period positions with tax authorities in various locations, and tax benefits of CHF 74 million arising from the adjustment of the carrying amount of the investment in UBS Americas Inc. held in the statutory financial statements of UBS AG.

Note 10 Trading portfolio

CHF million	**31.3.11**	31.12.10
Trading portfolio assets		
Debt instruments		
Government and government agencies	**81,754**	83,952
Banks	**13,631**	14,711
Corporates and other	**38,700**	35,647
Total debt instruments	**134,085**	134,310
Equity instruments	**64,884**	57,506
Financial assets for unit-linked investment contracts	**18,596**	18,056
Financial assets held for trading	**217,566**	209,873
Precious metals and other commodities	**18,522**	18,942
Total trading portfolio assets	**236,088**	228,815
Trading portfolio liabilities		
Debt instruments		
Government and government agencies	**31,313**	29,628
Banks	**2,674**	3,107
Corporates and other	**4,892**	4,640
Total debt instruments	**38,879**	37,376
Equity instruments	**16,279**	17,599
Total trading portfolio liabilities	**55,158**	54,975

Note 11 Fair value of financial instruments

a) Fair value hierarchy

All financial instruments at fair value are categorized into one of three fair value hierarchy levels at quarter end, based upon the lowest level input that is significant to the product's fair value measurement in its entirety:

– Level 1 – quoted prices (unadjusted) in active markets for identical assets and liabilities;
– Level 2 – valuation techniques for which all significant inputs are market observable, either directly or indirectly; and
– Level 3 – valuation techniques which include significant inputs that are not based on observable market data.

Determination of fair values from quoted market prices or valuation techniques[1]

	31.3.11				31.12.10			
CHF billion	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets held for trading[2]	83.2	68.5	10.1	161.8	77.8	60.8	10.0	148.5
Financial assets held for trading pledged as collateral	40.9	14.2	0.7	55.8	38.3	22.2	0.8	61.4
Positive replacement values	3.2	344.1	11.3	358.6	3.6	385.1	12.4	401.1
Financial assets designated at fair value	0.7	7.2	0.6	8.5	0.8	7.3	0.5	8.5
Financial investments available-for-sale	50.1	20.2	0.8	71.1	52.9	21.0	0.9	74.8
Total assets	**178.1**	**454.2**	**23.5**	**655.8**	173.4	496.4	24.5	694.3
Trading portfolio liabilities	42.9	12.0	0.2	55.2	42.9	11.8	0.3	55.0
Negative replacement values	3.0	337.5	9.1	349.6	3.5	379.9	10.4	393.8
Financial liabilities designated at fair value	0.0	90.1	12.9	103.1	0.0	86.7	14.0	100.8
Other liabilities – amounts due under unit-linked investment contracts		18.6		18.6		18.1		18.1
Total liabilities	**45.8**	**458.4**	**22.2**	**526.4**	46.4	496.5	24.7	567.6

1 Bifurcated embedded derivatives, which are presented on the same balance sheet lines as their host contracts, are excluded from this table. As of 31 March 2011, the total amount of bifurcated embedded derivatives reduced the Balance sheet Debt issued position by CHF 1.2 billion (31 December 2010: reduction of CHF 1.4 billion). This reduction is a result of instruments classified as level 3, which were negative CHF 1.4 billion (31 December 2010: negative CHF 1.7 billion), and of instruments classified as level 2, which were positive CHF 0.2 billion (31 December 2010: positive CHF 0.3 billion). 2 Financial assets held for trading do not include precious metal and commodities.

Movements of level 3 instruments

		Derivative instruments		
CHF billion	Financial assets held for trading (including those pledged as collateral)	Positive replacement values	Negative replacement values	Financial liabilities designated at fair value
Balance at 31 December 2010	**10.8**	**12.4**	**10.4**	**14.0**
Total gains / (losses) included in the income statement	0.3	(0.7)	(0.2)	(0.1)
Purchases, sales, issuances and settlements	**(0.2)**	**(0.4)**	**(0.7)**	**(1.4)**
Purchases	1.2	0.0	0.0	0.0
Sales	(1.4)	0.0	0.0	0.0
Issuances	0.0	1.0	0.2	1.2
Settlements	0.0	(1.3)	(1.0)	(2.6)
Transfers into or out of level 3	**0.1**	**0.2**	**(0.2)**	**0.2**
Transfers into level 3	1.7	0.9	0.9	2.1
Transfers out of level 3	(1.6)	(0.7)	(1.1)	(1.9)
Foreign currency translation	(0.1)	(0.2)	(0.1)	0.1
Balance at 31 March 2011	**10.8**	**11.3**	**9.1**	**12.9**

Material changes in level 3 instruments

As of 31 March 2011, financial instruments measured with valuation techniques using primarily non-market observable inputs (level 3) included the following:
- structured rates and credit trades, including bespoke collateralized debt obligations (CDO) and collateralized loan obligations (CLO);
- reference-linked notes;
- financial instruments linked to the US sub-prime residential and US commercial real estate markets;
- corporate bonds and corporate credit default swaps (CDS); and
- lending related products.

