



**Trust Preferred Securities
(hybrid instruments - Additional Tier 1 capital at both UBS Group AG and UBS
AG consolidated level)**

Issuer	UBS Preferred Funding Trust IV
ISIN	US90263W2017
Issue Date	23.05.2003
Currency	USD
Nominal (million)	300.0
Coupon rate	1-month USD LIBOR + 0.70%
Maturity Date	Perpetual
First Call Date	15.06.2008

Description of Trust Preferred Securities

The following summary of certain terms and provisions of the trust preferred securities supplements the description of the terms and provisions of the trust preferred securities set forth in the attached prospectus under the heading “Description of Trust Preferred Securities.” This summary of certain terms and provisions of the trust preferred securities, which describes their material provisions, is not complete and is subject to, and qualified in its entirety by reference to, the Amended and Restated Trust Agreement, the Delaware Statutory Trust Act and the Trust Indenture Act. We have filed a copy of a form of Amended and Restated Trust Agreement as an exhibit to the registration statement of which the attached prospectus forms a part.

General

The trust preferred securities are certificates of beneficial interest in the assets of UBS Preferred Funding Trust, the terms of which are set forth in the Amended and Restated Trust Agreement.

The trust preferred securities will be issued in denominations of USD25 liquidation amount and whole-number multiples of USD25. The aggregate liquidation amount of the trust preferred securities offered by this prospectus supplement is USD300,000,000. Each trust preferred security represents a corresponding amount of the company preferred securities, together with related rights under the UBS AG subordinated guarantee.

We have applied to list the trust preferred securities on the New York Stock Exchange.

Distributions

Each trust preferred security represents a corresponding amount of the company preferred securities, together with the related rights under the UBS AG subordinated guarantee. UBS Preferred Funding Trust will make monthly distributions or other mandatory distributions on the trust preferred securities concurrently with, and in the same amount as, the monthly dividends or special dividends on the company preferred securities. See “Description of Company Preferred Securities—Dividends.” Accordingly, to the extent that dividends are paid on the company preferred securities, distributions on the trust preferred securities will accrue from the date of original issue and be paid on the liquidation amount of the trust preferred securities monthly in arrears on the dividend payment dates regularly scheduled to occur on the first business day on or after the 15th of each month commencing in June 2003 at a floating rate per annum equal to .70% above one-month LIBOR (calculated on the basis of the actual number of days elapsed in a 360-day year).

For details on the calculation and payment of dividends, see “Description of Company Preferred Securities—Dividends.” Whenever, and to the extent, UBS Preferred Funding Trust receives any cash payments representing a monthly dividend, special dividend or redemption payment on the company preferred securities, UBS Preferred Funding Trust will distribute such amounts to the holders of trust preferred securities in proportion to their liquidation amounts. Each monthly or special distribution on the trust preferred securities will be payable to holders of record as they appear on the securities register of UBS Preferred Funding Trust on the corresponding record date. The record dates for the trust preferred securities will be the first day of the month in which the relevant monthly or other distribution date occurs, whether or not a business day.

If any distribution would be payable on a day that is not a business day, that distribution will instead be made on the next business day. No interest or other payment will be due as a result of any such delay.

Description of Trust Preferred Securities

If dividends are not payable on company preferred securities on any dividend payment date for the reasons described in “Description of Company Preferred Securities—Dividends,” then the holders of trust preferred securities will not be entitled to receive a distribution on that date.

Nature of the Trading Market

The company preferred securities are not listed on any national exchange or traded in any established market. We have applied to list the trust preferred securities on the New York Stock Exchange under the symbol UBSPrD. If approved, trading of the trust preferred securities on the New York Stock Exchange is expected to commence within a 30-day period after their initial delivery.

Description of Company Preferred Securities

The following summary of certain terms and provisions of the company preferred securities supplements the description of the terms and provisions of the company preferred securities set forth in the attached prospectus under the heading “Description of Company Preferred Securities.” This summary of certain terms and provisions of the company preferred securities, which describes their material provisions, is not complete and is subject to, and qualified in its entirety by reference to, the Amended and Restated LLC Agreement of UBS Preferred Funding Company and the Delaware Limited Liability Company Act. We have filed a copy of a form of the LLC Agreement for UBS Preferred Funding Company as an exhibit to the registration statement of which the attached prospectus forms a part.

General

The company preferred securities are preferred limited liability company interests in UBS Preferred Funding Company, the terms of which are set forth in UBS Preferred Funding Company’s LLC Agreement.

The company preferred securities are intended to provide holders with rights to distributions and redemption and liquidation payments that are similar to those to which holders would be entitled if they had purchased the most senior ranking noncumulative perpetual preferred shares that could be issued directly by UBS AG with financial terms equivalent to those of the company preferred securities.

The company preferred securities will be issued in certificated form only in denominations of USD25 liquidation preference and whole-number multiples of USD25. The aggregate liquidation preference of the company preferred securities offered pursuant to this prospectus supplement is USD300,000,000.

Dividends

Dividends on the company preferred securities will be payable from the date of initial issuance on a noncumulative basis, monthly in arrears on the first business day on or after the 15th of each month (each a “dividend payment date”) for the dividend period then ending, commencing in June 2003 but only if UBS Preferred Funding Company has legally available funds for such purpose and satisfies the other qualifications described under “Description of Company Preferred Securities—Dividends” in the attached prospectus. Each period from and including a dividend payment date or the date of initial issuance, as applicable, to but not including the next dividend payment date is a “dividend period.”

Dividends will be payable on the liquidation preference, for each dividend period, at a floating rate per annum equal to .70% above one-month LIBOR (calculated on the basis of the actual number of days elapsed in a 360-day year).

LIBOR, with respect to a determination date (as defined below), means the rate (expressed as a percentage per annum) for deposits in U.S. dollars for a one-month period commencing on the second London banking day (as defined below) immediately following that determination date that appears on Telerate Page 3750 (as defined below) as of 11:00 a.m. (London time) on that determination date. If such rate does not appear on Telerate Page 3750, LIBOR will be determined on the basis of the rates which deposits in U.S. dollars for a one-month period commencing on the second London banking day immediately following that determination date and in a principal amount of not less than USD1,000,000 are offered to prime banks in the London interbank market by four major banks in the London interbank market selected by the calculation agent (as defined below), after consultation with UBS Preferred Funding Company, at approximately 11:00 a.m., London time, on that determination date.

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The calculation agent will request the principal London office of each of such banks to provide a quotation of its rate. If at least two such quotations are provided, LIBOR with respect to that determination date will be the arithmetic mean of such quotations. If fewer than two quotations are provided, LIBOR with respect to that determination date will be the arithmetic mean of the rates quoted by three major banks in New York City selected by the calculation agent, after consultation with UBS Preferred Funding Company, at approximately 11:00 a.m., New York City time, on the second London banking day immediately following that determination date for loans in U.S. dollars to leading European banks for a one-month period commencing on the second London banking day immediately following that determination date and in a principal amount of not less than USD1,000,000. However, if the banks selected by the calculation agent to provide quotations are not quoting as described in this paragraph, LIBOR for the applicable period will be the same as LIBOR as determined on the previous determination date.

