



UBS AG
(incorporated with limited liability in Switzerland)
(the “**Issuer**”)

**Base Prospectus for the issue of
UBS ETC Notes (the “Notes”) linked to the various
UBS Bloomberg Constant Maturity Commodity Index (“CMCI”) Indices**

Under this programme (the “**Programme**”), the Issuer may from time to time issue bearer Notes (including, for the avoidance of doubt, Italian Certificates) on the terms set out herein, the value of which is linked to the indices within the CMCI Indices or any of its sub-indices and which will, before fees and expenses, provide Noteholders with exposure to potential price appreciation or depreciation in the relevant Index. In respect of Italian Certificates, provided such Italian Certificates are admitted to listing on the Italian Stock Exchange and to trading on the SeDeX Market, all references to “Notes” and “Noteholders” in this Base Prospectus shall be deemed to be references to “Italian Certificates” and “certificateholders”.

Application has been made to the Financial Services Authority (“**FSA**”) in its capacity as competent authority under the Financial Services and Markets Act 2000 (“**FSMA**”) (the “**UK Listing Authority**”) for Notes issued under the Programme during the period of 12 months from the date of this Base Prospectus to be admitted to the official list of the UK Listing Authority (the “**Official List**”) and to the London Stock Exchange plc (the “**London Stock Exchange**”) for such Notes to be admitted to trading on the London Stock Exchange’s regulated market. References in this Base Prospectus to Notes being listed (and all related references) shall mean that such Notes have been admitted to trading on the London Stock Exchange’s regulated market and have been admitted to the Official List. The London Stock Exchange’s regulated market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC). Notes may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets (including, in respect of Italian Certificates, the Italian SeDeX Market).

Notice of the aggregate nominal amount of Notes and certain other information which is applicable to each Series (as defined under “*Definitions*”) of Notes will be set out in a final terms (the “**Final Terms**”) which, with respect to all Notes other than Exempt Notes (as defined under “*Important Information*”) will be delivered to the UK Listing Authority and, where listed, the London Stock Exchange (and, in respect of Italian Certificates, the Italian Stock Exchange). Copies of Final Terms in relation to Notes to be listed on the London Stock Exchange will also be published on the website of the London Stock Exchange through a regulatory information service. Prior to the admission to listing on the Italian Stock Exchange and to trading on the SeDeX Market of Italian Certificates, copies of the relevant Final Terms will be provided to the Commissione Nazionale per le Società e la Borsa (“**CONSOB**”) through a regulatory information service and will be published on the website of the Italian Stock Exchange.

The Notes may not be offered, sold or otherwise transferred in the United States or to, or for the account or benefit of, U.S. persons.

An investment in the Notes involves a degree of risk. In addition to the other information contained in this document, the risk factors set out under the heading “*Risk Factors*” below should be carefully considered by prospective investors before deciding whether to invest in the Notes. It should be remembered that the price of securities can go down as well as up.

The Italian language version of the summary of this Base Prospectus is set out in a separate document to this Base Prospectus and is available free of charge at the registered office of the Issuer. For the avoidance of doubt, such separate document has not been reviewed and approved by the UK Listing Authority.

Lead Manager

UBS Investment Bank

IMPORTANT INFORMATION

This Base Prospectus comprises a base prospectus in respect of all Notes other than Exempt Notes issued under the Programme for the purposes of Article 5(4) of Directive 2003/71/EC as amended (which includes the amendments made by Directive 2010/73/EU to the extent that such amendments have been implemented in the relevant Member State of the European Economic Area) (the “**Prospectus Directive**”). The Issuer has requested the FSA to provide CONSOB with a certificate of approval attesting that this Base Prospectus has been drawn up in accordance with Directive 2003/71/EC.

The Issuer accepts responsibility for the information contained in this Base Prospectus. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Base Prospectus is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see “*Documents Incorporated by Reference*”). This Base Prospectus shall be read and construed on the basis that such documents are incorporated and form part of this Base Prospectus.

The requirement to publish a prospectus under the Prospectus Directive only applies to Notes which are to be admitted to trading on a regulated market in the European Economic Area and/or offered to the public in the European Economic Area other than in circumstances where an exemption is available under Article 3(2) of the Prospectus Directive (as implemented in the relevant Member State(s)). References in this Base Prospectus to “**Exempt Notes**” are to Notes for which no prospectus is required to be published under the Prospectus Directive.

No person is or has been authorised by the Issuer to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other information supplied in connection with the Programme or the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer.

Neither this Base Prospectus nor any other information supplied in connection with the Programme or any Notes (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer that any recipient of this Base Prospectus or any other information supplied in connection with the Programme or any Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Base Prospectus nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuer to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Base Prospectus nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same.

The Notes have not been and will not be registered under the United States Securities Act of 1933 (the “**Securities Act**”), as amended, or under the securities laws of any states of the United States. The Notes may not be offered, sold, transferred, pledged, delivered, exercised or redeemed, directly or indirectly, at any time within the United States or to, or for the account or benefit of, any U.S. person (as defined in Regulation S (“**Regulation S**”) under the Securities Act) or any United States person (as defined in the U.S. Internal Revenue Code of 1986 as amended) or to persons who do not come within the definition of non-United States person under Rule 4.7 of the U.S. Commodity Exchange Act of 1936 as amended. The Notes may not be legally or beneficially owned at any time by any U.S. person and accordingly are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S. Furthermore, trading in the Notes has not been approved by the United States Commodity Futures Trading Commission under the United States Commodity Exchange Act, and no U.S. person may at any time trade or maintain a position in the Notes.

The Issuer's long-term senior debt is rated A by Fitch Ratings Limited ("**Fitch**"), A2 by Moody's Investors Services Ltd ("**Moody's**") and A by Standard & Poor's Credit Market Services Europe Limited ("**S&P**"). The Notes themselves have not been rated. Fitch, Moody's and S&P are established in the European Union and are registered under Regulation (EC) No. 1060/2009 of the European Parliament and of the Council of 16 September 2009 (the "**CRA Regulation**"). In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the CRA Regulation unless the rating is provided by a credit rating agency operating in the European Union before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration is not refused. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. The ratings assigned reflect only the views of the rating agencies.

This Base Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Base Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer does not represent that this Base Prospectus may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, unless specifically indicated to the contrary in the applicable Final Terms, no action has been taken by the Issuer which is intended to permit a public offering of any Notes or distribution of this Base Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Base Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Base Prospectus or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Base Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Base Prospectus and the offer or sale of Notes in the United States, the European Economic Area (including the United Kingdom) and Switzerland.

The Notes may not be a suitable investment for all investors. Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should, either on its own or with the help of its financial and other professional advisers:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement or any applicable drawdown prospectus and all information contained in the relevant Final Terms;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understand thoroughly the terms of the Notes and be familiar with the behaviour of the relevant indices and financial markets;
- (v) be able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks; and
- (vi) understand the accounting, legal, regulatory and tax implications of purchasing, holding and disposing of an interest in the Notes.

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions

apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

Investors' Reliance on U.S. Federal Tax Advice in this Base Prospectus

This Base Prospectus does not contain any discussion of U.S. federal tax considerations associated with buying, selling or holding the Notes or beneficial interests in the Notes. The disclosure included herein is intended to warn investors that the Notes are not intended to be bought, sold or held by U.S. persons and nothing in this Base Prospectus may be used as U.S. tax advice or for the purpose of avoiding any payment of U.S. tax penalties. Each taxpayer should seek U.S. federal tax advice based on the taxpayer's particular circumstances from an independent tax advisor.

IMPORTANT INFORMATION RELATING TO PUBLIC OFFERS OF NOTES

Restrictions on Public offers of Notes in Relevant Member States

Certain Series of Notes with a denomination of less than EUR100,000 (or its equivalent in any other currency) may be offered in circumstances where there is no exemption from the obligation under the Prospectus Directive to publish a prospectus. Any such offer is referred to as a “**Public Offer**”. This Base Prospectus has been prepared on a basis that permits Public Offers of Notes. However, any person making or intending to make a Public Offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”) may only do so if this Base Prospectus 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) and published in accordance with the Prospectus Directive, provided that the Issuer has consented to the use of this Base Prospectus in connection with such offer as provided below and the terms of that consent are complied with by the person (the “**Offeror**”) making the Public Offer of such Notes.

Save as provided above, the Issuer has not authorised, nor does it authorise, the making of any Public Offer of Notes in circumstances in which an obligation arises for the Issuer to publish or supplement a prospectus for such offer.

Consent given in accordance with Article 3(2) of the Prospectus Directive (Retail Cascades)

Any person (an “**Investor**”) intending to acquire or acquiring any Notes from any Offeror other than the Issuer should be aware that, in the context of a Public Offer of such Notes, the Issuer will be responsible to the Investor for this Base Prospectus under section 90 of the FSMA only if the Issuer has consented to the use of this Base Prospectus by that Offeror to make the Public Offer to the Investor. The Issuer does not make any representation as to the compliance by that Offeror with any applicable conduct of business rules or other applicable regulatory or securities law requirements in relation to any Public Offer and the Issuer has no responsibility or liability for the actions of that Offeror. **Save as provided below, the Issuer has not authorised the making of any Public Offer by any Offeror or consented to the use of this Base Prospectus by any other person in connection with any Public Offer of Notes. Any Public Offer made without the consent of the Issuer is unauthorised and the Issuer does not accept any responsibility or liability for the actions of the persons making any such unauthorised offer.** If the Issuer has not consented to the use of this Base Prospectus by an Offeror, the Investor should check with the Offeror whether anyone is responsible for this Base Prospectus for the purposes of section 90 of the FSMA in the context of the Public Offer and, if so, who that person is. If the Investor is in any doubt about whether it can rely on this Base Prospectus and/or who is responsible for its contents it should take legal advice.

In connection with each Series of Notes, and provided that the applicable Final Terms specifies an Offer Period, the Issuer consents to the use of this Base Prospectus in connection with a Public Offer of such Notes subject to the following conditions:

- (i) the consent is only valid during the Offer Period so specified;
- (ii) the only Offerors authorised to use this Base Prospectus to make the Public Offer of the relevant Tranche of Notes are the Issuer and, if the applicable Final Terms names financial intermediaries authorised to offer the Notes, the financial intermediaries so named or if the Issuer appoints additional financial intermediaries after the date of the applicable Final Terms and publishes details of them on its website, each financial intermediary whose details are so published;
- (iii) the consent only extends to the use of this Base Prospectus to make Public Offers of the relevant Series of Notes in Italy and/or the United Kingdom; and
- (iv) the consent is subject to any other conditions set out in Part B of the applicable Final Terms.

Any Offeror falling within sub-paragraph (ii) above who meets all of the other conditions stated above and wishes to use this Offering Circular in connection with a Public Offer is required, for the duration of the relevant Offer Period, to publish on its website that it is relying on this Offering Circular for such Public Offer with the consent of the Issuer and in accordance with the conditions set out above.

The consent referred to above relates to Offer Periods occurring within 12 months from the date of this Base Prospectus. The Issuer accepts responsibility, in the jurisdictions to which the consent to use the Base Prospectus extends, for the content of this Base Prospectus in relation to any Investor who acquires any Notes in a Public Offer made by any person to whom consent has been given to use this Base Prospectus in that connection in accordance with the preceding paragraphs, provided that such Public Offer has been made in accordance with all the conditions attached to that consent.

The only Relevant Member States which may, in respect of any Series of Notes, be specified in the applicable Final Terms (if any Relevant Member States are so specified) will be Italy and/or the United Kingdom, and accordingly each Series of Notes may only be offered to Investors as part of a Public Offer in Italy and/or the United Kingdom, as specified in the applicable Final Terms, or otherwise in circumstances in which no obligation arises for the Issuer to publish or supplement a prospectus for such offer.

AN INVESTOR INTENDING TO ACQUIRE OR ACQUIRING ANY NOTES IN A PUBLIC OFFER FROM AN OFFEROR OTHER THAN THE ISSUER WILL DO SO, AND OFFERS AND SALES OF SUCH NOTES TO AN INVESTOR BY SUCH OFFEROR WILL BE MADE, IN ACCORDANCE WITH ANY TERMS AND OTHER ARRANGEMENTS IN PLACE BETWEEN SUCH OFFEROR AND SUCH INVESTOR INCLUDING AS TO PRICE, ALLOCATIONS AND SETTLEMENT ARRANGEMENTS. THE ISSUER WILL NOT BE A PARTY TO ANY SUCH ARRANGEMENTS WITH SUCH INVESTORS IN CONNECTION WITH THE PUBLIC OFFER OR SALE OF THE NOTES CONCERNED AND, ACCORDINGLY, THIS BASE PROSPECTUS AND ANY FINAL TERMS WILL NOT CONTAIN SUCH INFORMATION. THE INVESTOR MUST LOOK TO THE OFFEROR AT THE TIME OF SUCH OFFER FOR THE PROVISION OF SUCH INFORMATION AND THE OFFEROR WILL BE RESPONSIBLE FOR SUCH INFORMATION. THE ISSUER DOES NOT HAVE ANY RESPONSIBILITY OR LIABILITY TO AN INVESTOR IN RESPECT OF SUCH INFORMATION.

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SUMMARY

The summary set out below complies with the requirements of the Prospectus Directive and Commission Regulation No 809/2004 implementing the Prospectus Directive and any amendments thereto (the “PD Regulation”), including the contents requirements set out in Annex XXII of the PD Regulation. The summary set out below is addressed to potential investors in the Notes. The PD Regulation specifies a mandatory order for the sections and elements set out below and the use of the designation “Not Applicable” for any element specified below where either no relevant information falls to be disclosed or the requirement is not applicable for any reason. The titles set out in each of sections B to E below are themselves summaries of the requirements set out in Annex XXII of the PD Regulation. This summary has been prepared on the basis that only Annexes XI and XII of the PD Regulation are applicable to issues of Notes under the programme and, as a result, the elements referred to below are deliberately not consecutively numbered.

Section A – Introduction and Warnings

Element	
A.1	<p>This summary must be read as an introduction to the Base Prospectus and is provided as an aid to investors when considering whether to invest in any Notes, but is not a substitute for the Base Prospectus. Any decision to invest in any Notes should be based on a consideration of the Base Prospectus as a whole, including any documents incorporated by reference. Following the implementation of the relevant provisions of the Prospectus Directive in each Member State of the European Economic Area, no civil liability will attach to the Issuer in any such Member State solely on the basis of this summary, including any translation hereof, unless it is misleading, inaccurate or inconsistent when read together with the other parts of the Base Prospectus or it does not provide, when read together with the other parts of the Base Prospectus, key information (as defined in Article 2(1)(s) of the Prospectus Directive) in order to aid investors when considering whether to invest in the Notes. Where a claim relating to information contained in the Base Prospectus is brought before a court in a Member State of the European Economic Area, the plaintiff may, under the national legislation of the Member State where the claim is brought, be required to bear the costs of translating the Base Prospectus before the legal proceedings are initiated.</p>
A.2	<p>Certain series of Notes with a denomination of less than EUR100,000 (or its equivalent in any other currency) may be offered in circumstances where there is no exemption from the obligation under the Prospectus Directive to publish a prospectus. Any such offer is referred to as a “Public Offer”.</p> <p>[The Issuer consents to the use of the Base Prospectus in connection with a Public Offer of such Notes subject to the following conditions:</p> <ol style="list-style-type: none"> 1. the consent is only valid during the period from [[] until [[]/[the Issue Date]]/[the date which falls [●] [calendar days] thereafter]] (the “Offer Period”); 2. the only offerors authorised to use this Base Prospectus to make the Public Offer of the relevant Tranche of Notes are the Issuer and [●] and/or if the Issuer appoints additional financial intermediaries after the date of the Final Terms and publishes details of them on its website, each financial intermediary whose details are so published; [and] 3. the consent only extends to the use of the Base Prospectus to make Public Offers of the relevant Series of Notes in each Relevant Member State

Element	
	<p style="text-align: center;">specified in the relevant Final Terms; [and][</p> <p>4. the consent is subject to the following other condition[s]: [●].]</p> <p>The consent referred to above is valid for the period of 12 months from the date of the Base Prospectus.</p> <p>AN INVESTOR INTENDING TO ACQUIRE OR ACQUIRING ANY NOTES IN A PUBLIC OFFER FROM AN OFFEROR OTHER THAN THE ISSUER WILL DO SO, AND OFFERS AND SALES OF SUCH NOTES TO AN INVESTOR BY SUCH OFFEROR WILL BE MADE, IN ACCORDANCE WITH ANY TERMS AND OTHER ARRANGEMENTS IN PLACE BETWEEN SUCH OFFEROR AND SUCH INVESTOR INCLUDING AS TO PRICE, ALLOCATIONS AND SETTLEMENT ARRANGEMENTS. THE INVESTOR MUST LOOK TO THE OFFEROR AT THE TIME OF SUCH OFFER FOR THE PROVISION OF SUCH INFORMATION AND THE OFFEROR WILL BE RESPONSIBLE FOR SUCH INFORMATION. NONE OF THE ISSUER OR ANY DEALER HAS ANY RESPONSIBILITY OR LIABILITY TO AN INVESTOR IN RESPECT OF SUCH INFORMATION.]</p>

Section B – Issuer

Element	Title	
B.1	Legal and commercial name of Issuer:	UBS AG (“UBS” or the “Issuer”).
B.2	Domicile/legal form/legislation/ country of incorporation:	The Issuer 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.
B.4(b)	Known trends with respect to the Issuer:	As stated in the outlook statement presented in UBS’s third quarter 2012 report issued on 30 October 2012, as in recent quarters, the degree of progress towards achieving sustained and material improvements to eurozone sovereign debt and European banking system issues, as well as the extent of uncertainty surrounding geopolitical tensions, the global economic outlook and the US fiscal cliff, will continue to exert a strong influence on client confidence and, thus, activity levels in the fourth quarter of 2012. Failure to make progress on these key issues would make further improvements in prevailing market conditions unlikely and would thus generate headwinds for revenue growth, net interest margins and net new money. Despite these challenges, UBS remains confident that its asset-gathering businesses as a whole will continue to attract net new money, reflecting its clients’ steadfast trust in the firm. As a result of the decisive action UBS has announced to accelerate its strategy, UBS expects to recognize restructuring charges of approximately CHF 500 million in the fourth quarter. Combined with reduced Investment Bank revenues as UBS exits certain business lines, UBS's current

Element	Title	
		<p>expectations for the impact of movements in own credit spreads, and despite profits in its wealth management businesses, Retail & Corporate and Global Asset Management, UBS is likely to report a net loss attributable to UBS shareholders in the fourth quarter. Nevertheless, UBS is confident that the actions it is taking now will ensure the firm's long-term success in the fundamentally changed regulatory and economic environment and will deliver sustainable returns for its shareholders going forward.</p>
B.5	The Issuer's group:	<p>The Issuer is the parent company of the UBS group, comprising the Issuer and its subsidiaries (together, “UBS Group” or “Group”). The UBS Group is a leading global financial services firm with operations worldwide and a banking operation in Switzerland. The objective of the UBS Group structure is to support the business activities of the parent company within an efficient legal, tax, regulatory and funding framework. None of the individual business divisions of UBS or the Corporate Center are legally independent entities; instead, they primarily perform their activities through the domestic and foreign offices of the parent bank.</p> <p>In cases where it is impossible or inefficient to operate via the parent bank, due to local legal, tax or regulatory provisions, or where additional legal entities join the Group through acquisition, the business is operated on location by legally independent Group companies. UBS AG's significant subsidiaries as of 31 December 2011 are listed in its annual report as of 31 December 2011 published on 15 March 2012, on pages 394-396 (inclusive) of the English version.</p>
B.9	Profit forecast or estimate:	Not Applicable; the Issuer has not made any profit forecasts or estimates.
B.10	Audit report qualification:	Not Applicable; there are no qualifications in the audit report of the Issuer on its historical financial information.
B.12		<p>UBS derived the following selected consolidated financial data from (i) its annual report 2011 containing the audited consolidated financial statements for the fiscal year ended 31 December 2011 (including comparative figures as of 31 December 2010 and 2009) and (ii) its unaudited consolidated financial statements for the third quarter ended 30 September 2012 (including comparative figures as of 30 September 2011). UBS's consolidated financial statements were prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and stated in Swiss francs.</p>

Element	Title					
		For the quarter ended		For the year ended		
	<i>CHF million, except where indicated</i>	30.9.12	30.9.11	31.12.11	31.12.10	31.12.09
		<i>unaudited</i>		<i>audited, except where indicated</i>		
	Group results					
	Operating income	6,287	6,412	27,788	31,994	22,601
	Operating expenses	8,803	5,432	22,439	24,539	25,162
	Operating profit from continuing operations before tax	(2,516)	980	5,350	7,455	(2,561)
	Net profit attributable to UBS shareholders	(2,172)	1,018	4,159	7,534	(2,736)
	Diluted earnings per share (CHF)	(0.58)	0.27	1.08	1.96	(0.75)
	Key performance indicators, balance sheet and capital management					
		Year-to-date		For the year ended		
	<i>CHF million, except where indicated</i>	30.9.12	30.9.11	31.12.11	31.12.10	31.12.09
		<i>unaudited</i>		<i>audited, except where indicated</i>		
	Performance					
	Return on equity (RoE) (%) ¹	(2.3)	10.7	8.5*	16.7*	(7.8)*
	Return on risk-weighted assets, gross (%) ²	11.9	14.4	13.7*	15.5*	9.9*
	Return on assets, gross (%) ³	1.9	2.3	2.1*	2.3*	1.5*
		As of or for the quarter ended		As of or for the year ended		
	<i>CHF million, except where indicated</i>	30.9.12	30.9.11	31.12.11	31.12.10	31.12.09
		<i>unaudited</i>		<i>audited, except where indicated</i>		
	Growth					
	Net profit growth (%) ⁴	N/A	0.3	(44.8)*	N/A*	N/A*
	Net new money growth (%) ⁵	2.5	1.0			
	Efficiency					
	Cost / income ratio (%) ⁶	137.2	83.6	80.5*	76.5*	103.0*
	Capital strength					
	BIS tier 1 capital ratio (%) ^{7,8}	20.2	13.2	15.9*	17.8*	15.4*
	FINMA leverage ratio (%) ^{7,9}	6.1	5.4	5.4*	4.4*	3.9*
	Balance sheet and capital management					
	Total assets	1,369,075		1,419,162	1,317,247	1,340,538
	Equity attributable to UBS shareholders	52,449		53,447	46,820	41,013
	Total book value per share (CHF)	14.00		14.26*	12.35*	11.65*
	Tangible book value per share (CHF)	12.23		11.68*	9.76*	8.52*
	BIS core tier 1 capital ratio (%) ⁷	18.1		14.1*	15.3*	
	BIS total capital ratio (%) ⁷	23.6	14.2	17.2*	20.4*	19.8*
	BIS risk-weighted assets ⁷	210,278		240,962*	198,875*	206,525*
	BIS tier 1 capital ⁷	42,396		38,370	35,323	31,798
	Additional information					
	Invested assets (CHF billion) ¹⁰	2,242		2,088*		
	Personnel (full-time equivalents)	63,745	65,921	64,820*	64,617*	65,233*
	Market capitalization	43,894	40,390	42,843*	58,803*	57,108*
		*unaudited				
	Statements of no significant change or material adverse change:					
	There has been no significant change in the financial or trading position of the UBS Group since 30 September 2012. There has been no material adverse change in the prospects of the UBS Group since 30 December 2011.					

Element	Title	
B.13	Events impacting the Issuer's solvency:	Not Applicable; there are no recent events particular to the Issuer that are, to a material extent, relevant to the evaluation of the Issuer's solvency.
B.14	Dependence upon other group entities:	The Issuer is not dependent upon other entities within the group.
B.15	Issuer's principal activities:	The UBS Group draws on its 150-year heritage to serve private, institutional and corporate clients worldwide, as well as retail clients in Switzerland. UBS's business strategy is centered on its pre-eminent global wealth management businesses and its universal bank in Switzerland. These businesses, together with a client-focused Investment Bank and a strong, well-diversified Global Asset Management business, will enable UBS to expand its premier wealth management franchise and drive further growth across the Group. Headquartered in Zurich and Basel, Switzerland, UBS has offices in more than 50 countries, including all major financial centers.
B.16	Ownership and control of the Issuer:	<p>As of 30 September 2012, the following shareholders (acting in their own name or in their capacity as nominees for other investors or beneficial owners) were registered in the share register with 3% or more of the total share capital of UBS AG: Chase Nominations Ltd., London (11.23%); the US securities clearing organisation DTC (Cede & Co.) New York, "The Depository Trust Company" (5.37%); Government of Singapore Investment Corp., Singapore (6.40%) and Nortrust Nominees Ltd., London (4.17%).</p> <p>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:</p> <ul style="list-style-type: none"> (i) 30 September 2011: Norges Bank (the Central Bank of Norway), 3.04%; (ii) 12 March 2010: Government of Singapore Investment Corp., 6.45%; and (iii) 17 December 2009: BlackRock Inc., New York, USA, 3.45%.
B.17	Credit Ratings:	The Issuer's long-term senior debt is rated A by Fitch Ratings Limited (" Fitch "), A2 by Moody's Investors Services Ltd (" Moody's ") and A by Standard & Poor's Credit Market Services Europe Limited (" S&P "). The Notes have not been rated.

Section C – Securities

Element	Title	
C.1	Description of Notes:	<p>Notes:</p> <p>ISIN:</p> <p>The International Securities Identification Number (“ISIN”) is [●].</p> <p>Settlement:</p> <p>[The Notes will be accepted for clearing through Euroclear Bank S.A./N.V. (“Euroclear”) and Clearstream Banking, société anonyme (“Clearstream”). Each Global Note is to be held by or on behalf of such clearing systems and therefore potential investors will have to rely on the clearing systems’ procedures for transfer, payment and communications with the Issuer.]</p> <p>[The Notes of the relevant class or Series may be held and transferred as CREST depositary interests through the CREST system]. [The Italian Certificates may be cleared through the bridge accounts of Monte Titoli.]</p>
C.2	Currency:	The currency of the Notes is [●].
C.5	Restrictions on Transferability:	The Notes are freely transferable.
C.8	Rights attached to the Notes:	<p>Status and Ranking:</p> <p>The Notes (i) constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer; (ii) rank equally among themselves; and (iii) as at the issue date rank equally with all other present and future unsecured and unsubordinated obligations of the Issuer, other than certain debts required to be preferred by law.</p> <p>Events of Default:</p> <p>The terms and conditions of the Notes contain, amongst others, the following events of default:</p> <ul style="list-style-type: none"> (a) default in payment of any amount due in respect of the Notes, continuing for more than 30 calendar days; (b) default in the performance by the Issuer of any other obligation under the Notes which is incapable of remedy or which, being a default capable of remedy, continues for 60 calendar days after notice thereof has been given by any Noteholder to the Issuer; and (c) events relating to the insolvency or winding up of the Issuer.

Element	Title	
		<p>Meetings:</p> <p>The terms and conditions of the Notes contain provisions for calling meetings of holders of such Notes to consider matters affecting their interests generally. These provisions permit defined majorities to bind all holders, including holders who did not attend and vote at the relevant meeting and holders who voted in a manner contrary to the majority.</p> <p>Taxation & Expenses:</p> <p>All payments in respect of the Notes are subject to all applicable fiscal and other laws and regulations, including laws requiring the deduction or withholding of tax (including any amounts required to be withheld or deducted by the rules of Sections 1471 through 1474 of the U.S. Internal Revenue Code (or any amended or successor provisions), pursuant to any inter-governmental agreement or implementing legislation adopted by another jurisdiction in connection with these provisions, or pursuant to any agreement with the U.S. Internal Revenue Service (“FATCA withholding”) as a result of a holder, beneficial owner or an intermediary that is not an agent of the Issuer not being entitled to receive payments free of FATCA withholding), duty, charges, withholding or other payment that may arise as a result of, or in connection with the ownership, transfer, redemption or enforcement of any of its Notes (“Noteholder Expenses”).</p> <p>The Issuer may withhold or deduct from any amount payable to the Noteholders the amount necessary to pay any Noteholder Expenses and no payment in respect of a Note shall be made until all Noteholder Expenses in respect thereof have been paid or deducted in full to the satisfaction of the Issuer. A person entitled to receive an interim payment or final payment or exercising a right to receive a payment under (or entitled to receive any amount at maturity or exercise under) the Note may be required upon request by the Issuer and/or its agents or relevant nominee to certify that neither it nor the beneficial owner of the instrument is a U.S. person or is located in the United States. The Issuer will have no obligation to pay additional amounts or otherwise indemnify an investor for any Noteholder Expenses, including any FATCA withholding deducted or withheld by the Issuer, any paying agent or any other party.</p> <p>[The calculation agent may additionally in its sole discretion increase or decrease, as the case may be, any Redemption Amount payable to account for any income, loss, costs (including hedging costs) and expenses of the Issuer that it believes are attributable to or as a result of any cross-currency disruption event or interest disruption event.]</p>

Element	Title	
		<p>Governing Law:</p> <p>The Notes are governed by and will be construed in accordance with English law.</p>
C.9	Interest/ Redemption:	<p>Interest:</p> <p>The Notes do not bear interest.</p> <p>Noteholders' right to redeem:</p> <p>Noteholders who are entities whose principal activity is to acquire holdings or to carry on banking, credit, insurance, investment or other activities of a type which are ordinarily subject to regulation by a financial services regulator in the jurisdiction in which such entity operates (“Financial and/or Credit Institutions”) may instruct the Issuer to redeem their Notes, in multiples of a set minimum redemption multiple, on the relevant annual exercise date at their Redemption Amount, by giving a redemption notice in the prescribed form to the Issuer. [The following other Noteholders also have the right to instruct the Issuer to redeem the Notes: [●]]. On the redemption payment date in respect of a Note, the Issuer will pay the Noteholder the Redemption Amount in respect of such Note.</p> <p>Compulsory redemption by the Issuer:</p> <p>The Issuer may in its absolute discretion redeem all (but not some only) of the Notes at the applicable Redemption Amount on any trading day, subject to the Issuer giving notice to the Noteholders. On the redemption payment date in respect of a Note, the Issuer will pay the Noteholder the Redemption Amount in respect of such Note.</p> <p>[Additional redemptions of Italian Certificates:</p> <p>Italian Certificates shall be deemed to be “certificates” for the purposes of Article (2)(g) of the Commissione Nazionale per la Società e la Borsa Regulation No. 11971 of 14 May 1999, as amended. Provided the Italian Certificates are admitted to listing on the Italian Stock Exchange and to trading on the SeDeX Market and subject always to the following paragraph, (i) Italian Certificates shall be deemed to be automatically exercised at the Data di Scadenza, which shall be a redemption for the purposes of these Conditions, in respect of which the Issuer shall redeem the Italian Certificates on the related redemption date and (ii) the Italian Certificates shall be deemed to expire at the Data di Scadenza and trading in the Italian Certificates on the SeDeX Market shall cease pursuant to the then applicable rules of the Italian Stock Exchange. On the Data di Scadenza in respect of an Italian Certificate the Issuer will pay the Noteholder the Redemption Amount in respect of such Italian Certificate.</p> <p>Provided the Italian Certificates are admitted to listing on the</p>

Element	Title	
		Italian Stock Exchange and to trading on the SeDeX Market, at any time prior to the renouncement cut-off time on the Data di Scadenza, any Noteholder may renounce automatic exercise of its Italian Certificates by giving a renouncement notice to the Issuer. If a duly completed renouncement notice is validly delivered prior to the Data di Scadenza, the relevant Noteholder will not be entitled to receive any amounts payable by the Issuer in respect of relevant Italian Certificates.]
C.10	Derivative component:	The Notes are fully exposed to any decline in the level of the relevant Index. If the Index Ending Level is below the Index Starting Level or if the Index Ending Level is not sufficiently above the Index Starting Level to offset the cumulative effect of the Fee Amount, the Redemption Amount will be less than the nominal amount of the Notes.
C.11	Admission to listing/distribution:	<p>Listing</p> <p>Notes may be listed on the London Stock Exchange or may be issued on an unlisted basis. [The Notes will be listed on the London Stock Exchange.] [The Notes will be listed on the [●]]. [The Notes will not be listed on any stock exchange.]</p> <p>Distribution</p> <p>[The Notes may be offered to the public in [●].][The Notes are being sold only to [●] [and [●]].]</p>
C.15	Effect of Underlying Instrument on the value of investment:	The value of the Notes will be affected by the performance of the relevant Index. The Notes are fully exposed to any decline in the level of the relevant Index. If the closing level of the relevant Index on the applicable redemption date (or such date as may be determined pursuant to the disruption fallback provisions) (the “ Index Ending Level ”) is below the closing level of the relevant Index on [●] (the “ Index Starting Level ”) or if the Index Ending Level is not sufficiently above the Index Starting Level to offset the cumulative effect of the Fee Amount, the Redemption Amount will be less than the nominal amount of the Note.
C.16	Maturity Date:	[The Notes have no specified maturity.] / [The Italian Certificates will redeem automatically on the Data di Scadenza unless Noteholders have given a duly completed renouncement notice to the Issuer.]
C.17	Settlement procedure:	<p>The procedure for the redemption of Notes by Noteholder election is, unless otherwise agreed with the Issuer, as follows:</p> <p>(i) a Noteholder wishing to redeem its Notes should submit a redemption notice in the prescribed form, pursuant to and in accordance with the terms and conditions of the Notes, to the Issuer by no later than 12 noon London time on the trading day immediately prior to the</p>

Element	Title	
		<p>redemption date;</p> <p>(ii) on receipt of a duly completed redemption notice the Issuer will send the relevant Noteholder a redemption confirmation as soon as reasonably practicable following the publication of the closing level of the relevant Index by the Index sponsors on the date of such receipt; and</p> <p>(iii) such Noteholder must instruct:</p> <p>(a) the clearing system through which its Notes are held to block its account in respect of its Notes;</p> <p>(b) its Euroclear and/or Clearstream custodian to book a delivery versus payment trade with respect to the Notes to be redeemed on the redemption date at a price equal to the Redemption Amount; and</p> <p>(c) its Euroclear and/or Clearstream custodian to deliver the trade as booked for settlement via Euroclear and/or Clearstream as at or prior to 10.00 a.m. London time on the redemption payment date.</p>
C.18	Return on derivative securities:	<p>The “Redemption Amount” in respect of each Note will be calculated in accordance with the following formula:</p> <p><i>(nominal amount of the Note * Index Ending Level / Index Starting Level) - Total Fee Amount.</i></p> <p>The “Fee Amount” will be calculated in accordance with the following formula:</p> <p><i>(fee level (being [●])/365) * (nominal amount of the Note x Current Index Performance Ratio),</i></p> <p>and the “Total Fee Amount” means the sum of the Fee Amounts for each day from and including the trading day after the applicable trade date up to and including the redemption date.</p> <p>“Current Index Performance Ratio” means a figure equivalent to the Current Index Level/Index Starting Level.</p> <p>“Current Index Level” means, as at any date, the level of relevant Index calculated using the closing settlement prices of the component contracts as at such date.</p>
C.19	Exercise price/final reference price:	<p>The Index Ending Level will equal the closing level of the relevant Index as at the applicable redemption date (or if such date is a disrupted day, as determined pursuant to the disruption fallbacks).</p>

Element	Title	
C.20	Type of underlying and where found:	The relevant Index is [●]. Details may be obtained from Bloomberg® and www.ubs.com/cmci.