Financial assets held for trading

Financial assets held for trading transferred into and out of level 3 amounted to CHF 1.7 billion and CHF 1.6 billion, respectively. Transfers into level 3 were comprised primarily of CHF 0.7 billion of corporate bonds, CHF 0.4 billion of lending related products, CHF 0.2 billion of illiquid equity positions and CHF 0.1 billion of financial instruments linked to the European real estate market, as no independent price sources could be found to verify fair values. Transfers out of level 3 were comprised primarily of CHF 0.6 billion of corporate bonds, CHF 0.3 billion of CLO, CHF 0.2 billion of lending related products, and CHF 0.2 billion of financial instruments linked to the US and non-US real estate markets, as independent price sources became available to verify fair values.

Level 3 financial assets held for trading purchased during the first quarter amounted to CHF 1.2 billion. Purchases included CHF 0.3 billion of lending related products, CHF 0.3 billion of US commercial real estate traded loans acquired for warehousing purposes, CHF 0.3 billion of corporate bonds, and CHF 0.1 billion of asset-backed securities.

Sales of level 3 trading assets during the first quarter amounted to CHF 1.4 billion, which included CHF 0.4 billion of US commercial real estate loans securitized during the period, CHF 0.4 billion of lending related products, CHF 0.3 billion of corporate bonds and CHF 0.1 billion of financial instruments related to the US residential real estate market.

Derivative instruments

Derivative instruments transferred into level 3 included positive replacement values of CHF 0.9 billion and negative replacement values of CHF 0.9 billion. Transfers out of level 3 included positive replacement values of CHF 0.7 billion and negative replacement values of CHF 1.1 billion.

Transfers into level 3 positive replacement values were comprised primarily of CHF 0.3 billion of US commercial real estate total return swaps (TRS), where the reliability of independent underlying market data decreased; CHF 0.2 billion of structured credit bespoke CDO positions due to a reduction in the correlation between the portfolio and the representative market portfolio used to independently verify market data; CHF 0.2 billion of distressed sovereign CDS as credit curves could not be independently verified; and CHF 0.2 billion of subprime residential mortgage-backed securities (RMBS) CDS as the reliability of independent market data decreased. Transfers into level 3 negative replacement values were comprised primarily of CHF 0.3 billion of US commercial real estate TRS, CHF 0.2 billion of structured credit bespoke CDO positions, CHF 0.1 billion of subprime RMBS CDS and CHF 0.1 billion of corporate CDS.

Transfers out of level 3 positive replacement values were comprised of CHF 0.2 billion of structured credit bespoke CDO positions due to improved correlation between the portfolio and the representative market portfolio used to independently verify market data; CHF 0.2 billion of US commercial real estate CDS; and CHF 0.2 billion of subprime RMBS CDS, as the reliability of independent underlying market data increased. Transfers out of level 3 negative replacement values were comprised primarily of CHF 0.3 billion structured credit bespoke CDO positions, CHF 0.2 billion of equity options where volatility could be independently verified as positions moved closer to maturity, CHF 0.2 billion of subprime RMBS CDS, CHF 0.1 billion of US commercial real estate CDS and CHF 0.1 billion of other CDOs where the ability to obtain independent underlying market data improved.

Issuances of level 3 positive replacement values were CHF 1.0 billion, which included CHF 0.7 billion of structured credit bespoke CDO positions, CHF 0.1 billion of equity options and CHF 0.1 billion of structured rates positions. Issuances of level 3 negative replacement values were CHF 0.2 billion, which included CHF 0.1 billion of structured credit bespoke CDO positions and CHF 0.1 billion of structured rates positions.

Settlements of level 3 positive replacement values were CHF 1.3 billion, which consisted primarily of CHF 1.0 billion of structured credit bespoke CDO positions and CHF 0.1 billion of equity options. Settlements of level 3 negative replacement values were CHF 1.0 billion, and consisted primarily of CHF 0.4 billion of structured credit bespoke CDO positions, CHF 0.2 billion of structured rates positions and CHF 0.2 billion of US and non-US residential real estate positions.

Financial liabilities designated at fair value

Transfers of financial liabilities designated at fair value into level 3 of CHF 2.1 billion consisted primarily of CHF 0.7 billion of credit-linked notes where the embedded CDS credit curve and recovery rates could not be independently verified, CHF 0.7 billion of interest rate-linked notes where the volatility of the embedded option could not be independently verified, and CHF 0.5 billion related to a US commercial real estate structured note where the reliability of the independent underlying market data decreased.

Transfers of financial liabilities designated at fair value out of level 3 were CHF 1.9 billion, and consisted primarily of CHF 0.7 billion of credit-linked notes where the embedded CDS credit curve and recovery rates could be independently verified, and CHF 0.7

Note 11 Fair value of financial instruments (continued)

billion of equity-linked notes and CHF 0.5 billion of interest rate-linked notes where the volatility of the embedded options could be independently verified.

Issuances of level 3 financial liabilities designated at fair value of CHF 1.2 billion were comprised primarily of CHF 0.6 billion of equity-linked notes and CHF 0.4 billion of interest rate-linked notes. Settlements of level 3 financial liabilities designated at fair value were CHF 2.6 billion, which consisted primarily of CHF 1.7 billion of credit-linked notes and CHF 0.5 billion of equity-linked notes.

b) Valuation information

Own credit on financial liabilities designated at fair value

Own credit changes are calculated based on a funds transfer price (FTP) curve, which provides a single level of discounting for uncollateralized funded instruments within UBS. The FTP curve is used to value uncollateralized and partially collateralized funding transactions designated at fair value, and for relevant tenors is set by reference to the level at which newly issued UBS medium term notes (MTN) are priced. The FTP curve spread is considered to be representative of the credit risk which reflects the premium that market participants require to acquire UBS MTN. The FTP curve was implemented at the end of 2010, replacing the asset and liability management revaluation curve.