As used in this prospectus supplement:

“business day” means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in USD in New York and London.

“calculation agent” means the London branch of UBS AG.

“determination date” for a dividend period or interest period (as applicable) means two London banking days preceding the first day of that dividend period or interest period (as applicable).

“London banking day” means any day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in London.

“Telerate Page 3750” means the display page so designated on the Moneyline/Telerate Service (or such other page as may replace that page on that service, or such other service as may be nominated as the information vendor, for the purpose of displaying rates or prices comparable to London interbank offered rates for U.S. dollar deposits).

All percentages resulting from any calculations on the company preferred securities will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with five one-millionths of a percentage point rounded upward (e.g., 9.876545% (or .09876545) being rounded to 9.87655% (or .0987655)), and all dollar amounts used in or resulting from such calculation will be rounded to the nearest cent (with one-half cent being rounded upward).

The calculation agent will notify the trustee and the New York Stock Exchange of the LIBOR rate, the amount of dividends payable and the dividend payment date relating to the relevant dividend period as soon as possible after their determination but in no event later than the fourth business day after their determination.

The calculation agent will be entitled to amend the LIBOR rate, the amount of dividends payable and the dividend payment date relating to the relevant dividend period or other information (or to make appropriate alternative arrangements by way of adjustment) without notice in the event of an extension or shortening of the relevant dividend period.

Capital Limitation

The prohibition on the payment of dividends on the company preferred securities as described below is called the “capital limitation.”

Unless the Swiss Federal Banking Commission expressly permits otherwise, UBS Preferred Funding Company will not pay dividends on the company preferred securities on any dividend payment date

Description of Company Preferred Securities

(whether or not it is a mandatory dividend payment date) if on such date UBS AG is not in compliance, or because of a distribution by UBS AG or any of its subsidiaries of profits of UBS AG (including a payment of dividends on the company preferred securities) would not be in compliance, with the Swiss Federal Banking Commission's minimum capital adequacy requirements applicable to UBS AG as then in effect.

For purposes of complying with the Swiss Federal Banking Commission's capital minimum adequacy requirements, bank capital is divided into three main categories:

- ▶ Core (or Tier 1) capital,
- ▶ Supplementary (or Tier 2) capital, and
- ▶ Additional (or Tier 3) capital.

Tier 1 capital primarily includes paid-in share capital, reserves (defined to include retained earnings) and capital participations of minority shareholders in fully consolidated subsidiaries, and is reduced by, among other items, the bank's holdings of its own shares. Tier 1 capital is supplemented, for capital adequacy purposes, by Tier 2 capital, which consists of, among other things, two categories of subordinated debt instruments that may be issued by a bank, and by Tier 3 capital, which consists of certain subordinated debt obligations. The use of Tier 2 and Tier 3 capital in complying with capital ratio requirements is, however, subject to limitations.

Under Swiss law, a bank must maintain a minimum capital ratio of 8%, calculated by dividing adjusted core and supplementary capital by aggregate risk-weighted assets. This standard must be met on both a consolidated and an unconsolidated basis. UBS is required to file a statement of its required and existing capital resources, together with its annual statement of condition and interim balance sheet, with both the Swiss Federal Banking Commission and the Swiss National Bank.

For a discussion of UBS's capital resources relative to applicable guidelines, see Item 5 of UBS AG's Annual Report on Form 20-F for the year ended December 31, 2002, which is incorporated by reference into the attached prospectus.

Redemption

The company preferred securities may not be redeemed before the dividend payment date scheduled to occur in June 2008 unless a Tax Event, an Investment Company Act Event or a Capital Event occurs, in which case UBS Preferred Funding Company may redeem the company preferred securities in whole (but not in part) at any time on not less than 30 nor more than 60 days' notice. On or after the dividend payment date regularly scheduled to occur in June 2008, UBS Preferred Funding Company may redeem the company preferred securities on any dividend payment date for cash, in whole or in part, on not less than 30 nor more than 60 days' notice.

UBS Preferred Funding Company will also have the right to redeem the company preferred securities in whole (but not in part) at any time prior to the dividend payment date regularly scheduled to occur in June 2008, upon the occurrence of a Tax Event, an Investment Company Act Event or a Capital Event.

The redemption price for such redemptions will be:

- ▶ 100% of the liquidation preference of the company preferred securities being redeemed, *plus*
- ▶ an amount equal to unpaid dividends, if any, on the company preferred securities with respect to the current dividend period (whether or not declared) accrued on a daily basis to the date fixed for redemption, *plus*

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- ▶ an amount equal to unpaid definitive dividends for any prior dividend period, without interest and without accumulation of unpaid nondefinitive dividends for any prior dividend period.

Any redemption of the company preferred securities must comply with applicable regulatory requirements, including the prior approval of the Swiss Federal Banking Commission if then required under applicable guidelines or policies of the Swiss Federal Banking Commission. The Swiss Federal Banking Commission in its discretion may impose conditions on its approval of any proposed redemption of the company preferred securities. If dividends on any company preferred securities are unpaid, no company preferred securities may be redeemed unless all outstanding company preferred securities are redeemed, and UBS Preferred Funding Company may not purchase or otherwise acquire any company preferred securities, except pursuant to a purchase or exchange offer made on the same terms to the holders of all outstanding company preferred securities.

The company preferred securities will not be subject to any sinking fund or mandatory redemption and will not be convertible into any other securities of UBS Preferred Funding Company or any securities of UBS AG.

As long as any company preferred securities are outstanding, other company parity preferred securities may not be redeemed or repurchased unless UBS Preferred Funding Company concurrently redeems an approximately equal proportion of the aggregate liquidation preference of the outstanding company preferred securities or each rating agency then rating the company preferred securities informs UBS Preferred Funding Company in writing that the redemption or repurchase of such company parity preferred securities would not result in a reduction or withdrawal of the rating then assigned by that rating agency to the company preferred securities.

If fewer than all outstanding company preferred securities are to be redeemed, the amount of the company preferred securities to be redeemed will be determined by the board of directors of UBS Preferred Funding Company, and the securities to be redeemed will be determined by lot or *pro rata* as the board of directors in its sole discretion determines to be equitable. UBS Preferred Funding Company will promptly notify the registrar and transfer agent for the company preferred securities in writing of the securities selected for redemption and, in the case of any partial redemption, the liquidation preference to be redeemed.

Any company preferred securities redeemed will be canceled. There will be no prescription period in respect of uncollected dividends on the company preferred securities.

As used in this prospectus supplement:

“*Administrative action*” means any judicial decision, official administrative pronouncement, published or private ruling, regulatory procedure, notice or announcement (including any notice or announcement of intent to adopt such procedures or regulations) by any legislative body, court, governmental authority or regulatory body having appropriate jurisdiction.

“*Capital Event*” means the determination by UBS AG after consultation with the Swiss Federal Banking Commission that the company preferred securities cannot be included in calculating the Tier 1 capital of UBS AG on a consolidated basis.

“*Investment Company Act Event*” means the receipt by UBS AG of an opinion of a nationally recognized law firm in the United States experienced in such matters to the effect that there is more than an insubstantial risk that UBS Preferred Funding Company or UBS Preferred Funding Trust is an “investment company” within the meaning of the Investment Company Act of 1940.