Section D - Risks

Element	Title	
D.2	Key risks regarding the Issuer:	<p>In purchasing Notes, investors assume the risk that the Issuer may become insolvent or otherwise be unable to make all payments due in respect of the Notes. There is a wide range of factors which individually or together could result in the Issuer becoming unable to make all payments due in respect of the Notes. Certain risks, including those described below, may impact the Issuer's ability to execute its strategy and directly affect its business activities, financial condition, results of operations and prospects. Such risks include (but are not limited to) the following factors:</p> <ul style="list-style-type: none"> (i) regulatory and legislative changes may adversely affect the Issuer's business and ability to execute its strategic plans; (ii) the Issuer's reputation is critical to the success of its business; (iii) the Issuer's capital strength is important in supporting its strategy, client franchise and competitive position; (iv) performance in the financial services industry is affected by market conditions and the economic climate; (v) the Issuer holds legacy and other risk positions that may be adversely affected by conditions in the financial markets and such legacy risk positions may be difficult to liquidate; (vi) liquidity and funding management are critical to the Issuer's ongoing performance; (vii) the Issuer is exposed to possible outflows of client assets in its wealth management and asset management businesses; and (viii) legal claims and regulatory risks and restrictions arise in the conduct of the Issuer's business. <p>It is not possible to identify all such factors or to determine which factors are most likely to occur, as the Issuer may not be aware of all relevant factors and certain factors which it currently deems not to be material may become material as a result of the occurrence of events outside the Issuer's control. Some of these factors relate to the current market crisis and economic climate, which may adversely affect or impair the value of positions owned by or</p>

Element	Title	
		<p>credit protection obtained by the Issuer. More generally, the Issuer's business activities inherently expose it to a variety of additional risks including risks arising from potential weaknesses in management or risk control, the availability and cost of funding, and potential loss of business or inability to retain or attract qualified employees. Any of the foregoing factors could affect the value of the Notes and the ability of the Issuer to make payments on redemption thereof.</p>
D.3	<p>Key risks regarding the Notes:</p>	<p>There are also risks associated with the Notes. These include a range of market risks (including that there may be no or only a limited secondary market in Notes, that the value of an investor's investment may be adversely affected by exchange rate movements where Notes are not denominated in the investor's own currency and that any credit rating assigned to Notes may not adequately reflect all the risks associated with an investment in such Notes), the fact that the conditions of Notes may be modified without the consent of the holder in certain circumstances, that the holder may not receive payment of the full amounts due in respect of Notes as a result of amounts being withheld by the Issuer in order to comply with applicable law and that investors are exposed to the risk of changes in law or regulation affecting the value of its Notes.</p> <p>The following are just some of the factors that may affect an investment in the Notes:</p> <p>Index Performance: The value of the Notes will be affected by the performance of the relevant Index. The Notes are fully exposed to any decline in the level of the relevant Index. If the Index Ending Level is below the Index Starting Level, or if the Index Ending Level is not sufficiently above the Index Starting Level to offset the cumulative effect of the Fee Amount, the Redemption Amount will be less than the nominal amount of the Note, and an investor may therefore lose the value of its entire investment or part of it as the case may be.</p> <p>The Notes are subject to the credit risk of the Issuer: The credit ratings and credit spreads of the Issuer may adversely affect the market value of the Notes, and any default by the Issuer on its payment obligations would reduce the amount which an investor would receive on the Notes, possibly to zero.</p> <p>Volatility: The Index and commodities generally, are volatile and subject to a variety of market forces. The Index Ending Level is therefore unpredictable. Commodity prices may change unpredictably, affecting the prices of the commodities underlying the component contracts and, consequently, the value of the Notes valued by reference to the Index composed of such component contracts.</p> <p>Market risk: The market value of the Notes is at any time dependent on other matters in addition to the credit risk of the</p>

Element	Title	
		<p>Issuer and the performance of the relevant Index. The return on the Notes, which may be positive or negative, is directly linked to the performance of the Index, which is based on a variety of market and economic factors, interest rates in the markets and economic, financial, political, regulatory, judicial or other events that affect the markets generally. The market value of Notes may be highly volatile.</p> <p>Reductions to the Redemption Amount: Noteholders should be aware that: (i) the Issuer may withhold or deduct from any amount payable to a Noteholder the amount necessary to pay certain expenses that may arise as a result of, or in connection with, the ownership, transfer, redemption or enforcement of such Noteholder's Notes; and (ii), if the Notes are not Italian Certificates, the calculation agent may in its sole discretion increase or decrease the Redemption Amount to account for any income, loss, costs (including hedging costs) and expenses of the Issuer that it believes are attributable to or as a result of certain cross-currency and interest rate related disruption events.</p> <p>Potential over-concentration in particular commodity sectors: The commodities underlying component contracts of the Index may be concentrated in a limited number of sectors, particularly energy, agriculture and industrial metals, or comprise one or a limited number of commodities. Investment in the Notes linked to the Index will result in increased exposure to fluctuations in the commodity sectors or commodities underlying the Index.</p> <p>A trading market for the Notes may not develop: Although the Issuer may apply for the Notes to be admitted to trading on the [London Stock Exchange's Main Market] / [Italian SeDeX Market], a trading market for the Notes may not develop. Certain affiliates of the Issuer may engage in limited purchase and resale transactions in the Notes. If they do, however, they are not required to do so and may stop at any time. The Issuer is not required to maintain any listing of the Notes on any exchange.</p> <p>Redemption rights: Only Noteholders who are Financial and/or Credit Institutions have the right to redeem their Notes and may do so only on certain dates on an annual basis in a specified minimum redemption multiple.</p> <p>Limited performance history: The Index has a limited performance history, and it is uncertain how the Index will perform and how useful it will be for purposes of trading. In addition, while the Index is intended to represent a benchmark for commodities investments, the methodology used to achieve this benchmarking has a limited history in its application. It therefore cannot be determined at this point whether, or the extent to which, the Index will serve as an adequate benchmark for the performance of any commodities market or markets.</p> <p>Tax risk: The basis and rate of taxation in respect of the Notes</p>

Element	Title	
		and the investors and any reliefs depend on the individual circumstances of each investor and could change at any time. This could have a negative impact on the return of the Notes to an investor. You should seek your own independent tax advice prior to investing.
D.6	Risk warning:	The Notes are exposed to a decline in the level of the relevant Index. Investors will lose some or all of their investment if the relevant Index Ending Level is below the relevant Index Starting Level or if the relevant Index Ending Level is not sufficiently above the relevant Index Starting Level to offset the cumulative effect of the Fee Amount applicable to the Notes.

Section E – Offer

Element	Title	
E.2(b)	Reasons for the offer and use of proceeds:	The net proceeds of the issue of the Notes will be used by the Issuer outside of Switzerland for its general corporate purposes, which includes making a profit and which may include hedging activities in respect of the Notes.
E.3	Terms and conditions of the offer:	<p>The terms and conditions of each offer of Notes will be determined by the Issuer at the time of issue. [Not Applicable; the Notes are in denominations of at least EUR100,000 (or its equivalent in any other currency).]</p> <p>[An investor intending to acquire or acquiring any Notes from an offeror other than the Issuer will do so, and offers and sales of Notes to an investor by such offeror will be made, in accordance with any terms and other arrangements in place between such offeror and such investor including as to price, allocations and settlement arrangements.</p> <p>Offer Price: [] [Not Applicable]</p> <p>Conditions to which the offer is subject: [Not Applicable] []</p> <p>Description of the application process: [Not Applicable] []</p> <p>Details of the minimum and/or maximum amount of application: [Not Applicable] []</p> <p>Details of the method and time limits for paying up and delivering the Notes: [Not Applicable] []</p> <p>Manner in and date on which results of the offer are to be</p>

Element	Title	
		<p>made public: [Not Applicable] []</p> <p>Categories of potential investors to which the Notes are offered and whether tranche(s) have been reserved for certain countries: [Not Applicable] []</p> <p>Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made: [Not Applicable] []</p> <p>Amount of any expenses and taxes specifically charged to the subscriber or purchaser: [Not Applicable] []</p> <p>Name(s) and address(es), to the extent known to the Issuer, of the placers in the various countries where the offer takes place: [Not Applicable] []]</p>
E.4	Interest of natural and legal persons involved in the issue/offer:	<p>The business activities of the Issuer or its affiliates may create conflicts of interest:</p> <p>The Issuer and its affiliates expect to engage in trading activities related to any Index and the Index commodities that are not for the account of holders of the Notes or on their behalf. These trading activities may present a conflict between the holders’ interests in the Notes and the interests the Issuer and its affiliates will have in their proprietary accounts, in facilitating transactions, including options and other derivatives transactions, for their customers and in accounts under their management. These trading activities, if they influence the level of any Index, could be adverse to the interests of the holders of the Notes.</p> <p>The Issuer’s involvement in the Index committees may conflict with the interests of Noteholders:</p> <p>The Issuer nominates members of the Index committees. Consequently, the Issuer will be involved in the composition and management of each Index including additions, deletions and the weightings of the Index commodities or component contracts. Due to its influence on determinations of the Index committees, which may affect the market value of the Notes, the Issuer may have a conflict of interest if it participates in or influences such determinations.</p> <p>Potential conflicts of interest between Noteholders and the calculation agent:</p> <p>UBS AG, London Branch will serve as the calculation agent in respect of the Notes (the “Calculation Agent”). Since</p>

Element	Title	
		<p>determination by the Calculation Agent may affect the market value of the Notes, the Calculation Agent may have a conflict of interest if it needs to make any such decision.</p> <p>Potential conflicts of interest relating to distributors:</p> <p>Potential conflicts of interest may arise where the Italian Certificates are offered to the public in Italy, as any distributors will act pursuant to a mandate granted by the Issuer and will receive commissions and/or fees on the basis of the services performed and the outcome of the placement of the Italian Certificates in Italy.</p>
E.7	Expenses charged to the investor by the Issuer or an offeror:	<p>It is not anticipated that the Issuer will charge any expenses to investors in connection with any issue of Notes. Other offerors may, however, charge expenses to investors. Such expenses (if any) will be determined on a case by case basis.</p> <p>[No expenses are being charged to an investor by the Issuer; however, [] may be charged by [].]</p>

RISK FACTORS

An investment in the Notes will involve risks. Prior to making an investment decision, prospective investors should carefully read the entire Prospectus. In addition to the other information contained in this document the following material risk factors should be carefully considered by prospective investors before deciding whether to invest in the Notes. The Issuer believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the inability of the Issuer to pay amounts on or in connection with any Notes may occur for other reasons and the Issuer does not represent that the statements below regarding the risks of holding any Notes are exhaustive.

Prospective investors should obtain their own independent accounting, tax and legal advice and should consult their own professional investment advisers to ascertain the suitability of the Notes as an investment and should conduct such independent investigation and analysis regarding the risks and cash-flows associated with the Notes as they deem appropriate, in order to evaluate the merits and risks of an investment in the Notes. Prospective investors should be aware that their entire investment in the Notes may be lost.

In addition to the risk factors described below, reference is also made to the risk factors presented at pages 50 to 56 (inclusive) of the Issuer's 2011 annual report and accounts incorporated herein by reference.

The Notes are subject to the credit risk of the Issuer

The Notes are subject to the credit risk of the Issuer, and its credit ratings and credit spreads may adversely affect the market value of the Notes. Investors are dependent on the Issuer's ability to pay all amounts due on the Notes, and therefore investors are subject to the credit risk of the Issuer and to changes in the market's view of the creditworthiness of the Issuer. Any decline in such credit ratings or increase in the credit spreads charged by the market for taking credit risk on the Issuer is likely to affect adversely the value of the Notes. If the Issuer were to default on its payment obligations, an investor may not receive any amounts owed to it under the Notes and could lose its entire investment. See the risk factors presented at pages 50 to 56 (inclusive) of the Issuer's 2011 annual report and accounts incorporated herein by reference, for further details of how certain risks may directly affect the financial condition of the Issuer.

The Notes are fully exposed to any decline in the level of the relevant Index and you may lose some or all of your investment

The Notes do not pay interest or a guaranteed fixed amount upon redemption. Upon redemption a Redemption Amount will be paid, based on the performance of the Index during the period for which the Note was in issue and the effect of the Fee Amount.

The Notes are fully exposed to any decline in the level of the relevant Index (as measured by the Index Performance Ratio). If the Index Ending Level is below the Index Starting Level or if the Index Ending Level is not sufficiently above the Index Starting Level to offset the cumulative effect of the Fee Amount, an investor will lose some or all of its investment in the Notes. Each Index is volatile and subject to a variety of market forces, some of which are described below, which will affect the return an investor will receive on an investment in the Notes.

The effect of the Fee Amount

The Redemption Amount is calculated to take account of the Fee Amount which reduces the extent to which the value of the Notes reflects any increase in the level of the relevant Index. If the relevant Index level decreases, the effect of the Fee Amount is further to reduce the value of the Notes. An investment in the Notes is therefore not the same as an investment in the relevant Index.

The Fee Amount applicable to a particular class of Notes will be set out in the applicable Final Terms and will be deducted daily over the term of the Notes. If the value of the relevant Index does not increase sufficiently to offset the effect of the Fee Amount on the Redemption Amount, a Noteholder will receive less than the amount invested, upon Redemption of its Notes. The Fee Amount is expected to have a similar negative impact on any return realised by selling Notes in the secondary market.

Investors should note that the Fee Amount is calculated by reference to the daily level of the relevant Index and the deduction made in the calculation of the Redemption Amount to account for the Fee Amount is a deduction of the aggregate of the Fee Amount for each day that any Note is held and not simply for the relevant Valuation Date. This means that the aggregate Fee Amount payable on any Note will depend on changes in the level of the relevant Index during the period that the Note is held and not just when it is Redeemed.

Reductions to the Redemption Amount

Noteholders should be aware that:

- (i) all payments in respect of the Notes are subject to all applicable fiscal and other laws and regulations, including laws requiring the deduction or withholding of tax (including FATCA withholding), duty, charges, withholding or other payment that may arise as a result of, or in connection with the ownership, transfer, redemption or enforcement of any of its Notes (“**Noteholder Expenses**”). The Issuer may withhold or deduct from any amount payable to the Noteholders the amount necessary to pay any Noteholder Expenses and no payment in respect of a Note shall be made until all Noteholder Expenses in respect thereof have been paid or deducted in full to the satisfaction of the Issuer; and
- (ii) if the Notes are not Italian Certificates, the Calculation Agent may in its sole discretion increase or decrease the Redemption Amount to account for any income, loss, costs (including hedging costs) and expenses of the Issuer that it believes are attributable to or as a result of any FX Disruption Event or Interest Disruption Event (each as defined under the heading “*Definitions*”).

All payments are subject in all cases to, and made in accordance with, Condition 6.

Restrictions on Redemption of Notes

There are restrictions on the ability of Noteholders to Redeem their Notes which could affect the ability of Noteholders to receive their Redemption Amount. Except as otherwise stated in the applicable Final Terms, only Noteholders who are Financial and/or Credit Institutions have the right to Redeem their Notes and may do so only on an applicable Annual Exercise Date, in multiples of the Minimum Redemption Multiple. For further information on these and other restrictions please see Condition 5.

Early Redemption by the Issuer

The Issuer may, on the giving of 30 days’ (or in some circumstances 10 days’) notice, Redeem all Notes of a particular class and/or Series on any Trading Day. Consequently, an investment in the Notes may be Redeemed earlier than desired by a Noteholder.

Market value of the Notes

The market value of the Notes at any time will be affected by a number of factors independent of the creditworthiness of the Issuer and the performance of the relevant Index, including:

- (a) market interest and yield rates;
- (b) the time remaining to Redemption; and
- (c) numerous economic, financial, political, regulatory, judicial and other factors.

Holders of the Notes are exposed to the performance of the relevant Index. The price, performance or investment return of the relevant Index may be subject to sudden and large unpredictable changes over time and this degree of change is known as “volatility”. The volatility of the relevant Index may be affected by national and international financial, political, military or economic events, including governmental actions, or by the activities of participants in the relevant markets. Any of these events or activities could adversely affect the value of the Notes.

The market value of the Notes may not reflect the Redemption Amount

It is the Issuer’s intention to apply to the London Stock Exchange for the Notes to be admitted to trading on its Main Market. However, the Issuer is not required to maintain any listing of the Notes on the London Stock Exchange or any other exchange. The Issuer may apply to the Italian Stock Exchange for permission to list Italian Certificates on the Italian Stock Exchange and for admission to trading on the SeDeX Market. However, the Issuer is not required to maintain a listing on the Italian Stock Exchange or any other exchange.

Even if any such application for admission is approved and a secondary market for the Notes develops, it may not provide significant liquidity or trade at prices advantageous to the Noteholder. The price at which the Notes trades on the London Stock Exchange (or on the Italian SeDeX Market in the case of Italian Certificates) (or in any case any other exchange on which they are traded or quoted) may not reflect the applicable Redemption Amount and may be less than the initial investment. As well as the factors affecting the value of the Index, the market value of the Notes may also be affected by supply and demand for the Notes, including to the extent affected by inventory positions with the Issuer or any market maker.

Economic, financial, political, regulatory, geographical, agricultural, judicial or other events which affect the investment climate and economic sentiment could affect the market price of the Notes. Such risks apply generally to any investment in listed securities. The price of the Notes may go down as well up.

Possible illiquidity of Italian Certificates in the secondary market where there is no offer to institutional investors or if the Italian Certificates are not admitted to trading on a regulated market or other trading venue.

There may be less liquidity in the secondary market for Italian Certificates if the Italian Certificates are exclusively offered to retail investors without any offer to institutional investors and/or not listed on a regulated market or other trading venue. Where the Italian Certificates are traded on the SeDeX Market, the Issuer (or an entity on behalf of the Issuer) will, for so long as the rules of the SeDeX Market so require, display continuous “bid” and “offer” prices for such Italian Certificates, in accordance with the rules of the SeDeX Market.

The Italian Certificates may also be traded on trading venues governed by applicable laws and regulations in force from time to time, such as multilateral trading systems, bilateral systems, or equivalent trading systems. Where trading in the Italian Certificates takes place outside such trading systems, the manner in which the price of such Italian Certificates is determined may be less transparent and the liquidity of such Italian Certificates may be adversely affected.

The appointment of an entity acting as market-maker or liquidity provider with respect to the Italian Certificates in the secondary market may, under certain circumstances, impact on the price of the Italian Certificates in the secondary market.

Valuation of Italian Certificates in the secondary market

Investors should note that the Offer Price of the Italian Certificates may include subscription fees, placement fees, structuring fees and/or other additional costs or inducements. Any such fees may not be taken into account for the purposes of determining the price of such Italian Certificates in the secondary market and could result in a difference between the theoretical value of the Italian Certificates and the actual bid/offer price quoted by any intermediary in the secondary market.

Any such difference may have an adverse effect on the value of the Italian Certificates, particularly immediately following the Offer and the Issue Date relating to such Italian Certificates, where any such fees and/or costs may be deducted from the price at which such Italian Certificates can be sold by the initial investor in the secondary market.

Factors impacting the price of commodities generally will affect the level of the relevant Index and the value of the Notes

Each Index is composed of futures contracts on one or more physical commodities (the “**Component Contracts**”). Trading in commodities generally and trading in the Component Contracts associated with such commodities is speculative and can be extremely volatile. Market prices of the physical commodities represented in an Index (“**Index Commodities**”) and Component Contracts may fluctuate rapidly based on numerous factors, including:

- changes in supply and demand relationships;
- weather;
- agriculture;
- trade;
- fiscal, monetary and exchange control programs;
- domestic and foreign political, military and economic events and policies;
- disease;
- technological developments;
- changes in currency exchange rates;
- changes in interest rates; and
- general market conditions.

These factors may affect the level of an Index and the value of the Notes in varying ways, and different factors may cause the value of the Component Contracts and Index Commodities, and the volatilities of their prices, to move in inconsistent directions at inconsistent rates. For example, because certain of the commodities underlying the Component Contracts may be produced in a limited number of countries and may be controlled by a small number of producers, political, economic and supply related events in such countries could have a disproportionate impact on the level of an Index.

These factors interrelate in complex ways, and the effect of one factor on the market value of the Notes may offset or enhance the effect of another factor.

Higher future prices of the Component Contracts relative to their current prices may decrease the Redemption Amount

Unlike equities, which typically entitle the holder to a continuing stake in a corporation, commodity futures contracts normally specify a certain date for delivery of the underlying physical commodity. As the Component Contracts approach expiration, they are replaced by contracts that have a later expiration. Thus, for example, a contract purchased and held in August may specify an October expiration. As time passes, the contract expiring in October is replaced by a contract for delivery in November. This process is referred to as “rolling”. If the market for these contracts is (putting aside other considerations) in “backwardation”, where the prices are lower in the distant delivery months than in the nearer delivery months, the sale of the October contract would take place at a price that is higher than the price of the November contract, thereby creating a “roll yield”. While many of the contracts which may be included in an Index have historically exhibited consistent periods of backwardation, backwardation will most likely not exist at all times. Moreover, certain of the commodities which may be included in an Index, such as gold, have historically traded in “contango” markets. Contango markets are those in which the prices of contracts are higher in the distant delivery months than in the nearer delivery months. The absence of backwardation in the commodity markets could result in negative “roll yields” which could adversely affect the value of the Index and, accordingly, adversely affect the value of the Notes.

Changes in the composition and calculation of an Index will affect the value of the Notes

Each Index is overseen and managed by the CMCI Governance Committee, in consultation with the CMCI Advisory Committee (the CMCI Governance Committee and the CMCI Advisory Committee together, the “**Index Committees**”). The Index Committees, with the agreement of the Index Sponsors, may amend the composition of and methodology for calculating any Index, including additions, deletions and the weightings of the Index Commodities, all of which could affect the Index Ending Level and, therefore the Redemption Amount and the market value of the Notes. When considering changes to an Index the Index Committees do not have any obligation to take the needs of any parties to transactions involving an Index, including the holders of the Notes, into consideration when re-weighting or making any other changes to an Index.

The bi-annual composition of an Index is calculated in reliance upon historic price, liquidity and production data that are subject to potential errors in data sources or errors that may affect the weighting of components of an Index. Any revisions to correct discrepancies are not applied retroactively but will be reflected in prospective weighting calculations of an Index for the following year. However, there can be no guarantee that every discrepancy will be discovered.

Disruptions to the calculation and/or publication of an Index

Noteholders should be aware that if on or prior to any Valuation Date the Calculation Agent determines that (i) any Index Sponsor has made a material change in the formula for or the method of calculating the relevant Index or (ii) any Index Sponsor has failed to calculate and announce the relevant Index, the Calculation Agent has certain discretions relating to determining the Index Ending Level in accordance with Condition 7.

If the relevant Index is not calculated and announced by the original Index Sponsors but is calculated and announced by a successor sponsor acceptable to the Calculation Agent or replaced by an index using, in the determination of the Calculation Agent, the same or substantially similar formula for and method of calculation as used in the calculation of the relevant Index, the relevant Index will be deemed to be the index so calculated and announced by that successor sponsor or that successor Index as the case may be.

If the Calculation Agent determines that a Valuation Date is a Disrupted Day then it will determine the level of the relevant Index in accordance with the mechanism set out under Condition 7.1. As a result, the applicable Redemption Date or Trade Date for the Notes could be postponed.

Limited performance history

The CMCI Index Family was launched on January 29, 2007. Certain Indices are intended to represent a benchmark for commodities investments; however, the methodology used to achieve this benchmarking has a limited history of application. It cannot therefore be determined at this point whether, or the extent to which, any Index will serve as an adequate benchmark for the performance of the relevant commodities market or markets. Moreover, while each composite Index is subject to bi-annual review and rebalancing in order to maintain the intended commodity weightings, it is uncertain how successful the Index Committees will be in achieving their goal of maintaining an appropriate benchmark.

Historical levels of any Index should not be taken as an indication of future performance

The actual performance of any Index over the term of the Notes, as well as the Redemption Amount, may bear little relation to the historical performance of that Index. The trading prices of the Component Contracts will determine the level of an Index on any given Valuation Date. As a result, it is impossible to predict whether the level of an Index will rise or fall.

Suspension or disruptions of market trading in Component Contracts and related futures markets may adversely affect the value of the Notes

The commodity markets are subject to temporary distortions or other disruptions due to various factors, including the lack of liquidity in the markets, the participation of speculators and government regulation and intervention. In addition, some futures exchanges have regulations that limit the amount of fluctuation in futures contract prices that may occur during a single business day. These limits are generally referred to as “daily price fluctuation limits” and the maximum or minimum price of a contract on any given day as a result of these limits is referred to as a “limit price.” Once the limit price has been reached in a particular contract, no trades may be made at a different price. Limit prices have the effect of precluding trading in a particular contract or forcing the liquidation of contracts at disadvantageous times or prices. These circumstances could adversely affect the level of an Index referable to any such Component Contracts and, therefore, the value of the Notes.

The LME’s use of or omission to use price controls

Certain of the Component Contracts are traded on the LME. The LME has no daily price fluctuation limits to restrict the extent of daily fluctuations in the prices of contracts traded on it, including the Component Contracts. In a declining market, therefore, it is possible that prices for one or more contracts, including any Component Contracts, that are traded on the LME, would continue to decline without limitation within a Trading Day or over a period of Trading Days. A steep decline in the price of a Component Contract could have a significant adverse impact on the level of the Index and, therefore, the value of the Notes.

Moreover, the LME has discretion to impose “backwardation limits” by permitting short sellers who are unable to effect delivery of an underlying commodity and/or borrow such commodity at a price per day that is no greater than the backwardation limit to defer their delivery obligations by paying a penalty in the amount of the backwardation limit to buyers for whom delivery was deferred. Backwardation limits tend to either constrain appreciation or cause depreciation of the prices of futures contracts expiring in near delivery months. For example, in response to a drop in nickel stocks to historically low levels in August 2006, the LME imposed a backwardation limit on nickel of \$300 per tonne per day, which limit was subsequently lifted on November 11, 2006. Similar impositions of

backwardation limits in the future could adversely affect the level of an Index which includes Component Contracts tracked on the LME and, therefore, the value of the corresponding Notes.

Concentration of particular Component Contracts in an Index

An Index may be comprised fully or to a significant extent of Component Contracts representing either a particular commodity sector (such as agriculture) or commodity. Investment in the Notes linked to any such Index will result in increased exposure to fluctuations in the commodity sectors or commodities underlying that Index.

For example, approximately 35% of the Component Contracts in the CMCI Composite Index are currently energy oriented, including 19% in crude oil. Accordingly, a decline in value of such raw materials would adversely affect the level of the CMCI Composite Index and the value of any Notes priced by reference to that Index.

Technological advances or the discovery of new oil reserves could lead to increases in world wide production of oil and corresponding decreases in the price of crude oil. In addition, further development and commercial exploitation of alternative energy sources, including solar, wind or geothermal energy, could lessen the demand for crude oil products and result in lower prices. Absent an amendment of the CMCI Composite Index to lessen or eliminate the concentration of existing energy contracts comprised in the Index or to broaden the CMCI Composite Index to account for such developments, the level of the CMCI Composite Index and the value of any Notes valued by reference to it could decline.

Changes in the notional rate of interest may affect the value of a Total Return Index and the corresponding Notes

Because the value of each Total Return Index is linked, in part, to the notional rate of return that could be earned on securities theoretically deposited as margin for hypothetical positions in the futures contracts comprising the Index, changes in that rate of interest may affect the amount payable on any Notes priced by reference to that Index upon Redemption and, therefore, the market value of such Notes. Assuming the trading prices of the Component Contracts remain constant, an increase in the relevant rate of interest will increase the value of each Total Return Index and, therefore, the value of any Notes priced by reference to that Total Return Index. Correspondingly, a decrease in the relevant rate of interest will adversely impact the value of a Total Return Index and, therefore, the value of any Notes valued by reference to that Total Return Index.