Amounts for the quarter represent the change during the quarter, and life-to-date amounts reflect the cumulative change since initial recognition. The change in own credit for the period can be analyzed in two components: (1) changes in fair value that are attributable to the change in our credit spreads during the period, and (2) the effect of "volume changes", which is the change in fair values attributable to factors other than credit spreads, such as redemptions, effects from time decay, changes in the interest rates and changes in the value of referenced instruments issued by third parties. The disclosed own credit amounts are also impacted by foreign currency movements.

➔ **Refer to the "Risk management and control" section of this report for information on certain financial instruments with significant valuation uncertainty**

Own credit on financial liabilities designated at fair value

	As of or for the quarter ended		
CHF million	**31.3.11**	31.12.10	31.3.10
Total gain / (loss) for the quarter ended	**(133)**	(509)	(247)
of which: credit spread related only	***(179)***	*(386)*	*(84)*
Life-to-date gain	**126**	237	652

c) Deferred day 1 profit or loss

The table reflects financial instruments for which fair value is determined using valuation models where not all significant inputs are market observable. Such financial instruments are initially recognized at their transaction price, although the values obtained from the relevant valuation model on day 1 may differ. Day 1 reserves are released and profit is recorded in trading profit or loss as either the underlying parameters become observable or the transaction is closed out. The table shows the aggregate difference yet to be recognized in profit or loss at the beginning and end of the period and a reconciliation of changes in the balance (movement of deferred day 1 profit or loss).

	Quarter ended		
CHF million	**31.3.11**	31.12.10	31.3.10
Balance at the beginning of the period	**565**	543	599
Deferred profit / (loss) on new transactions	**34**	101	49
Recognized (profit) / loss in the income statement	**(97)**	(51)	(58)
Foreign currency translation	**(9)**	(28)	6
Balance at the end of the period	**493**	565	596

Note 12 Reclassification of financial assets

In 2008 and the first quarter of 2009, financial assets with fair values on their reclassification dates of CHF 26 billion and CHF 0.6 billion, respectively, were reclassified from "Trading portfolio assets" to "Loans". The table below shows the carrying values and fair values of these financial assets.

Trading portfolio assets reclassified to loans

CHF billion	31.3.11	31.12.10
Carrying value	11.6	11.9
Fair value	11.9	12.1
Pro-forma fair value gain / (loss)	0.3	0.2

In the first quarter of 2011, carrying values and pro-forma fair values decreased by CHF 0.3 billion and CHF 0.2 billion, respectively. The majority of the decreases relates to sales.

The table below provides notional values, fair values, and carrying values by product category, as well as the ratio of carrying value to notional value of the reclassified financial assets.

Reclassified assets

	31.3.11			
CHF billion	Notional value	Fair value	Carrying value	Ratio of carrying to notional value
US student loan and municipal auction rate securities	5.0	4.2	4.4	89%
Monoline-protected assets	6.1	5.7	5.3	87%
Leveraged finance	0.5	0.4	0.4	77%
US reference-linked notes	0.5	0.4	0.4	80%
Other assets	0.9	0.8	0.7	83%
Total (excluding CMBS interest-only strips)	**13.1**	**11.5**	**11.3**	**86%**
CMBS interest-only strips		0.4	0.3	
Total reclassified assets	**13.1**	**11.9**	**11.6**	

Reclassified financial assets impacted our income statement as presented in the table below.

Contribution of the reclassified assets to the income statement

	For the quarter ended	
CHF billion	31.3.11	31.12.10
Net interest income	0.1	0.0
Credit loss (expense) / recovery	0.0	(0.1)
Other income[1]	0.0	0.0
Impact on operating profit before tax	0.2	0.0

1 Includes net gains on the disposal of reclassified assets.

Note 13 Derivative instruments

CHF billion	31.3.11 Positive replacement values	31.3.11 Notional values related to positive replacement values[1]	31.3.11 Negative replacement values	31.3.11 Notional values related to negative replacement values[1]	31.3.11 Other notional values[1, 2]	31.12.10 Positive replacement values	31.12.10 Notional values related to positive replacement values[1]	31.12.10 Negative replacement values	31.12.10 Notional values related to negative replacement values[1]	31.12.10 Other notional values[1, 2]
Derivative instruments										
Interest rate contracts	175	10,093	162	10,136	14,880	204	9,695	189	9,550	13,861
Credit derivative contracts	51	1,315	48	1,220	0	56	1,208	51	1,105	0
Foreign exchange contracts	106	3,544	111	3,292	7	113	3,326	123	3,228	9
Equity / index contracts	19	245	21	277	35	22	206	24	239	29
Commodity contracts, including precious metals contracts	6	46	6	43	69	6	39	6	33	41
Exotic contracts	0	0	0	1	0					
Unsettled purchases of financial assets[3]	0	53	0	43	0	0	36	0	19	0
Unsettled sales of financial assets[3]	0	54	0	25	0	0	35	0	13	0
Total derivative instruments, based on IFRS netting[4, 5]	359	15,352	350	15,037	14,991	401	14,545	394	14,186	13,940
Replacement value netting, based on capital adequacy rules	(270)		(270)			(302)		(302)		
Cash collateral netting	(34)		(22)			(37)		(24)		
Total derivative instruments, based on capital adequacy netting[6]	55		58			63		68		