“*Tax Event*” means the receipt by UBS AG of an opinion of a nationally recognized law firm or other tax advisor (which may be an accounting firm) in Switzerland or the United States, as appropriate, experienced in such matters to the effect that there is more than an insubstantial risk

Description of Company Preferred Securities

that (A) UBS Preferred Funding Company or UBS Preferred Funding Trust is or will be subject to more than a *de minimis* amount of additional taxes, duties or other governmental charges, (B) UBS AG is or will be required to pay any additional amounts in respect of any taxes, duties or other governmental charges with respect to payments of interest or principal on the subordinated notes and with respect to any payments on the trust preferred securities, (C) UBS Preferred Funding Company is or will be required to pay any additional amounts in respect of any taxes, duties or other governmental charges with respect to payments of dividends on the company preferred securities or UBS Preferred Funding Trust is or will be required to pay any additional amounts in respect of any taxes, duties or other governmental charges with respect to distributions on the trust preferred securities, or (D) the treatment of any of UBS Preferred Funding Company's items of income, gain, loss, deduction or expense, or the treatment of any item of income, gain, loss, deduction or expense of UBS AG related to the subordinated notes or its ownership of UBS Preferred Funding Company, in each case as reflected on the tax returns (including estimated returns) filed (or to be filed) by UBS Preferred Funding Company or UBS AG, will not be respected by a taxing authority, as a result of which UBS Preferred Funding Company or UBS AG is or will be subject to more than a *de minimis* amount of additional taxes, duties or other governmental charges or civil liabilities, the effect of which cannot be avoided by UBS Preferred Funding Company or UBS AG taking reasonable measures available to it without any adverse effect on or material cost to UBS AG or UBS Preferred Funding Company (as determined by UBS AG in its sole discretion).

Description of Subordinated Notes of UBS AG

The following summary of certain terms and provisions of the subordinated notes supplements the description of the terms and provisions of the subordinated notes set forth in the attached prospectus under the heading “Description of Subordinated Notes of UBS AG.” This summary of certain terms and provisions of the subordinated notes, which describes their material provisions, is not complete and is subject to, and qualified in its entirety by reference to, the terms and provisions of the subordinated note. We have filed a copy of a form of form of subordinated note as an exhibit to the registration statement of which the attached prospectus forms a part.

General

UBS Preferred Funding Company will apply the proceeds of the company preferred securities and company common securities to purchase from the Cayman Islands branch of UBS AG a newly issued subordinated note of the Cayman Islands branch (the “subordinated note”). The subordinated note is an undated perpetual obligation of UBS AG, acting through the Cayman Islands branch, and will have an aggregate principal amount of USD300,000,000. Interest on the subordinated notes will be payable from the date of initial issuance, monthly in arrears on the first business day on or after the 15th of each month (each an “interest payment date” and the period from and including an interest payment date, or the date of initial issuance, as applicable, to but not including the next interest payment date, an “interest period”) for each interest period, commencing in June 2003, at a floating rate per annum equal to .70% above one-month LIBOR (calculated on the basis of the actual number of days elapsed in a 360-day year).

The calculation of LIBOR is described under “Description of Company Preferred Securities—Dividends.”



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Description of Trust Preferred Securities

Each UBS Preferred Funding Trust will issue its trust preferred securities under the terms of its Amended and Restated Trust Agreement. We will qualify the Amended and Restated Trust Agreements as indentures under the Trust Indenture Act. The terms of any trust preferred securities will include both those stated in the relevant Amended and Restated Trust Agreement and the Delaware Statutory Trust Act and those made part of the relevant Amended and Restated Trust Agreement by the Trust Indenture Act. The following summary of the material terms and provisions of the trust preferred securities is not complete and is subject to, and qualified in its entirety by reference to, the relevant Amended and Restated Trust Agreements, the Delaware Statutory Trust Act and the Trust Indenture Act. We have filed a copy of a form of Amended and Restated Trust Agreement as an exhibit to the registration statement of which this prospectus is a part.

General

Any trust preferred securities will be certificates of beneficial interest in the assets of the relevant UBS Preferred Funding Trust, the terms of which are set forth in the Amended and Restated Trust Agreement of such UBS Preferred Funding Trust.

Unless otherwise specified in the applicable prospectus supplement, any trust preferred securities will be issued in denominations of USD25 in the case of an offering of trust preferred securities to retail investors or USD1000 in the case of an offering of trust preferred securities to institutional investors, liquidation amount and whole-number multiples of USD25 or USD1000, as the case may be. The aggregate liquidation amount of the trust preferred securities to be offered will be specified in the applicable prospectus supplement. Each trust preferred security will represent a corresponding amount of related company preferred securities, together with related rights under a UBS AG subordinated guarantee.

The trustee of each UBS Preferred Funding Trust will hold the related company preferred securities and the related rights under the relevant UBS AG subordinated guarantee deposited in each such UBS Preferred Funding Trust for the benefit of the holders of the trust preferred securities. Each Amended and Restated Trust Agreement provides that, to the fullest extent permitted by law, without the need for any other action of any person, including the trustee or any other holder of trust preferred securities, each holder of trust preferred securities will be entitled to enforce, in the name of the relevant UBS Preferred Funding Trust, the rights of such UBS Preferred Funding Trust under the related company preferred securities and the related rights under the relevant UBS AG subordinated guarantee represented by the trust preferred securities held by such holder. Trust preferred securities may be exchanged for the related company preferred securities as described under “—Withdrawal of Company Preferred Securities.”

The funds of any UBS Preferred Funding Trust available for distribution to the holders of its trust preferred securities will be limited to payments received from the related UBS Preferred Funding Company as dividends, redemption payments and liquidation payments on the related company preferred securities and to payments received from UBS AG pursuant to the related UBS AG subordinated guarantee of those payments. See “Description of Company Preferred Securities.” Each UBS Preferred Funding Trust will distribute such payments, upon their receipt, to the holders of its trust preferred securities on a *pro rata* basis. If any UBS Preferred Funding Company does not pay any regularly scheduled dividend on its company preferred securities when it is required to and UBS AG does not perform its obligations under the related UBS AG subordinated guarantee, the related UBS Preferred Funding Trust will not have sufficient funds to make the related regularly scheduled distribution payment on its trust preferred securities.

Description of Trust Preferred Securities

The trust preferred securities may be listed on one or more securities exchanges (including the New York Stock Exchange and the Luxembourg Stock Exchange), as specified in the applicable prospectus supplement.

Distributions

Each trust preferred security will represent a corresponding amount of related company preferred securities, together with the related rights under the relevant UBS AG subordinated guarantee. Each UBS Preferred Funding Trust will make regularly scheduled distributions or other mandatory distributions on its trust preferred securities concurrently with, and in the same amount as, the regularly scheduled dividends or special dividends on the related company preferred securities. See “Description of Company Preferred Securities—Dividends.” Accordingly, to the extent that dividends are paid on the related company preferred securities, distributions on trust preferred securities will accrue from the date of original issue and be paid on the liquidation amount of the relevant trust preferred securities in arrears on the dividend payment dates regularly scheduled to occur on the dates and at the rate specified in the applicable prospectus supplement.