No adjustments for exchange rates

Although Component Contracts are traded in various currencies which may not correspond with the currency in which particular Notes are denominated, the Redemption Amount will not, unless otherwise specified in the relevant Final Terms, be adjusted to compensate for exchange rate fluctuations between the currency of denomination and any of the other currencies in which the Component Contracts are quoted. Therefore, if the applicable currencies appreciate or depreciate relative to the currency of denomination over the term of the Notes, Noteholders will not receive any additional payment and may incur a reduction in the Redemption Amount. Changes in exchange rates may reflect changes in various economies that in turn may affect the return on the Notes.

In addition, to the extent that a Noteholder values its Notes in another currency, that value will be affected by changes in the exchange rate between the currency of denomination and that other currency.

Taxes and other duties

All taxes or other duties payable at the level of the Issuer or the Noteholders on payments made in relation to the Notes are to be borne by the Noteholders. The Issuer will not pay any additional amounts to the Noteholders on account of any such taxes or duties.

It is not possible to predict whether the tax regime on the basis of which the net values relating to any amount payable to Noteholders as at the date of publication of the applicable Final Terms may be amended during the life of the Notes, nor can it be excluded that, in case of amendments, the net values indicated with respect to the Notes may differ, even substantially, from those which will effectively apply to the Notes as at the various payment dates, as indicated in the applicable Final Terms.

The sections entitled “*Tax Considerations in the United Kingdom*”, “*Tax Considerations in Switzerland*” and “*Tax Considerations in the Republic of Italy*” in “*Taxation*” below set out brief descriptions of the respective tax regimes applicable to the purchase, subscription, ownership or disposal of the Notes (including Italian Certificates) for certain categories of investors, based on the tax laws in force in the U.K., Switzerland and Italy respectively as at the date of this Prospectus, subject to any changes in the laws which may occur after such date, and which could be made on a retroactive basis. With respect to the Italian Certificates, any changes to the tax regime described in the section entitled “*Tax Considerations in the Republic of Italy*” in “*Taxation*” below will be set out in the relevant Final Terms.

Financial transactions with respect to Italian Certificates may be subject to the Italian Financial Transactions Tax (Tobin Tax)

Basing on an Italian legislative proposal currently still under discussion, a 0.05 per cent. rate financial transaction tax (the “**Tobin Tax**”) will be applied on the notional amount of a financial transaction made after 1 January 2012. The Tobin Tax will apply if one counterparty to such financial transaction is resident in Italy. The amount due will be shared in equal parts by the Italian Certificate holders and the Issuer and paid by the Issuer.

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

The Issuer and other financial institutions through which payments on the Notes are made may be required to withhold at a rate of up to 30 per cent. on all, or a portion of, payments made after 31 December 2016 in respect of (i) any Notes characterised as “obligations” for purposes of the FATCA grandfathering rules that are not outstanding as of the date that is six months after the date that final U.S. Treasury regulations define “foreign passthru payments” and (ii) any Notes characterised as equity (or otherwise not treated as “obligations” under the FATCA grandfathering rules) for U.S. federal tax purposes whenever issued, pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code (commonly referred to as “**FATCA**”). This discussion assumes that the Notes would produce (or could produce) “foreign passthru payments” and cannot produce U.S. source withholdable payments. Investors should consult their own advisors about the application of FATCA, in particular if they may be classified as foreign financial institutions under the FATCA rules.

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

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

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

FATCA is particularly complex and its application is uncertain at this time. The above description is based in part on proposed regulations and official guidance that is subject to change.

Trading and other transactions by the Issuer or its affiliates in Index Commodities, futures, options, exchange-traded funds or other derivative products on Index Commodities or any one or more of the Indices, may impair the market value of the Notes

As described below under “*Use of Proceeds and Hedging*”, the Issuer or its affiliates may hedge their obligations under the Notes by purchasing Index Commodities, futures or options on Index Commodities or any one or more of the Indices or other commodity-linked instruments, or exchange-traded funds or other derivative instruments with returns linked or related to changes in the performance of Index Commodities or any one or more of the Indices, and they may adjust these hedges by, among other things, purchasing or selling Index Commodities, futures, options or exchange-traded funds or other derivative instruments at any time. Although they are not expected to, any of these hedging activities may adversely affect the market price of Index Commodities and the level of any one or more of the Indices and, therefore, the market value of the Notes. It is possible that the Issuer or its affiliates receive substantial returns from these hedging activities while the market value of the Notes declines.

The Issuer or its affiliates may also engage in trading in Index Commodities and other investments relating to Index Commodities or any one or more of the Indices or other commodity-linked instruments on a regular basis as part of their general broker-dealer and other businesses, for proprietary accounts, for other accounts under management or to facilitate transactions for customers. Any of these activities could adversely affect the market price of Index Commodities and the level of any one or more of the Indices and, therefore, the market value of the Notes. The Issuer or its affiliates may also issue or underwrite other Notes or financial or derivative instruments with returns linked or related to changes in the performance of Index Commodities or any one or more of the Indices or other commodity-linked instruments. By introducing competing products into the marketplace in this manner, the Issuer or its affiliates could adversely affect the market value of the Notes.

The Issuer and its affiliates may publish research, express opinions or provide recommendations that are inconsistent with investing in or holding the Notes

The Issuer and its affiliates publish research from time to time on commodities and other matters that may influence the value of the Notes, or express opinions or provide recommendations that are inconsistent with purchasing or holding the Notes. The Notes may be linked to an Index that is intended to passively track the prices of individual or baskets of commodities and the Issuer and its affiliates have, in the past, published research or other opinions that calls into question a passive investment in commodities and opines that commodities may not provide an effective inflation hedge or portfolio diversification benefits relative to other investments.

Any research, opinions or recommendations expressed by the Issuer or its affiliates may not be consistent with each other and may be modified from time to time without notice. Investors should

make their own independent investigation of the merits of investing in the Notes and any Index to which the Notes may be linked.

The business activities of the Issuer or its affiliates may create conflicts of interest

As noted above, the Issuer and its affiliates expect to engage in trading activities related to any Index and the Index Commodities that are not for the account of holders of the Notes or on their behalf. These trading activities may present a conflict between the holders' interest in the Notes and the interests the Issuer and its affiliates will have in their proprietary accounts, in facilitating transactions, including options and other derivatives transactions, for their customers and in accounts under their management. These trading activities, if they influence the level of any Index, could be adverse to the interests of the holders of the Notes.

The Issuer's involvement in the Index Committees may conflict with the interests of Noteholders

The Issuer nominates members of the Index Committees. Consequently, the Issuer will be involved in the composition and management of each Index including additions, deletions and the weightings of the Index Commodities or Component Contracts, all of which could affect the level of an Index and, therefore, the Redemption Amount and the market value of the Notes valued by reference to such Index. Due to its influence on determinations of the Index Committees, which may affect the market value of the Notes, the Issuer may have a conflict of interest if it participates in or influences such determinations.

Potential conflicts of interest between Noteholders and the Calculation Agent

UBS AG, London Branch will serve as the Calculation Agent. The Calculation Agent will, among other things, calculate the Redemption Amount. For a fuller description of the Calculation Agent's role, see Condition 9. The Calculation Agent will exercise its judgment when performing its functions. For example, the Calculation Agent may have to determine whether a Market Disruption Event affecting Index Commodities or any Index has occurred or is continuing on the day when the Calculation Agent will determine the Index Ending Level. This determination may, in turn, depend on the Calculation Agent's judgment whether the event has materially interfered with the Issuer's ability to unwind its hedge positions. Since these determinations by the Calculation Agent may affect the market value of the Italian Certificates, the Calculation Agent may have a conflict of interest if it needs to make any such decision.

Potential conflicts of interest relating to distributors

Potential conflicts of interest may arise where the Notes are offered to the public in Italy, Switzerland and/or the United Kingdom as any distributors will act pursuant to a mandate granted by the Issuer and may receive commissions and/or fees on the basis of the services performed and the outcome of the placement of the Notes in such jurisdiction(s).

Certain considerations relating to Public Offers of the Italian Certificates

If Italian Certificates are distributed by means of a Public Offer in Italy, under certain circumstances set out in the applicable Final Terms, the Issuer and/or the other entities indicated in the applicable Final Terms will have the right to withdraw or revoke the offer, and the offer will be deemed to be null and void according to the terms indicated in the applicable Final Terms. In such case, any amounts segregated by a distributor as intended payment of the offer price by an investor will be released to the relevant investor by the distributor but may or may not accrue interest depending on the agreements between the investor and the relevant distributor or depending on the policies applied by the distributor in this regard. In these circumstances, there may also be a time lag in the release of any such amounts and, unless otherwise agreed with the relevant distributor, no amount will be payable as compensation and the applicant may be subject to reinvestment risk.

Unless otherwise provided in the applicable Final Terms, the Issuer and/or the other entities specified in the applicable Final Terms may terminate the offer early by immediate suspension of the acceptance of further subscription requests and by giving notice to the public in accordance with the applicable Final Terms. Any such termination may occur, even where the maximum amount for subscription in relation to that offer (as specified in the applicable Final Terms), has not been reached and, in such circumstances, the early closing of the offer may have an impact on the aggregate number of the Italian Certificates issued and, therefore, may have an adverse effect on the liquidity of the Italian Certificates.

Furthermore, under certain circumstances, the Issuer and/or the other entities indicated in the applicable Final Terms, will have the right to postpone the originally designated issue date. For the avoidance of doubt, this right also applies in the event that the Issuer publishes a supplement to the Prospectus in accordance with the provisions of Article 16 of the Prospectus Directive and section 87G of FSMA. In the event that the issue date is so delayed, no compensation or amount in respect of interest shall be payable or otherwise accrue in relation to such Italian Certificates unless otherwise agreed between the holder and the relevant distributor as payable by the distributor or the policies of the distributor otherwise provide for the distributor to make any such payments.

Substitution of the Issuer

If the conditions set out in the Conditions are met, the Issuer is entitled at any time, without the consent of the Noteholders, to substitute for itself as principal obligor under the Notes, or the Notes of any Series, any company being an Affiliate of the Issuer (the “**New Issuer**”). In that case, the Noteholders will generally also assume the insolvency risk with regard to the New Issuer.

In the case of Italian Certificates, for so long as (a) the Italian Certificates are admitted to listing on the SeDeX Market and (b) the Italian Stock Exchange Rules so require, the obligations of the New Issuer in respect of the Italian Certificates will be unconditionally and irrevocably guaranteed by the Issuer.

Certifications in connection with holding Notes and payments

The Notes are subject to provisions concerning delivery of certification. The failure to deliver any certifications required by the Conditions could result in the loss or inability to receive amounts otherwise due under the Notes. Prospective investors should review the Conditions to ascertain whether and how such provisions apply to the Notes. In particular the Issuer may require certification as to non-U.S. status of holders of the Notes. The failure to provide such certification may result in the delay or denial of payments under the Notes.

Notes not exercised in accordance with the Conditions may expire worthless. Prospective investors should review the Conditions to ascertain whether the Notes are subject to automatic exercise, and when and how an exercise notice may be validly delivered.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents are incorporated in this document by reference and are available as set out below and at the registered office of the Issuer as set out under “Directors and Advisers”:

1. the published reports and accounts of the Issuer in the English language for the year ended 31 December 2010 (annual report), which are available on the Issuer’s website at: http://www.ubs.com/global/en/about_ubs/investor_relations/annualreporting/2010.html
2. the published annual report of the Issuer in the English language for the year ended 31 December 2011, which is available on the Issuer’s website at: http://www.ubs.com/global/en/about_ubs/investor_relations/annualreporting/2011.html ;
3. the published reports and accounts of the Issuer in the English language for the quarter ended 31 March 2012, which are available on the Issuer’s website at: http://www.ubs.com/global/en/about_ubs/investor_relations/quarterly_reporting/2012.html;
4. the published reports and accounts of the Issuer in the English language for the quarter ended 30 June 2012, which are available on the Issuer’s website at: http://www.ubs.com/global/en/about_ubs/investor_relations/quarterly_reporting/2012.html;
5. the published reports and accounts of the Issuer in the English language for the quarter ended 30 September 2012, which are available on the Issuer’s website at: http://www.ubs.com/global/en/about_ubs/investor_relations/quarterly_reporting/2012.html;
6. the Terms and Conditions of the Notes contained in previous offering circulars dated 22 December 2011, pages 30-50 (inclusive), 22 September 2010, pages 32-44 (inclusive) and 16 September 2009, pages 32-44 (inclusive), prepared by the Issuer in connection with the Programme; and
7. the Final Terms of each Series of Notes admitted to trading on the London Stock Exchange’s regulated market and/or the SeDeX Market.

References to the UBS website are for information purposes only. The UBS website does not form part of the Prospectus.

No documents referred to in any of the above documents are themselves incorporated into this Prospectus and accordingly other than the documents specifically identified above no other documents (including the contents of any websites referred to in this document) form part of this Prospectus for purposes of the Prospectus Directive or the Prospectus Rules.

INTRODUCTION

General Description of the Notes

The Issuer may, under this Base Prospectus, issue any number of classes and Series of Notes. Each class and Series of Notes will have a Specified Denomination per Note, which may be expressed in any currency (except that the Italian Certificates will only be denominated in euros), which will be specified in the Final Terms for that class and Series. The Notes (other than Italian Certificates) will have no specified maturity. Up to US\$1,000,000,000 (or the equivalent in any other currency) in aggregate Notional Amount of any Series of Notes may be issued under this Prospectus. Subject to the limit of US\$1,000,000,000 (or the equivalent in any other currency) in Notional Amount of Notes of any Series, there is no minimum or maximum number or amount of Notes which must be applied for.

The Issuer in respect of the Notes of each Series is UBS AG, a corporation incorporated in Switzerland, further information in respect of which is set out under the heading “*Description of UBS AG*” below. The Issuer will perform its functions in respect of the Notes through its London Branch. Under the Conditions, the Issuer has a right to change the branch through which it is acting, but a branch of the Issuer is not a separate legal entity and the Notes will constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer (UBS AG, incorporated in Switzerland). In addition, under the Conditions the Issuer has a right to substitute for itself, as principal obligor under the Notes, any of its Affiliates subject to certain conditions specified in the Conditions.

The Notes have been designed to give investors exposure to commodities by linking the Redemption Amount payable on such Notes to changes in the level of the relevant Index within the CMC Index Family (less the Fee Amount).

The Notes will be issued in bearer form and each class and Series of Note will be represented initially either by a Temporary Global Note which will be surrendered in return for a Permanent Global Note or by a Permanent Global Note. The Global Notes will be deposited with a common depository for more than one clearing system including Euroclear and/or Clearstream and, save in respect of any payments to be made in respect of the Notes, the Issuer will recognise each person (other than Euroclear or Clearstream) who is for the time being shown in the records of Euroclear or Clearstream as the holder of a particular amount of Notes.

Value and Trading of the Notes

Notes traded on the Main Market of the London Stock Exchange will be bought and sold at prices determined in accordance with Main Market procedures.

Application may be made for the Notes of any class which are Italian Certificates to be listed on the Italian Stock Exchange and to be admitted to trading on the SeDeX Market. Italian Certificates traded on the SeDeX Market will be bought and sold at prices determined in accordance with the Italian Stock Exchange’s procedures.

Where the Italian Certificates are traded on the SeDeX Market, the Issuer (or an entity on behalf of the Issuer) will, for so long as the rules of the SeDeX Market so require, display continuous “bid” and “offer” prices for such Italian Certificates, in accordance with the rules of the SeDeX Market. Subject to market conditions, it is the current practice (but not the legal obligation) of the Issuer to quote on request an indicative bid and offer price that it might pay or charge for Notes. The Issuer is under no obligation to hold a price for any length of time unless this is agreed at the time of giving the indicative price.

Further Information

The detailed terms and conditions applicable to the Notes are set out under the heading “*Terms and Conditions*” below and in the applicable Final Terms.

Information regarding United Kingdom, Italian and Swiss taxation in respect of the Notes is set out under the heading “*Taxation*” below. If any prospective investor is in any doubt about the tax position, it should consult a professional adviser.

Your attention is drawn to the remainder of this document, which contains further information relating to the Notes and the Issuer.

DESCRIPTION OF THE CMCI

The UBS Bloomberg CMCI (Constant Maturity Commodity Index) is designed as a family of tradable indices for global investment in the commodities market. The UBS Bloomberg CMCI has been developed by the Issuer and Bloomberg Finance L.P. The complete set of rules of the index and information on the performance of the index are freely accessible on the Issuer's website. The governing rules (including methodology of the UBS Bloomberg CMCI for the selection and the re-balancing of the components of the UBS Bloomberg CMCI, description of market disruption events and adjustment rules) are based on predetermined and objective criteria.

Notes may be linked to any of the following UBS Bloomberg CMCI Indices (or any other sub-index of the UBS Bloomberg CMCI as may be set out in the relevant Final Terms):

UBS Bloomberg CMCI Agriculture Currency Hedged EUR Total Return Index
UBS Bloomberg CMCI Agriculture Currency Hedged GBP Total Return Index
UBS Bloomberg CMCI Agriculture USD Total Return Index
UBS Bloomberg CMCI Aluminium Currency Hedged EUR Total Return Index
UBS Bloomberg CMCI Aluminium Currency Hedged GBP Total Return Index
UBS Bloomberg CMCI Aluminium USD Total Return Index
UBS Bloomberg CMCI Brent Currency Hedged EUR Total Return Index
UBS Bloomberg CMCI Brent Currency Hedged GBP Total Return Index
UBS Bloomberg CMCI Brent USD Total Return Index
UBS Bloomberg CMCI Active Currency Hedged EUR Total Return Index
UBS Bloomberg CMCI Active Currency Hedged GBP Total Return Index
UBS Bloomberg CMCI Active USD Total Return Index
UBS Bloomberg CMCI Cocoa Currency Hedged EUR Total Return Index
UBS Bloomberg CMCI Cocoa Currency Hedged GBP Total Return Index
UBS Bloomberg CMCI Cocoa USD Total Return Index
UBS Bloomberg CMCI Composite Currency Hedged EUR Total Return Index
UBS Bloomberg CMCI Composite Currency Hedged GBP Total Return Index
UBS Bloomberg CMCI Composite USD Total Return Index
UBS Bloomberg CMCI Copper Currency Hedged EUR Total Return Index
UBS Bloomberg CMCI Copper Currency Hedged GBP Total Return Index
UBS Bloomberg CMCI Copper USD Total Return Index
UBS Bloomberg CMCI Corn Currency Hedged EUR Total Return Index
UBS Bloomberg CMCI Corn Currency Hedged GBP Total Return Index
UBS Bloomberg CMCI Corn USD Total Return Index
UBS Bloomberg DJ-UBS Constant Maturity Composite Currency Hedged EUR Total Return Index
UBS Bloomberg DJ-UBS Constant Maturity Composite Currency Hedged GBP Total Return Index
UBS Bloomberg DJ-UBS Constant Maturity Composite USD Total Return Index
UBS Bloomberg CMCI Energy Currency Hedged EUR Total Return Index
UBS Bloomberg CMCI Energy Currency Hedged GBP Total Return Index
UBS Bloomberg CMCI Energy USD Total Return Index
UBS Bloomberg CMCI Essence Currency Hedged EUR Total Return Index
UBS Bloomberg CMCI Essence Currency Hedged GBP Total Return Index
UBS Bloomberg CMCI Essence USD Total Return Index
UBS Bloomberg CMCI Food Currency Hedged EUR Total Return Index
UBS Bloomberg CMCI Food Currency Hedged GBP Total Return Index
UBS Bloomberg CMCI Food USD Total Return Index
UBS Bloomberg CMCI Gold Currency Hedged EUR Total Return Index
UBS Bloomberg CMCI Gold Currency Hedged GBP Total Return Index
UBS Bloomberg CMCI Gold USD Total Return Index
UBS Bloomberg CMCI Industrial Metals Currency Hedged EUR Total Return Index
UBS Bloomberg CMCI Industrial Metals Currency Hedged GBP Total Return Index
UBS Bloomberg CMCI Industrial Metals USD Total Return Index

UBS Bloomberg CMCI Livestock Currency Hedged EUR Total Return Index
UBS Bloomberg CMCI Livestock Currency Hedged GBP Total Return Index
UBS Bloomberg CMCI Livestock USD Total Return Index
UBS Bloomberg CMCI Natural Gas Currency Hedged EUR Total Return Index
UBS Bloomberg CMCI Natural Gas Currency Hedged GBP Total Return Index
UBS Bloomberg CMCI Natural Gas USD Total Return Index
UBS Bloomberg CMCI Platinum Currency Hedged EUR Total Return Index
UBS Bloomberg CMCI Platinum Currency Hedged GBP Total Return Index
UBS Bloomberg CMCI Platinum USD Total Return Index
UBS Bloomberg CMCI Precious Metals Currency Hedged EUR Total Return Index
UBS Bloomberg CMCI Precious Metals Currency Hedged GBP Total Return Index
UBS Bloomberg CMCI Precious Metals USD Total Return Index
UBS Bloomberg SPGSCI Constant Maturity Composite Currency Hedged EUR Total Return Index
UBS Bloomberg SPGSCI Constant Maturity Composite Currency Hedged GBP Total Return Index
UBS Bloomberg SPGSCI Constant Maturity Composite USD Total Return Index
UBS Bloomberg CMCI Silver Currency Hedged EUR Total Return Index
UBS Bloomberg CMCI Silver Currency Hedged GBP Total Return Index
UBS Bloomberg CMCI Silver USD Total Return Index
UBS Bloomberg CMCI Sugar Currency Hedged EUR Total Return Index
UBS Bloomberg CMCI Sugar Currency Hedged GBP Total Return Index
UBS Bloomberg CMCI Sugar USD Total Return Index
UBS Bloomberg CMCI Wheat Currency Hedged EUR Total Return Index
UBS Bloomberg CMCI Wheat Currency Hedged GBP Total Return Index
UBS Bloomberg CMCI Wheat USD Total Return Index
UBS Bloomberg CMCI WTI Crude Oil Currency Hedged EUR Total Return Index
UBS Bloomberg CMCI WTI Crude Oil Currency Hedged GBP Total Return Index
UBS Bloomberg CMCI WTI Crude Oil USD Total Return Index

COMMODITY FUTURES MARKET

Contracts on physical commodities are traded on regulated futures exchanges, in the over-the-counter market and on various types of physical and electronic trading facilities and markets. At present, all of the Component Contracts included in the Indices are exchange-traded futures contracts. An exchange-traded futures contract is a bilateral agreement providing for the purchase and sale of a specified type and quantity of a commodity or financial instrument during a stated delivery month for a fixed price. A futures contract on an index of commodities typically provides for the payment and receipt of a cash settlement based on the value of such commodities. A futures contract provides for a specified settlement month in which the commodity or financial instrument is to be delivered by the seller (whose position is described as “short”) and acquired by the purchaser (whose position is described as “long”) or in which the cash settlement amount is to be made.

There is no purchase price paid or received on the purchase or sale of a futures contract. Instead, an amount of cash or cash equivalents must be deposited with the broker as “initial margin”. This amount varies based on the requirements imposed by the exchange clearing houses, but may be as low as 5% or less of the value of the contract. This margin deposit or payment provides collateral for the obligations of the parties to the futures contract.

By depositing margin in the most advantageous form (which may vary depending on the exchange, clearing house or broker involved), a market participant may be able to earn interest on its margin, thereby increasing the potential total return that may be realised from an investment in futures contracts. The market participant normally makes to, and receives from, the broker subsequent deposits on a daily basis as the price of the futures contract fluctuates. These deposits are called “variation margin” and make the existing positions in the futures contract more or less valuable, a process known as “marking to market”.

Futures contracts are traded on organised exchanges through the facilities of a centralised clearing house and a brokerage firm which is a member of the clearing house. The clearing house guarantees the performance of each clearing member which is a party to the futures contract by, in effect, taking the opposite side of the transaction. At any time prior to the expiration of a futures contract, subject to the availability of a liquid secondary market, a trader may elect to close out its position by taking an opposite position on the exchange on which the trader obtained the position. This operates to terminate the position and fix the trader’s profit or loss.

TERMS AND CONDITIONS

The following are terms and conditions which, subject to any modifications set out in the relevant Final Terms, shall apply to any class or Series of Notes.

1. DEFINITIONS

- 1.1 Save as set out below, capitalised terms which are used in these terms and conditions bear the same meanings as defined in the Prospectus.
- 1.2 The following rules shall apply to the interpretation of these Conditions unless the context otherwise requires:
 - 1.2.1 Headings to Conditions, paragraphs and other provisions of these Conditions are inserted for ease of reference only and shall not affect the interpretation of these Conditions.
 - 1.2.2 Any reference to a numbered Condition or paragraph is a reference to that Condition or paragraph as set out in the terms and conditions as amended, supplemented, modified or replaced in relation to any Series by the information contained in the relevant Final Terms.
 - 1.2.3 Any reference to a person or persons includes reference to any individual, corporations, partnership, joint venture, association, public body, governmental authority or other entity.
 - 1.2.4 Words in the singular shall also include the plural and vice versa.
 - 1.2.5 Any reference to these Conditions or to any agreement or document includes a reference to these Conditions or, as the case may be, such agreement or document as amended, varied, novated, supplemented or replaced from time to time.
 - 1.2.6 References to any statutory provision or statute includes all amendments thereto and re-enactments thereof and all subordinate legislation made thereunder.
 - 1.2.7 Unless otherwise indicated, any reference in these Conditions to a time is a reference to local time in London, England.
 - 1.2.8 Text in italics is for information only and does not form part of these Conditions.

2. STATUS

- 2.1 The Notes will be issued in classes, each of which may reference a different relevant Index and have different Conditions. The Notes of each class will be issued in one or more Series with different Valuation Dates. The Notes of each Series, of a particular class, will have identical terms and conditions to all other Notes of the Series and will be represented by the same Global Note.
- 2.2 The Notes of each Series are direct, unconditional, unsubordinated and unsecured obligations of the Issuer and rank *pari passu* among themselves and (save for certain debts required to be preferred by law) equally with all other outstanding unsecured and unsubordinated obligations of the Issuer.

3. FORM AND DENOMINATION

3.1 The Notes will be issued in bearer form in the Specified Denomination and, in the case of definitive Notes, serially numbered. Unless specified in the Final Terms, the Notes of each Series will be represented by:

3.1.1 a Temporary Global Note relating to that Series;

3.1.2 a Permanent Global Note relating to that Series; or

3.1.3 definitive Notes relating to that Series.

3.2 In the case of Notes initially represented by a Temporary or Permanent Global Note, the Global Note will be deposited with a common depository for more than one clearing system, including Euroclear and/or Clearstream.

3.3 If so specified in the relevant Final Terms, Temporary Global Notes will be exchanged for either:

3.3.1 a Permanent Global Note which will be held by a common depository for more than one clearing system (including Euroclear and/or Clearstream), or

3.3.2 serially numbered definitive notes, in accordance with the provisions set out in the relevant Temporary Global Note.

A copy of each Temporary Global Note will be available for inspection at the office of the Issuer.

3.4 The Global Notes will bear the following legend: “This Note, may not be held by, or for the account or benefit of, any U.S. person (as defined in Regulation S under the U.S. Securities Act of 1933, as amended) or any United States person (as defined in the U.S. Internal Revenue Code of 1986, as amended)”.

In the event the Notes of a Series are initially evidenced by a Temporary Global Note, the Temporary Global Note may be exchanged for interests in a Permanent Global Note or serially numbered definitive Notes on or after the Exchange Date and only upon receipt of the certification as to beneficial ownership by a non-U.S. person, as provided in the Temporary Global Note.

A Permanent Global Note may be exchanged for serially numbered definitive Notes upon the occurrence of an Exchange Event or at any time at the request of the Issuer. A copy of the Permanent Global Note will be available for inspection at the office of the Issuer.

3.5 If so specified in the relevant Final Terms, the Notes of any Series may be represented on issue by a Permanent Global Note.

4. TITLE AND TRANSFER

4.1 The Issuer shall (except as otherwise required by law) deem and treat the bearer of any Note as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note without prejudice to the provisions set out in these Conditions.

- 4.2 Subject to these Conditions and the relevant Final Terms, title to the Notes shall pass by delivery.
- 4.3 Notes which are represented by a Global Note shall be transferable only in accordance with the rules and procedures for the time being of Euroclear and/or Clearstream, as the case may be.

5. REDEMPTION AND PURCHASE

Right to Redeem

- 5.1 Noteholders who are Financial and/or Credit Institutions, or Additional Entities, may instruct the Issuer to Redeem the Notes on any Annual Exercise Date at their Redemption Amount, by giving a Redemption Notice to the Issuer in accordance with Condition 5.9.1, subject to such day not being a Disrupted Day (in which case Condition 7.1 shall apply).
- 5.2 Notes must be Redeemed in multiples of the Minimum Redemption Multiple for the relevant Series, subject to the Issuer's discretion to reduce the Minimum Redemption Multiple generally or in the case of a particular Redemption or in the case of Redemptions from any particular Noteholder. Noteholders may act together, when giving a Redemption Notice pursuant to Condition 5.1, in order to give such notice in respect of the Minimum Redemption Multiple for the relevant Series. In order to exercise this Redemption right, a Noteholder (or two or more Noteholders acting together) must redeem at least the Minimum Redemption Multiple of Notes of any Series and may only redeem in multiples of this number. Unless otherwise specified in the relevant Final Terms, the Minimum Redemption Multiple shall be 10,000.

Calculation of the Redemption Amount

- 5.3 In respect of any Redemption of Notes pursuant to Condition 5.1, 5.7 or 5.12, on the Redemption Payment Date the Issuer will pay the Noteholder an amount in respect of each Note calculated to 3 decimal places (the "**Redemption Amount**") by the Calculation Agent in accordance with the following formula:

(Specified Denomination x Index Performance Ratio) - Total Fee Amount,

subject to and in accordance with Condition 6.

- 5.4 The "**Index Performance Ratio**" in relation to the Notes of any Series shall be a figure calculated to 3 decimal places by the Calculation Agent in accordance with the following formula:

$$\text{Index Ending Level} / \text{Index Starting Level}$$

where:

- 5.4.1 the "**Index Starting Level**" will equal the Closing Level of the relevant Index as at the Trade Date, as specified in the Final Terms; and
- 5.4.2 the "**Index Ending Level**" will equal the Closing Level of the relevant Index as at the applicable Redemption Date (or if such date is a Disrupted Day, as determined pursuant to Condition 7).

- 5.5 The “**Fee Amount**” shall be an amount calculated daily to 3 decimal places in accordance with the following formula:

$(\text{Fee Level}/365) \times (\text{Specified Denomination} \times \text{Current Index Performance Ratio})$

and the “**Total Fee Amount**” shall be the sum of the Fee Amounts for each day from and including the Trading Day after the applicable Trade Date up to and including the Redemption Date.

- 5.6 Notwithstanding Condition 5.3, if the Notes are not Italian Certificates, the Calculation Agent may in its sole discretion increase or decrease, as the case may be, the Redemption Amount to account for any income, loss, costs (including hedging costs) and expenses of the Issuer that it believes are attributable to or as a result of any FX Disruption Event or Interest Disruption Event.

Compulsory Redemption by the Issuer

- 5.7 The Issuer may in its absolute discretion Redeem all (but not some only) of the Notes of any class or Series at the applicable Redemption Amount on any Trading Day, provided that such Trading Day shall:

5.7.1 be a date not less than 30 days following the Issuer giving notice of its intention to require such Redemption to the Noteholders; or

5.7.2 be a date not less than 10 days following the Issuer giving notice of its intention to require such Redemption to each Noteholder in circumstances where such Redemption is required because the Issuer has determined, in its reasonable discretion but acting in good faith, that it has or will become unlawful or impractical beyond reasonable doubt for it to carry out all or any of its obligations under such Notes, (i) if such Notes are not Italian Certificates, for any reason including, without limitation, as a result of compliance with any applicable present or future law, rule, regulation, judgment, order or directive or with any requirement or request of any government, administrative, legislative or judicial authority and (ii) if such Notes are Italian Certificates, as a result of compliance with any applicable present or future law, rule, regulation, judgment, order or directive or with any requirement or request of any government, administrative, legislative or judicial authority.