1 In case of netting of replacement values on the balance sheet, the sum of the notional values of netted derivatives is presented in accordance with the related net positive replacement value or net negative replacement value of the netted derivatives. 2 Receivables resulting from these derivatives are recognized on our balance sheet under Due from banks and Loans: CHF 1.1 billion (31 December 2010: CHF 0.7 billion). Payables resulting from these derivatives are recognized on our balance sheet under Due to banks and Due to customers: CHF 3.2 billion (31 December 2010: CHF 2.7 billion). 3 Changes in the fair value of purchased and sold financial assets between trade date and settlement date are recognized as replacement values. 4 Replacement values based on the IFRS netting. Refer to "Note 23 Derivative instruments and hedge accounting" in the "Financial information" section of our Annual Report 2010. 5 Includes agency transactions with a positive replacement value of CHF 6.1 billion (31 December 2010: CHF 9.3 billion) and a negative replacement value of CHF 6.4 billion (31 December 2010: CHF 9.5 billion) for which notional values were not included into the table above, due to significantly different risk profile. 6 Includes the impact of netting agreements (including cash collateral) in accordance with Swiss Federal Banking Law, based on the IFRS scope of consolidation.

Note 14 Other assets and liabilities

CHF million	31.3.11	31.12.10
Other assets		
Prime brokerage receivables	13,942	16,395
Deferred pension expenses	3,240	3,174
Other	3,489	3,112
Total other assets	20,670	22,681
Other liabilities		
Prime brokerage payables	37,199	36,383
Amounts due under unit-linked investment contracts	18,693	18,125
Current and deferred tax liabilities	727	847
Provisions	1,685	1,704
Other	7,484	6,661
Total other liabilities	65,788	63,719

Note 15 Provisions and contingent liabilities

a) Provisions

CHF million	Operational risks[1]	Litigation and regulatory matters[2]	Restructuring	Contingent claims	Other[3]	**Total provisions**
Balance at 31 December 2010	56	618	281	130	619	**1,704**
Increase in provisions recognized in the income statement	11	122	2	6	11	**151**
Release of provisions recognized in the income statement	(0)	(14)	(17)	(29)	(5)	**(64)**
Provisions used in conformity with designated purpose	(10)	(51)	(16)	(1)	(19)	**(97)**
Capitalized reinstatement costs	0	0	0	0	(1)	**(1)**
Disposal of subsidiaries	0	0	0	0	0	**0**
Reclassifications	0	0	(0)	3	(0)	**2**
Foreign currency translation / Unwind of discount	(1)	(9)	0	2	(2)	**(9)**
Balance at 31 March 2011	56	666	250	110	603	**1,685**

1 Includes provisions for litigation resulting from security risks and transaction processing risks. 2 Includes litigation resulting from legal, liability and compliance risks. Additionally, includes a provision established in connection with demands for repurchase of US mortgage loans sold or securitized by UBS as described in section c) of this note. 3 Includes reinstatement costs for leasehold improvement, provisions for onerous lease contracts, provisions for employee benefits (service anniversaries and sabbatical leave) and other items.

b) Litigation and regulatory matters

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

Certain potentially significant legal proceedings or threatened proceedings as of 31 March 2011 are described below. In some cases we provide 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. We are 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 can be expected to seriously prejudice our position in these matters and would require us to provide speculative legal assessments as to claims and proceedings which involve unique fact patterns or novel legal theories, have not yet been initiated or are at early stages of adjudication, or as to which alleged damages have not been quantified by the claimant. In many cases a combination of these factors impedes our ability to estimate the financial effect of contingent liabilities.

1. Municipal bonds

In November 2006, UBS and others received subpoenas from the Antitrust Division of the US Department of Justice (DOJ) and the US Securities and Exchange Commission (SEC) seeking information relating to the investment of proceeds of municipal bond issuances and associated derivative transactions. In addition, various state Attorneys General have issued subpoenas seeking similar information. The investigations are ongoing, and we are cooperating. Several putative class actions also have been filed in Federal District Courts against UBS and numerous other firms. In the SEC investigation, on 4 February 2008, we received a "Wells notice" advising that the SEC staff is considering recommending that the SEC bring a civil action against UBS in connection with the bidding of various financial instruments associated with municipal securities. In December 2010, three former UBS employees were indicted in connection with the Federal criminal antitrust investigation. Discussions with the SEC, DOJ and a number of state Attorneys General are ongoing.

2. Auction rate securities

The firm was the subject of an SEC investigation and state regulatory actions relating to the marketing and sale of auction rate securities (ARS) to clients, and to our role and participation in ARS auctions and underwriting of ARS. We were also named in several putative class actions and individual civil suits and arbitrations. The regulatory actions and investigations and the civil proceedings followed the disruption in the markets for these securities and related auction failures since mid-February 2008. At the end of 2008, we entered into settlements with the SEC, the New York Attorney General (NYAG) and the Massachusetts Securities Division whereby we agreed to offer to buy back ARS from eligible customers within certain time periods, the last of which began on 30 June 2010, and to pay penalties of USD 150 million (USD 75 million to the NYAG, USD 75 million to the other states). Our settlement is largely in line with similar industry regulatory settlements. We have settled with the majority of states and are continuing to finalize settlements with the rest. The fines being paid in these state settlements are being charged against the USD 150 million provision that was established in 2008. The SEC continues

Note 15 Provisions and contingent liabilities (continued)

to investigate individuals affiliated with the firm regarding the trading in ARS and disclosures. During the third quarter of 2010, a claimant alleging consequential damages from the illiquidity of ARS was awarded approximately USD 80 million by an arbitration panel and we have booked a provision of CHF 78 million relating to the case. We moved in state court to vacate the award. This matter has since been settled. We are the subject of other pending arbitration and litigation claims by clients and issuers relating to ARS.