For details on the calculation and payment of dividends, see “Description of Company Preferred Securities—Dividends” and the applicable prospectus supplement. Whenever, and to the extent, any UBS Preferred Funding Trust receives any cash payments representing a regularly scheduled dividend, special dividend or redemption payment on the related company preferred securities, such UBS Preferred Funding Trust will distribute such amounts to the holders of its trust preferred securities in proportion to their liquidation amounts. Each regularly scheduled or special distribution on any trust preferred securities will be payable to holders of record as they appear on the securities register of the relevant UBS Preferred Funding Trust on the corresponding record date. The record dates for trust preferred securities will be the fifteenth day (whether or not a business day) prior to the relevant regularly scheduled or other distribution date.

If any distribution would be payable on a day that is not a business day, that distribution will instead be made on the next business day. No interest or other payment will be due as a result of any such delay.

If dividends are not payable on the related company preferred securities on any dividend payment date for the reasons described in “Description of Company Preferred Securities—Dividends,” then the holders of trust preferred securities will not be entitled to receive a distribution on that date.

Redemption

Trust preferred securities will be redeemable only upon redemption of the related company preferred securities.

If any UBS Preferred Funding Company redeems its company preferred securities in accordance with its LLC Agreement as described under “Description of Company Preferred Securities—Redemption,” then such UBS Preferred Funding Company must give the trustee of the related UBS Preferred Funding Trust at least 30 days’ prior notice before doing so. The trustee will mail the notice of redemption not less than 25 days prior to the date fixed for redemption of the related company preferred securities to the holders of its trust preferred securities as provided under “—Notices.”

On the date of redemption of any company preferred securities, so long as the relevant UBS Preferred Funding Company or UBS AG has deposited with Wilmington Trust Company, the paying agent, on behalf of the related UBS Preferred Funding Trust the aggregate amount payable upon redemption of all its company preferred securities held by such UBS Preferred Funding Trust to be redeemed, the paying agent on behalf of such UBS Preferred Funding Trust will irrevocably deposit with The

Description of Trust Preferred Securities

Depository Trust Company (“DTC”) funds sufficient to pay the redemption price and give DTC irrevocable instructions to pay the redemption price to the holders of the trust preferred securities to be redeemed. See “Book-Entry Issuance of Trust Preferred Securities.” Once the paying agent has received this deposit, all rights of the holders of the trust preferred securities called for redemption will end, except their right to receive the redemption price, without interest. If any date fixed for redemption of any trust preferred securities is not a business day, then the redemption price will instead be paid on the next business day, except that if that business day falls in the next calendar year, the redemption price will be paid on the preceding business day. No interest or other payment will be due as a result of any such adjustment.

If only some of the outstanding trust preferred securities of a UBS Preferred Funding Trust are to be redeemed, the trust preferred securities to be redeemed will be selected in accordance with DTC’s procedures. See “Book-Entry Issuance of Trust Preferred Securities—DTC’s Procedures for Notices, Voting and Payments.” If any trust preferred securities do not remain registered in the name of DTC or its nominee and only some of the outstanding trust preferred securities of a UBS Preferred Funding Trust are to be redeemed, the trust preferred securities will be redeemed proportionately or selected for redemption pursuant to the rules of any securities exchange on which such trust preferred securities are listed at that time. Each UBS Preferred Funding Company will promptly notify the registrar and transfer agent for its trust preferred securities, in writing, of the trust preferred securities selected for redemption. In addition, for so long as the rules of any securities exchange on which the relevant trust preferred securities are listed so require, notice will be given to such securities exchange of trust preferred securities selected for redemption and published as required by such securities exchange. If any trust preferred securities are listed on the Luxembourg Stock exchange, for as long as the rules of the Luxembourg Stock Exchange so require, notice will be given to the Luxembourg Stock Exchange of any such trust preferred securities selected for redemption and published in a daily newspaper of general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*).

Withdrawal of Company Preferred Securities

Any beneficial owner of trust preferred securities will be able to withdraw all, but not less than all, of the related company preferred securities represented by such trust preferred securities by providing a written notice to the trustee, with evidence of beneficial ownership in form satisfactory to the trustee and providing to the related UBS Preferred Funding Company such documents or information as such UBS Preferred Funding Company may request for tax reporting purposes. The holder’s notice will also be deemed to be such beneficial owner’s agreement to be subject to the terms of the relevant UBS Preferred Funding Company’s LLC Agreement applicable to the rights of the holders of its company preferred securities.

Within a reasonable period after such a request has been properly made, any trustee must instruct DTC to reduce the amount of trust preferred securities represented by the relevant global certificate by the corresponding amount of related company preferred securities to be so withdrawn by the withdrawing owner. The related UBS Preferred Funding Company will issue to the withdrawing owner a certificate representing the amount of related company preferred securities withdrawn, and the trustee will reduce the amount of trust preferred securities represented by the relevant global certificate accordingly. Company preferred securities will be issued only in certificated fully-registered form and will not be eligible to be held through DTC, Euroclear or Clearstream. Under current U.S. tax reporting rules, holders of company preferred securities will thereafter receive an annual Form K-1 instead of the Form 1099 that holders of trust preferred securities will receive. See “U.S. Tax Considerations—Information Reporting and Backup Withholding Tax.”

Any holder of company preferred securities may redeposit withdrawn company preferred securities by delivering to the relevant trustee the certificates for the company preferred securities to be deposited,

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which are (i) if required by the trustee, properly endorsed or accompanied by a properly executed instrument of transfer or endorsement in form satisfactory to the trustee and in compliance with the terms of the relevant UBS Preferred Funding Company's LLC Agreement and (ii) accompanied by all such certifications as may be required by the trustee in its sole discretion and in accordance with the provisions of the relevant Amended and Restated Trust Agreement. Within a reasonable period after such deposit is properly made, the trustee will instruct DTC to increase the amount of the related trust preferred securities represented by the relevant global certificate accordingly.

Voting Rights

If at any time the holders of any company preferred securities are entitled to vote under any UBS Preferred Funding Company's LLC Agreement, the trustee will:

- notify the holders of the related trust preferred securities of such right,
- request specific direction from each holder of the related trust preferred securities as to the vote with respect to the company preferred securities represented by such trust preferred securities, and
- vote the relevant company preferred securities only in accordance with such specific direction.

Upon receiving notice of any meeting at which the holders of any company preferred securities are entitled to vote, the relevant trustee will, as soon as practicable, mail to the holders of the related trust preferred securities a notice as provided under "—Notices." Each UBS Preferred Funding Company will provide the form of notice to the trustee of the related UBS Preferred Funding Trust to be forwarded to the holders of the related trust preferred securities. The notice will contain:

- all the information that is contained in the notice announcing the meeting of the holders of the company preferred securities,
- a statement that the holders of the related trust preferred securities will be entitled, subject to any applicable provision of law, to direct the trustee specifically as to the exercise of the voting rights pertaining to the number of related company preferred securities represented by their respective trust preferred securities, and
- a brief description of the manner in which the holders may give such specific directions.