Condition 5.3 shall apply in respect of any such redemption.

- 5.8 The Issuer may Redeem any one or more classes or Series of Notes without Redeeming all classes or all Series.

Procedure for Redemptions by Noteholders

- 5.9 The procedure for the Redemption of Notes by Noteholders pursuant to Condition 5.1 shall be as follows:

5.9.1 a Noteholder wishing to Redeem their Notes should submit to the Issuer a notice substantially in the form set out in Appendix B to the Prospectus (the “**Redemption Notice**”), so as to be received by the Issuer by no later than 12 noon London time on the Trading Day immediately preceding the Annual Exercise Date on which such Noteholder wishes the Issuer to Redeem the Notes. The Issuer will confirm receipt of any Redemption Notice as soon as reasonably practicable after receipt thereof;

Different brokerage firms may have different deadlines for accepting instructions from their customers. Accordingly, as a beneficial owner of the Notes, Noteholders should consult the brokerage firm through which they own their interest for the relevant deadline.

- 5.9.2 on receipt of a duly completed Redemption Notice prior to the time and date referred to in Condition 5.9.1 the Issuer will send the Redeeming Noteholder a confirmation, substantially in the form set out in Appendix C to the Prospectus (the “**Redemption Confirmation**”) as soon as reasonably practicable following the publication on such date of the Closing Level of the relevant Index by the Index Sponsors;
- 5.9.3 on the Redemption Date the Calculation Agent shall calculate the applicable Redemption Amount pursuant to Condition 5.3;
- 5.9.4 a Redeeming Noteholder must instruct:
- (i) the clearing system through which its Notes are held to block their account in respect of their Notes;
 - (ii) its Euroclear and/or Clearstream custodian to book a delivery versus payment trade with respect to the Notes to be Redeemed on the Redemption Date at a price equal to the Redemption Amount; and
 - (iii) its Euroclear and/or Clearstream custodian to deliver the trade as booked for settlement via Euroclear and/or Clearstream as at or prior to 10.00 a.m. London time on the Redemption Payment Date.
- 5.10 Any Redemption Notice received after 12 noon London time on the Trading Day immediately preceding the Redemption Date shall be invalid, subject to the Issuer’s discretion to accept any Redemption Notices received after 12 noon but before 3 p.m. on the Trading Day immediately preceding the Redemption Date.
- 5.11 Any Redemption Notice shall be irrevocable unless the Issuer agrees otherwise.

Additional Redemption Provisions in relation to Italian Certificates

- 5.12 Italian Certificates shall be deemed to be “certificates” for the purposes of Article (2)(g) of the Commissione Nazionale per la Società e la Borsa Regulation No. 11971 of 14 May 1999, as amended (the “**Italian Regulation**”) and, with respect to Italian Certificates, references in these Conditions to “Redemption” and “Redeem” shall be construed, for the purposes of the Italian Regulation only, as references to “termination” and “terminate”. Notwithstanding anything to the contrary in the Conditions, provided the Italian Certificates are admitted to listing on the Italian Stock Exchange and to trading on the SeDeX Market:
- (i) subject to Condition 5.13 below, Italian Certificates shall be deemed to be automatically exercised on the Data di Scadenza, which shall be a Redemption for the purposes of these Conditions, in respect of which the Issuer shall redeem the Italian Certificates on the relevant Redemption Date and Condition 5.3 shall apply accordingly; and
 - (ii) the Italian Certificates shall be deemed to expire on the Data di Scadenza, and trading in the Italian Certificates on the SeDeX Market shall cease pursuant to the then applicable rules of the Italian Stock Exchange.

- 5.13 Provided the Italian Certificates are admitted to listing on the Italian Stock Exchange and to trading on the SeDeX Market, at any time prior to the Renouncement Cut-Off Time on the Data di Scadenza, any Noteholder may renounce automatic exercise of its Italian Certificates, in accordance with the Italian Stock Exchange Rules applicable from time to time, by giving a duly completed renouncement notice (a “**Renouncement Notice**”) to the Issuer in the form and manner specified by the Issuer for this purpose. A form of the Renouncement Notice is set out at Appendix D to the Prospectus. Once delivered, a Renouncement Notice shall be irrevocable and the relevant Noteholder may not transfer the Italian Certificates that are the subject of the Renouncement Notice. If a duly completed Renouncement Notice is validly delivered prior to the Data di Scadenza, the relevant Noteholder will not be entitled to receive any amounts payable by the Issuer in respect of relevant Italian Certificates and the Issuer shall have no further liability in respect of them.
- 5.14 Any determination as to whether a Renouncement Notice is duly completed and in proper form shall be made by the Issuer, acting in good faith and a commercially reasonable manner, and shall be conclusive and binding on the relevant Noteholder.
- 5.15 Subject as follows, any Renouncement Notice so determined to be incomplete or not in proper form shall be null and void, unless the Issuer agrees otherwise. This provision shall not prejudice any right of the person delivering the notice to deliver a new and corrected Renouncement Notice.
- 5.16 The Issuer shall use all reasonable endeavours promptly to notify (pursuant to Condition 17) a Noteholder submitting a Renouncement Notice if it determines that such Renouncement Notice is not valid, effective, complete or in the proper form. In the absence of fraud, gross negligence or wilful misconduct on its part, the Issuer shall not be liable to any person with respect to any action taken or omitted to be taken by it in connection with any notification to a Noteholder or determination that a Renouncement Notice is not valid, effective, complete or in the proper form.

Purchases

- 5.17 The Issuer or any of its Affiliates may at any time purchase Notes of any class or Series in the open market or otherwise. Such Notes may be held, reissued, resold (at any price) or, at the option of the Issuer, cancelled.

6. PAYMENTS

- 6.1 All payments in respect of Notes that are not Italian Certificates will be made by the Issuer in the Currency of Payment by credit or transfer on the relevant Redemption Payment Date.
- 6.2 All payments in respect of Italian Certificates will be made by the Issuer in euro on the relevant Redemption Payment Date to Euroclear or Clearstream for credit to the accounts of the relevant custodian banks and subsequent on-payment to the Noteholders, in accordance with the rules of such clearing system(s) and Monte Titoli.
- 6.3 Subject as provided below:
- (a) payments in a Currency of Payment other than euro will be made by credit or transfer to an account in the Currency of Payment maintained by the payee with, or, at the option of the payee, by a cheque in such Currency of Payment drawn on, a bank in the principal financial centre of the country of such Currency of Payment; and

- (b) payments will be made in euro by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque.
- 6.4 Payments to Euroclear and/or Clearstream will be made in accordance with the rules of such clearing system(s).
- 6.5 Payments in respect of definitive Notes will be made against presentation and surrender of definitive Notes at the specified office of the Issuer, subject to any fiscal or other laws and regulations applicable in the place of payment.
- 6.6 Payments in respect of Notes represented by any Global Note will (subject as provided below) be made in the manner specified in Condition 6.5 in relation to definitive Notes and otherwise in the manner specified in the relevant Global Note against presentation or surrender, as the case may be, of such Global Note at the specified office of the Issuer. A record of each payment made against presentation or surrender of any Global Note will be made on such Global Note by the Issuer and such record shall be *prima facie* evidence that the payment in question has been made.
- 6.7 The holder of a Global Note shall be the only person entitled to receive payments in respect of any Notes represented by such Global Note and the obligations of the Issuer will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each person shown in the records of Euroclear or Clearstream as the beneficial holder of a particular Notional Amount of Notes represented by such Global Note must look solely to Euroclear or Clearstream, as the case may be, for its share of the payment so made by the Issuer to, or to the order of, the holder of such Global Note.
- 6.8 In the absence of gross negligence or wilful misconduct on its part, neither the Issuer nor the Calculation Agent shall have any responsibility for any errors or omissions in the calculation of any amount payable in respect of the Notes.
- 6.9 All payments in respect of the Notes shall be subject to all applicable fiscal and other laws and regulations, including laws requiring the deduction or withholding of tax (including any amounts required to be withheld or deducted by the rules of Sections 1471 through 1474 of the U.S. Internal Revenue Code (or any amended or successor provisions), pursuant to any inter-governmental agreement or implementing legislation adopted by any jurisdiction in connection with these provisions, or pursuant to any agreement with the U.S. Internal Revenue Service (“**FATCA withholding**”) as a result of a holder, beneficial owner or an intermediary that is not an agent of the Issuer not being entitled to receive payments free of FATCA withholding), duty, charges, withholding or other payment that may arise as a result of, or in connection with the ownership, transfer, redemption or enforcement of any of its Notes (“**Noteholder Expenses**”). The Issuer may withhold or deduct from any amount payable to the Noteholders the amount necessary to pay any Noteholder Expenses and no payment in respect of a Note shall be made until all Noteholder Expenses in respect thereof have been paid or deducted in full to the satisfaction of the Issuer. A person entitled to receive a payment or exercising a right to receive a payment under (or entitled to receive any amount at maturity or exercise under) the Note may be required, upon request by the Issuer and/or its agents, to certify that neither it nor the beneficial owner of the Note is a U.S. person or is located in the United States. The Issuer shall have no obligation to pay any additional amounts or otherwise indemnify any Noteholder for any Noteholder Expenses, including any FATCA withholding deducted or withheld by the Issuer, any paying agent or any other party.

7. DISRUPTION

Disrupted Days

7.1 If any Valuation Date is a Disrupted Day, then the Calculation Agent shall:

7.1.1 as soon as reasonably practicable notify the relevant Noteholders that such Valuation Date is a Disrupted Day, provided that failure of the Calculation Agent to notify a Noteholder of the occurrence of a Disrupted Day shall not affect the validity of the occurrence and effect of such Disrupted Day on that Valuation Date;

7.1.2 subject to Condition 7.2, determine the level of the relevant Index for the applicable Valuation Date in accordance with the formula for and method of calculating the Closing Level of the relevant Index as set out in the Technical Document last in effect prior to the occurrence of the first Disrupted Day, using closing settlement prices for the Component Contracts determined as follows:

(a) for each Component Contract not affected by the Disrupted Day, the closing settlement price of such Component Contract on the relevant Valuation Date; or

(b) for each Component Contract which is affected by the occurrence of a Disrupted Day, subject to Condition 7.2, the closing settlement price of each such Component Contract on the first day following the applicable Valuation Date which is not a Disrupted Day.

7.2 If a Disrupted Day continues to affect any Component Contract for a period of eight consecutive Trading Days following the applicable Valuation Date, then the Calculation Agent shall determine the settlement price of such Component Contract by making a good faith estimate.

Changes to the Index

7.3 If any relevant Index is:

7.3.1 not calculated and announced by the original Index Sponsors but is calculated and announced by a successor sponsor acceptable to the Calculation Agent; or

7.3.2 replaced by a successor Index using, in the determination of the Calculation Agent, the same or a substantially similar formula for and method of calculation as used in the calculation of the Index,

then the Index shall be deemed to be, in the case of 7.3.1, the Index so calculated and announced by that successor sponsor or, in the case of 7.3.2, that successor Index, as the case may be.

7.4 The Issuer will notify Noteholders of any such changes in an Index as soon as reasonably practicable, in accordance with Condition 17.

Correction of an Index

7.5 If on or prior to any Valuation Date the Calculation Agent determines that:

7.5.1 any Index Sponsor has made a material change in the formula for or the method of calculating the relevant Index or in any other way has materially modified the relevant Index (other than a modification prescribed in that formula or method to maintain the relevant Index in the event of changes in constituent stock or securities and capitalisation and other routine events); or

7.5.2 any Index Sponsor has failed to calculate and announce the relevant Index,

then the Calculation Agent shall calculate the Index Ending Level or the Redemption Amount by using, in lieu of a published level of the relevant Index, the level of the relevant Index as at the relevant Valuation Date as determined by Calculation Agent (i) in respect of Notes that are not Italian Certificates, in its absolute discretion and (ii) in respect of Italian Certificates, acting in good faith and in a commercially reasonable manner taking into consideration the prevailing market conditions before the Market Disruption Event when determining the level of the relevant Index as at the relevant Valuation Date.

7.6 In the event that any level of an Index published by the Index Sponsor which is utilised for any calculation or determination in respect of the Notes by the Calculation Agent is subsequently corrected and such correction is published within the Settlement Cycle for any Component Contract of such Index after its original publication, to the extent that the Calculation Agent is aware of the same before:

7.6.1 in the case of a Valuation Date which was a Redemption Date or Fee Amount Calculation Date, the Redemption Payment Date; and

7.6.2 in the case of any Valuation Date which was a Trade Date, the Issue Date,

the Calculation Agent will make such reasonable adjustments as it determines to be appropriate to any variable, calculation methodology, valuation, settlement, payment terms or any other terms in respect of such Notes to account for such correction and notify any affected Noteholders of such adjustments.

8. FURTHER NOTES

The Issuer reserves the right (without the consent of Noteholders) at any time (a) to issue further Series and classes of Notes which will rank *pari passu* with any other unsecured and unsubordinated obligations of the Issuer, including the existing Notes, and will be represented by a separate Global Note and (b) to issue further notes ranking *pari passu* with the Notes and with identical Conditions as the Notes, which shall be consolidated with and form a single Series of a particular class with such Notes. In such event, while the existing Notes are represented by a Global Note, a record of such issue shall be made on such Global Note by the Issuer and such record shall be prima facie evidence that such further Notes have been issued on such Conditions.

9. CALCULATION AGENT

9.1 The Calculation Agent's role shall be:

9.1.1 to calculate the Redemption Amounts, Index Performance Ratio and Fee Amount;

9.1.2 to determine if there has been a material change in the formula and method of calculating any Index;

- 9.1.3 to determine whether any day is a Disrupted Day and notify any Redeeming Noteholders thereof;
 - 9.1.4 to determine if an FX Disruption Event or an Interest Disruption Event has occurred;
 - 9.1.5 if there is a period of eight consecutive Disrupted Days in respect of any Component Contract, to determine a closing settlement price in respect of each Component Contract which is the subject of a Disrupted Day in accordance with Condition 7.2; and
 - 9.1.6 if an Event of Default occurs, to determine a fair market value for all affected Notes.
- 9.2 Where a substitute value for the Closing Level of an Index is calculated by the Calculation Agent in respect of a Valuation Date, that substitute value shall be used in the calculation of the Redemption Amount payable in respect of any Notes which relate to that Index.
- 9.3 All determinations, estimations and calculations of the Calculation Agent in respect of any Index and any Notes shall be made in good faith and a commercially reasonable manner and shall, absent manifest error, be final and binding on Noteholders.
- 9.4 In making any determination, estimation or calculation, the Calculation Agent shall have regard to such information or sources as it may deem appropriate.
- 9.5 The Calculation Agent shall have no responsibility for good faith errors or omissions in any calculation, estimation or determination it makes in respect of any Index or any Notes.

10. MEETINGS OF NOTEHOLDERS

- 10.1 In respect of each Series of Notes, each Global Note shall contain provisions (which will apply to such Notes in definitive form following exchange in accordance with their terms) for convening meetings of the Noteholders to consider any matter affecting their interests, including the modification by Extraordinary Resolution of any of the Conditions, Final Terms or provisions of the Notes. The quorum at any meeting for passing an Extraordinary Resolution shall be one or more persons present and holding or representing in the aggregate a clear majority of the Notes of the relevant Series for the time being outstanding, except that at any meeting the business of which includes the modification of certain of the Conditions the necessary quorum for passing an Extraordinary Resolution will be one or more persons present and holding or representing in the aggregate not less than 75 per cent., or at any adjourned meeting a clear majority, of the Notes of the relevant Series for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders of any Series will be binding on all Noteholders of that Series, whether or not they are present at the meetings.
- 10.2 Article M57 *et seq* of the Swiss Code of Obligations includes mandatory provisions on bondholder meetings which may apply instead of the provisions described in Condition 10.1 above in relation to meetings of Noteholders.

11. AMENDMENTS TO THE CONDITIONS

- 11.1 The Issuer may modify the Conditions and/or the provisions of the Notes of any one or more class or Series without the consent of the Noteholders if the Issuer determines in its sole and absolute discretion that such modification is:
- 11.1.1 not materially prejudicial to the interests of Noteholders (without considering the individual circumstances of any Noteholders or the tax or other consequences of such adjustment in any particular jurisdiction); or
 - 11.1.2 of a formal, minor or technical nature or to correct a manifest or proven error or to cure, correct or supplement any defective provision or to comply with any mandatory provision of law of the jurisdiction in which the Issuer is incorporated.
- 11.2 Notice of any such modification shall be given to the Noteholders in accordance with Condition 17 but failure to give, or non-receipt, of such notice shall not affect the validity of any such modification.
- 11.3 In respect of Italian Certificates, for so long as such Italian Certificates are listed on the regulated market organised and managed by the Italian Stock Exchange and the Italian Stock Exchange Rules (as interpreted by it) so require, the Issuer may make, without the Noteholders' consent, any amendments to the Conditions and/or the provisions of the Italian Certificates, which are deemed to be necessary or appropriate in order to remove ambiguities or inaccuracies or correct formal mistakes, provided that such amendments are not detrimental to Noteholders' interests. The Conditions may also be amended by the Issuer, without the consent of the holders of the Italian Certificates, where so required by the applicable laws and regulations, including the Italian Stock Exchange Rules. The Issuer shall notify such Noteholders of such amendments in accordance with Condition 17 and additionally by means of a notice published on its website and/or any other method permitted for the securities listed on the SeDeX Market.

12. EVENTS OF DEFAULT

- 12.1 In respect of any Series of Notes, the occurrence of any of the following events shall constitute an "**Event of Default**":
- 12.1.1 if the Issuer shall not make payment in respect of any amount due in respect of any of the Notes of that Series for a period of 30 calendar days or more;
 - 12.1.2 if the Issuer shall not perform any other obligation under the Notes of that Series which is incapable of remedy or which, being a default capable of remedy, continues for 60 calendar days or more after written notice of such default has been given by any Noteholder of that Series to the Issuer;
 - 12.1.3 if any order shall be made by any competent court or other authority or resolution passed by the Issuer for the dissolution or winding-up of the Issuer or for the appointment of a liquidator, receiver, administrator or manager of the Issuer or of all or a substantial part of their respective assets, or anything analogous occurs, in any jurisdiction, to the Issuer, other than in connection with a solvent reorganisation, reconstruction, amalgamation or merger; or
 - 12.1.4 if the Issuer shall (i) stop payment, (ii) shall be unable to, or shall admit to creditors generally its inability to, pay its debts as they fall due, (iii) shall be

adjudicated or found bankrupt or insolvent, or (iv) shall enter into any composition or other arrangements with its creditors generally.

- 12.2 If an Event of Default in relation to the Notes of any Series shall have occurred and be continuing any Noteholder may, at such Noteholder's option, declare each Note of that Series held by the Noteholder to be forthwith due and payable at its fair market value (as determined by the Calculation Agent, except that for these purposes no account shall be taken of the financial condition of the Issuer, which shall be presumed to be able to fully perform its obligations in respect of such Note when due) without presentation, demand, protest or other notice of any kind, by written notice to the Issuer at its specified office.

13. PRESCRIPTION

The Notes shall become void unless presented for payment within a period of ten years from the date on which such payment first becomes due.

14. SUBSTITUTION

Substitution of the Issuer

- 14.1 The Issuer may, at any time, without the consent of the Noteholders, substitute for itself as principal obligor under the Notes of any Series, an Affiliate of the Issuer (the "**New Issuer**"), provided that:

14.1.1 the New Issuer shall assume all obligations of the Issuer to the Noteholders under the Notes of the relevant Series;

14.1.2 either:

(a) the New Issuer must at all times after the substitution have obligations to Noteholders under the Notes of the relevant Series guaranteed by UBS AG, as the original Issuer; or

(b) at the time of such substitution the New Issuer has a credit rating which is at least equal to the long term credit rating of UBS AG as the original Issuer by any of Standard & Poor's Credit Market Services Europe Limited, a division of The McGraw-Hill Companies, Inc., Moody's Investors Services Limited or any other reputable international rating service selected by the Issuer acting in good faith and a commercially reasonable manner;

14.1.3 all actions, conditions and things required to be taken, fulfilled and done (including the obtaining of any necessary consents) to ensure that the Notes represent legally binding, valid and enforceable obligations of the New Issuer have been taken, fulfilled and done and are in full force and effect; and

14.1.4 the Issuer and the New Issuer have executed such other agreements and documents as the Issuer deems necessary in order that such substitution is fully effective.

Notwithstanding the above, in respect of Italian Certificates, provided such Italian Certificates are admitted to listing on the Italian Stock Exchange and to trading on the SeDeX Market, for so long as the Italian Stock Exchange Rules so require, the obligations of the New Issuer in respect of such Italian Certificates shall be unconditionally and irrevocably guaranteed by UBS AG, as the original Issuer.

- 14.2 Upon compliance with Condition 14.1, the original Issuer shall be relieved of its obligations under the Notes and any reference in these Conditions to the Issuer shall be construed as a reference to the New Issuer. In the event of any further substitutions, the provisions of this Condition shall apply to such further substitution. Notice of any substitution shall be given in accordance with the Condition 17.
- 14.3 In connection with any exercise by the Issuer of the right of substitution, the Issuer shall not be obliged to have regard to any consequences for individual Noteholders as a result of the substitution, including any consequences resulting from the Noteholders being for any purpose domiciled or resident in, otherwise connected with, or subject to, the jurisdiction of any particular country. No Noteholder shall be entitled to claim from the Issuer any indemnification or repayment in respect of any consequence suffered by it as a result of the exercise by the Issuer of the right of substitution.

Substitution of Branch

- 14.4 The Issuer shall have the right upon notice to the Noteholders in accordance with Condition 17 to change the branch through which it is acting for the purpose of the Notes, the date of such change to be specified in such notice provided that no change can take place prior to the giving of such notice.

15. REPLACEMENT OF THE NOTES

If any Note is mutilated, defaced, destroyed, stolen or lost, it may be replaced at the specified office of the Issuer or such other place of which notice shall have been given in accordance with Condition 17, upon payment by the claimant of any costs incurred in replacing it and on any terms as to evidence and indemnity as the Issuer reasonably requires. If any Note is mutilated or defaced, it must be surrendered before a new one will be issued.

16. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term or condition of the Notes, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

17. NOTICES

To the Issuer

- 17.1 A Noteholder may give any notice to the Issuer by delivering the notice in writing to the Issuer at 1 Finsbury Avenue, London, EC2M 2PP, United Kingdom (Attn: Equity Operations) or any other address as may be notified to the Noteholders in accordance with Condition 17. Such notice shall be deemed received when so delivered.

To the Noteholders

- 17.2 All notices regarding the Notes will be deemed to be validly given if duly published in a manner which complies with the rules of any stock exchange or other relevant authority on which the Notes are for the time being listed or by which they have been admitted to trading. Any such notice will be deemed to have been given on the date of the first publication. In addition, in respect of Italian Certificates only, provided such Italian Certificates are admitted to listing on the Italian Stock Exchange and to trading on the SeDeX Market, any notice to the Noteholders relating to such Italian Certificates shall also be published in accordance with the Italian Stock Exchange Rules.

17.3 Until such time as any definitive Notes are issued, as long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, notices shall be validly given by the delivery of the relevant notice to Euroclear and/or Clearstream for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules or announced through Euroclear and/or Clearstream, required by those rules. Any such notice shall be deemed to have been given to the holders of the Notes on the day on which the said notice was given to Euroclear and/or Clearstream.

18. EXERCISE OF DISCRETIONS

The Issuer may exercise its discretions in respect of the Notes separately in respect of each class or Series of Notes in issue from time to time, and shall incur no liability for so doing.

19. GOVERNING LAW

19.1 The Notes shall be governed by, and construed in accordance with, English law.

19.2 The courts of England shall have jurisdiction to settle any disputes which may arise out of or in connection with the Notes and accordingly any legal action or proceedings arising out of or in connection with the Notes (“**Proceedings**”) may be brought in such courts. The Issuer irrevocably submits to the jurisdiction of such courts and waives any objection to Proceedings in any such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. This submission is made for the benefit of each of the Noteholders and shall not limit the right of any Noteholder to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

19.3 The Issuer agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to it at 1 Finsbury Avenue, London EC2M 2PP or at any other address of the Issuer in England at which service of process may be served on it in accordance with section 1139(2) of the Companies Act 2006. Nothing herein shall affect the right to serve process in any other manner permitted by law.

SETTLEMENT

1. EUROCLEAR & CLEARSTREAM

Upon the initial deposit of a Global Note with a common depository for Euroclear and Clearstream, Euroclear or Clearstream will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid. Each person shown in the records of Euroclear or Clearstream as the holder of a Note represented by a Global Note must look solely to Euroclear or Clearstream for its share of each payment made by the Issuer to the bearer of such Global Note and in relation to all other rights arising under the Global Note, subject to and in accordance with the respective rules and procedures of Euroclear or Clearstream. Such person shall have no claim directly against the Issuer in respect of payments due on the Notes for as long as the Notes are represented by such Global Note and such obligations of the Issuer will be discharged by payment to the bearer of such Global Note, in respect of each amount so paid.

2. CREST

Where “CREST in the form of CREST depository interests” is stated in the Final Terms to be applicable to any class or Series of Notes, the Issuer will apply to Euroclear UK & Ireland Limited (“EUI”) for permission for the Notes of that class or Series to be held and transferred as CREST depository interests (“CDIs”) through the CREST system by means of the CREST International Settlement Links Service (details of which service are contained in the CREST International Manual (April 2008) issued by EUI) and, in particular, EUI’s links with Euroclear.

Under the CREST International Settlement Links Service, CREST Depository Limited, a subsidiary of EUI, issues dematerialised depository interests representing entitlements to the Notes, known as “CREST Depository Interests” or “CDIs”. CDIs are constituted under English law, and may be held, transferred and settled within the CREST system using the same functionality and on the same basis as other securities held in the CREST system.

Accordingly, where CREST settlement applies, following delivery of the relevant Global Note, the Issuer will procure that an account of CREST Depository Limited’s nominee, CIN Belgium Limited, with Euroclear will be credited with a number of Notes of the relevant class or Series corresponding with the number then to be represented by CDIs and held there (until such time as a CDI holder seeks to exchange its CDIs into Notes). CREST Depository Limited will then issue CDIs (representing Notes) in the CREST system to UBS AG, as nominee of UBS Limited, who will then be able to transfer them in the CREST system to purchasers of Notes.

The terms and conditions upon which CDIs are issued and held in the CREST system are set out in the deed poll executed by CREST Depository Limited governing CDIs and the CREST Manual, in particular the CREST International Manual (which includes the CREST International Settlement Links Service terms and conditions) referred to above.

It should be noted that CDI holders will not be the legal owners of the Notes. Accordingly they will not be able directly to enforce or exercise any rights relating to the Notes described in the Conditions (including the applicable Final Terms). In particular, CDIs representing the Notes do not enable the holders of CDIs to attend and vote at meetings of Noteholders through the CREST system. If a CDI holder wishes to use such voting rights personally by attending a meeting of Noteholders, it must first effect a cancellation of its CDIs for their underlying Notes held with the depository which is a participant in Euroclear before the record date of the relevant meeting of Noteholders. On so doing, they

will, subject to and in accordance with the Conditions and the procedures of Euroclear, be able to attend and vote in person at the relevant meeting of Noteholders.

3. MONTE TITOLI

Italian Certificates may be cleared through the bridge accounts of Monte Titoli.

USE OF PROCEEDS AND HEDGING

The net proceeds of the issue of the Notes will be used by the Issuer outside of Switzerland for its general corporate purposes, which include making a profit and which may include hedging activities in respect of the Notes.

In anticipation of the issue of any class or Series of Notes, the Issuer and its Affiliates expect to enter into hedging transactions involving purchases of securities included in or linked to any Index (or any of its sub-indices) and/or listed and/or over-the-counter options, futures or exchange-traded funds on Index Commodities or any Index prior to or on a Trade Date. From time to time, the Issuer or its Affiliates may enter into additional hedging transactions or unwind those it has entered into. In this regard, the Issuer or its Affiliates may:

- (i) acquire or dispose of long or short positions in listed or over-the-counter options, futures, exchange-traded funds or other instruments based on the level of any Index (or any of its sub-indices) or the value of the Component Contracts;
- (ii) acquire or dispose of long or short positions in listed or over-the-counter options, futures, or exchange-traded funds or other instruments based on the level of other similar market indices or commodities; or
- (iii) any combination of the above.

The Issuer or its Affiliates may from time to time acquire long or short positions in securities similar to the Notes and in their sole discretion, hold or resell those securities.

The Issuer or its Affiliates may close out hedge positions on or before the applicable Redemption Date. This may involve sales or purchases of Index Commodities, listed or over-the-counter options or futures on Index Commodities or listed or over-the-counter options, futures, exchange-traded funds or other instruments based on other indices or other components of the commodities markets.

The hedging activity discussed above may adversely affect the market value of the Notes from time to time. See "*Risk Factors*".

DESCRIPTION OF UBS AG

1. OVERVIEW

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

On 30 September 2012 UBS's Basel 2.5 tier 1¹ ratio was 20.2%, invested assets stood at CHF 2,242 billion, equity attributable to UBS shareholders was CHF 52,449 million and market capitalization was CHF 43,894 million. On the same date, UBS employed 63,745 people².

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

The rating from Fitch Ratings has been issued by Fitch Ratings Limited, UK, and the rating from Standard & Poor's has been issued by Standard & Poor's Credit Market Services Europe Limited, UK. Both are registered as credit rating agencies under Regulation (EC) No 1060/2009 as amended by Regulation (EU) No 513/2011 (the “**CRA Regulation**”). The rating from Moody's has been issued by Moody's Investors Service, Inc., which is not established in the EEA and is not certified under the CRA Regulation, but the rating it has issued is endorsed by Moody's Investors Service Ltd., UK, a credit rating agency established in the EEA and registered under the CRA Regulation.

No recent events particular to the Issuer have occurred, which are to a material extent relevant to the evaluation of the Issuer's solvency.

2. CORPORATE INFORMATION

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

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

² Full-time equivalents.

the Commercial Registers of Canton Zurich and Canton Basel-City. The registration number is CH-270.3.004.646-4.

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

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

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

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

3. BUSINESS OVERVIEW

3.1 Organizational Structure of the Issuer

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

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

3.2 Business Divisions and Corporate Center

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

3.2.1 Wealth Management

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

3.2.2 Wealth Management Americas

Wealth Management Americas provides advice-based solutions through financial advisors who deliver a fully integrated set of products and services specifically designed to address the needs of

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

3.2.3 Investment Bank

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

3.2.4 Global Asset Management

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

3.2.5 Retail & Corporate

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

3.2.6 Corporate Center

The Corporate Center provides treasury services, and manages support and control functions for the business divisions and the Group in such areas as risk control, finance, legal and compliance, funding, capital and balance sheet management, management of non-trading risk, communications and branding, human resources, information technology, operations, real estate, procurement, corporate development and service centers. It allocates most of the treasury income, operating expenses and personnel associated with these activities, which are referred to collectively as the Corporate Center – Core Functions, to the businesses based on capital and service consumption levels. The Corporate Center also encompasses the Legacy Portfolio, consisting of the centrally managed legacy portfolio formerly in the Investment Bank and the option to acquire the equity of the SNB StabFund.