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. We are cooperating with these requests within the limits of financial privacy obligations under Swiss and other applicable laws.

4. Matters related to the credit crisis

We are responding to a number of governmental inquiries and investigations and are involved in a number of litigations, arbitrations and disputes related to the credit crisis and in particular mortgage-related securities and other structured transactions and derivatives. In particular, the SEC is investigating our valuation of super senior tranches of collateralized debt obligations (CDO) during the third quarter of 2007 and our reclassification of financial assets pursuant to amendments to IAS 39 during the fourth quarter of 2008. We have provided documents and testimony to the SEC and are continuing to cooperate with the SEC in its investigation. We have also communicated with and have responded to other inquiries by various governmental and regulatory authorities, including the Swiss Financial Market Supervisory Authority (FINMA), the UK Financial Services Authority (FSA), the SEC, the US Financial Industry Regulatory Authority (FINRA), the Financial Crisis Inquiry Commission (FCIC), the New York Attorney General, and the US Department of Justice, concerning various matters related to the credit crisis. These matters concern, among other things, our (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, we 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. We have been named along with other defendants in a putative class action alleging materially misleading statements and omissions in the prospectuses relating to these notes and asserting claims under US securities laws. We have also been named in numerous individual civil suits and customer arbitrations (some of which have resulted in settlements or adverse judgments), were named in a proceeding brought by the New Hampshire Bureau of Securities, and are responding to investigations by other state regulators relating to the sale of these notes to our customers. The customer litigations and regulatory investigations relate primarily to whether we adequately disclosed the risks of these notes to our customers. We have entered into a settlement with FINRA, resolving its investigation.

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

From 2002 through about 2007, we were a substantial underwriter and issuer of US residential mortgage-backed securities (RMBS). We have been named as a defendant relating to our role as underwriter and issuer of RMBS in more than 20 lawsuits relating to at least USD 39 billion in original face amount of RMBS underwritten or issued by UBS. Most of the lawsuits are in their early stages. Many have not advanced beyond the motion to dismiss phase; some are in the early stages of discovery. Of the original face amount of RMBS at issue in these cases, approximately USD 4.5 billion was issued in offerings in which a UBS subsidiary transferred underlying loans (the majority of which were purchased from third party originators) into a securitization trust and made representations and warranties about those loans. The remaining USD 34.5 billion of RMBS to which these cases relate was issued in third-party securitizations where we acted as underwriter. In connection with most of the claims included in this latter category, we currently expect to be indemnified by the issuers against any loss or liability. These RMBS-related claims include cases in which we are named as a defendant in litigation 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. We have also been contacted by certain government-sponsored enterprises requesting that we repurchase USD 2 billion of securities issued in UBS-sponsored RMBS offerings.

As described below under "c) Other contingent liabilities", we also have contractual obligations to repurchase US residential mortgage loans as to which our representations made at the time of transfer prove to have been materially inaccurate. Contested loan repurchase demands relating to loans with an initial principal balance of USD 30 million are the subject of litigation that has now been resolved.

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 our disclosures relating to our positions and losses in mortgage-related securities, our positions and losses in auction rate securities, and our US cross-border business. Defendants have moved to dismiss the complaint for failure to state a claim. UBS, a number of senior officers and employees and various UBS committees have also been sued in a putative consolidated class action for breach of fiduciary duties brought on behalf of current and former participants in two UBS Employee Retirement Income Security Act (ERISA) retirement plans in which there were purchases of UBS stock. In March 2011, the court dismissed the ERISA complaint. The plaintiffs have sought leave to file an amended complaint.