If any UBS Preferred Funding Trust receives a written direction from a holder of its trust preferred securities, its trustee will vote, or cause to be voted, the amount of related company preferred securities represented by such trust preferred securities in accordance with the instructions set forth in the direction. If the trustee does not receive specific instructions from the holder of any trust preferred securities, the trustee will abstain from voting the related company preferred securities represented by those trust preferred securities.

Any UBS Preferred Funding Company and the trustee of the related UBS Preferred Funding Trust may, without the consent of the holders of the trust preferred securities of the related UBS Preferred Funding Trust, enter into one or more agreements supplemental to the relevant Amended and Restated Trust Agreement, in form satisfactory to the trustee, for any of the following purposes:

- to evidence the succession of another partnership, corporation or other entity to such UBS Preferred Funding Company and the assumption by any such successor of the covenants of such UBS Preferred Funding Company under the relevant Amended and Restated Trust Agreement,
- to add to the covenants of such UBS Preferred Funding Company for the benefit of the holders of related trust preferred securities, or to surrender any right or power herein conferred upon such UBS Preferred Funding Company,

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- to correct or supplement any provision of the relevant Amended and Restated Trust Agreement which may be defective or inconsistent with any other provision therein,
- to make any other provisions with respect to matters or questions arising under the relevant Amended and Restated Trust Agreement, provided that any such action does not materially adversely affect the interests of the holders of trust preferred securities, or
- to cure any ambiguity or correct any mistake.

Any other amendment or agreement supplemental to any Amended and Restated Trust Agreement must be in writing and approved by the holders of 66²/₃% of the then outstanding trust preferred securities of the relevant UBS Preferred Funding Trust.

Transfer and Issue of Definitive Trust Preferred Securities

Transfer, Issue and Delivery

If trust preferred securities are issued in definitive form (“definitive trust preferred securities”) in the limited circumstances described in “Book-Entry Issuance of Trust Preferred Securities—Termination of and Changes to Depositary Arrangements,” those trust preferred securities may be transferred in any whole-number multiples of USD25, or USD1000, as the case may be, or in such other denominations as may be specified in the applicable prospectus supplement, by surrendering the definitive trust preferred securities certificates together with the form of transfer endorsed on it, duly completed and executed at the office of the transfer agent. The initial transfer agent for all trust preferred securities will be the Wilmington Trust Company. If only part of a definitive trust preferred securities certificate is transferred, a new definitive trust preferred securities certificate representing the securities that are not transferred will be issued to the transferor within three business days after the transfer agent receives the certificate. The new certificate representing the trust preferred securities that were not transferred will be delivered to the transferor by uninsured mail at the risk of the transferor, to the address of the transferor that appears in the records of the relevant UBS Preferred Funding Trust. The new certificate representing the trust preferred securities that were transferred will be sent to the transferee within three business days after the relevant trustee receives the certificate transferred, by uninsured mail at the risk of the holder entitled to the trust preferred securities represented by the certificate, to the address specified in the form of transfer.

Formalities Free of Charge

Registration of transfers of definitive trust preferred securities will be made without charge by any UBS Preferred Funding Trust, but the transferor must pay any tax or other governmental charges that may be imposed in relation to the transfer, together with any indemnity that the relevant UBS Preferred Funding Trust, UBS AG or the transfer agent may require.

Closed Periods

No holder may require the transfer of any trust preferred securities to be registered during the period of 15 days ending on the due date for any payment of principal on such trust preferred securities.

No UBS Preferred Funding Trust will be required to register, or cause others to register, the transfer of any trust preferred securities after such trust preferred securities have been called for redemption.

Regulations Concerning Transfer and Registration

All transfers of definitive trust preferred securities and entries must be made as provided in the agency agreement relating to such trust preferred securities. The provisions of these agreements that govern transfers may be changed by each UBS Preferred Funding Trust with the prior written approval of its trustee.

Description of Trust Preferred Securities

Registrar and Transfer Agent

Wilmington Trust Company will act as registrar and transfer agent for all trust preferred securities. As long as the trust preferred securities are listed on the Luxembourg Stock Exchange, UBS Preferred Funding Trust will also maintain a transfer agent in Luxembourg. The initial Luxembourg transfer agent will be as specified in the applicable prospectus supplement.

Payments and Paying Agent

As long as trust preferred securities are in book-entry form, payments of interest and principal on such trust preferred securities will be made to DTC, which will credit the relevant accounts at DTC on the scheduled payment dates. The payments of interest and principal will be distributed to participants, indirect participants and beneficial owners of such trust preferred securities as described under “Book-Entry Issuance of Trust Preferred Securities—DTC’s Procedures for Notices, Voting and Payments.”

If definitive trust preferred securities are issued in the limited circumstances described above, payments of interest and principal on such trust preferred securities will be made by check mailed to the address of the holder entitled to receive the payment, as the address appears in the relevant UBS Preferred Funding Trust’s register.

Each UBS Preferred Funding Trust will maintain a paying agent with respect to its trust preferred securities which will initially be the Wilmington Trust Company. The paying agent will be permitted to resign as paying agent upon 30 days’ written notice to the relevant trustee. If Wilmington Trust Company resigns as paying agent, the relevant trustee will appoint another bank or trust company to act as paying agent. As long as the trust preferred securities are listed on the Luxembourg Stock Exchange, UBS Preferred Funding Trust will also maintain a paying agent in Luxembourg. The initial Luxembourg paying agent will be as specified in the applicable prospectus supplement.

Termination of the Amended and Restated Trust Agreements

The Amended and Restated Trust Agreement of each UBS Preferred Funding Trust will terminate upon the earliest to occur of the redemption of all of the trust preferred securities of such UBS Preferred Funding Trust, the delivery of a final distribution of the related company preferred securities to the holders of its trust preferred securities, withdrawal of all related company preferred securities from the UBS Preferred Funding Trust (as described under “—Withdrawal of Company Preferred Securities”) or dissolution of the UBS Preferred Funding Trust as described in the following paragraph.

Each UBS Preferred Funding Company may instruct the trustee of the related UBS Preferred Funding Trust to dissolve such UBS Preferred Funding Trust and to distribute its company preferred securities on a *pro rata* basis to the holders of trust preferred securities of such UBS Preferred Funding Trust in the case of either a Tax Event as to the related UBS Preferred Funding Trust or an Investment Company Act Event as to the related UBS Preferred Funding Trust, as each is defined under “Description of Company Preferred Securities—Redemption.”

Any company preferred securities held in definitive fully registered form will not be eligible to be held through DTC, Euroclear or Clearstream.

Expenses of the UBS Preferred Funding Trusts

All charges or expenses of each UBS Preferred Funding Trust, including the charges and expenses of the relevant trustees, will be paid by the Stamford branch of UBS AG, except that, if a trustee incurs fees, charges or expenses, for which it is not otherwise liable under the relevant Amended and Restated Trust Agreement, at the request of a holder of trust preferred securities or other person, such holder or other person will be liable for such fees, charges and expenses.

Description of Trust Preferred Securities

Resignation and Removal of Trustee

Each UBS Preferred Funding Trust will at all times have a trustee that is a bank that has its principal place of business in the State of Delaware and a combined capital and surplus of USD50,000,000. If a trustee ceases to be eligible, it must resign.