3.3 Competition

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

3.4 Recent Developments

Results as of and for the quarter ended 30 September 2012

On 30 October 2012, UBS published its third quarter 2012 report and reported a net loss attributable to UBS shareholders of CHF 2.2 billion, compared with a profit of CHF 425 million in the second

quarter. The pre-tax loss was CHF 2.5 billion, compared with a profit of CHF 951 million in the prior quarter, primarily due to impairment losses of CHF 3,064 million on goodwill and other non-financial assets in the Investment Bank, as well as an own credit loss of CHF 863 million compared with a gain of CHF 239 million in the prior quarter. On an adjusted basis, excluding the impairment and own credit losses and net restructuring provision releases of CHF 22 million, UBS recorded a pre-tax profit of CHF 1.4 billion in the third quarter of 2012. On an adjusted basis, excluding an own credit gain of CHF 239 million, net restructuring charges of CHF 9 million and a credit of CHF 84 million related to changes to a retiree medical and life insurance plan in the US, UBS recorded a pre-tax profit of CHF 637 million in the second quarter of 2012. In the third quarter, significant increases were seen in net interest and trading revenues excluding own credit, as well as net fee and commission income and other income, partly offset by higher operating expenses. UBS recorded a tax benefit of CHF 345 million, compared with an expense of CHF 253 million in the prior quarter. Net profit attributable to non-controlling interests decreased from CHF 273 million to CHF 1 million, as the prior quarter reflected dividends on preferred securities.

Wealth Management pre-tax profit was CHF 600 million in the third quarter of 2012 compared with CHF 502 million in the previous quarter. Total operating income increased by CHF 55 million to CHF 1,789 million from CHF 1,734 million, mainly reflecting a rise in recurring fees on higher invested assets. Operating expenses decreased to CHF 1,189 million from CHF 1,232 million. The gross margin on invested assets was unchanged at 89 basis points as the 3% increase in income was offset by a 3% increase in the average asset base. Net new money was CHF 7.7 billion compared with CHF 9.5 billion in the previous quarter. Each region reported positive net new money flows. The annualized net new money growth rate was 3.9% compared with 4.9% in the previous quarter. Invested assets rose during the quarter by CHF 33 billion to CHF 816 billion.

Wealth Management Americas pre-tax profit in the third quarter of 2012 was USD 230 million compared with USD 211 million in the prior quarter. Operating income was USD 1,631 million, an increase of USD 44 million from USD 1,587 million, mostly due to higher transaction-based revenue, partly offset by lower net interest income and lower net trading income. Total operating expenses increased by USD 27 million to USD 1,402 million, primarily due to a 2% increase in personnel expenses. Net new money totaled USD 4.8 billion compared with USD 3.8 billion. The gross margin on invested assets increased 1 basis point to 80 basis points.

The Investment Bank recorded a pre-tax loss of CHF 2,870 million in the third quarter of 2012 compared with a pre-tax loss of CHF 130 million in the second quarter of 2012, mainly reflecting impairment losses of CHF 3,064 million on goodwill and other non-financial assets. On an adjusted basis, excluding the above-mentioned impairment losses and restructuring releases of CHF 16 million, the pre-tax profit was CHF 178 million in the third quarter of 2012. On an adjusted basis, excluding restructuring charges of CHF 23 million and a credit of CHF 71 million related to changes to a retiree benefit plan in the US, the second quarter of 2012 recorded a pre-tax loss of CHF 178 million. The second quarter included a loss of CHF 349 million related to the Facebook initial public offering. Revenues improved in all business areas. Pro-forma Basel III risk-weighted asset (**RWA**)³ measured on a fully applied basis declined by CHF 8 billion to CHF 162 billion. Total operating income improved 31% to CHF 2,277 million from CHF 1,736 million in the prior quarter. On an adjusted basis, operating expenses increased 10% to CHF 2,099 million from CHF 1,915 million. In the investment banking division, total revenues increased by 3% to CHF 383 million from CHF 372 million. Equities revenues increased to CHF 783 million from CHF 247 million. Fixed income,

³ The calculation of UBS' pro-forma Basel III RWA combines existing Basel 2.5 RWA, a revised treatment for low-rated securitization exposures which are no longer deducted from capital but are risk-weighted at 1250%, and new model-based capital charges. Some of these new models still require regulatory approval and therefore UBS's pro-forma calculations include estimates (discussed with its primary regulator) of the effect of these new capital charges which will be refined as models and the associated systems are enhanced.

currencies and commodities revenues of CHF 1,107 million were broadly flat compared with CHF 1,099 million in the second quarter.

Global Asset Management pre-tax profit in the third quarter of 2012 was CHF 124 million compared with CHF 118 million in the second quarter, as higher performance fees in alternative and quantitative investments more than offset higher expenses. Total operating income was CHF 468 million compared with CHF 446 million in the second quarter. Total operating expenses were CHF 344 million compared with CHF 328 million in the previous quarter. The annualized net new money growth rate was positive 1.2% compared with negative 2.5% in the second quarter. Excluding money market flows, net new money inflows from third parties remained positive at CHF 0.3 billion but lower than the second quarter net inflows of CHF 3.4 billion, as net inflows, notably from sovereign clients, were largely offset by net outflows, particularly in the Americas. Excluding money market flows, net new money outflows from clients of UBS's wealth management businesses were lower at CHF 1.0 billion compared with CHF 2.2 billion. Net outflows in the third quarter were mainly from equities and multi-asset strategies. Total net new money excluding money market flows was negative CHF 0.7 billion in the third quarter. The total gross margin was 32 basis points, in line with the second quarter.

Retail & Corporate pre-tax profit was CHF 409 million compared with CHF 399 million in the previous quarter, reflecting higher operating income and lower operating expenses. Both the retail and corporate businesses continued to record strong net new business volume growth. Strong growth in deposit volumes was more than offset by margin pressure due to historically low interest rates. Total operating income increased by CHF 5 million to CHF 932 million from CHF 927 million in the prior quarter. Operating expenses decreased to CHF 523 million from CHF 527 million in the previous quarter, mainly due to a credit related to the seasonal effect of vacation accruals. Annualized net new business volume growth was 7.2% compared with 3.3% in the previous quarter. Both the retail and corporate businesses recorded strong net inflows, resulting from high net new client assets and to a lesser extent net new loan inflows.

Corporate Center – Core Functions pre-tax result in the third quarter was a loss of CHF 936 million compared with a loss of CHF 19 million in the previous quarter. The third quarter included an own credit loss of CHF 863 million compared with a gain of CHF 239 million in the prior quarter. Treasury income remaining in Corporate Center - Core Functions after allocations to the business divisions was positive CHF 125 million compared with negative CHF 64 million in the prior quarter.

The Legacy Portfolio pre-tax result was a loss of CHF 62 million compared with a loss of CHF 119 million in the previous quarter. This was primarily due to an increase in the value of the option to acquire the SNB StabFund's equity, partly offset by higher credit loss expenses as well as higher charges for provisions for litigation, regulatory and similar matters.

Capital position and balance sheet - The Basel 2.5 tier 1 capital ratio continued to improve and stood at 20.2% on 30 September 2012, up 1.0 percentage point from 30 June 2012. Basel 2.5 tier 1 capital increased by CHF 1.2 billion, as the quarterly loss was offset by the positive effect of a lower capital deduction due to the goodwill impairment within the Investment Bank and a reversal of own credit losses for capital purposes. The pro-forma Basel III RWA were estimated to be CHF 301 billion on a fully applied basis at the end of the third quarter, a CHF 4 billion decline from the prior quarter mainly as a result of lower Basel 2.5 RWA. The balance sheet stood at CHF 1,369 billion on 30 September 2012, a decrease of CHF 43 billion from 30 June 2012.

Invested assets - Invested assets were CHF 2,242 billion as of 30 September 2012 compared with CHF 2,163 billion as of 30 June 2012. Of the invested assets, CHF 816 billion were attributable to Wealth Management, CHF 783 billion were attributable to Wealth Management Americas, CHF 588 billion were attributable to Global Asset Management.

Strategy update

On 30 October 2012, UBS announced a significant acceleration in the implementation of its strategy to transform the firm and create the UBS of the future.

Reshaping UBS Investment Bank by building on its core strengths

UBS's Investment Bank will be focused on its traditional strengths in advisory, research, equities, FX and precious metals. In order to be successful, the Investment Bank must first be strong and successful in meeting the needs of its clients. It will continue to serve its corporate, sovereign, institutional and financial sponsor clients. It must also support sustained growth in the Group by acting as a strong partner to all of UBS's business divisions including Wealth Management.

The Investment Bank will continue to have a critical role and will consist of two core client segments. The first is Corporate Client Solutions, which includes all advisory and solutions businesses plus execution that involves corporate, financial institutions and sponsor clients. UBS will continue to add value through advice and delivery of bespoke solutions. This is expected to generate around one-third of the Investment Bank's revenues and utilize around 15% of its Basel III RWAs. Investor Client Services includes execution, distribution and trading for institutional investors, and will provide support to UBS's wealth management businesses. It will comprise UBS's leading equities businesses, FX, and precious metals. In flow rates and credit, UBS will maintain risk facilitation capabilities aligned to UBS's Debt Capital Market and wealth management franchises. Investor Client Services is expected to generate two-thirds of the Investment Bank's revenues and utilize around 85% of its Basel III RWAs. UBS expects that the Investment Bank will deliver returns well in excess of its cost of capital.

The lines of business to be exited will include many that do not meet their cost of capital sustainably or are in areas with high operational complexity or long tail risks likely to weigh on future returns. Businesses and positions to be exited will be transferred to, and reported in, the Corporate Center from the first quarter of 2013. An experienced team, led by Carsten Kengeter, has been appointed to manage the businesses and positions to be exited to optimize risk and returns over time. This team will manage the sale or exit of these positions within the robust oversight structure that has successfully supported UBS's risk-weighted asset reduction in the Legacy Portfolio. UBS remains fully committed to its clients and businesses in Switzerland and they are unaffected by these announcements.

UBS will expand its Group-wide efficiencies and free up resources to make investments to support growth across the firm

UBS is targeting total cost savings of CHF 5.4 billion including incremental cost savings of CHF 3.4 billion above the CHF 2 billion cost savings program announced in August 2011. These changes will take three years to fully implement, and UBS anticipates restructuring charges of CHF 3.3 billion over the same period. Savings will be achieved as a result of the actions UBS is taking in its Investment Bank, as well as further Group-wide efficiency measures. As a consequence, in 2015 UBS expects its headcount to be around 54,000 compared with approximately 64,000 today.

UBS is firmly committed to return capital to its shareholders

UBS began its program with a dividend of CHF 0.10 per share for the financial year 2011. Share dividend payouts are predicated on UBS meeting its capital targets. From this point onwards, UBS will implement an attractive capital return program. UBS will have the flexibility to determine a baseline dividend set at a sustainable level, regardless of the normal economic fluctuations. In addition, UBS intends to add supplementary capital returns, which take into account its need for investment and any counter cyclical buffer it chooses to maintain for a more challenging economic environment. UBS believes it can sustain and grow its future business organically with a total payout

ratio of 50% or more, taking into account the baseline dividend and any supplementary payments it may make.

Key performance targets⁴

The following are goals developed for UBS Group, and each of its business divisions and its Legacy Portfolio, by UBS's management. They do not represent profit forecasts or estimates. While these forward-looking statements represent UBS's judgments and expectations concerning the matters described, a number of risks, uncertainties and other important factors could cause actual developments and results to differ materially from UBS's expectations.

Group

- Basel III RWAs reduced to CHF 200 billion by end 2017
- Funded balance sheet⁵ reduction: approximately CHF 300 billion by end of 2015
- Basel III common equity tier 1 ratio fully applied: 11.5% in 2013; 13% in 2014
- Cost / income ratio: 60-70% from 2015
- Return on equity: at least 15% from 2015

Wealth Management

- NNM growth rate: 3-5%
- Gross margin: 95-105 bps
- Cost / income ratio: 60-70%

Wealth Management Americas

- NNM growth rate: 2-4%
- Gross margin: 75-85 bps
- Const/income ratio: 80-90%

Retail & Corporate

- Net new business volume growth: 1-4%
- Net interest margin: 140-180 bps
- Cost / income ratio: 50-60%

Global Asset Management

- NNM growth rate: 3-5%
- Gross margin: 32-38 bps
- Cost / income ratio: 60-70%

Investment Bank

- Annual pre-tax return on attributed equity: more than 15% effective 1.1.13
- Cost / income ratio: 65-85% effective 1.1.13
- Basel III risk-weighted assets: less than CHF 70 billion effective 1.1.13

⁴ Excluding own credit and significant non-recurring items (e.g., restructuring costs) unless otherwise stated; targets assume constant FX rates; effective immediately unless otherwise stated.

⁵ Funded balance sheet defined as total assets minus replacement values.

Legacy Portfolio - Basel III risk-weighted assets

- End 2013: approximately CHF 85 billion
- End 2015: approximately CHF 55 billion
- End 2017: approximately CHF 25 billion

Significant additional disclosures

- Group Basel III RWA - targeted to below CHF 250 billion by end 2013, below CHF 225 billion by end 2015 and below CHF 200 billion by end 2017. The Investment Bank will account for less than CHF 70 billion of this, a reduction of around CHF 90 billion from today.
- Basel III capital ratios - UBS expects to achieve fully applied Basel III CET 1 ratio of 11.5% in 2013.
- UBS's Basel III total capital requirements are expected to decline to 17.5%, down from 19%⁶ reflecting targeted reductions in risk-weighted assets and balance sheet⁷.
- As a result of targeted balance sheet reductions, UBS anticipates a 30% reduction in its funding requirements. Lower funding requirements will allow UBS to buy back debt.
- Group RoE expected to average in the mid-single digits in 2013 and 2014⁸.

Update on certain LIBOR-related claims

On 19 December 2012, UBS AG announced that its Board of Directors has authorised settlements with the US Department of Justice (“**DoJ**”) and Commodity Futures Trading Commission (“**CFTC**”) in connection with their investigations of benchmark interest rates. The proposed settlement with the CFTC is subject to the Commission’s approval. UBS has reached a settlement with the UK Financial Services Authority (“**FSA**”) concerning its investigation. The Swiss Financial Market Supervisory Authority (“**FINMA**”) has also issued an order concluding its formal proceedings with respect to UBS.

UBS agrees to pay a total of approximately CHF 1.4 billion in fines and disgorgement. UBS will pay GBP 160 million in fines to the FSA and CHF 59 million as disgorgement of estimated profits to FINMA. The Board has authorised a payment of fines totalling USD 1.2 billion to the DoJ and CFTC. These monies would be paid according to specified payment schedules.

The conduct described in the settlements includes the following:

- Certain UBS personnel engaged in efforts to manipulate submissions for certain benchmark rates to benefit trading positions;
- Certain employees at the bank colluded with employees at other banks and cash brokers to influence certain benchmark rates to benefit their trading positions; and

⁶ Based on Swiss capital adequacy ordinance.

⁷ Balance sheet exposures net of specific provisions, derivative exposure netting and repurchase agreements; adjustments for OTC derivatives, off-balance sheet commitments and contingent liabilities; estimated total capital requirement of 17.5% does not take into account any potential rebate subject to measures taken to improve resolvability.

⁸ As reported.

- Certain personnel gave inappropriate directions to UBS submitters that were in part motivated by a desire to avoid unfair and negative market and media perceptions during the financial crisis.

The conduct encompassed by the settlements includes Yen LIBOR, GBP LIBOR, CHF LIBOR, Euro LIBOR, USD LIBOR, Euribor and Euroyen TIBOR, although the nature and extent of the conduct in question varied significantly from one currency to another.

The Board of UBS Securities Japan Co. Ltd., (“UBSSJ”) has authorised UBSSJ to enter a plea to one count of wire fraud relating to the manipulation of certain benchmark interest rates, including Yen LIBOR. The Board of UBS AG has authorised the firm to enter into a Non-Prosecution Agreement (“NPA”) with DoJ relating to UBS AG and all of its subsidiaries and affiliates, except for UBSSJ.

These resolutions stem from industry-wide investigations into the setting of certain benchmark rates across a range of currencies. These investigations have focused on whether there were improper attempts by banks, either acting on their own or with others, to manipulate LIBOR and other benchmark rates at certain times.

UBS has fully cooperated with the authorities in their investigations and significantly enhanced its control framework for its submissions process for LIBOR and other benchmark interest rates. The investigations by other governmental authorities and private litigation referred to in UBS's third quarter 2012 report remain ongoing notwithstanding the announcements of 19 December 2012.

Despite the expected payments announced on 19 December 2012, UBS remains, in its own opinion, one of the best capitalised banks in the world.

Based on business activity through the date of the announcement, UBS believes its fourth quarter net profit attributable to shareholders will show a loss, primarily as a result of: total provisions for litigation and regulatory matters, (including the LIBOR settlements, claims related to sales of residential mortgage backed-securities (“RMBS”) and other matters), of approximately CHF 2.1 billion; restructuring charges of approximately CHF 0.5 billion; and an own credit loss on financial liabilities designated at fair value of approximately CHF 0.4 billion. Because the quarter has not yet ended, the above information is subject to variability due to market movements (including those relating to own credit) and other factors.

UBS is encouraged by the progress it has seen in the fourth quarter to the date of its announcement on both RWA reduction and balance sheet deleveraging. Net new money is expected to be positive in the fourth quarter as UBS has seen good flows in the Wealth Management and Wealth Management Americas businesses, while it has seen net outflows in Global Asset Management. The Basel III phase-in common equity tier 1 ratio is expected to improve to around 14% by fourth quarter-end and the fully applied Basel III common equity tier 1 ratio, inclusive of the effects from early adopting IAS 19R in the fourth quarter, is expected to be roughly in line with the third quarter's level of 9.3%⁹.

⁹ The calculation of UBS's pro-forma Basel III RWA combines existing Basel 2.5 RWA, a revised treatment for low-rated securitization exposures which are no longer deducted from capital but are risk-weighted at 1250%, and new model-based capital charges. Some of these new models still require regulatory approval and therefore UBS's pro-forma calculations include estimates (discussed with UBS's primary regulator) of the effect of these new capital charges which will be refined as models and the associated systems are enhanced.

3.5 TREND INFORMATION (OUTLOOK STATEMENT AS PRESENTED IN UBS'S THIRD QUARTER 2012 REPORT ISSUED ON 30 OCTOBER 2012 AND AS UPDATED ON 19 DECEMBER 2012)

As in recent quarters, the degree of progress towards achieving sustained and material improvements to eurozone sovereign debt and European banking system issues, as well as the extent of uncertainty surrounding geopolitical tensions, the global economic outlook and the US fiscal cliff, will continue to exert a strong influence on client confidence and, thus, activity levels in the fourth quarter of 2012. Failure to make progress on these key issues would make further improvements in prevailing market conditions unlikely and would thus generate headwinds for revenue growth, net interest margins and net new money. Despite these challenges, UBS remains confident that its asset-gathering businesses as a whole will continue to attract net new money, reflecting its clients' steadfast trust in the firm. As a result of the decisive action UBS has announced to accelerate its strategy, UBS expects to recognize restructuring charges of approximately CHF 500 million in the fourth quarter. Combined with reduced Investment Bank revenues as UBS exits certain business lines, UBS's current expectations for the impact of movements in own credit spreads, and despite profits in its wealth management businesses, Retail & Corporate and Global Asset Management, UBS is likely to report a net loss attributable to UBS shareholders in the fourth quarter. Nevertheless, UBS is confident that the actions it is taking now will ensure the firm's long-term success in the fundamentally changed regulatory and economic environment and will deliver sustainable returns for its shareholders going forward.

Based on business activity through 19 December 2012, UBS believes its fourth quarter net profit attributable to shareholders will show a loss, primarily as a result of: total provisions for litigation and regulatory matters, (including the LIBOR settlements, claims related to sales of RMBS and other matters), of approximately CHF 2.1 billion; restructuring charges of approximately CHF 0.5 billion; and an own credit loss on financial liabilities designated at fair value of approximately CHF 0.4 billion. Because the quarter has not yet ended, the above information is subject to variability due to market movements (including those relating to own credit) and other factors.

UBS is encouraged by the progress it has seen in the fourth quarter to 19 December 2012 on both RWA reduction and balance sheet deleveraging. Net new money is expected to be positive in the fourth quarter as UBS has seen good flows in the Wealth Management and Wealth Management Americas businesses, while it has seen net outflows in Global Asset Management. The Basel III phase-in common equity tier 1 ratio is expected to improve to around 14% by fourth quarter-end and the fully applied Basel III common equity tier 1 ratio, inclusive of the effects from early adopting IAS 19R in the fourth quarter, is expected to be roughly in line with the third quarter's level of 9.3%¹⁰.

4. ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES OF THE ISSUER

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

UBS AG operates under a strict dual board structure, as mandated by Swiss banking law. This structure establishes checks and balances and preserves the institutional independence of the Board of Directors ("BoD") from the day-to-day management of the firm, for which responsibility is delegated

¹⁰ The calculation of UBS's pro-forma Basel III RWA combines existing Basel 2.5 RWA, a revised treatment for low-rated securitization exposures which are no longer deducted from capital but are risk-weighted at 1250%, and new model-based capital charges. Some of these new models still require regulatory approval and therefore UBS's pro-forma calculations include estimates (discussed with UBS's primary regulator) of the effect of these new capital charges which will be refined as models and the associated systems are enhanced.

to the Group Executive Board (“**GEB**”) under the leadership of the Group Chief Executive Officer (“**Group CEO**”). The supervision and control of the GEB remains with the BoD. No member of one board may be a member of the other.

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

4.1 Board of Directors

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

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

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

4.1.1 Members of the Board of Directors

Members and business addresses	Title	Term of office	Current positions outside UBS AG
Axel A. Weber UBS AG, Bahnhofstrasse 45, P.O. Box, CH-8001, Zurich, Switzerland	Chairman	2013	Member of the Group of Thirty, Washington, D.C.; research fellow at the Center for Economic Policy Research, London, and the Center for Financial Research, Cologne; member of the board of the International Institute of Finance and senior research fellow at the Center for Financial Studies, Frankfurt/Main; member of the Monetary Economics and International Economics Councils of the Verein für Socialpolitik; member of the Advisory Board of the German Market Economy Foundation; member of the Advisory Council of the Goethe University, Frankfurt/Main.
Michel Demaré ABB Ltd., Affolternstrasse 44, P.O. Box 5009, CH- 8050 Zurich, Switzerland	Independent Vice Chairman	2013	CFO and member of the Group Executive Committee of ABB; member of the board of Syngenta and of the IMD Foundation, Lausanne.

<p>David Sidwell</p> <p>UBS AG, Bahnhofstrasse 45, P.O. Box, CH-8001, Zurich, Switzerland</p>	<p>Senior Independent Director</p>	<p>2013</p>	<p>Director and Chairperson of the Risk Policy and Capital Committee of Fannie Mae, Washington D.C.; Senior Advisor at Oliver Wyman, New York; trustee of the International Accounting Standards Committee Foundation London; Chairman of the board of Village Care, New York; Director of the National Council on Aging, Washington D.C.</p>
<p>Rainer-Marc Frey</p> <p>Office of Rainer-Marc Frey, Seeweg 39, CH-8807, Freienbach, Switzerland</p>	<p>Member</p>	<p>2013</p>	<p>Founder of Horizon21 AG; Chairman of Horizon21 AG, its holding company and related entities and subsidiaries; member of the board of DKSH Group, Zurich, and of the Frey Charitable Foundation, Freienbach.</p>
<p>Ann F. Godbehere</p> <p>UBS AG, Bahnhofstrasse 45,P.O. Box, CH-8001, Zurich, Switzerland</p>	<p>Member</p>	<p>2013</p>	<p>Board member and Chairperson of the Audit Committee of Prudential plc, Rio Tinto plc, Rio Tinto Limited, Atrium Underwriters Ltd. and Atrium Underwriting Group Ltd., London, and of Arden Holdings Ltd., Bermuda. Member of the board of British American Tobacco plc.</p>
<p>Axel P. Lehmann</p> <p>Zurich Financial Services, Mythenquai 2, CH-8002, Zurich, Switzerland</p>	<p>Member</p>	<p>2013</p>	<p>Member of the Group Executive Committee, Group Chief Risk Officer and Regional Chairman Europe of Zurich Financial Services; Chairman of the board of Farmers Group, Inc. and Chairman of the board of the Institute of Insurance Economics at the University of St. Gallen; member and past Chairman of the Chief Risk Officer Forum; member of the executive committee of the International Financial Risk Institute Foundation and member of the board of Economiesuisse.</p>

<p>Wolfgang Mayrhuber</p> <p>Deutsche Lufthansa AG, Flughafen Frankfurt am Main 302, D-60549, Frankfurt am Main, Germany</p>	<p>Member</p>	<p>2013</p>	<p>Chairman of the Supervisory Board and Chairperson of the Mediation, the Nomination and the Executive Committees of Infineon Technologies AG, as well as member of the supervisory boards of Munich Re Group, BMW Group, Lufthansa Technik AG and Austrian Airlines AG; member of the board of HEICO Corporation, Hollywood, FL; member of the executive board of Acatech (Deutsche Akademie der Technikwissenschaften) and trustee of the American Academy of Berlin.</p>
<p>Helmut Panke</p> <p>BMW AG, Petuelring 130, D-80788, Munich, Germany</p>	<p>Member</p>	<p>2013</p>	<p>Member of the board and Chairperson of the Antitrust Compliance Committee of Microsoft Corporation; member of the board and Chairperson of the Board Safety & Risk Committee of Singapore Airlines Ltd.; member of the Supervisory Board of Bayer AG.</p>
<p>William G. Parrett</p> <p>UBS AG, Bahnhofstrasse 45, P.O. Box, CH-8001, Zurich, Switzerland</p>	<p>Member</p>	<p>2013</p>	<p>Independent Director and Chairperson of the Audit Committee of the Eastman Kodak Company, the Blackstone Group LP and Thermo Fisher Scientific Inc.; Past chairman of the board of the United States Council for International Business and of United Way Worldwide; member of the Carnegie Hall Board of Trustees.</p>
<p>Isabelle Romy</p> <p>Froriep Renggli, Bellerivestrasse 201, CH-8034 Zurich, Switzerland</p>	<p>Member</p>	<p>2013</p>	<p>Partner at Froriep Renggli, Zurich; associate professor at the University of Fribourg and at the Federal Institute of Technology, Lausanne; Vice Chairman of the Sanction Commission of the SIX Swiss Exchange.</p>
<p>Beatrice Weder di Mauro</p> <p>Johannes Gutenberg-University Mainz, Jakob Welder-Weg 4, D-55099 Mainz, Germany</p>	<p>Member</p>	<p>2013</p>	<p>Professor at the Johannes Gutenberg University, Mainz; research fellow at the Centre for Economic Policy Research, London; member of the board of Roche Holding Ltd., Basel; member of the Supervisory Board of ThyssenKrupp AG, Essen, and of the Deutsche Investitions- und Entwicklungsgesellschaft, Cologne.</p>

<p style="text-align: center;">Joseph Yam</p> <p style="text-align: center;">18 B South Bay Towers, 59 South Bay Rd., Hong Kong</p>	<p>Member</p>	<p>2013</p>	<p>Executive Vice President of the China Society for Finance and Banking; Chairman of the board of Macroprudential Consultancy Limited and member of the international advisory councils of a number of government and academic institutions. Board member and Chairperson of the Risk Committee of China Construction Bank. Member of the board of Johnson Electric Holdings Limited.</p>
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4.1.2 Organizational principles and structure

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

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

4.1.3 Audit Committee

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

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

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

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

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

4.2 Group Executive Board

Under the leadership of the Group CEO, the GEB has executive management responsibility for the UBS Group and its business. It assumes overall responsibility for the development of the UBS Group

and business division strategies and the implementation of approved strategies. All GEB members (with the exception of the Group CEO) are proposed by the Group CEO. The appointments are made by the BoD.

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

4.2.1 Members of the Group Executive Board

Member	Title	Current positions outside UBS AG
Sergio P. Ermotti	Group Chief Executive Officer	Non-executive Director of the London Stock Exchange Group.
Markus U. Diethelm	Group General Counsel	Chairman of the Swiss-American Chamber of Commerce's Legal Committee; member of the Swiss Advisory Council of the American Swiss Foundation and of the UBS Foundation of Economics in Society.
John A. Fraser	Chairman and Chief Executive Officer Global Asset Management	Chairman of UBS Saudi Arabia. Member of the President's Advisory Council of the European Fund and Asset Management Association and of the Advisory Council of AccountAbility. Chairman of the Victorian Funds Management Corporation, Melbourne.
Lukas Gähwiler	Chief Executive Officer UBS Switzerland, Chief Executive Officer Retail & Corporate	Member of the board of Economiesuisse, the Zurich Chamber of Commerce and the Opernhaus AG; Vice Chairman of the Swiss Finance Institute. Member of the Foundation Board of the UBS pension fund and of the UBS Foundation of Economics in Society.
Ulrich Körner	Group Chief Operating Officer, Chief Executive Officer Corporate Center, Chief Executive Officer UBS Group Europe, Middle East and Africa	Vice Chairman of the Committee of the Governing Board of the Swiss Bankers Association; Chairman of the Widder Hotel, Zurich; Vice President of the Board of Lyceum Alpinum Zuoz; Deputy Chairman of the Supervisory Board of UBS Deutschland AG; Chairman of the Foundation Board of the UBS pension fund; member of the Financial Service Chapter Board of the Swiss-American Chamber of Commerce; member of the Advisory Board of the Department of Banking and Finance at the University of Zurich.
Philip J. Lofts	Group Chief Risk Officer	Board member of the University of Connecticut Foundation.

Robert J. McCann	Chief Executive Officer Wealth Management Americas, Chief Executive Officer UBS Group Americas	Board member of the American Ireland Fund; Vice Chairman of the Bethany College Board of Trustees; member of the Presidents Circle of No Greater Sacrifice, Washington D.C.; member of the Committee Encouraging Corporate Philanthropy and a member of the board of the Catholic Charities of the Archdiocese of New York.
Tom Naratil	Group Chief Financial Officer	None
Andrea Orcel	Chief Executive Officer Investment Bank	None
Chi-Won Yoon	Chief Executive Officer UBS Group Asia Pacific	Member of the Asian Executive Board of MIT's Sloan School of Management.
Jürg Zeltner	Chief Executive Officer UBS Wealth Management	Board member of the German-Swiss Chamber of Commerce and the UBS Optimus Foundation.

4.3 Potential Conflicts of Interest

Members of the BoD and GEB may act as directors or executive officers of other companies and may have economic or other private interests that differ from those of UBS AG. The current positions outside UBS AG of BoD and GEB members are stated in sections 4.1.1 and 4.2.1 above. There are no potential conflicts of interest between the duties of the members of the BoD and the GEB to UBS and their private interests or other duties, except with respect to the role of BoD member David Sidwell as a Director and Chairperson of the Risk and Policy Committee of Fannie Mae. This is considered to be a potential conflict of interest because of the possibility that the BoD members of UBS might receive sensitive information, or be called upon to make decisions, concerning litigation brought or to be brought by or on behalf of Fannie Mae pertaining to residential mortgage-backed securities, mortgage loans or other matters. UBS is confident that its internal corporate governance practices and its compliance with relevant legal and regulatory provisions reasonably ensure that any conflicts of interest of the type described above are appropriately managed, including through disclosure when appropriate.

5. AUDITORS

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

6. MAJOR SHAREHOLDERS OF THE ISSUER

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

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

- 30 September 2011: Norges Bank (the Central Bank of Norway), 3.04%;
- 12 March 2010: Government of Singapore Investment Corp., 6.45%;
- 17 December 2009: BlackRock Inc., New York, USA, 3.45%.

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

As of 30 September 2012, the following shareholders (acting in their own name or in their capacity as nominees for other investors or beneficial owners) were registered in the share register with 3% or more of the total share capital of UBS AG: Chase Nominees Ltd., London (11.23%); the US securities clearing organization DTC (Cede & Co.) New York, "The Depository Trust Company" (5.37%); Government of Singapore Investment Corp., Singapore (6.40%) and Nortrust Nominees Ltd., London (4.17%).