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 under offshore jurisdictions with either direct or indirect exposure to BMIS. These funds now face severe losses, and the Luxembourg funds are in liquidation. The last reported net asset value of the two Luxembourg funds before revelation of the Madoff scheme was approximately USD 1.7 billion in the aggregate, although that figure likely includes fictitious profit reported by BMIS. The documentation establishing both funds identifies UBS entities in various roles including custodian, administrator, manager, distributor and promoter, and indicates that UBS employees serve as board members. Between February and May 2009, UBS (Luxembourg) SA responded to criticisms made by the CSSF in relation to its responsibilities as custodian bank and demonstrated to the satisfaction of the CSSF that it has the infrastructure and internal organization in place in accordance with professional standards applicable to custodian banks in Luxembourg. In December 2009 and March 2010, the liquidators of the two Luxembourg funds filed claims on behalf of the funds against UBS entities, non-UBS entities and certain individuals including current and former UBS employees. The amounts claimed are approximately EUR 890 million and EUR 305 million respectively. In addition, a large number of alleged beneficiaries have filed claims against UBS entities (and non-UBS entities) for purported losses relating to the Madoff scheme. The majority of these cases are pending in Luxembourg, where appeals have been filed against the March 2010 decisions of the court in which the claims in a number of test cases were held to be inadmissible. In the US, the BMIS Trustee has filed claims against UBS entities, amongst others, in relation to the two Luxembourg funds and one of the offshore funds. A claim was filed in November 2010 against 23 defendants including UBS entities, the Luxembourg and offshore funds concerned and various individuals, including current and former UBS employees. The total amount claimed against all defendants is no less than USD 2 billion. A second claim was filed in December 2010 against 16 defendants including UBS entities and the Luxembourg fund concerned. The total amount claimed against all defendants is not less than USD 555 million. 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 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 of Milan between 2005 and 2007. The claim is to recover alleged damages in an amount which will compensate for terms of the related derivatives which the City claims to be objectionable. In the alternative, the City seeks to recover alleged hidden profits asserted to have been made by the banks in an amount of approximately EUR 88 million (of which UBS Limited is alleged to have received approximately EUR 16 million) together with further damages of not less than EUR 150 million. The claims are made against all of the banks on a joint and several basis. 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 of Milan. The banks also face an administrative charge of failing to have in place a business organizational model to avoid the alleged misconduct by employees, the sanctions for which could include a limitation on activities in Italy. The City has separately asserted claims for damages against UBS Limited and UBS individuals in relation to this alleged failure. A number of transactions with other public entity counterparties in Italy have also been called into question or become the subject of legal proceedings and claims for damages and other awards. These include derivative transactions with the Regions of Calabria, Tuscany, Lombardy and Lazio and the City of Florence. We have issued proceedings before English courts in connection with a number of derivative transactions with Italian public entities, including some of those mentioned above, aimed at obtaining declaratory judgments as to the legitimacy of our behavior.

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

Note 15 Provisions and contingent liabilities (continued)

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 we knowingly misrepresented the risk in the transaction, sold HSH notes with "embedded losses", and improperly profited at HSH's expense by misusing our right to substitute assets in the reference pool within specified parameters. HSH is seeking USD 500 million in compensatory damages plus pre-judgment interest. The case was initially filed in 2008. Following orders issued in 2008 and 2009, in which the court dismissed most of HSH's claims and its punitive damages demand and later partially denied a motion to dismiss certain repleaded claims, the claims remaining in the case are for fraud, breach of contract and breach of the implied covenant of good faith and fair dealing. Both sides have appealed the court's most recent partial dismissal order, and a decision on the appeal is pending.

11. Kommunale Wasserwerke Leipzig GmbH (KWL)

In 2006 and 2007, KWL entered into a series of managed Credit Default Swap transactions with bank swap counterparties, including UBS. Under the CDS contracts between KWL and UBS, the last of which we terminated on 18 October 2010, a net sum of approximately USD 138 million has fallen due from KWL but not been paid. In January 2010, we 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. On 15 October 2010, the English court dismissed an application by KWL contesting its jurisdiction, and ruled that it has jurisdiction and will hear the proceedings. On 18 October 2010, we issued a further claim against KWL in the English court seeking declarations concerning the validity of our early termination on that date of the remaining CDS with KWL. On 11 November 2010, the English Supreme Court ruled in a case concerning similar jurisdictional issues, but not involving UBS, that certain questions should be referred to the European Court of Justice. Thereafter, KWL was granted permission to appeal certain jurisdictional aspects of its claim, and the court ordered a temporary stay of the proceedings related to our claim for a declaration as to validity. 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. We are contesting the claims and have also contested the jurisdiction of the Leipzig court. KWL made a submission in October 2010 making additional allegations including fraudulent collusion by UBS employees. By order dated 17 March 2011, the Leipzig court has stayed the proceedings against UBS and another bank pending the outcome of the appeal on the jurisdictional aspects in England.

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

It is reported that 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.

12. Puerto Rico

The SEC has been investigating our secondary market trading and associated disclosures involving shares of closed-end funds managed by UBS Asset Managers of Puerto Rico, principally in 2008 and 2009. In November 2010, the SEC issued a "Wells notice" to two UBS subsidiaries, advising them that the SEC staff is considering whether to recommend that the SEC bring a civil action against them relating to these matters. We believe that the negative financial results, if any, to shareholders of the funds who traded their shares through UBS during the relevant periods were less than USD 5 million in the aggregate. There is, however, no assurance that the SEC's staff will agree with our analysis.

13. LIBOR

We have received subpoenas from the SEC, the US Commodity Futures Trading Commission and the US Department of Justice in connection with investigations regarding submissions to the British Bankers' Association, which sets LIBOR rates. We understand that the investigations focus on whether there were improper attempts by UBS, either acting on our own or together with others, to manipulate LIBOR rates at certain times. In addition, we have received an order to provide information to the Japan Financial Services Agency, and the UK Financial Services Authority has informed us that it is commencing an investigation, concerning similar matters. A number of putative class actions have been filed in federal courts in the US against UBS and numerous other banks on behalf of certain parties who transacted in LIBOR-based derivatives. The complaints allege manipulation, through various means, of the US dollar LIBOR rate and prices of US dollar LIBOR-based derivatives in various markets. Claims for damages are asserted under various legal theories, including violations of the US Commodity Exchange Act and antitrust laws.

Note 15 Provisions and contingent liabilities (continued)

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

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

We were 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 we acted as an RMBS sponsor or mortgage seller, we generally made certain representations relating to the characteristics of the underlying loans. In the event of a material breach of these representations, we were in most cases contractually obligated to repurchase the loans to which they related or to indemnify certain parties against losses. We have been notified by certain institutional purchasers and insurers of mortgage loans and RMBS that possible breaches of representations may entitle the purchasers to require that UBS repurchase the loans or to other relief. We have received relatively few repurchase demands and have repurchased only a small fraction of the underlying loans.