The trustee of any UBS Preferred Funding Company may resign as trustee under the relevant Amended and Restated Trust Agreement at any time by giving notice of its resignation to the related UBS Preferred Funding Company. Each trustee may be removed by the related UBS Preferred Funding Company at any time by notice of such removal delivered to the relevant trustee. Any resignation or removal of a trustee will take effect upon the appointment of a qualified successor trustee and the successor's acceptance of such appointment.

If the trustee of any UBS Preferred Funding Trust shall resign or be removed, the related UBS Preferred Funding Company shall, within 45 days after the delivery of the notice of resignation or removal, as the case may be, appoint a successor trustee, which shall be a bank or trust company, or an affiliate of a bank or trust company, having its principal office in the State of Delaware and having a combined capital and surplus of at least USD50,000,000.

Information Concerning the Trustee

Wilmington Trust Company is the trustee of each UBS Preferred Funding Trust. The trustee is required to perform only those duties that are specifically set forth in the relevant Amended and Restated Trust Agreement, except when a default has occurred and is continuing with respect to the relevant trust preferred securities. After a default, the trustee must exercise the same degree of care a prudent person would exercise under the circumstances in the conduct of his or her own affairs. Subject to these requirements, the trustee is under no obligation to exercise any of the powers vested in it by the relevant Amended and Restated Trust Agreement at the request of any holder of relevant trust preferred securities, unless the holder offers the trustee reasonable indemnity against the costs, expenses and liabilities that might be incurred by exercising those powers.

Notices

Notices to the holders of trust preferred securities will be given by delivery of the relevant notice to DTC, Euroclear, Clearstream and any other relevant securities clearing system for communication by each of them to entitled participants, and, as long as the trust preferred securities of any UBS Preferred Funding Trust are listed on one or more stock exchanges and the rules of such stock exchange(s) so require, notices will also be published in the manner that the rules of such stock exchange(s) may require. In addition, notices will be published in one English language daily newspaper of general circulation in London (which is expected to be the *Financial Times*) and, if any trust preferred securities are listed on the Luxembourg Stock Exchange and for as long as the rules of the Luxembourg Stock Exchange so require, in a daily newspaper of general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*).

If any trust preferred securities are no longer held in the name of DTC or its nominee, notice to the holders of such trust preferred securities will also be mailed by first-class mail, postage prepaid, to the holders' addresses appearing in the records of the relevant UBS Preferred Funding Trust.

Governing Law

Unless stated otherwise in the applicable prospectus supplement, the Amended and Restated Trust Agreements and any trust preferred securities will be governed by the laws of the State of Delaware.

Description of Company Preferred Securities

Each UBS Preferred Funding Company will issue its company preferred securities under the terms of its Amended and Restated Limited Liability Company Agreement. The following summary of the material terms and provisions of the company preferred securities is not complete and is subject to and qualified in its entirety by reference to the LLC Agreement of each UBS Preferred Funding Company and the Delaware Limited Liability Company Act. We have filed a copy of a form of the LLC Agreement applicable for each UBS Preferred Funding Company as an exhibit to the registration statement of which this prospectus is a part.

General

The company preferred securities will be preferred limited liability company interests in a UBS Preferred Funding Company, the terms of which will be set forth in the applicable UBS Preferred Funding Company's LLC Agreement.

The company preferred securities are intended to provide holders with rights to distributions and redemption and liquidation payments that are similar to those to which holders would be entitled if they had purchased the most senior ranking noncumulative perpetual preferred shares issued directly by UBS AG that have financial terms equivalent to those of their company preferred securities.

The company preferred securities will be validly issued, and no additional payments will be required for such securities to represent limited liability company interests in the relevant UBS Preferred Funding Company. Holders of company preferred securities will have no preemptive rights with respect to any other securities of the relevant UBS Preferred Funding Company. The company preferred securities will not be convertible into company common securities or any other interests in the relevant UBS Preferred Funding Company and will not be subject to any sinking fund or other obligation of the relevant UBS Preferred Funding Company for their repurchase or retirement.

Unless otherwise specified in the applicable prospectus supplement, the company preferred securities will be issued in certificated form only in denominations of USD25 in the case of an offering of trust preferred securities to retail investors and USD1000 in the case of an offering of trust preferred securities to institutional investors, liquidation preference and whole-number multiples of USD25 or USD1000, as the case may be. The aggregate liquidation preference of all company preferred securities offered will be specified in the applicable pricing supplement.

Each UBS Preferred Funding Company has the power to create and issue additional preferred limited liability company interests (i) that are junior to its company preferred securities as to payment of dividends and payments of amounts upon dissolution, liquidation or winding up of such UBS Preferred Funding Company ("company junior securities") or (ii) that are on a parity with its company preferred securities as to those payments ("company parity preferred securities"). As long as any company preferred securities of a UBS Preferred Funding Company remain outstanding, no company parity preferred securities may be issued by such UBS Preferred Funding Company unless the holders of at least 66²/₃% of the outstanding company preferred securities and company parity preferred securities, if any (based on the aggregate liquidation preference), voting together as a single class, approve or unless the related UBS AG subordinated guarantee is amended so that such company parity preferred securities benefit from the related UBS AG subordinated guarantee in the same manner as the company preferred securities without any adverse effect on the holders of company preferred securities. See "—Voting Rights."

The LLC Agreement of each UBS Preferred Funding Company will preclude each UBS Preferred Funding Company from issuing, without the consent of each holder of its company preferred

Description of Company Preferred Securities

securities, any company parity preferred securities or any other classes or series of equity securities that are senior to its company preferred securities as to dividend rights or rights upon dissolution, liquidation or winding up of such UBS Preferred Funding Company.

Dividends

General

Dividends on company preferred securities will be payable from the date of initial issuance on a noncumulative basis, regularly on the dates specified in the applicable prospectus supplement (each a “dividend payment date”) for the dividend period ending on each such dividend payment date and commencing on the date specified in the applicable prospectus supplement, but only if the relevant UBS Preferred Funding Company has legally available funds for such purpose and satisfies the other qualifications described below. Each period from and including a dividend payment date or the date of initial issuance, as applicable, to but not including the next dividend payment date is a “dividend period.”

Dividends will be payable on the liquidation preference, for each dividend period, at a fixed or floating rate, as specified in the applicable prospectus supplement.

Dividends will be mandatorily due and payable on a dividend payment date with respect to the related dividend period and special dividends will be mandatorily due and payable on other dates in the circumstances described under “—Mandatory Dividends,” except that dividends will never be mandatorily due and payable or be paid when the capital limitation (described below under “—Capital Limitation”) applies. If dividends are neither mandatorily due and payable on a dividend payment date nor prohibited by application of the capital limitation, then:

- payment of dividends on company preferred securities will be limited by UBS AG’s available distributable profits (see “—Distributable Profits Limitation”), and
- if UBS AG delivers, on or before the tenth business day immediately preceding a dividend payment date, an instruction (a “no dividend instruction”) to a UBS Preferred Funding Company not to pay dividends on that dividend payment date or to pay less than full dividends on that dividend payment date, dividends payable on the related dividend payment date will be limited as provided in the no dividend instruction (see “—No Dividend Instruction”).