UBS holds UBS AG shares primarily to cover employee share and option participation plans. A smaller number is held by the Investment Bank in its capacity as market-maker in UBS AG shares and related derivatives. As of 30 September 2012, UBS held a stake of UBS AG's shares, which corresponded to less than 3.00% of UBS AG's total share capital. As of 31 December 2011, UBS had disposal positions relating to 467,465,923 voting rights, corresponding to 12.20% of the total voting rights of UBS AG. They consisted mainly (9.12%) of voting rights on shares deliverable in respect of employee awards and included the number of shares that may be issued, upon certain conditions, out of conditional capital to the Swiss National Bank ("SNB") in connection with the transfer of certain illiquid securities and other positions to a fund owned and controlled by the SNB.

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

7. FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES

7.1 Historical Annual Financial Information

A description of UBS AG's and UBS Group's assets and liabilities, financial position and profits and losses for financial year 2010 is available in the Financial information section of the annual report of UBS AG as of 31 December 2010 ("**Annual Report 2010**"), and for financial year 2011 in the Financial information section of the Annual Report 2011. The Issuer's financial year is the calendar year.

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

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

(inclusive) and the Notes to the Consolidated Financial Statements on pages 273-378 (inclusive); and

- (ii) the Financial Statements of UBS AG (Parent Bank), in particular to the Income Statement on page 380, the Balance Sheet on page 381, the Statement of Appropriation of Retained Earnings on page 382, the Notes to the Parent Bank Financial Statements on pages 383-399 (inclusive) and the Parent Bank Review on page 379; and
- (iii) the sections entitled “Introduction and accounting principles” on page 254 and “Critical accounting policies” on pages 255-258 (inclusive).

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

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

The annual financial reports form an essential part of UBS's reporting. They include the audited Consolidated Financial Statements of UBS Group, prepared in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board, and the audited Financial Statements of UBS AG (Parent Bank), prepared in order to meet Swiss regulatory requirements and in compliance with Swiss Federal Banking Law. The Financial information section of the annual reports also includes certain additional disclosures required under US Securities and Exchange Commission regulations. The annual reports also include discussions and analysis of the financial and business results of UBS, its business divisions and the Corporate Center.

7.2 Auditing of Historical Annual Financial Information

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

7.3 Interim Financial Information

Reference is also made to UBS's first, second and third quarter 2012 reports, which contain information on the financial condition and the results of operation of the UBS Group as of and for the quarter ended on 31 March 2012, as of, for the quarter and for the six months ended on 30 June 2012, and as of, for the quarter ended and for the nine months ended on 30 September 2012. The interim financial statements are not audited.

7.4 Incorporation by Reference

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

7.5 Litigation, Regulatory and Similar Matters

The Group operates in a legal and regulatory environment that exposes it to significant litigation and similar risks arising from disputes and regulatory proceedings. As a result, UBS (which for purposes of this section may refer to UBS AG and/or one or more of its subsidiaries, as applicable) is involved in various disputes and legal proceedings, including litigation, arbitration, and regulatory and criminal investigations.

Such matters are subject to many uncertainties and the outcome is often difficult to predict, particularly in the earlier stages of a case. There are also situations where the Group may enter into a settlement agreement. This may occur in order to avoid the expense, management distraction or reputational implications of continuing to contest liability, even for those matters for which the Group believes it should be exonerated. The uncertainties inherent in all such matters affect the amount and timing of any potential outflows for both matters with respect to which provisions have been established and other contingent liabilities. The Group makes provisions for such matters brought against it when, in the opinion of management after seeking legal advice, it is more likely than not that the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required, and the amount can be reliably estimated. If any of those conditions is not met, such matters result in contingent liabilities.

The aggregate amount provisioned for litigation, regulatory and similar matters as a class is disclosed in Note 17a) to the interim consolidated financial statements of UBS's third quarter 2012 report. It is not practicable to provide an aggregate estimate of liability for litigation, regulatory and similar matters as a class of contingent liabilities. Doing so would require UBS to provide speculative legal assessments as to claims and proceedings which involve unique fact patterns or novel legal theories, which have not yet been initiated or are at early stages of adjudication, or as to which alleged damages have not been quantified by the claimants.

Specific litigation, regulatory and other matters are described below, including all such matters that management considers to be material and others that management believes to be of significance notwithstanding the extent of potential financial, reputational and other effects. The amount of damages claimed, the size of a transaction or other information is provided where available and appropriate in order to assist users in considering the magnitude of potential exposures. In those cases where disclosure of information could be expected to seriously prejudice UBS's position, such information is omitted. This includes information as to whether the matter has given rise to a provision or a contingent liability, or the estimated financial effect of a matter where that can be determined.

1. Municipal bonds

In 2011, UBS announced a USD 140.3 million settlement with the US Securities and Exchange Commission (SEC), the Antitrust Division of the US Department of Justice (DOJ), the Internal Revenue Service (IRS) and a group of state attorneys general relating to the investment of proceeds of municipal bond issuances and associated derivative transactions. The settlement resolves the investigations by those regulators which had commenced in November 2006. Several related putative class actions, which were filed in Federal District Courts against UBS and numerous other firms, remain pending. However, approximately USD 63 million of the regulatory settlement will be made available to potential claimants through a settlement fund, and payments made through the fund should reduce the total monetary amount at issue in the class actions for UBS. In August 2012, three former UBS employees were convicted by a federal jury in New York City on conspiracy and fraud charges. They have stated that they will appeal.

2. Auction rate securities

In 2008, UBS entered into settlements with the SEC, the New York Attorney General (NYAG) and the Massachusetts Securities Division whereby UBS agreed to offer to buy back Auction Rate Securities (ARS) from eligible customers, and to pay penalties of USD 150 million (USD 75 million to the NYAG and USD 75 million to the other states). UBS has since finalized settlements with all of the states. The settlements resolved investigations following the industry-wide disruption in the markets for ARS and related auction failures beginning in early 2008. The SEC continues to investigate individuals affiliated with UBS regarding the trading in ARS and disclosures. UBS has also been named in (i) several putative class actions; (ii) arbitration and litigation claims asserted by investors relating to ARS, including a pending consequential damages claim by a former customer for damages of USD 76 million; and (iii) arbitration and litigation claims asserted by issuers, including a pending litigation under state common law and a state racketeering statute seeking at least USD 40 million in compensatory damages, plus exemplary and treble damages, and several arbitration claims filed in early 2012 alleging violations of state and federal securities law that seek compensatory and punitive damages, among other relief.

3. Inquiries regarding cross-border wealth management businesses

Following the disclosure and the settlement of the US cross-border matter, tax and regulatory authorities in a number of countries have made inquiries and served requests for information located in their respective jurisdictions relating to the cross-border wealth management services provided by UBS and other financial institutions. In France, a criminal investigation into allegations of illicit cross-border activity has been initiated with the appointment of a “Juge d’instruction”. UBS has also received inquiries from German authorities concerning certain matters relating to its cross-border business. UBS is cooperating with these inquiries, requests and investigations within the limits of financial privacy obligations under Swiss and other applicable laws.

4. Matters related to the financial 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 financial crisis of 2007 to 2009 and in particular mortgage-related securities and other structured transactions and derivatives. In particular, the SEC is investigating UBS’s valuation of super senior tranches of collateralized debt obligations (CDO) during the third quarter of 2007, and UBS’s structuring and underwriting of certain CDOs during the first and second quarters of 2007. UBS has provided documents and testimony to the SEC and is continuing to cooperate with the SEC in its investigations. UBS has also communicated with and has responded to other inquiries by various governmental and regulatory authorities concerning various matters related to the financial 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.

UBS is a defendant in several lawsuits filed by institutional purchasers of CDOs structured by UBS in which plaintiffs allege, under various legal theories, that UBS misrepresented the quality of the collateral underlying the CDOs. Plaintiffs in these suits collectively seek to recover several hundred million dollars in claimed losses, including one case in which plaintiffs claim losses of at least USD 331 million.

5. Lehman principal protection notes

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

all of the investor's principal was an unconditional obligation of Lehman as issuer of the notes. Based on its role as an underwriter of Lehman structured notes, UBSFS has been named as a defendant in a putative class action asserting violations of disclosure provisions of the federal securities laws. UBSFS has filed an opposition, currently pending before the court, to plaintiffs' motion to certify the case as a class action. Firms that underwrote other non-structured Lehman securities have been named as defendants in the same purported class action, and those underwriters have entered into settlements. In 2011, UBSFS entered into a settlement with FINRA related to the sale of these notes, pursuant to which UBSFS agreed to pay a USD 2.5 million fine and approximately USD 8.25 million in restitution and interest to a limited number of investors in the US. UBSFS has also been named in numerous individual civil suits and customer arbitrations, which proceedings are at various stages. The individual customer claims, some of which have resulted in awards payable by UBSFS, relate primarily to whether UBSFS adequately disclosed the risks of these notes to its customers.

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

Background: From 2002 through 2007, prior to the crisis in the US residential loan market, UBS was a substantial issuer and underwriter 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.

Securities Lawsuits Concerning Disclosures in RMBS Offering Documents: UBS has been named as a defendant relating to its role as underwriter and issuer of RMBS in a large number of lawsuits relating to approximately USD 43 billion in original face amount of RMBS underwritten or issued by UBS. Many of the lawsuits are in their early stages, and have not advanced beyond the motion to dismiss phase; others are in varying stages of discovery. Of the original face amount of RMBS at issue in these cases, approximately USD 10 billion was issued in offerings in which a UBS subsidiary transferred underlying loans (the majority of which were purchased from third-party originators) into a securitization trust and made representations and warranties about those loans (UBS-sponsored RMBS). The remaining USD 33 billion of RMBS to which these cases relate was issued by third parties in securitizations in which UBS acted as underwriter (third-party RMBS). In connection with certain of these lawsuits, UBS has indemnification rights against surviving third-party issuers or originators for losses or liabilities incurred by UBS, but UBS cannot predict the extent to which it will succeed in enforcing those rights.

These lawsuits include actions brought by the Federal Housing Finance Agency (FHFA), as conservator for the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac and collectively with Fannie Mae, the GSEs) in connection with the GSEs' investments in USD 4.5 billion in original face amount of UBS-sponsored RMBS and USD 1.8 billion in original face amount of third-party RMBS. These suits assert claims for damages and rescission under federal and state securities laws and state common law and allege losses of approximately USD 1.2 billion. The court denied UBS's motion to dismiss in May 2012, but the US Court of Appeals for the Second Circuit has agreed to hear an appeal with respect to two legal issues that were the subject of UBS's motion to dismiss. The FHFA also filed suits in 2011 against UBS and

other financial institutions relating to their role as underwriters of third-party RMBS purchased by the GSEs asserting claims under various legal theories, including violations of the federal and state securities laws and state common law. UBS was previously named as a defendant in three lawsuits brought by insurers of RMBS claiming equitable and contractual subrogation rights and seeking recovery of insurance payments to RMBS investors on the basis that UBS and other RMBS underwriters aided and abetted misrepresentations and fraud by RMBS issuers. Two of these lawsuits have been dismissed; the remaining lawsuit is pending.

In July 2012 a federal court in New Jersey dismissed with prejudice on statute of limitations grounds a putative class action lawsuit that asserted violations of the federal securities laws against various UBS entities, among others, in connection with USD 2.6 billion in original face amount of UBS-sponsored RMBS. The named plaintiff filed a notice of appeal in August 2012.

Loan repurchase demands related to sales of mortgages and RMBS: When it acted as an RMBS sponsor or mortgage seller, UBS generally made certain representations relating to the characteristics of the underlying loans. In the event of a material breach of these representations, UBS was in certain circumstances contractually obligated to repurchase the loans to which they related or to indemnify certain parties against losses. UBS has received demands to repurchase US residential mortgage loans as to which UBS made certain representations at the time the loans were transferred to the securitization trust. UBS has been notified by certain institutional purchasers and insurers of mortgage loans and RMBS, including Freddie Mac, of their contention that possible breaches of representations may entitle the purchasers to require that UBS repurchase the loans or to other relief. The table below summarizes repurchase demands received by UBS and UBS's repurchase activity from 2006 through October 23, 2012. In the table, repurchase demands characterised as *Demands resolved in litigation* and *Demands rescinded by counterparty* are considered to be finally resolved. Repurchase demands in all other categories are not finally resolved.

Loan repurchase demands by year received – original principal balance of loans¹

<i>USD million</i>	2006-2008	2009	2010	2011	through 23 October 2012	Total
Actual or agreed loan repurchases / make whole payments by UBS	11.7	1.4	0.1			13.2
Demands resolved or expected to be resolved through enforcement of UBS's indemnification rights against third-party originators		77.4	1.8	45.0	8.5	132.7
Demands resolved in litigation	0.6	20.7				21.3
Demands in litigation			345.6	731.7	1,041.1	2,118.5
Demands rebutted by UBS but not yet rescinded by counterparty		3.2	1.8	290.0	188.2	483.1
Demands rescinded by counterparty	110.2	100.4	18.8	8.3		237.7
Demands in review by UBS		2.1	0.1	9.1	6.4	17.6
Total	122.5	205.1	368.2	1,084.1	1,244.2	3,024.1

¹ Loans submitted by multiple counterparties are counted only once.

As described below, Assured Guaranty Municipal Corp. (Assured Guaranty), a financial guaranty insurance company, made additional loan repurchase demands totaling approximately USD 422 million in original principal balance in August and September 2012, and it is not clear when or to what extent additional demands may be made by Assured Guaranty, Freddie Mac or others.

Payments that UBS has made or agreed to make to date to resolve repurchase demands equate to approximately 62% of the original principal balance of the related loans. Most of the payments that UBS has made or agreed to make to date have related to so-called “Option ARM” loans; severity rates may vary for other types of loans or for Option ARMs with different characteristics. Actual losses upon repurchase will reflect the estimated value of the loans in question at the time of repurchase as well as, in some cases, partial repayment by the borrowers or advances by servicers prior to repurchase. It is not possible to predict future losses upon repurchase for reasons including timing and market uncertainties.

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

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

Lawsuits related to contractual representations and warranties concerning mortgages and RMBS: In February 2012, Assured Guaranty filed suit against UBS RESI in New York State Court asserting claims for breach of contract and declaratory relief based on UBS RESI's alleged failure to repurchase allegedly defective mortgage loans with an original principal balance of at least USD 997 million that serve as collateral for UBS-sponsored RMBS insured in part by Assured Guaranty. Assured Guaranty also claims that UBS RESI breached representations and warranties concerning the mortgage loans and breached certain obligations under commitment letters. Assured Guaranty seeks unspecified damages that include payments on current and future claims made under Assured Guaranty insurance policies totaling approximately USD 308 million at the time of the filing of the complaint, as well as compensatory and consequential losses, fees, expenses and pre-judgment interest. The case was removed to federal court, and in August 2012, the Court granted UBS RESI's motion to dismiss Assured Guaranty's claims for breach of UBS RESI's contractual repurchase obligations, holding that only the trustee for the securitization trust has the contractual right to enforce those obligations. The Court also granted UBS RESI's motion to dismiss Assured Guaranty's claims for declaratory relief. The Court denied UBS RESI's motion to dismiss Assured Guaranty's claims for breach of representation and warranty and breach of the commitment letters. The case is now in discovery.

In October 2012, consistent with the Court's holding that only the trustee may assert claims seeking to enforce UBS RESI's repurchase obligations, US Bank, as trustee for the RMBS trusts at issue in the Assured Guaranty litigation, filed a related action in the Southern District of New York seeking to enforce UBS RESI's obligation to repurchase loans with an original principal balance of approximately USD 2 billion for which Assured Guaranty had previously demanded repurchase. With respect to the portion of the loans subject to this suit that were originated by institutions still in existence, UBS will seek to enforce its indemnity rights against those institutions.

In April 2012, Freddie Mac filed a notice and summons in New York Supreme Court initiating suit against UBS RESI for breach of contract and declaratory relief arising from alleged breaches of representations and warranties in connection with certain mortgage loans and UBS RESI's alleged failure to repurchase such mortgage loans. The complaint for this suit was filed in September 2012.

Freddie Mac seeks, among other relief, specific performance of UBS RESI's alleged loan repurchase obligations for at least USD 94 million in original principal balance of loans for which Freddie Mac had previously demanded repurchase; no damages are specified.

UBS also has tolling agreements with certain institutional purchasers of RMBS concerning their potential claims related to substantial purchases of UBS-sponsored or third-party RMBS.

UBS's balance sheet at 30 September 2012 reflected a provision of USD 228 million with respect to matters described in this item 6. UBS cannot predict when the provision will be utilized.

7. Claims related to UBS disclosure

A putative consolidated class action has been filed in the United States District Court for the Southern District of New York against UBS, a number of current and former directors and senior officers and certain banks that underwrote UBS's May 2008 Rights Offering (including UBS Securities LLC) alleging violation of the US securities laws in connection with UBS's disclosures relating to UBS's positions and losses in mortgage-related securities, UBS's positions and losses in auction rate securities, and UBS's US cross-border business. In 2011, the court dismissed all claims based on purchases or sales of UBS ordinary shares made outside the US, and, on 28 September 2012, the court dismissed with prejudice the remaining claims based on purchases or sales of UBS ordinary shares made in the US for failure to state a claim. Plaintiffs are appealing the court's decision. 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 2011, the court dismissed the ERISA complaint. In March 2012, the court denied plaintiffs' motion for leave to file an amended complaint. Plaintiffs have appealed.

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

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

9. Transactions with Italian public sector entities

A number of transactions that UBS Limited and UBS AG respectively entered into with public sector entity counterparties in Italy have been called into question or become the subject of legal proceedings and claims for damages and other awards. In 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 Milan between 2005 and 2007. The primary allegation was that UBS Limited and the other international banks obtained hidden and/or illegal profits by entering into the derivative contracts with Milan. In addition, two current UBS employees and one former employee, together with employees from other banks, a former officer of Milan and a former adviser to Milan, are facing a criminal trial for alleged "aggravated fraud" in relation to the same bond issue and the execution, and subsequent restructuring, of the related derivative transactions. UBS Limited is also the subject of an administrative charge brought in the context of the criminal trial of the individuals 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 and/or fines. In March 2012, UBS Limited and UBS Italia SIM Spa finalized a settlement agreement with Milan which enabled Milan to terminate the interest rate swap component of the existing derivative transactions in consideration of Milan's release of all of its civil damages claims, including those filed in the criminal proceedings. Under the settlement, UBS Limited applied a discount to the cost of the transaction for Milan without any admission of liability. The settlement did not dispose of the ongoing criminal or administrative proceedings, nor did it dispose of a civil consumer group claim lodged in the criminal proceeding.

Derivative transactions with the Regions of Calabria, Tuscany, Lombardy and Lazio and the City of Florence have also been called into question or become the subject of legal proceedings and claims for damages and other awards. Florence and Tuscany have also attempted to invoke Italian administrative law remedies which purport to allow a public entity to challenge its own decision to enter into the relevant contracts and avoid their obligations thereunder. UBS is resisting these attempts. UBS has issued proceedings before the English courts in connection with a number of these transactions, seeking to obtain declaratory judgments as to the validity and enforceability of UBS's English law contractual arrangements with its counterparties and, to the extent relevant, the legitimacy of UBS's conduct in respect of those counterparties. In recent months, discussions have commenced with several of the Italian public sector entities in relation to these claims. In March 2012, an in-principle settlement was reached with the Region of Lombardy, subject to appropriate documentation. In April 2012, UBS AG and UBS Limited settled the existing disputes with the Region of Tuscany without any admission of liability. An application seeking the dismissal of a related criminal investigation has been filed with the Prosecutor.

10. HSH Nordbank AG (HSH)

HSH has filed an action against UBS in New York State court relating to USD 500 million of notes acquired by HSH in a synthetic CDO transaction known as North Street Referenced Linked Notes, 2002-4 Limited (NS4). The notes were linked through a credit default swap between the NS4 issuer

and UBS to a reference pool of corporate bonds and asset-backed securities. HSH alleges that UBS knowingly misrepresented the risk in the transaction, sold HSH notes with “embedded losses“, and improperly profited at HSH’s expense by misusing its right to substitute assets in the reference pool within specified parameters. HSH is seeking USD 500 million in compensatory damages plus pre-judgment interest. The case was initially filed in 2008. In March 2012, a New York state appellate court dismissed HSH’s fraud claim and affirmed the trial court’s dismissal of its negligent misrepresentation claim and punitive damages demand. As a result, the claims remaining in the case are for breach of contract and breach of the implied covenant of good faith and fair dealing. HSH has sought permission to appeal the appellate court’s decision to the New York Court of Appeals.

11. Kommunale Wasserwerke Leipzig GmbH (KWL)

In 2006 and 2007, KWL entered into a series of Credit Default Swap (CDS) transactions with bank swap counterparties, including UBS. UBS entered into back-to-back CDS transactions with the other counterparties, Depfa Bank plc (Depfa) and Landesbank Baden-Württemberg (LBBW), in relation to their respective swaps with KWL. Under the CDS contracts between KWL and UBS, the last of which were terminated by UBS in 2010, a net sum of approximately USD 138 million has fallen due from KWL but not been paid. Earlier in 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. The English court ruled in 2010 that it has jurisdiction and will hear the proceedings and UBS issued a further claim seeking declarations concerning the validity of its early termination of the remaining CDS transactions with KWL. KWL withdrew its appeal from that decision and the civil dispute is now proceeding before the English court. UBS has added its monetary claim to the proceedings. KWL is defending against UBS’s claims and has served a counterclaim which also joins UBS Limited and Depfa to the proceedings. As part of its assertions, KWL claims damages of at least USD 68 million in respect of UBS’s termination of some of the CDS contracts, whilst disputing that any monies are owed to UBS pursuant to another CDS contract. UBS, UBS Limited and Depfa are defending against KWL’s counterclaims, and Depfa has asserted additional claims against UBS and UBS Limited.

In 2010, KWL issued proceedings in Leipzig, Germany against UBS, Depfa and LBBW, claiming that the swap transactions are void and not binding on the basis of KWL’s allegation that KWL did not have the capacity or the necessary internal authorization to enter into the transactions and that the banks knew this. Upon and as a consequence of KWL withdrawing its appeal on jurisdiction in England, KWL also withdrew its civil claims against UBS and Depfa in the German courts, and no civil claim will proceed against either of them in Germany. The proceedings brought by KWL against LBBW are now proceeding before the German courts. The Leipzig court has ruled that it is for the London court and not the Leipzig court to determine the validity and effect of a third party notice served by LBBW on UBS in the Leipzig proceedings.

The back-to-back CDS transactions were terminated in 2010. In 2010, UBS and UBS Limited issued separate proceedings in the English High Court against Depfa and LBBW seeking declarations as to the parties’ obligations under the back-to-back CDS transactions and monetary claims. UBS Limited contends that it is owed USD 83.3 million, plus interest, by Depfa. UBS contends that it is owed EUR 75.5 million, plus interest, by LBBW. Depfa and LBBW respectively are defending against the claims and have also issued counterclaims. Additionally Depfa has added a claim against KWL to the proceedings against it and KWL has served a defense.

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

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

12. Puerto Rico

In August 2012, UBS Financial Services Inc. of Puerto Rico (UBS PR) was named in a purported class action alleging that UBS PR misrepresented and omitted facts in connection with the sale of shares of Puerto Rico closed-end funds in 2008 and 2009. The class action follows UBS PR's May 2012 civil administrative settlement with the SEC, which also involved UBS PR's sale of closed-end funds during that period. In 2011, UBS PR and a large number of unrelated parties were named as defendants in a purported civil derivative action filed in Puerto Rico Superior Court. That case, in which the plaintiffs seek to bring claims on behalf of the Employee Retirement System of Puerto Rico, involves an allegation that defendants violated Puerto Rico law in connection with the issuance of billions of dollars of bonds underwritten by UBS PR and the investment of the proceeds of those bond issuances. UBS PR's motion to dismiss that action is pending.

13. LIBOR

Numerous government agencies, including the SEC, the US Commodity Futures Trading Commission (CFTC), the DOJ, the UK Financial Services Authority (FSA), the Monetary Authority of Singapore (MAS), FINMA, the various state attorneys general in the US, and competition authorities in various jurisdictions are conducting investigations regarding submissions with respect to British Bankers' Association LIBOR (London Interbank Offered Rate) and other benchmark rates. These investigations focus on whether there were improper attempts by UBS (among others), either acting on its own or together with others, to manipulate LIBOR and other benchmark rates at certain times. In addition, the Swiss Competition Commission (WEKO) has commenced an investigation of numerous banks and financial intermediaries concerning possible collusion relating to LIBOR and TIBOR (Tokyo Interbank Offered Rate) reference rates and certain derivatives transactions. In July 2012, following the announcement of a settlement by a UK-based bank with the FSA, CFTC and DOJ, the UK Government announced that there will be a Parliamentary inquiry into "transparency, conflicts of interest and the culture and professional standards of the financial services industry including the interaction with the criminal law"; and a narrower review by the FSA that concerns the LIBOR process. At the same time, the UK Serious Fraud Office announced that it has formally accepted the LIBOR matter for investigation.

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

In 2011, the Japan Financial Services Agency (JFSA) commenced administrative actions and issued orders against UBS Securities Japan Ltd (UBS Securities Japan) and UBS AG, Tokyo Branch in connection with their investigation of Yen LIBOR and Euroyen TIBOR. These actions were based on findings by the Japan Securities and Exchange Surveillance Commission (SESC), and, in the case of UBS AG, Tokyo Branch, the JFSA, that a former UBS Securities Japan trader engaged in

inappropriate conduct relating to Euroyen TIBOR and Yen LIBOR, including approaching UBS AG, Tokyo Branch, and other banks to ask them to submit TIBOR rates taking into account requests from the trader for the purpose of benefiting trading positions.

On 19 December 2012, UBS AG announced that its Board of Directors has authorised settlements with the DOJ and CFTC in connection with their investigations of benchmark interest rates. The proposed settlement with the CFTC is subject to the Commission's approval. UBS has reached a settlement with the UK FSA concerning its investigation. FINMA has also issued an order concluding its formal proceedings with respect to UBS. UBS agrees to pay approximately CHF 1.4 billion¹¹ in fines and disgorgement to US, UK and Swiss authorities to resolve LIBOR-related investigations.

As part of a proposed agreement with the DOJ, UBS Securities Japan Co. Ltd. has agreed to enter a plea to one count of wire fraud relating to the manipulation of certain benchmark interest rates, including Yen LIBOR.

For further information, refer to the section "*Recent Developments - Update on certain LIBOR-related claims*" above.

A number of putative class actions and other actions are pending in federal court in Manhattan against UBS and numerous other banks on behalf of certain parties who transacted in LIBOR-based derivatives. The complaints allege manipulation, through various means, of the US dollar LIBOR rate and prices of US dollar LIBOR-based derivatives in various markets. Claims for damages are asserted under various legal theories, including violations of the US Commodity Exchange Act and antitrust laws. In April 2012, plaintiffs filed consolidated amended complaints which UBS and the other bank defendants moved to dismiss in June 2012. In October 2012, a putative class action was filed in federal court in Manhattan against UBS and numerous other banks on behalf of consumers who secured mortgage loans that were pegged to US dollar LIBOR. The complaint alleges that the defendants conspired to increase the US dollar LIBOR rate to increase rates on adjustable rate mortgages, in violation of federal and state antitrust laws and the federal racketeering statute. This case has not been consolidated with the other cases. There is one other putative class action pending in federal court in Manhattan against UBS and other banks that has not been transferred or consolidated with the others. The substantive allegations of this action are almost identical to the allegations of the other actions except that this suit expressly alleges causes of action based on the alleged manipulation of Yen LIBOR and Euroyen TIBOR. An action relating to EURIBOR (Euro Interbank Offered Rate) was brought and subsequently voluntarily withdrawn by plaintiffs. Plaintiffs in the civil actions seek unspecified damages and other relief.

14. SinoTech Energy Limited

Since 2011, multiple putative class action complaints have been filed and consolidated in federal court in Manhattan, against SinoTech Energy Limited (SinoTech), its officers and directors, its auditor at the time of its initial public offering (IPO), and its underwriters, including UBS. The second amended complaint filed in June 2012 alleges, with respect to the underwriters, that the registration statement and prospectus filed in connection with SinoTech's 2010 USD 168 million IPO of American Depositary Shares, of which UBS underwrote 70%, contained materially misleading statements and omissions, including allegations regarding the authenticity and accuracy of certain asset purchase contracts purportedly entered into between SinoTech and its vendors. Plaintiff asserts violations of the US federal securities laws and seeks unspecified compensatory damages, among other relief.

¹¹ Based on currency rates as of 6pm Zürich time on 18 December 2012.

In 2012, SinoTech's securities were delisted by Nasdaq and their registration was revoked by the SEC. In April 2012, the SEC filed a complaint against SinoTech and three of its executives alleging certain improprieties arising out of actions that occurred subsequent to the initial public offering.

15. Swiss retrocessions

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

16. Unauthorised trading incident

On 26 November 2012, the FINMA and the FSA announced the findings of their investigations into the unauthorised trading incident announced by UBS in September 2011.

FINMA Summary Report

The FINMA Summary Report stated that there had been serious deficiencies in risk management and controls at UBS's Investment Bank division ("**UBS IB**"). As soon as the trading losses were discovered, FINMA imposed until further notice a range of preventive supervisory measures. FINMA is closely supervising the implementation of the corrective measures at UBS and has decided on the following additional actions:

- (i) it is appointing an independent investigator to control the implementation and completion of the corrective measures at UBS;
- (ii) once the project is completed, it will engage an audit firm to review whether the measures implemented by UBS have proved effective; and
- (iii) it is further examining whether UBS must increase capital backing for its operational risks.

FSA Final Notice

The FSA Final Notice stated that there had been systems and controls failings at UBS which revealed serious weaknesses in the firm's procedures, risk management systems and internal controls. In particular, The FSA found that UBS had, in relation to the Global Synthetic Equities business: (i) failed to conduct such business from the London Branch with due skill, care and diligence; and (ii) failed to take reasonable care to organise and control its affairs responsibly and effectively, with adequate risk management systems. The FSA imposed a financial penalty of £29.7 million on UBS for such systems and controls failings.

UBS's remedial action

UBS has taken extensive remedial action:

- (i) in May 2012 it confirmed the material weakness in control over financial reporting had been fixed;

- (ii) it took appropriate disciplinary action against staff who did not uphold the high standards it expects and it is actively reinforcing a stronger risk control culture across the firm;
- (iii) staff are being retrained on the importance of risk management and the right behaviours, and it has changed the way employees are evaluated and therefore compensated;
- (iv) it has made substantial progress over the past year, reinforcing its position as one of the most financially sound global banks; and
- (v) it has also announced bold and decisive steps to accelerate the execution of its strategy which will make it less complex, more predictable and fit for the future.

In October 2012, the consolidated complaint was filed in a putative securities fraud class action pending in federal court in Manhattan against UBS AG and certain of its current and former officers relating to the unauthorised trading incident. The lawsuit was filed on behalf of parties who purchased publicly traded UBS securities on any US exchange, or where title passed within the US, during the period 17 November 2009 through 15 September 2011. The complaint alleges that UBS misrepresented, through its public statements and financial disclosures, that its risk controls and procedures were effective, and that the falsity of these representations became apparent when UBS disclosed the unauthorised trading incident in September 2011, a disclosure that purportedly caused UBS's stock price to drop 10% in one day. Plaintiff seeks unspecified damages and interest, among other relief.