In the period from 2006 through 2009, we received demands to repurchase loans having an original principal balance of approximately USD 356 million in the aggregate. Of that principal balance of USD 356 million, as of 31 March 2011, we had repurchased or agreed to repurchase loans accounting for about 5%. Repurchase demands accounting for about 54% were rescinded after rebuttal by UBS. Demands accounting for a further 32% either were rebutted by UBS but not rescinded (and are the subject of ongoing discussions) or were not pursued by the party making the demand. Repurchase demands accounting for about 9% were the subject of litigation that has been settled by the parties. The settlement includes a release of the plaintiff's asserted claims and any potential claims in connection with approximately 13% of UBS RESI's total whole loan sales of USD 19 billion for the period 2004 to 2007.

In 2010, we received demands to repurchase additional loans having an original principal balance of approximately USD 350 million. Of that principal balance of USD 350 million, as of 31 March 2011, we had agreed to repurchase loans accounting for about 13%, repurchase demands accounting for about 66% have been rebutted by UBS but not rescinded, we continue to review repurchase demands accounting for about 15%, and demands accounting for about 6% are being resolved between the repurchase requestor and the originators of the loans. We expect that the majority of the underlying loans subject to these 2010 repurchase demands will ultimately not be required to be repurchased. Since 1 January 2011, we have received demands to repurchase additional loans having an original principal balance of approximately USD 5 million. Those loans are under review.

As of the end of the first quarter of 2011, we had a provision of USD 99 million based on our best estimate of the loss arising from loan repurchase demands received from 2006 through 2011 to which we have agreed, or which we have rebutted but which are unresolved, and for certain anticipated loan repurchase demands of which we have been informed. It is not yet clear when or to what extent this provision will be utilized in connection with actual repurchases or indemnity payments, because both the submission of anticipated demands and the timing of resolution of such demands are uncertain. We nevertheless expect that most of the repurchases and payments related to the demands received in 2010, excluding any that become the subject of litigation, will occur in 2011.

We have made or agreed to make indemnity payments in amounts equivalent to 62% of the original principal balance of already-liquidated loans that were the subject of 2010 demands to which we agreed. With respect to unliquidated loans that we agreed to repurchase in response to demands made in 2010, we do not yet have sufficient information to estimate the charge we will recognize upon repurchase. 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 prior to repurchase. It is not possible to predict future indemnity rates or percentage losses upon repurchase for reasons including timing and market uncertainties as well as possible differences in the characteristics of loans that may be the subject of future demands compared with those that have been the subject of past demands.

In most instances in which we would be required to repurchase loans or indemnify against losses due to misrepresentations, we would be able to assert demands against third-party loan originators who provided representations when selling the

Note 15 Provisions and contingent liabilities (continued)

related loans to UBS. However, many of these third parties are insolvent or no longer exist. We estimate that, of the total original principal balance of loans sold or securitized by UBS from 2004 through 2007, less than 50% was purchased from third-party originators that remain solvent. In respect of loans that we have agreed to repurchase pursuant to demands received in 2010, we have in turn asserted indemnity or repurchase demands against third parties for loans with an aggregate original principal balance of USD 29 million. Only a small number of our demands have been resolved, and we have not recognized any asset in respect of the unresolved demands.

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

As described above under "b) Litigation and regulatory matters", we are also subject to claims and threatened claims in connection with our role as underwriter and issuer of RMBS.

Note 16 Financial liabilities not recognized on balance sheet

The table below shows the maximum irrevocable amount of guarantees, commitments and forward starting transactions.

	31.3.11			31.12.10		
CHF million	**Gross**	**Sub-participations**	**Net**	Gross	Sub-participations	Net
Guarantees						
Credit guarantees and similar instruments	**8,714**	**(402)**	**8,313**	8,612	(401)	8,212
Performance guarantees and similar instruments	**3,260**	**(519)**	**2,741**	3,362	(506)	2,856
Documentary credits	**5,204**	**(352)**	**4,853**	4,561	(255)	4,306
Total guarantees	**17,179**	**(1,272)**	**15,906**	16,535	(1,162)	15,374
Commitments						
Loan commitments	**61,386**	**(1,378)**	**60,007**	56,851	(1,475)	55,376
Underwriting commitments	**893**	**(544)**	**348**	404	(196)	208
Total commitments	**62,278**	**(1,923)**	**60,356**	57,255	(1,671)	55,584
Forward starting transactions [1]						
Reverse repurchase agreements	**54,459**			39,036		
Securities borrowing agreements	**262**			454		
Repurchase agreements	**35,719**			22,468		
Securities lending agreements	**23**			783		