If any dividends will be payable on company preferred securities on a day that is not a business day, those dividends will instead be paid on the next business day. No interest or other payment will be due as a result of any such adjustment.

To the extent relevant to any issuance of trust preferred securities, LIBOR shall have the meaning as specified in the applicable prospectus supplement.

All percentages resulting from any calculations on the company preferred securities will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with five one-millionths of a percentage point rounded upward (e.g., 9.876545% (or .09876545) being rounded to 9.87655% (or .0987655)), and all dollar amounts used in or resulting from such calculation will be rounded to the nearest cent (with one-half cent being rounded upward).

Mandatory Dividends

Each UBS Preferred Funding Company will be required to pay dividends on its company preferred securities in three circumstances, as follows:

- (i) If UBS AG declares or pays dividends or makes any other payment or distribution on any UBS AG junior obligations, and provided that the capital limitation does not apply, then each UBS Preferred Funding Company will be required to pay full dividends on its company

Description of Company Preferred Securities

preferred securities during the one-year period beginning on and including the earlier of the date on which such dividend was declared or the date on which such dividend or other payment was made.

- (ii) If UBS AG or any of its subsidiaries redeems, repurchases or otherwise acquires any UBS AG parity securities or UBS AG junior obligations for any consideration, except by conversion into or exchange for shares of UBS AG or UBS AG junior obligations and except as described below (and provided that the capital limitation does not apply), then each UBS Preferred Funding Company will be required to pay dividends on its company preferred securities during the one-year period beginning on and including the date on which such redemption, repurchase or other acquisition occurred.
- (iii) If (x) UBS AG or any of its subsidiaries pays any dividends or makes any other payment or distribution on any UBS AG parity securities on any date and (y) during the relevant period (as defined below) ending on and including that date there occurred a dividend payment date as to which any UBS Preferred Funding Company paid no dividends or less than full dividends on its company preferred securities, and provided that the capital limitation does not apply, then on that date such UBS Preferred Funding Company will be required to pay a special dividend on its company preferred securities. The special dividend will be payable on that date whether or not that date is otherwise a dividend payment date and, if it is a dividend payment date, will be in addition to any other dividends required to be paid on that dividend payment date. The special dividend will be in an amount that, when taken together with dividends previously paid on the relevant company preferred securities during the relevant period, represents the same proportion of full dividends on such company preferred securities for all dividend payment dates during the relevant period that the dividend on UBS AG parity securities paid during that relevant period bears to full dividends on such UBS AG parity securities for that relevant period.

Notwithstanding paragraph (ii) above, no UBS Preferred Funding Company will be required to pay dividends solely as a result of:

- repurchases, redemptions or other acquisitions of UBS AG parity securities or UBS AG junior obligations in connection with any employment contract, benefit plan or other similar arrangement with or for the benefit of any one or more employees, officers, directors or consultants, in connection with a dividend reinvestment or shareholder share purchase plan or in connection with the issuance of UBS AG parity securities or UBS AG junior obligations (or securities convertible into or exercisable for such UBS AG parity securities or UBS AG junior obligations) as consideration in an acquisition transaction,
- market-making in the UBS AG parity securities or UBS AG junior obligations as part of the securities business of UBS AG or any of its subsidiaries,
- the purchase of fractional interests in UBS AG parity securities or UBS AG junior obligations pursuant to the conversion or exchange provisions of such UBS AG parity securities or UBS AG junior obligations or the security being converted or exchanged,
- any declaration of a dividend in connection with any shareholder's rights plan, or the issuance of rights, shares or other property under any shareholder's rights plan, or the redemption or repurchase of rights pursuant to any such plan, or
- any dividend in the form of shares, warrants, options or other rights where the dividend shares or the shares issuable upon exercise of such warrants, options or other rights are the same shares as that on which the dividend is being paid or ranks equally with or junior to such shares.

Description of Company Preferred Securities

Any dividend payment date or other date on which dividends on any company preferred securities are required to be paid as described in clause (i), (ii) or (iii) above is a “mandatory dividend payment date.” The amount of dividends required to be paid on any mandatory dividend payment date (after giving effect to the capital limitation, if applicable) is called the “mandatory dividend payment amount.” If a dividend payment date or other date is a mandatory dividend payment date, each UBS Preferred Funding Company will be required to pay the mandatory dividend payment amount as dividends on that date whether or not there are available distributable profits and whether or not interest is paid on the subordinated notes.

For purposes of this prospectus:

“*UBS AG junior obligations*” means (i) ordinary shares of UBS AG, (ii) each class of preferred or preference shares or similar securities of UBS AG that ranks junior to the most senior ranking preferred or preference shares or similar securities of UBS AG, and (iii) any indebtedness, guarantee or support agreement or similar undertaking of UBS AG in respect of any subsidiary securities that rank junior to the UBS AG subordinated guarantee.

“*UBS AG parity securities*” means (i) each class of preferred or preference shares or similar securities of UBS AG that ranks equally with the most senior ranking preferred or preference shares or similar securities of UBS AG and (ii) any securities issued by any subsidiaries of UBS AG and entitled to the benefit of any guarantee or support agreement or similar undertaking of UBS AG that ranks equally with the UBS AG subordinated guarantee. UBS AG parity securities include the USD1,500,000,000 8.622% Noncumulative Trust Preferred Securities of UBS Preferred Funding Trust I initially issued in October 2000 and representing a corresponding amount of 8.622% Noncumulative Company Preferred Securities of UBS Preferred Funding Company LLC I, guaranteed on a subordinated basis by UBS AG, the USD 500,000,000 7.247% Noncumulative Trust Preferred Securities of UBS Preferred Funding Trust II issued in June 2001 and representing a corresponding amount of 7.247% Noncumulative Company Preferred Securities of UBS Preferred Funding Company II, guaranteed on a subordinate basis by UBS AG, and the USD 300,000,000 7.25% Noncumulative Trust Preferred Securities of UBS Preferred Funding Trust III issued in June 2001 and representing a corresponding amount of 7.25% Noncumulative Company Preferred Securities of UBS Preferred Funding Company III, guaranteed on a subordinate basis by UBS AG.

“*relevant period*” means (i) in the case of UBS AG parity securities that pay dividends less frequently than semi-annually, one year and (ii) in the case of UBS AG parity securities that pay dividends semi-annually or more frequently than semi-annually, six months (in each case ending on or including the date on which the related dividend on a parity security is paid but not including the corresponding day in the month that is twelve or six months prior thereto).

Capital Limitation

The prohibition on the payment of dividends on company preferred securities as described below is called the “capital limitation.”

Unless the Swiss Federal Banking Commission expressly permits otherwise, no UBS Preferred Funding Company will pay dividends on its company preferred securities on any dividend payment date (whether or not it is a mandatory dividend payment date) if on such date UBS AG is not in compliance, or because of a distribution by UBS AG or any of its subsidiaries of profits of UBS AG (including a payment of dividends on company preferred securities) would not be in compliance, with the Swiss Federal Banking Commission’s minimum capital adequacy requirements applicable to UBS AG as then in effect.

Description of Company Preferred Securities

For purposes of complying with the Swiss Federal Banking Commission's capital minimum adequacy requirements, bank capital is divided into three main categories:

- Core (or Tier 1) capital,
- Supplementary (or Tier 2) capital, and
- Additional (or Tier 3) capital.