17. Banco UBS Pactual tax indemnity

Pursuant to the 2009 sale of Banco UBS Pactual S.A. (Pactual) by UBS to BTG Investments, LP (“BTG”), BTG has submitted contractual indemnification claims to UBS in the amount of approximately USD 1.2 billion, including interest and penalties. The claims pertain principally to several tax assessments issued by the Brazilian tax authorities against Pactual relating to the period from December 2006 through March 2009, when UBS owned Pactual. These assessments are being or will be challenged in administrative proceedings. BTG has also provided notice to UBS of several additional Pactual-related inquiries by the Brazilian tax authorities that relate to the period of UBS's ownership of Pactual, but involving substantially smaller amounts.

Besides the proceedings specified above under (1) through (17), there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during a period covering the previous twelve months which may have, or have had in the recent past, significant effects on the Issuer and/or the UBS Group's financial position or profitability.

7.6 Material Contracts

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

7.7 Significant Changes in the Financial or Trading Position

There has been no significant change in the financial or trading position of the UBS Group since 30 September 2012. There has been no material adverse change in the prospects of the UBS Group since 30 December 2011.

8. SHARE CAPITAL

As reflected in its Articles of Association most recently registered with the Commercial Register of Zurich and the Commercial Register of Basel-City, UBS AG has (i) fully paid and issued share capital of CHF 383,212,189.90, divided into 3,832,121,899 registered shares with a par value of CHF 0.10 each, (ii) no authorised capital and (iii) conditional share capital in the amount of CHF 62,863,932.60, comprising 628,639,326 registered shares with a par value of CHF 0.10 each.

9. DOCUMENTS ON DISPLAY

- The Annual Report of UBS AG as of 31 December 2010, comprising the sections (1) Strategy, performance and responsibility, (2) UBS business divisions and Corporate Center, (3) Risk and treasury management, (4) Corporate governance and compensation, (5) Financial information (including the “Report of the Statutory Auditor and the Independent Registered Public Accounting Firm on the Consolidated Financial Statements” and the “Report of the Statutory Auditor on the Financial Statements”);
- The Annual Report of UBS AG as of 31 December 2011, comprising the sections (1) Operating environment and strategy, (2) Financial and operating performance, (3) Risk, treasury and capital management, (4) Corporate governance, responsibility and compensation, (5) Financial information (including the “Report of the Statutory Auditor and the Independent Registered Public Accounting Firm on the Consolidated Financial Statements” and the “Report of the Statutory Auditor on the Financial Statements”);
- The quarterly reports of UBS AG as of 31 March 2012, 30 June 2012 and 30 September 2012; and
- The Articles of Association of UBS AG,

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

SALE AND TRANSFER RESTRICTIONS

No offer, sale, re-sale or delivery of any Notes, or distribution of any offering material relating to any Notes, may be made in or from any jurisdiction except in circumstances which will result in compliance with any applicable laws and regulations and which will not impose any obligation on the Issuer. Each Offeror will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes the Prospectus and will obtain any and all consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchase, offer, sale or delivery and the Issuer shall have no responsibility therefor. The Issuer does not represent that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assume any responsibility for facilitating such sale.

1. Public Offer Selling Restriction under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), the Issuer represents and agrees, and any dealer appointed under the Programme 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 any offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the applicable Final Terms 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 Notes to the public in that Relevant Member State:

- (a) if the applicable Final Terms in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a “**Public Offer**”), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by Final Terms contemplating such Public Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or Final Terms, as applicable, and the Issuer has consented in writing to its use for the purpose of that Public Offer;
- (b) at any time to any legal entity which is a “qualified investor” as defined in the Prospectus Directive;
- (c) at any time to fewer than 100 or, if the relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (b), (c) or (d) above shall require the Issuer or any Dealer 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 the above provisions:

- (i) the expression an “**offer of Notes to the public**” in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to make an informed investment decision as to whether to purchase or subscribe for the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State;
- (ii) the expression “**Prospectus Directive**” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State; and
- (iii) the expression “**2010 PD Amending Directive**” means Directive 2010/73/EU.

2. United States

The Notes have not been, and will not be, registered under the United States Securities Act of 1933 as amended (the “**Securities Act**”). Offers, sales, re-sales or deliveries of Notes, or interests therein, directly or indirectly, in the United States or to, or for the account or benefit of, U.S. persons will constitute a violation of United States securities laws unless made in compliance with the registration requirements of the Securities Act or pursuant to an exemption therefrom. As used herein, “**United States**” means the United States of America (including the States and the District of Columbia), its territories, its possessions and other areas subject to its jurisdiction and “**U.S. person**” means any of (i) a U.S. person as defined by Regulation S, (ii) a person who does not come within the definition of non-United States person under Rule 4.7 of the U.S. Commodity Exchange Act of 1936 as amended, or (iii) a United States person as defined in the U.S. Internal Revenue Code of 1986 as amended (the “**Code**”). Consequently a U.S. person includes (i) an individual (natural person) who is a citizen or resident of the United States; or (ii) a corporation, partnership or other entity organised in or under the laws of the United States or any political subdivision thereof or which has its principal place of business in the United States; or (iii) any estate or trust which is subject to United States federal income taxation regardless of the source of its income; or (iv) any trust if a court within the United States is able to exercise primary supervision over the administration of the trust and if one or more United States persons have the authority to control all substantial decisions of the trust; or (v) a pension plan for the employees, officers or principals of a corporation, partnership or other entity described in (ii) above; or (vi) any entity organised principally for passive investment, ten per cent. or more of the beneficial interests in which are held by persons described in (i) to (v) above if such entity was formed principally for the purpose of investment by such persons in a commodity pool the operator of which is exempt from certain requirements of Part 4 of the United States Commodity Futures Trading Commission’s regulations by virtue of its participants being non-U.S. persons, or (vii) any other U.S. person as such term may be defined in Regulation S under the United States Securities Act of 1933 as amended or in regulations adopted under the United States Commodity Exchange Act of 1936 as amended.

Notes may not at any time be offered, sold, re-sold or delivered, directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. person or to others for offer, sale, re-sale or delivery, directly or indirectly, in the United States or to, or for the account or benefit of, any such U.S. person.

Furthermore, trading in the Notes has not been approved by the United States Commodity Futures Trading Commission under the United States Commodity Exchange Act of 1936 as amended, and no U.S. person may at any time trade or maintain a position in the Notes.

No U.S. person or person located in the United States may at any time trade or maintain a position in the Notes, and any person entitled to receive an interim payment or final payment or exercising any right to receive a payment under (or entitled to receive any amount at maturity or exercise under) the Note may be required by the Issuer and/or its agents or relevant nominee to certify that neither it nor the beneficial owner of the instrument is a U.S. person or is located in the United States prior to receiving any such payment or amount.

Each purchaser and transferee of a Note will be deemed to have represented by its purchase or receipt of the Note that, at the time of the purchase or receipt, and throughout the period that it holds the Note, it is not (i) an employee benefit plan subject to the U.S. Employee Retirement Income Security Act of 1974 as amended, (ii) a plan subject to Section 4975 of the Code, or (iii) any entity whose assets are treated as assets of any such employee benefit plan or plan.

3. United Kingdom

The Issuer has represented and agreed, and any dealer appointed under the Programme will be required to represent and agree, that:

- (a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA would not, if the Issuer were not an authorised person, apply to the Issuer; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

4. Republic of Italy

Unless it is specified within the relevant Final Terms that a Public Offer may be made in Italy, the offering of the Notes has not been registered pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of the Prospectus (including the relevant Final Terms) or of any other document relating to the Notes be distributed in the Republic of Italy, except:

- (i) to qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of the Italian Financial Services Act and Article 34-ter, first paragraph, letter b) of CONSOB Regulation No. 11971; or
- (ii) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Italian Financial Services Act and Article 34-ter of CONSOB Regulation No. 11971.

Any offer, sale or delivery of the Notes or distribution of copies of the Base Prospectus (including the applicable Final Terms) or any other document relating to the Notes in the Republic of Italy under (i) or (ii) above must be:

- (a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Italian Financial Services Act, CONSOB Regulation No. 16190 and the Italian Banking Act; and
- (b) in compliance with Article 129 of the Italian Banking Act, as amended, and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in the Republic of Italy; and
- (c) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or any other Italian authority.

In accordance with Article 100-bis of the Italian Financial Services Act, where no exemption from the rules on public offerings applies under (i) and (ii) above, Notes which are initially offered and placed in the Republic of Italy or abroad to qualified investors only but in the following year are regularly (*sistematicamente*) distributed on the secondary market in Italy to non-qualified investors become subject to the public offer and the prospectus requirement rules provided under the Italian Financial Services Act and CONSOB Regulation No. 11971. Failure to comply with such rules may result in the sale of such Notes being declared null and void and in the liability of the intermediary transferring the Notes for any damages suffered by such non-qualified investors.

5. Switzerland

The Notes may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this Base Prospectus nor any other offering or marketing material relating to the Notes constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange or any other regulated trading facility in Switzerland or a simplified prospectus or a prospectus as such term is defined in the Swiss Collective Investment Scheme Act (“**CISA**”), and neither this Base Prospectus nor any other offering or marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this Base Prospectus nor any other offering or marketing material relating to the offering, nor the Notes, have been or will be filed with or approved by any Swiss regulatory authority. The Notes are not subject to the approval or supervision by the Swiss Financial Markets Supervisory Authority (“**FINMA**”), and investors in the Notes will not benefit from protection under CISA or supervision by FINMA.

TAXATION

1. General

Transactions involving Notes including the purchase, ownership, disposition, lapse and redemption of Notes may have tax consequences for potential purchasers which may depend, amongst other things, upon the conditions applicable to the Notes, the status and circumstances of the potential purchaser and the applicable law and practice of taxation authorities in relevant jurisdictions.

POTENTIAL PURCHASERS WHO ARE IN ANY DOUBT ABOUT THE TAX POSITION IN RESPECT OF ANY ASPECT OF TRANSACTIONS INVOLVING THE NOTES OR THE OWNERSHIP OF THE NOTES SHOULD CONSULT THEIR OWN TAX ADVISERS.

Potential purchasers of the Notes should note that they may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase or other relevant jurisdictions, depending upon the circumstances, in addition to the value of each Note.

2. Tax Considerations in the United Kingdom

(a) General

The following paragraphs summarise certain limited aspects of the U.K. taxation treatment of holding Notes. They are based on current U.K. law and HM Revenue & Customs (“**HMRC**”) practice, both of which are subject to change, possibly with retrospective effect. The following paragraphs relate to Noteholders who are within the charge to U.K. income tax or corporation tax but do not apply to certain categories of Noteholders, such as dealers in securities. The statements in this summary are intended only as a general guide, and should be treated with appropriate caution. Any person who is contemplating acquiring Notes (whether from the Issuer or an Offeror), particularly if that person is subject to taxation in any jurisdiction other than the U.K., is strongly recommended to consult his professional advisers immediately.

(b) Withholding Tax

No payments made by the Issuer to Noteholders in respect of Notes are required to be made under deduction or withholding for or on account of U.K. tax.

(c) Corporation Tax on Income and Gains

In general, a Noteholder which is subject to U.K. corporation tax will be treated for tax purposes as realising profits, gains or losses in respect of Notes on a basis reflecting the treatment in its statutory accounts, calculated in accordance with generally accepted accounting practices or international accounting standards. These profits, gains or losses, (which will include any profits, gains or losses on a disposal or redemption of Notes) will be treated as income for the purposes of a Noteholder’s U.K. corporation tax computation.

(d) Capital Gains Tax (Individuals)

Provided the Notes are not treated as “deeply discounted securities” for U.K. tax purposes, any transfer or redemption of a Note by a Noteholder who is a U.K. individual will be a disposal of that Note for U.K. capital gains tax purposes which may, subject to any available exemption or relief, give rise to a chargeable gain or allowable loss for those purposes. The Issuer has received a non-statutory clearance dated 7 October 2008 from HMRC that, in its view, the Notes are not deeply discounted securities. However, since (i) this clearance is addressed to the Issuer, (ii) there can be no assurance

that HMRC's view has not changed since the date of such clearance and (iii) such clearance is not binding on HMRC in its dealings with Noteholders, investors may wish to consult their own tax advisors in this respect.

(e) Income Tax (Individuals)

If the Notes are treated as "deeply discounted securities" for U.K. tax purposes then it is likely that any profit arising to a Noteholder who is a U.K. individual on transfer or redemption of a Note will be subject to U.K. income tax and not to U.K. capital gains tax. As noted in "Capital Gains Tax (Individuals)" above, the Issuer has received a non-statutory clearance from HMRC dated 7 October 2008 that the Notes are not deeply discounted securities.

HMRC published a consultation on 27 March 2012 relating to the income tax rules on the taxation of interest and interest-like returns. Following such consultation, it is proposed that legislation will be introduced to impose an income tax charge on returns that are "economically equivalent to interest". Although draft legislation has not yet been produced, HMRC have indicated that such legislation is likely to apply where:

- (1) it is reasonable to assume that the return is a return by reference to the time value of money;
- (2) the return is at a rate reasonably comparable to what is, in all the circumstances, a commercial rate of interest; and
- (3) at the relevant time there is no practical likelihood that it will cease to be produced in accordance with the arrangements.

On the assumption that the proposals are implemented in that form, it is unlikely that any profit arising to a Noteholder who is a U.K. individual on transfer or redemption will be treated as a return "economically equivalent to interest", but the position cannot be confirmed until the relevant legislation has been enacted and investors may therefore wish to consult their own tax advisors in this respect.

(f) Stamp Duty and Stamp Duty Reserve Tax ("SDRT")

The issue or transfer of Notes will not give rise to a charge to U.K. stamp duty or SDRT provided that no such transfer takes place in the U.K.

(g) Inheritance Tax (Individuals)

For the purposes of inheritance tax, Notes may form part of the value of the estate of a Noteholder who is an individual and inheritance tax may (subject to certain exemptions and reliefs) become payable in respect of the value of Notes on a gift of those Notes by, or the death of, a Noteholder who is an individual. Such a tax charge may be subject to appropriate provisions in any applicable Double Tax Treaty.

(h) Implementation in the UK of the European Savings Directive

E.U. Council Directive 2003/48/EC on the taxation of savings income (the "EU Savings Directive") applies, amongst other matters, to payments of interest or other income on debt claims of every kind made by a paying agent in an E.U. Member State for the benefit of individual investors resident in another Member State in the E.U. In circumstances where the EU Saving Directive applies, such a paying agent would be under an obligation to provide information to the tax authorities of the E.U. Member States in which individual investors reside. A paying agent for these purposes is any economic operator who pays interest to, or secures interest for, the beneficial owner, and could in relation to the Notes include the Issuer or a U.K. broker effecting the sale of Notes.

However, for a transitional period, Luxembourg and Austria are instead permitted (unless during that period they elect otherwise) to levy a withholding tax (35% rate) in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have agreed to adopt similar measures (a withholding system in the case of Switzerland).

The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

However, as no return in respect of the Notes will constitute a payment of interest for the purposes of the Directive, it is not envisaged that Noteholders or their paying agents will be within the scope of the Directive.

2. Tax Considerations in Switzerland

(a) Withholding Tax

Under present Swiss law, Notes which are not issued by UBS AG, London Branch but are issued by the Swiss head office of the Issuer as a substitute of UBS AG, London Branch may be subject to Swiss withholding tax at the rate of 35 per cent.

In August 2011, the Swiss Federal Council proposed draft legislation which is part of the Swiss TBTF legislation. This draft legislation foresees a shift from the current source withholding tax system to a paying agent tax system with regard to interest payments on bonds. According to the current practice of the Swiss Federal Tax Administration certain structured products qualify as bonds. Therefore, Swiss paying agents such as banks in Switzerland might be required to deduct Swiss withholding tax at a rate of 35 per cent. on certain payments to certain investors irrespective of the fact whether the Notes are issued by London Branch or the Swiss head office of UBS AG. According to the draft legislation Swiss paying agents would be required to deduct a Swiss paying agent tax on interest paid on bonds to Swiss-resident individuals as final recipients. For the time being not all relevant details of the proposed regime are published. In summer 2012 the Swiss parliament decided to postpone the project and instructed the Swiss Federal Council to make further inquiries on the estimated effects of such changes to the Swiss withholding tax system.

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

(b) Income Tax

Payments to a Noteholder who is a non-resident of Switzerland and who during the taxable year has not engaged in trade or business through a permanent establishment within Switzerland will not be subject to any Swiss Federal, Cantonal or Municipal income tax or other tax on gains realised during the year on the sale or redemption of a Note.

(c) EU Savings Directive

Paying agents domiciled in Switzerland may be obliged to deduct a retention or withholding tax under the EU Savings Directive if certain criteria are met.

Switzerland has recently concluded several bilateral tax agreements introducing a final withholding tax on certain income and capital gains of bankable assets held by a Swiss paying agent, namely with the UK, Germany and Austria. Under those agreements, paying agents domiciled in Switzerland may

be obliged to deduct a final withholding tax if certain criteria are met. As a rule, such bilateral tax agreements provide that a final withholding tax is not levied where the EU Savings Directive applies.

(d) Inheritance and Gift Tax (Individuals)

The transfer of notes by way of inheritance or gift may be subject to inheritance and gift tax in Switzerland to the extent that the defunct or donor, respectively, is Swiss tax resident. Under the current laws, gifts to and inheritances by direct descendants are exempt in most (but not all) of the Swiss cantons. However, a referendum will be held possibly during the course of the year 2013 on an initiative aiming to introduce a federal gift and inheritance tax which, should it come into effect, may render gifts (subject to certain exemptions and reliefs) subject to a gift tax with retroactive effect from 1 January 2012.

(e) Stamp Duty

Notes sold through a bank or another securities dealer (for the purposes of the Swiss stamp duty act) resident in Switzerland or Liechtenstein may be subject to stamp duty. Other than in relation to Notes that are sold through a bank or another securities dealer (for the purposes of the Swiss stamp duty act) resident in Switzerland or Liechtenstein, there is no stamp duty liability in Switzerland in connection with the issue, redemption or secondary market trading of the Notes.

3. Tax considerations in the Republic of Italy

(a) General

The following is a summary of current Italian law and practice relating to the taxation of the Italian Certificates. The statements herein regarding taxation are based on the laws in force in Italy as at the date of this Base Prospectus and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The following summary does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to subscribe for, purchase, own or dispose of the Italian Certificates and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to special rules.

With regard to financial instruments having the same tax characterization of the Italian Certificates there is currently neither case law nor specific comments of the Italian tax authorities as to the tax treatment. Accordingly, it cannot be excluded that the Italian tax authorities and Courts may adopt a view different from that outlined below. Prospective purchasers of the Italian Certificates are advised to consult their own tax advisers concerning the overall tax consequences of their ownership of the Italian Certificates.

(b) Italian taxation of Italian Certificates

Pursuant to the generally followed interpretation of the Italian tax law, capital gains or other incomes related to financial instruments linked to an index are subject to the rules provided by article 67, section 3, lett. c-quarter) of Presidential Decree No. 917 of 22 December 1986 (“**TUIR**”) and Legislative Decree No. 461 of 21 November 1997.

Where the Italian resident Certificateholder is:

- (i) an individual not engaged in an entrepreneurial activity to which the Italian Certificates are connected,

- (ii) a non-commercial partnership, pursuant to article 5 of TUIR (with the exception of general partnership, limited partnership and similar entities)
- (iii) a non-commercial private or public institution, or
- (iv) an investor exempt from Italian corporate income taxation,

capital gains accrued under the sale or the exercise of the Italian Certificates are subject to a 20 per cent. substitute tax (*imposta sostitutiva*).

In respect of the application of *imposta sostitutiva*, the recipient may opt for three different taxation criteria, as subsequently amended.

- (1) Under the tax declaration regime (*regime della dichiarazione*), which is the default regime for taxation of capital gains realised by Italian resident individuals not engaged in an entrepreneurial activity to which the Italian Certificates are connected, the *imposta sostitutiva* on capital gains will be chargeable, on a yearly cumulative basis, on all capital gains, net of any off settable capital loss, realised by the Italian resident individual holding the Italian Certificates pursuant to all sales or redemptions of the Italian Certificates carried out during any given tax year. Italian resident individuals must indicate the overall capital gains realised in any tax year, net of any relevant incurred capital loss, in the annual tax return and pay *imposta sostitutiva* on such gains together with any balance income tax due for such year. Capital losses in excess of capital gains may be carried forward against capital gains realised in any of the four succeeding tax years. Capital losses realised before 1 January 2012 may be carried forward to be offset against subsequent capital gains of the same nature for an overall amount of 62.5 per cent. of the relevant capital losses.
- (2) As an alternative to the tax declaration regime, Italian resident individuals holding the Italian Certificates may elect to pay the *imposta sostitutiva* separately on capital gains realised on each sale or redemption of the Italian Certificates (the “**risparmio amministrato**”) regime provided for by Article 6 of the Legislative Decree No. 461 of 21 November 1997, as a subsequently amended, the “**Decreto No. 461**”). Such separate taxation of capital gains is allowed subject to
 - (i) the Italian Certificates being deposited with Italian banks, SIMs or certain authorised financial intermediaries; and
 - (ii) an express valid election for the *risparmio amministrato* regime being punctually made in writing by the relevant Italian Certificate holder.

The depository is responsible for accounting for *imposta sostitutiva* in respect of capital gains realised on each sale or redemption of the Italian Certificates (as well as in respect of capital gains realised upon the revocation of its mandate), net of any incurred capital loss, and is required to pay the relevant amount to the Italian tax authorities on behalf of the taxpayer, deducting a corresponding amount from the proceeds to be credited to the Italian Certificate holder or using funds provided by the holder of the Italian Certificates for this purpose. Under the *risparmio amministrato* regime, where a sale or redemption of the Italian Certificates results in a capital loss, such loss may be deducted from capital gains subsequently realised, within the same securities management, in the same tax year or in the following tax years up to the fourth. Under the *risparmio amministrato* regime, the Italian Certificate holder is not required to declare the capital gains in the annual tax return. Capital losses realised before 1 January 2012 may be carried forward to be offset against subsequent capital gains of the same nature for an overall amount of 62.5 per cent. of the relevant capital losses.

- (3) Any capital gains realised or accrued by Italian resident individuals holding the Italian Certificates who have entrusted the management of their financial assets, including the Italian Certificates, to an authorised intermediary and have validly opted for the so-called “risparmio gestito” regime (the “**risparmio gestito**”) regime provided for by Article 7 of the Decree No. 461) will be included in the computation of the annual increase in value of the managed assets accrued, even if not realised, at year end, subject to a 20 per cent. substitute tax, to be paid by the managing authorised intermediary. Under this *risparmio gestito* regime, any depreciation of the managed assets accrued at year end may be carried forward against increase in value of the managed assets accrued in any of the four succeeding tax years. Under the *risparmio gestito* regime, the holder of the Italian Certificates is not required to declare the capital gains realised in the annual tax return. Depreciation of the management assets accrued 1 January 2012 may be carried forward to be offset against subsequent increase of value for an overall amount of 62.5 per cent. of the relevant depreciation.

Where an Italian resident Italian Certificate holder is a company or similar commercial entity, or the Italian permanent establishment of a foreign commercial entity to which the Italian Certificates are effectively connected, or a resident individual engaged in an entrepreneurial activity to which the Italian Certificate are connected, capital gains arising from the Italian Certificates will not be subject to *imposta sostitutiva*, but must be included in the relevant holder of the Italian Certificates’ income tax return and are therefore subject to Italian corporate tax (and, in certain circumstances, depending on the “status” of the holder of the Italian Certificates, also as a part of the net value of production for IRAP - the regional tax on productive activities - purposes). IRAP is levied at an ordinary rate of 3.9 per cent. Higher or lower rates are levied depending on the Region and the activity carried out.

Any capital gains realised by an Italian Certificate holder which is an open-ended or closed-ended investment fund (subject to the tax regime provide by Law No. 77 of 23 March 1983) or a SICAV will be included in the result of the relevant portfolio accrued and will not be subject to either substitutive tax or any other income tax at the level of such fund or SICAV. According to article 2, section 6, of the Decree Law No. 138/2011, a withholding tax of 20% will be levied on proceeds distributed by the investments funds or the SICAV.

Capital gains on the Italian Certificate held by real estate funds to which the provisions of Law Decree No. 351 of 25 September 2001, as subsequently amended, apply, are not subject to any substitute tax nor to any other income tax in the hands of the fund. The income of the real estate funds is subject to tax, in the hands of the unitholder, depending on status and percentage of participation.

Any capital gains realised by an Italian Certificate holder which is an Italian pension funds (subject to the regime provided by article 17 of the Legislative Decree No. 252 of 5 December 2005) will be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to the 11 per cent. *ad hoc* substitute tax.

Capital gains realised by non-Italian resident Italian Certificate holders from the sale or redemption of Italian Certificate are not subject to Italian taxation provided that the Italian Certificates are transferred on regulated markets.

(c) **Inheritance and gift taxes**

Pursuant to Law Decree No. 262 of 3 October 2006, (“**Decree No. 262**”), converted into Law No. 286 of 24 November 2006, the transfers of any valuable asset (including shares, bonds or other securities) as a result of death or donation are taxed as follows:

- (i) transfers in favour of spouses and direct descendants or direct ancestors are subject to an inheritance and gift tax applied at a rate of 4 per cent. on the value of the inheritance or the gift exceeding EUR 1,000,000;

- (ii) transfers in favour of relatives to the fourth degree and relatives-in-law to the third degree, are subject to an inheritance and gift tax applied at a rate of 6 per cent. on the entire value of the inheritance or the gift. Transfers in favour of brothers/sisters are subject to the 6 per cent. inheritance and gift tax on the value of the inheritance or the gift exceeding EUR 100,000; and
- (iii) any other transfer is, in principle, subject to an inheritance and gift tax applied at a rate of 8 per cent. on the entire value of the inheritance or the gift.

(d) Stamp duty

Pursuant to Article 19 (1) of Decree No. 201 of 6 December 2011 (“**Decree 201**”), a proportional stamp duty applies on an annual basis to the periodic reporting communications sent by Italian financial intermediaries to their clients for the securities deposited therewith.

The stamp duty applies at a rate of 0.1 per cent. for year 2012 and at 0.15 per cent. for subsequent years; this stamp duty is determined on the basis of the market value or – if no market value figure is available – the nominal value or redemption amount of the securities held. The stamp duty cannot be lower than EUR 34.20 and, for the year 2012 only, it cannot exceed EUR 1,200.

Under first interpretations of such law, it may be understood that the stamp duty applies both to Italian resident and non-Italian resident Certificates holders, to the extent that the securities are held through Italian-based financial intermediaries.

Where the Italian Certificates are held by an Italian resident individual, not deposited in Italy and not managed by Italian financial intermediaries, a stamp duty (called IVAFE) is applicable starting from the year 2011, at the yearly-based rate of 0.1 per cent for years 2011 and 2012 and 0.15 per cent from year 2013.

The taxable base is equal to the assets’ fair market value at the end of each year in the place where the assets are held and it is calculated by using the documentation released by the foreign financial intermediaries. In absence of such documentation, the taxable base is equal to the assets’ nominal value or the reimbursement value. In any case, IVAFE is due in proportion to the ownership quota and to the holding period.

Taxpayers may credit against IVAFE the amount of wealth taxes paid in the country where the financial assets are held.

Some uncertainties exist in relation to such tax and the first guidelines of the tax administration are still expected.

Please note that a proposal is currently under discussion aiming to introduce in Italy a Financial Transaction Tax (the “**Tobin Tax**”), applicable from 1 January 2013, to certain financial transactions (including those linked to an index) in which one of the counterparties is resident in Italy.

(e) Implementation in Italy of the EU Savings Directive

Italy has implemented the EU Savings Directive through Legislative Decree No. 84 of 18 April 2005 (“**Decree No. 84**”). Under Decree No. 84, subject to a number of important conditions being met, in the case of interest paid to individuals which qualify as beneficial owners of the interest payment and are resident for tax purposes in another Member State, Italian qualified paying agents shall not apply the withholding tax and shall report to the Italian Tax Authorities details of the relevant payments and personal information on the individual beneficial owner. Such information is transmitted by the Italian Tax Authorities to the competent foreign tax authorities of the State of residence of the beneficial owner.

4. Tax Considerations in the United States

The Notes offered hereby are not being offered or sold in the United States or to, or for the account or benefit of, U.S. persons, nor have the terms of the Notes been designed with the intention of their being offered, sold or held by U.S. persons or for the account or benefit of a U.S. person. “**U.S. person**” means any of (i) a U.S. person as defined by Regulation S, (ii) a person who does not come within the definition of non-United States person under Rule 4.7 of the U.S. Commodity Exchange Act of 1936 as amended, or (iii) a United States person as defined in the U.S. Internal Revenue Code of 1986 as amended. Neither this Prospectus nor any Prospectus Supplement related to any Notes will contain any U.S. tax disclosure.

The United States tax treatment of the Notes is uncertain and the Issuer makes no warranty, statement or undertaking as to any U.S. tax treatment of the Notes, whether the Notes are to be treated as debt or are to have any other characterisation for U.S. tax purposes, or any U.S. tax consequences of buying, selling or hold the Notes.

If you are or may be a U.S. taxpayer that is not a U.S. person, you are urged to consult with your own tax advisors to determine the appropriate characterisation of any Notes for U.S. federal income tax purposes and applicable U.S. federal tax consequences of buying, selling or holding any Notes or beneficial interests in any Notes.

UBS AG and its Affiliates do not provide tax advice. Accordingly, any discussion of U.S. tax matters contained herein is not intended to be used, and cannot be used, in connection with the promotion, marketing or recommendation by anyone for the purpose of avoiding U.S. tax payments or tax-related penalties. For certain U.S. withholding tax risks associated with the Notes, see “Payments on or with respect to the Notes may be subject to U.S. withholding under FATCA” under “*Risk Factors*” above.

GENERAL INFORMATION

1. Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream (which are the entities in charge of keeping the records). The appropriate Common Code and ISIN for each Series of Notes allocated by Euroclear and Clearstream will be specified in the applicable Final Terms. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms. The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

2. Documents available for inspection

For the period of 12 months following the date of this Base Prospectus, copies of the following documents will, when published, be available for inspection from the registered office of the Issuer:

- (a) the documents listed under “*Documents Incorporated by Reference*”;
- (b) the documents listed at “*Description of UBS AG - Documents on Display*”;
- (c) the form of Temporary Global Note;
- (d) the form of Permanent Global Note;
- (e) the Technical Document;
- (f) the Articles of Association of UBS AG; and
- (g) a copy of this Base Prospectus; and
- (h) any future offering circulars, prospectuses, information memoranda, supplements and Final Terms (save that any Final Terms relating to an Exempt Note will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and any paying agent as to its holding of Notes and identity) to this Base Prospectus and any other documents incorporated herein or therein by reference.

3. Statements of no significant change or material adverse change

There has been no significant change in the financial or trading position of the UBS Group since 30 September 2012. There has been no material adverse change in the prospects of the UBS Group since 30 December 2011.

4. General Information

- (a) The establishment of the Programme and the issue of the Notes have been approved by the Issuer. The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes, and all necessary corporate action has been taken by the Issuer in connection with authorising the issue of the Notes.
- (b) Up to US\$1,000,000,000 in aggregate Notional Amount of any Series of Notes may be issued pursuant to this Prospectus.
- (c) It is expected that each Series of Notes which is to be admitted to the Official List and to trading on the London Stock Exchange's regulated market will be admitted separately as and when issued, subject only to the issue of a Global Note initially representing the Notes of such

Series. Application has been made to the UK Listing Authority for Notes issued under the Programme to be admitted to the Official List and to the London Stock Exchange for such Notes to be admitted to trading on the London Stock Exchange's regulated market. The listing of the Programme in respect of Notes is expected to be granted on or before 11 January 2013.