1 Cash to be paid in the future by either UBS or the counterparty.

Note 17 Currency translation rates

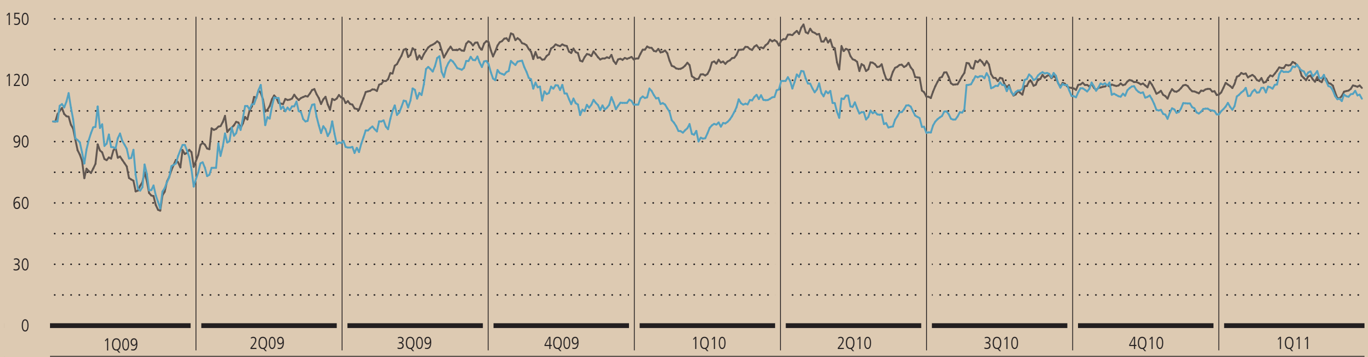
The following table shows the main rates used to translate the financial information of our foreign operations into Swiss francs:

	Spot rate As of			Average rate For the quarter ended		
	31.3.11	31.12.10	31.3.10	**31.3.11**	31.12.10	31.3.10
1 USD	**0.92**	0.93	1.05	**0.93**	0.97	1.06
1 EUR	**1.30**	1.25	1.42	**1.29**	1.29	1.45
1 GBP	**1.47**	1.46	1.60	**1.49**	1.54	1.64
100 JPY	**1.10**	1.15	1.13	**1.13**	1.16	1.16

UBS registered shares

UBS share price chart vs DJ Banks Titans Index

in % *1 January 2009 – 31 March 2011*



For current share price refer to: www.ubs.com/quotes

UBS shares and market capitalization

	As of			% change from	
	31.03.11	31.12.10	31.03.10	31.12.10	31.03.10
Share price (CHF)	**16.48**	15.35	17.14	7	(4)
Market capitalization (CHF million)[1]	**63,144**	58,803	65,660	7	(4)

1 Market capitalization is calculated based on the total UBS ordinary shares issued multiplied by the UBS share price at period end. Refer to "Note 8 Earnings per share (EPS) and shares outstanding" in the "Financial information" section of this report for more information.

UBS ordinary shares are registered shares with a par value of CHF 0.10 per share. They are issued in the form of Global Registered Shares (GRS). A Global Registered Share is a security that provides direct and equal ownership for all shareholders. It can be traded and transferred across applicable borders without the need for conversion, with identical shares traded on different stock exchanges in different currencies. The shares are currently listed on the SIX Swiss Exchange and the New York Stock Exchange.

Ticker symbols

Trading exchange	Bloomberg	Reuters
SIX Swiss Exchange	UBSN VX	UBSN.VX
New York Stock Exchange	UBS UN	UBS.N

Security identification codes

ISIN	**CH0024899483**
Valoren	**2.489.948**
Cusip	**CINS H89231 33 8**

Information sources

Reporting publications

Annual publications: *Annual report (SAP no. 80531):* Published in both English and German, this single volume report provides a description of: our UBS Group strategy, performance and responsibility; the strategy and performance of the business divisions and the Corporate Center; risk and treasury management; corporate governance and senior management and Board of Directors compensation; and financial information, including the financial statements. *Review (SAP no. 80530):* The booklet contains key information on our strategy and financials. It is published in English, German, French and Italian. *Compensation Report (SAP no. 82307):* The report discusses compensation for senior management and the Board of Directors (executive and non-executive members). It is published in English and German.

Quarterly publications: *Letter to shareholders:* The letter provides a quarterly update from executive management on our strategy and performance. The letter is published in English, German, French and Italian. *Financial report (SAP no. 80834):* The quarterly financial report provides an update on our strategy and performance for the respective quarter. It is published in English.

How to order reports: The annual and quarterly publications are available in PDF format on the internet at *www.ubs.com/investors/topics* in the "Financial information" section. Printed copies can be ordered from the same website by accessing the order/subscribe panel on the left-hand side of the screen. Alternatively, they can be ordered by quoting the SAP number and the language preference where applicable, from UBS AG, F2AL-AUL, P.O. Box, CH-8098 Zurich, Switzerland.

Other information

Website: The "Analysts & Investors" section at *www.ubs.com/investors* provides the following information on UBS: financial information (including SEC results-related filings); corporate information, including UBS share price charts and data and dividend information; the UBS event calendar; and presentations by management for investors and financial analysts. Information on the internet is available in English and German, with some sections in French and Italian.

Result presentations: Our quarterly results presentations are webcast live. A playback of most presentations is downloadable at *www.ubs.com/presentations*.

Messaging service/UBS news alert: On the *www.ubs.com/newsalerts* website, it is possible to subscribe to receive news alerts about UBS via SMS or e-mail. Messages are sent in English, German, French or Italian and it is possible to state theme preferences for the alerts received.

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The Base Prospectus and all supplements thereto, shall be maintained in printed format, for free distribution, at the offices of the Issuer for a period of twelve months after the publication of this document and are published on the website www.ubs.com/keyinvest, or a successor website.

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

Zurich, 14 July 2011

UBS AG

signed by Stefanie Ganz signed by Thomas Ulrich