- (d) The Issuer intends to publish annual and interim financial statements and any applicable Final Terms as required by Listing Rules and Prospectus Rules and applicable Swiss law and regulation and to publish any applicable Final Terms and other information with respect to the Notes on its website at <http://www.ubs.com/cmci>. Save as aforesaid, the Issuer does not intend to provide post-issuance information in relation to any issues of Note.
- (e) The Issuer will perform its functions in respect of the Notes through its London Branch. Under the Conditions, the Issuer has a right to change the branch through which it is acting, but a branch of the Issuer is not a separate legal entity and the Notes will constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer.

DEFINITIONS

The following definitions apply throughout this Prospectus (including the Conditions) unless the context otherwise requires:

“Additional Entities” means each entity or type of entity specified as such in the Final Terms;

“Additional Business Centre” means each additional business centre specified as such in the relevant Final Terms;

“Affiliate” means in relation to a person or entity:

- (a) any other person or entity who directly or indirectly, is in control of, or controlled by, or is under common control with, such person or entity; or
- (b) any other person or entity which is a director, member, officer, employee or general partner:
 - (i) of such person or entity;
 - (ii) of any subsidiary or parent company of such person or entity; or
 - (iii) of any person or entity described in (a) above.

For the purposes of this definition, “**control**” of a person or entity shall mean ownership of a majority of the voting power of such person or entity;

“Annual Exercise Date” means in respect of a particular Series of Notes, the day in each year which falls on the anniversary of the Trade Date in respect of those Notes;

“Bloomberg” means Bloomberg L.P.;

“Business Day” means a day which is both:

- (a) a day on which commercial banks are open for business (including dealing in foreign exchange and foreign currency deposits) in London and any Additional Business Centre specified in the Final Terms; and
- (b) either (i) a day on which commercial banks are open for business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the Currency of Payment or (ii) in relation to any sum payable in Euro, a day on which the Target System is open;

“Calculation Agent” means UBS AG, London Branch or any successor appointed by the Issuer to act as its agent for the purposes specified in Condition 9;

“class”	means a class of Notes under which the Issuer’s obligations to make payment are determined by reference to a particular Index;
“Clearing System Business Day”	means in respect of the clearing system for Component Contracts, any day which such clearing system is scheduled to open for the acceptance and execution of settlement institutions in relation to those Component Contracts;
“Clearstream”	means Clearstream Banking, <i>société anonyme</i> , a company incorporated under the laws of Luxembourg;
“Closing Level”	means the official closing level of the relevant Index as calculated and published by the Index Sponsors;
“Closing Time”	means in respect of an Exchange, the time at which trading on that Exchange generally ceases;
“CMCI”	means the “UBS Bloomberg CMCI (Constant Maturity Commodity Index)” as calculated by the Index Sponsors;
“CMCI Composite Index”	means the main benchmark index of the CMCI Index Family, comprising every commodity eligible at that time for inclusion in the CMCI;
“CMCI Index Family”	means all CMCI commodity indices calculated and published by the Index Sponsors in accordance with the terms of the Technical Document;
“Component Contract”	means in respect of each physical commodity represented in an Index, the exchange traded future or exchange traded option contracts for that physical commodity, the settlement prices of which are used to calculate the level of that Index;
“Conditions”	means the terms and conditions set out under “ <i>Terms and Conditions</i> ” as amended, supplemented, modified or replaced from time to time in relation to any Series by the information contained in the relevant Final Terms. To the extent that the information in any Final Terms amends, supplements, modifies or replaces those terms and conditions, it shall do so only for the purpose of the Series to which the relevant Final Terms relate. To the extent there is any inconsistency between these terms and conditions and the terms and conditions which appear in the relevant Final Terms, the terms and conditions which appear in the relevant Final Terms shall prevail. Any reference to a numbered Condition or paragraph is a reference to that Condition or paragraph as set out in those terms and conditions as amended, supplemented, modified or replaced in relation to any Series by the information contained in the relevant Final Terms;
“CONSOB”	means The Commissione Nazionale per le Società e la Borsa;
“CONSOB Regulation 11971”	means CONSOB Regulation No. 11971 of 14 May 1999, as from time to time amended;

“CONSOB Regulation 16190”	means CONSOB Regulation NO. 16190 of 29 October 2007 as from time to time amended;
“Currency of Payment”	means (i) in respect of Notes (other than Italian Certificates), as specified in the Final Terms and (ii) in respect of Italian Certificates, EUR;
“Current Index Level”	means as at any date the level of the relevant Index calculated using the closing settlement prices of the Component Contracts as at the applicable date;
“Current Index Performance Ratio”	means a figure equal to Current Index Level / Index Starting Level;
“Data di Scadenza”	means, in respect of Italian Certificates, the date specified as such in the relevant Final Terms;
“Disrupted Day”	means any Scheduled Trading Day on which: <ul style="list-style-type: none"> (a) the Index Sponsor fails to publish the official closing level of the Index; (b) an Exchange fails to open for trading during its regular trading session; or (c) a Market Disruption Event has occurred which the Calculation Agent in its sole discretion and acting in good faith determines as being material;
“Euroclear”	means Euroclear Bank S.A./N.V. a company incorporated in Belgium;
“Excess Return Index”	means an Index within the CMCI Index Family which reflects the overall returns generated from un-collateralised futures positions in the commodities included in the Index;
“Exchange”	means each exchange on which Component Contracts are traded, as determined by the Calculation Agent in its sole discretion;
“Exchange Business Day”	means any Scheduled Trading Day on which an Exchange is open for trading during their respective regular trading sessions, notwithstanding any such Exchange closing prior to its Scheduled Closing Time;
“Exchange Date”	means the date which is 40 days after the Issue Date;

“Exchange Event”	means (i) an Event of Default has occurred and is continuing or (ii) if any Permanent Global Note is held on behalf of Euroclear or Clearstream Luxembourg or any other clearing system, any such clearing system: (a) being closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise); (b) announcing an intention permanently to cease business; or (c) permanently ceases business;
“Extraordinary Resolution”	means (a) a resolution passed at a meeting of the Noteholders duly convened and held in accordance with the provisions of the relevant Global Note by a majority consisting of not less than 75 per cent. of the persons voting on the resolution upon a show of hands or, if a poll was duly demanded, by a clear majority consisting of not less than 75 per cent. of the votes given on the poll or (b) a resolution in writing signed by or on behalf of Noteholders holding not less than 75 per cent. of the Notes of the relevant Series outstanding, which resolution in writing may be contained in one document or in several documents in similar form each signed by or on behalf of one or more of the Noteholders.
“Fee Amount”	means the amount calculated in accordance with Condition 5.5;
“Fee Amount Calculation Date”	means any day on which the Calculation Agent calculates a Fee Amount;
“Fee Level”	means in relation to any Series of Notes the percentage amount specified in the Final Terms applicable to such Series;
“Final Terms”	means the final terms in respect of a particular class and particular Series of Notes to be issued by the Issuer in substantially the form set out in Appendix A to the Prospectus;
“Financial and/or Credit Institution”	means an entity the principal activity of which is to acquire holdings or to carry on banking, credit, insurance, investment or other activities of a type, which are ordinarily subject to regulation by a financial services regulator in the jurisdiction in which the entity operates;
“FSMA”	means the Financial Services and Markets Act 2000;
“FX Disruption Event”	means the occurrence of any event on any day or any number of consecutive days as determined by the Calculation Agent in its sole and reasonable discretion that affects the Issuer’s currency hedging (if any) with respect to the currency of any Notes and: (a) the currency in which the relevant Index is denominated; and/or (b) the currency of any Component Contracts;

“Global Note”	means any Permanent Global Note and/or any Temporary Global Note;
“Index”	means each of the CMCI Composite Index or sub-indices which make up the CMCI Index Family and “Indices” shall be construed accordingly; and “relevant Index” shall mean the Index to which a particular class or Series of Notes is linked as set out in the Final Terms;
“Index Commodity”	means any physical commodity represented in an Index by Component Contracts;
“Index Performance Ratio”	means a figure calculated in accordance with Condition 5.4;
“Index Sponsors”	means UBS AG and Bloomberg L.P. and each of them is an “Index Sponsor” and any successor thereto;
“Interest Disruption Event”	means the occurrence of any event on any day or any number of consecutive days as determined by the Calculation Agent in its sole and reasonable discretion which delays the release of an interest rate reference, or any other event which affects the Issuer’s hedging with respect to the interest component of the Index;
“Issue Date”	means the date described as such in the relevant Final Terms;
“Issuer”	means UBS AG, a corporation incorporated in Switzerland;
“Italian Certificates”	means Notes admitted or to be admitted to listing on the Italian Stock Exchange and to trading on the SeDeX Market and in respect of which Italian Certificates are stated to be “Applicable” in the relevant Final Terms in respect of such Notes;
“Italian Banking Act”	means the Italian Legislative Decree no. 385 of 1 September 1993, as from time to time amended;
“Italian Financial Services Act”	means the Italian Legislative Decree no. 58 of 24 February 1998 as from time to time amended;
“Italian Stock Exchange”	means Borsa Italiana S.p.A. with registered office in Milan, Piazza degli Affari, 5, Italy, a member of the London Stock Exchange Group;
“Italian Stock Exchange Rules”	means the regulation of the markets organised and managed by the Italian Stock Exchange, approved by the Italian Stock Exchange on 26 June 2012 and by CONSOB on 1 August 2012, and the implementing instructions, all as amended;

“Listing”	means (i) the admission of a particular class of Notes to the Official List in accordance with the Listing Rules and admission of a particular class of Notes to trading on the London Stock Exchange’s market for listed securities (or any of such markets if the London Stock Exchange has at any time more than one such market) becoming effective; and (ii) and in respect of Italian Certificates, for so long as such Italian Certificates are admitted to listing on the Italian Stock Exchange, the admission to listing and trading of the Italian Certificates on SeDeX Market pursuant to the Italian Stock Exchange Rules;
“Listing Rules”	means the Listing Rules of the UK Listing Authority from time to time, made under section 73A of FSMA, and in respect of Italian Certificates, for so long as such Italian Certificates are admitted to listing on the Italian Stock Exchange, the Italian Stock Exchange Rules;
“London Stock Exchange”	means London Stock Exchange plc or its market for listed securities (or any such market if the London Stock Exchange has at any time more than one such market), as the context may require;
“Market Disruption Event”	means, in respect of any Index: <ul style="list-style-type: none"> (a) a limitation, suspension, or disruption to trading in one or more of the Component Contracts or imposed by the relevant Exchange or otherwise and whether caused by movements in the price of such Component Contract exceeding any limits imposed by the relevant Exchange or otherwise; (b) the price for any Component Contract is a “limit price” (meaning that the price for such Component Contract has at any point during the last 15 minutes of trading on the Exchange, increased or decreased from the previous day’s closing price by the maximum amount permitted under the relevant Exchange rules); (c) the failure by the relevant Exchange or other price source as applicable to any Component Contract to announce or publish the settlement price in respect of the Component Contract; (d) the closure on any Exchange Business Day of any relevant Exchange in respect of a Component Contract, prior to its Closing Time; or (e) any event (other than an early closure as described above) that disputes or impairs (as determined by the Calculation Agent) the ability of market participants in general to effect transactions in, or obtain market values for any Component Contract;
“Minimum Redemption Multiple”	means the number of Notes specified by the Issuer for the purposes of Condition 5.2, being 10,000 unless otherwise specified in relation to any Series of Notes in the relevant Final Terms;

“Monte Titoli”	means Monte Titoli S.p.A. with registered office in Milan, Via Andrea Mantenga 6;
“Noteholders”	means the several persons who are for the time being the bearers of Notes save that, in respect of the Notes of any class and/or Series, for so long as the Notes or any part of them are represented by a Global Note held on behalf on behalf of Euroclear and Clearstream each person (other than Euroclear or Clearstream) who is for the time being shown in the records of Euroclear or of Clearstream as the holder of a particular nominal amount of the Notes of a particular class and Series (in which regard any certificate or other document issued by Euroclear or Clearstream as to the nominal amount of the Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be deemed to be the holder of the nominal amount of Notes (and the bearer of the relevant Global Notes shall be deemed not to be the holder) for all purposes other than with respect to payments to be made in respect of the Notes, for which purpose the bearer of the relevant Global Note shall be treated by the Issuer and any of its agents as the holder of the Notes in accordance with and subject to the terms of the relevant Global Note and the expressions “Noteholder” , “holder of Notes” and related expressions shall be construed accordingly;
“Notes”	means the unsecured and unsubordinated notes of any Series or class linked to an Index and issued by the Issuer on the terms of the Conditions (and, for the avoidance of doubt, includes Italian Certificates);
“Notional Amount”	means in relation to any Class or Series of Notes the product of the Specified Denomination and the number of Notes of that class or Series;
“Official List”	means the official list maintained by the UK Listing Authority for the purpose of Part VI of the Financial Services and Markets Act 2000;
“PD Regulation”	means the Commission Regulation No 809/2004 implementing the Prospectus Directive and any amendments thereto;
“Permanent Global Note”	means a permanent global bearer note in respect of a particular class and Series, issued by the Issuer which represents such Notes;
“Prospectus”	means this Base Prospectus of the Issuer, as supplemented from time to time;
“Prospectus Directive”	means Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 and any amendments thereto;
“Prospectus Rules”	means the prospectus rules of the UK Listing Authority from time to time, made under section 73A of FSMA;
“Redeeming Noteholder”	means a Noteholder who has given a Redemption Notice in accordance with Condition 5.9.1;

“Redemption”	means the redemption of a Note or Notes in accordance with Condition 5, and “Redeem” , “Redeeming” or “Redeemed” shall be construed accordingly;
“Redemption Amount”	means in respect of any Note the amount calculated in accordance with Condition 5.3;
“Redemption Date”	means in respect of any Note, the earliest to occur of: <ul style="list-style-type: none"> (i) the first Annual Exercise Date in respect of which the Noteholder gives a valid Redemption Notice in accordance with Condition 5.9.1; (ii) any date of Redemption determined pursuant to and in accordance with Condition 5.7; and (iii) in respect of Italian Certificates (unless the Noteholder has given a duly completed Renouncement Notice to the Issuer), the Data di Scadenza, <p>provided, in each case, (i) if such day is not a Trading Day, the first Trading Day thereafter and (ii) if such date is a Disrupted Date, such later date as may be determined pursuant to Condition 7 (<i>Disruption</i>);</p>
“Redemption Notice”	has the meaning given to it in Condition 5.9.1;
“Redemption Payment Date”	means the fifth Business Day following the Redemption Date;
“Regulated Market”	means a regulated market for the purposes of Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 (the Markets in Financial Instruments Directive);
“Renouncement Notice Cut-Off Time”	means, in respect of Italian Certificates, the time on the Data di Scadenza specified as such in the relevant Final Terms;
“Scheduled Closing Time”	means, in respect of an Exchange and a Scheduled Trading Day, the scheduled weekday closing time of such Exchange on such Scheduled Trading Day, without regard to after hours or any other trading outside of the regular trading session hours;
“Scheduled Trading Day”	means any day on which (a) the Index Sponsors are scheduled to publish the Closing Level of the Index and (b) the Calculation Agent is open for business;
“SeDeX Market”	means the Electronic Securitised Derivatives Market of the Italian Stock Exchange;
“Series”	means in respect of a particular class of Notes all such Notes which have the same Trade Date and which are represented by the same Global Note;

“Settlement Cycle”	means the number of the relevant Clearing System Business Days following a trade in the Component Contracts on the relevant Exchange in which settlement will customarily occur according to the rule of such Exchange (or if there are multiple Exchanges in respect of an Index, the longest such period);
“Specified Denomination”	the amount stated as such in the relevant Final Terms;
“Target System”	means the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System;
“Technical Document”	means the document entitled “UBS Bloomberg CMCI (Constant Maturity Commodity Index) – Technical Document”, which at the date of this Prospectus is available on the Issuer’s website at: http://www.ubs.com/cmci , as amended from time to time;
“Temporary Global Note”	means a temporary global bearer note issued by the Issuer in respect of a particular class and Series which represents such Notes and may be exchanged for a Permanent Global Note;
“TIDM”	in relation to the Notes of any Series means the Tradeable Instrument Display Mnemonic issued by the London Stock Exchange in respect of the Notes of that Series, as specified in the relevant Final Terms;
“Total Return Index”	<p>means an Index within the CMCI Index Family which reflects the returns generated from fully-collateralised futures positions in the commodities included in the Index.</p> <p>The overall return on a Total Return Index will be generated by two components:</p> <ul style="list-style-type: none"> (i) uncollateralised returns from the futures contracts comprising the Index; and (ii) the return earned on securities theoretically deposited as collateral for such contracts;
“Total Return Reference Rate”	means the daily collateral return rate applicable to any Total Return Index which is not denominated in US Dollars, as set out in the Final Terms of any Notes linked to such relevant Index;
“Trade Date”	in respect of a particular Series of Notes, the date specified as such in the relevant Final Terms;

“Trading Day”	means any day: <ul style="list-style-type: none"> (i) on which the Index Sponsors are scheduled to publish the Closing Level of the relevant Index; (ii) on which trading is generally conducted on the London Stock Exchange; (iii) which is a day on which the Calculation Agent is open for business; and (iv) in respect of Italian Certificates, provided such Italian Certificates are admitted to listing on the Italian Stock Exchange and to trading on the SeDeX Market, on which the Italian Stock Exchange is open;
“UK Listing Authority”	means the Financial Services Authority in its capacity as competent authority for the purposes of Part VI of the FSMA;
“United States” or “U.S.”	means the United States of America, its territories and possessions, any state of the United States and the District of Columbia;
“U.S. person”	has the meaning given in paragraph 2 (“Selling Restrictions – United States”) of “Additional Information”;
“US\$” or “USD”	means the lawful currency of the United States of America and references to “ US Dollars ” shall be similarly construed; and
“Valuation Date”	means the Trade Date, each Fee Amount Calculation Date and each Redemption Date.

Any reference to the Conditions or to any agreement or document includes a reference to the Conditions or (as the case may be) to such agreement or document as amended, varied, novated, supplemented or replaced from time to time.

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APPENDIX A – FORM OF FINAL TERMS

Final Terms dated [●]

UBS AG (the “Issuer”)

Issue of [●] [●] in aggregate Notional Amount of [] [(to be consolidated with the existing issue of [])]

Under the programme for the issue of UBS ETC Notes linked to the various UBS Bloomberg Constant Maturity Commodity Index (“CMCI”) Indices

[The prospectus referred to below (as completed by these Final Terms) has been prepared on the basis that, except as provided in sub-paragraph (ii) below, any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of the Notes. Accordingly any person making or intending to make an offer of the Notes may only do so:

- (i) in circumstances in which no obligation arises for the Issuer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer; or
- (ii) in those Public Offer Jurisdictions specified in Paragraph 3 of Part B below, provided such offer is made by the Issuer or any other person specified in that paragraph or such person is specifically authorised by the Issuer to make such offer.

The Issuer has not authorised and does not authorise the making of any offer of Notes in any other circumstances.]

[The prospectus referred to below (as completed by these Final Terms) has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of the Notes. Accordingly any person making or intending to make an offer of the Notes may only do so in circumstances in which no obligation arises for the Issuer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. The Issuer has not authorised and does not authorise the making of any offer of Notes in any other circumstances.]

The expression “**Prospectus Directive**” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in the Relevant Member State and the expression “**2010 PD Amending Directive**” means Directive 2010/73/EU.

PART A – CONTRACTUAL TERMS

[Terms used herein and not otherwise defined bear the same meanings as in the base prospectus dated 7 January 2013 [as supplemented by [●]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the “**Prospectus**”). This document constitutes the Final Terms of the Notes of the class and Series described herein for the purposes of Article 5(4) of the Prospectus

Directive and must be read in conjunction with the Prospectus. [Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus. A summary of the Notes (which comprises the summary in the Prospectus as amended to reflect the provisions of these Final Terms) is annexed to these Final Terms. The Prospectus has been published on [●] website.] [Copies of the base prospectus [and the supplemental prospectus] may be obtained from [●].]

[Terms used herein and not otherwise defined bear the same meanings as for the purposes of the Conditions (the “**Conditions**”) set out in the base prospectus dated [●] which are incorporated by reference in the base prospectus dated 7 January 2013. This document constitutes the Final Terms of the Notes of the Class and Series described herein for the purposes of Article 5(4) of the Prospectus Directive and must be read in conjunction with the base prospectus dated 7 January 2013 [and the supplemental prospectus dated [●]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the “**Prospectus**”), including the Conditions incorporated by reference in the Prospectus. [Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus. A summary of the Notes (which comprises the summary in the Prospectus as amended to reflect the provisions of these Final Terms) is annexed to these Final Terms. The Prospectus has been published on [●] [Copies of the base [and the supplemental prospectus(es)] may be obtained from [●].]

The final terms relating to the Notes of the Class and Series to which these Final Terms relate are as follows:

1. Issuer: UBS AG.
2. Title of the Notes: [].
3. Italian Certificates: [Applicable / Not Applicable].
4. Denomination of Index: [].
5. Trade Date: [].
6. Specified Denomination: [].
7. Currency of Payment: [].
8. Additional Business Centre: [].
9. Number of Notes: [].
10. Total Number of Notes in Issue following this Issue: [].
11. Aggregate Notional Amount (being Aggregate Number of Notes times Specified Denomination): [].
12. Minimum Redemption Multiple: [].
13. Relevant Index: [].
14. Index Starting Level: [].

15. Fee Level: [].
16. Issue Date: [].
17. Total Return Reference Rate: [] / [Not Applicable].
18. Data di Scadenza: [].
19. Renouncement Notice Cut-Off Time: [].
20. Additional Entities: [].
21. Form of Notes: [[Temporary Global Note/Permanent Global Note] held by Common Depositary for Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme.]
22. Temporary Global Note exchangeable for Permanent Global/Definitive Notes: [Not Applicable / Temporary Global Note exchangeable for a Permanent Global Note held by common depositary for Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme on or after 40 days from Issue Date (or such later date as may be determined to be the Exchange Date in accordance with the terms of the Temporary Global Note) upon certification as to beneficial ownership by a non-U.S. person].
23. Date on which the Notes will be consolidated and form a single Series: The Notes will be consolidated and form a single Series with [●] on [the Issue Date/exchange of the Temporary Global Note for a Permanent Global Note, as referred to in paragraph [●] above, which is expected to occur on or about [●] / [Not Applicable].
24. New Global Note: [Yes] [No].
25. Other Final Terms: [Not Applicable]/[].

Signed on behalf of UBS AG

By:

Duly authorised

By:

Duly authorised

PART B – OTHER INFORMATION

1. Listing and admission to trading

[Application has been made by the Issuer to the UK Listing Authority for the Notes described in these Final Terms to be admitted to the Official List and to the London Stock Exchange for such Notes to be admitted for trading on its Main Market, which is part of its Regulated Market. Such admissions are expected to become effective on [●.] / [Not applicable.] [The Notes are admitted to trading on the [●].]

2. Interests of natural and legal persons involved in the issue/offer

Save for any fees payable to the Issuer, so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. The Issuer and its Affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its Affiliates in the ordinary course of business.

3. Rating

The Notes have not been rated.

4. Distribution

U.S. Selling Restrictions: [Reg. S Compliance Category [1/2/3]; TEFRA D/TEFRA C/TEFRA not applicable]

Public Offer: [Not Applicable] [An offer of the Notes may be made by the Issuer [and [●]] other than pursuant to Article 3(2) of the Prospectus Directive in [●] (the “**Public Offer Jurisdictions**”) during the period from [●] until [●]. [The above consent is subject to the following other conditions [●].]

5. Terms and Conditions of the Offer

Offer Price: [] .

Conditions to which the offer is subject: [Not Applicable]/ [] .

Description of the application process: [Not Applicable]/ [] .

Details of the minimum and/or maximum amount of application: [Not Applicable]/ [] .

Details of the method and time limits for paying up and delivering the Notes: [Not Applicable]/ [] .

Manner in and date on which results of the offer are to be made public: [Not Applicable]/ [] .

[Categories of potential investors to which the Notes are offered and whether tranche(s) have been reserved for certain countries: [Not Applicable]/ [] .]

Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made: [Not Applicable]/ [].

Amount of any expenses and taxes specifically charged to the subscriber or purchaser: [Not Applicable]/ [].

Name(s) and address(es), to the extent known to the Issuer, of the placers in the various countries where the offer takes place. [Not Applicable]/ [].

6. Reasons for the offer, estimated net proceeds and total expenses

[(i) Reasons for the offer: [].

(ii) Estimated net proceeds: [].

(iii) Estimated total expenses: [].

7. Operational Information

(i) ISIN Code: [].

(ii) Common Code: [].

(iii) TIDM: [Not Applicable]/ [].

(iv) Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme and the relevant identification number(s): [Not Applicable]/ [].

(v) Delivery: Delivery [against/free of] payment.

(vi) Names and addresses of additional Paying Agent(s) (if any): [].

(vii) Settlement: [CREST in the form of CREST depository interests / Italian Certificates may be cleared through the bridge account of Monte Titoli S.p.A.]

(viii) Branch: The Issuer will perform its functions in respect of the Notes through its London Branch. Under the Conditions, the Issuer has a right to change the branch through which it is acting, but a branch of the Issuer is not a separate legal entity and the Notes constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer.

APPENDIX B - FORM OF REDEMPTION NOTICE

When completed, this notice should be delivered (i) if the Notes are represented by a Global Note, or are in definitive form and held through Euroclear or Clearstream, in electronic form via EUCLID to Euroclear or via Creation Online to Clearstream (as applicable) or (ii) if the Notes are in definitive form but not held through Euroclear or Clearstream, in writing or by fax along with the relevant Notes to the Issuer.

To: UBS AG as Issuer (email: cmci@ubs.com)

cc: UBS AG, London Branch as Calculation Agent (email: cmci@ubs.com)

Subject: *[insert title of Notes]* - Redemption Notice

ISIN No: [] Common Code: []

TIDM: []

The undersigned writes to you in its capacity as beneficial owner of the above-referenced [] in aggregate principal amount of the [] Notes (the “Notes”). Words used and not defined herein shall have the meanings given to them in the Base Prospectus relating to the Notes dated [●] 2012.

Name of Euroclear/Clearstream Custodian: []

Number of Notes to be redeemed *[to equal or be an integral multiple of the Minimum Redemption Multiple for the relevant Series of Notes]*:

[Name of Broker]: []

[Broker/Noteholder] Contact Name: []

[Broker/Noteholder] Telephone Number: []

Noteholder email for receipt of Redemption Confirmation: []

Euroclear/Clearstream Custodian’s Euroclear/Clearstream Account No.: []

The undersigned acknowledges (a) that any Redemption Notice received by the Issuer after 12 noon London time on any Trading Day or on any day that is not a Trading Day will be deemed received by the Issuer prior to 12 noon London time on the following Trading Day and (b) that in addition to any other requirements specified in the Base Prospectus for the Notes and the relevant Final Terms for the Notes being satisfied, the Notes will not be redeemed unless:

- (i) the undersigned instructs its Euroclear or Clearstream custodian to book a delivery vs. payment (“DVP”) trade with respect to the Notes to be redeemed on the applicable Redemption Date, at the Redemption Amount, facing UBS AG, and
- (ii) the undersigned causes its Euroclear or Clearstream custodian to deliver the DVP trade to UBS AG as booked for settlement via Euroclear or Clearstream, as the case may be, as at or prior to 10.00 a.m. London time on the third Trading Day following the applicable Redemption Date.

The undersigned confirms that it has requested [Euroclear/Clearstream/CREST/Monte Titoli] to block its account at the time of sending this Redemption Notice.

Date: []

Signed: [*Redeeming Noteholder*]

Full Name: []

APPENDIX C - FORM OF REDEMPTION CONFIRMATION

To: [Noteholder email address specified in Redemption Notice]

FAO [Noteholder contact name]

cc: UBS AG, London Branch as Calculation Agent (email: cmci@ubs.com)

Subject: [insert title of Notes] - **Redemption Confirmation**

ISIN No: [] Common Code: []

TIDM: []

Name of Beneficial Owner: []

Name of Euroclear/Clearstream Custodian: []

Number of Notes to be redeemed [to equal or be an integral multiple of the Minimum Redemption Multiple for the relevant Series of Notes]:

Redemption Amount: []

Euroclear/Clearstream Custodian's Euroclear/Clearstream Account: []

UBS AG, as Issuer of the Notes, confirms receipt of a Redemption Notice with the details set out above, confirms that the Redemption Notice was received by it prior to 12 noon London time on [] and therefore that, subject as below, the applicable Redemption Date is [], and the applicable Redemption Payment Date is [] (in each case subject to the relevant disruption fallback).

Payment of the Redemption Amount is subject to the Noteholder having instructed its Euroclear or Clearstream custodian to book a delivery vs. payment (“DVP”) trade with respect to the Notes to be redeemed on the applicable Redemption Date, at the Redemption Amount, facing UBS AG, and the Noteholder causing its Euroclear or Clearstream custodian to deliver the DVP trade to UBS AG as booked for settlement via [Euroclear or Clearstream, as the case may be,][the bridge accounts of Monte Titoli] as at or prior to 10.00 a.m. London time on the applicable Redemption Payment Date.

Date:

Signed: [] for and on behalf of UBS AG

Name: []

Title: []

Telephone: []

Email: []

APPENDIX D - FORM OF RENOUNCEMENT NOTICE

When completed, this notice should be delivered (i) if the Notes are represented by a Global Note, or are in definitive form and held through Euroclear or Clearstream, in electronic form via EUCLID to Euroclear or via Creation Online to Clearstream (as applicable) or (ii) if the Notes are in definitive form but not held through Euroclear or Clearstream, in writing or by fax along with the relevant Notes to the Issuer.

To: UBS AG as Issuer (email: cmci@ubs.com)
cc: UBS AG, London Branch as Calculation Agent (email: cmci@ubs.com)
Subject: [insert title of Italian Certificates] - **Renouncement Notice**

ISIN No: [] Common Code: []

Data di Scadenza: []

Renouncement Notice Cut-Off Time: []

Name of Beneficial Owner: []

[Name of Euroclear/Clearstream Custodian:] []

The undersigned writes to you in its capacity as beneficial owner of the above-referenced [] in aggregate principal amount of the [] Notes (the “**Italian Certificates**”). Words used and not defined herein shall have the meanings given to them in the Base Prospectus relating to the Notes dated [●] 2012.

The undersigned beneficial owner of the Italian Certificates

..... (Name)

hereby communicates that it is renouncing the automatic exercise of the rights granted by the Italian Certificates and therefore the right to receive the Redemption Amount payable with respect to the Italian Certificates following the automatic exercise of such Italian Certificates, in accordance with the Terms and Conditions. Furthermore, the undersigned acknowledges that any rights arising from the Italian Certificates will terminate upon delivery of the Renouncement Notice, that it will not be entitled to receive any Redemption Amount payable by the Issuer with respect to the Italian Certificates and that the Issuer shall have no further liability with respect to the Italian Certificates as specified below, in accordance with the Terms and Conditions.

Series No. of Italian Certificates:

Number of Italian Certificates the subject of this notice:

The undersigned understands that if this Renouncement Notice is not duly completed and delivered prior to the Renouncement Notice Cut-Off Time on the Data di Scadenza or is determined to be incomplete or not in proper form (in the determination of the Issuer), it will be treated as null and void.

If this Renouncement Notice is subsequently corrected to the satisfaction of the Issuer, it will be deemed to be a new Renouncement Notice submitted at the time such correction was delivered to the Issuer.

The undersigned confirms that it has requested Monte Titoli to block its account in respect of the Italian Certificates at the time of sending this Renoucement Notice.

Place and date:

Signature:

CMS Cameron McKenna LLP
Mitre House
160 Aldersgate Street
London
EC1A 4DD
United Kingdom