Tier 1 capital primarily includes paid-in share capital, reserves (defined to include retained earnings) and capital participations of minority shareholders in fully consolidated subsidiaries, and is reduced by, among other items, the bank's holdings of its own shares. Tier 1 capital is supplemented, for capital adequacy purposes, by Tier 2 capital, which consists of, among other things, two categories of subordinated debt instruments that may be issued by a bank, and by Tier 3 capital, which consists of certain subordinated debt obligations. The use of Tier 2 and Tier 3 capital in complying with capital ratio requirements is, however, subject to limitations.

Under Swiss law, a bank must maintain a minimum capital ratio of 8%, calculated by dividing adjusted core and supplementary capital by aggregate risk-weighted assets. This standard must be met on both a consolidated and an unconsolidated basis. UBS is required to file a statement of its required and existing capital resources, together with its annual statement of condition and interim balance sheet, with both the Swiss Federal Banking Commission and the Swiss National Bank.

For a discussion of UBS's capital resources relative to applicable guidelines, see Item 5 of UBS AG's Annual Report on Form 20-F for the year ended 31 December 2001, which is incorporated by reference into this prospectus.

Distributable Profits Limitation

The limitation or prohibition on the payment of dividends on company preferred securities as described below is called the "distributable profits limitation." The distributable profits limitation will not limit or prohibit payment of mandatory dividends on a mandatory dividend payment date. The effect of the distributable profits limitation is to limit the amount of non-mandatory dividends that any UBS Preferred Funding Company may pay on its company preferred securities to the amount of dividends that UBS AG would have been legally able to pay on such securities had they been issued directly by UBS AG as non-cumulative preference shares of UBS AG.

Except as otherwise stated in the applicable prospectus supplement, on or before the first dividend payment date of each year, UBS AG will deliver a certificate to each UBS Preferred Funding Company (a "distributable profits limitation certificate") specifying:

- the distributable profits (as defined below) of UBS AG for the financial year ending on the preceding 31 December, and
- the available distributable profits (as defined below) for payment of dividends on company preferred securities on the dividend payment dates in the then current year.

Unless a UBS Preferred Funding Company is required to pay mandatory dividends:

- the aggregate amount of dividends on company preferred securities that such UBS Preferred Funding Company may pay on the first dividend payment of the current year may not exceed the lesser of full dividends and the available distributable profits set forth in such distributable profits limitation certificate, and
- the aggregate amount of dividends on company preferred securities that such UBS Preferred Funding Company may pay on any subsequent dividend payment date in the current year may not exceed the lesser of full dividends and the remaining amount of such available distributable

Description of Company Preferred Securities

profits (after giving effect to the payment of dividends pursuant to this bullet point or the bullet point immediately above).

For purposes of this prospectus:

“*distributable profits*” means, for any financial year of UBS AG, profit that may be distributed in accordance with Swiss law then applicable. Currently, for any financial year of UBS AG, distributable profits are equal to profit brought forward, *plus* profit for the period, *minus* appropriation to general statutory reserve, *plus* other reserves, each as shown in the audited unconsolidated balance sheet and statement of appropriation of retained earnings of UBS AG and as determined in accordance with accounting standards applicable under Swiss law. The “appropriation to general statutory reserve” is equal to up to 5% of annual profit to the extent the general reserves of UBS AG do not equal 20% of the paid-in share capital *plus* 10% of the amount distributed as a dividend from profit for the period in excess of 5% of the par value of the UBS common shares. UBS AG’s distributable profits for 2001 were approximately CHF21 billion.

“*available distributable profits*” means, for any financial year of UBS AG:

- if there are no UBS AG parity securities outstanding, distributable profits for the immediately preceding financial year of UBS AG, and
- if there are UBS AG parity securities outstanding, then an amount determined as the product of:
 - (x) distributable profits for the immediately preceding financial year of UBS AG, and
 - (y) a ratio (I) the numerator of which is the aggregate amount of full dividends on the company preferred securities to be paid on the dividend payment dates that occur during the then current financial year (not including dividends paid on any preceding dividend payment date of the current year and including dividends to be paid on the corresponding dividend payment date of the following year) and (II) the denominator of which is equal to the amount determined pursuant to clause (I) *plus* the aggregate amount of full dividends on the UBS AG parity securities to be paid on dividend payment dates which occur during the then current financial year.

No Dividend Instruction

Except for the mandatory dividend payment amounts required to be paid on mandatory dividend payment dates:

- dividends on company preferred securities will not be payable on a dividend payment date if, on or before the tenth business day immediately preceding such dividend payment date, UBS AG delivers a no dividend instruction to the relevant UBS Preferred Funding Company instructing it not to pay dividends on that dividend payment date, and
- if, on or before the tenth business day immediately preceding such dividend payment date, UBS AG delivers a no dividend instruction to a UBS Preferred Funding Company limiting but not prohibiting the payment of dividends on such dividend payment date, dividends on such UBS Preferred Funding Company’s company preferred securities will be payable on that dividend payment date only to the extent permitted by such no dividend instruction.

If a no dividend instruction is given to a UBS Preferred Funding Company, then such UBS Preferred Funding Company must promptly give notice to the holders of its company preferred securities in the manner described under “—Notices” of the fact that it has received a no dividend instruction and the amount of dividends, if any, that will be paid on the related dividend payment date.

Description of Company Preferred Securities

Additional Amounts

If any UBS Preferred Funding Company or UBS Preferred Funding Trust is required to withhold any taxes, duties or other governmental charges with respect to any dividend payment on its trust preferred securities or company preferred securities, the relevant UBS Preferred Funding Company will be required to pay, as additional amounts included in the dividend payment (and UBS AG will be required to include in any related payment made by it under the UBS AG subordinated guarantee), an amount sufficient that the net amount received by the holder of such company preferred securities or trust preferred securities, as applicable, after the withholding, will not be less than the dividend payment amount. However, no UBS Preferred Funding Company will be required to pay any such additional amounts to the extent that the taxes, duties or other governmental charges are imposed or levied by Switzerland or the Cayman Islands because the holder or beneficial owner of any trust preferred securities or company preferred securities:

- has some connection with Switzerland or the Cayman Islands, as applicable, other than being a holder or beneficial owner of those trust preferred securities or company preferred securities, or
- has not made a declaration of non-residence in, or other lack of connection with, Switzerland or the Cayman Islands, as applicable, or any similar claim for exemption, if the relevant UBS Preferred Funding Company has given the beneficial owner of those trust preferred securities or company preferred securities or its nominee at least 60 days' prior notice of an opportunity to make the declaration or claim.

Ranking and Liquidation Preference

The company preferred securities of any UBS Preferred Funding Company ordinarily will rank senior to its company common securities as to the payment of dividends. However, UBS AG has the right to shift the dividend preference of company preferred securities to the company common securities on any dividend payment date to the extent that the mandatory dividend payment amount then required to be paid as dividends on the company preferred securities (if any) is less than full dividends on the company preferred securities. If UBS AG shifts the dividend preference to the company common securities, the interest payment received by a UBS Preferred Funding Company on the related subordinated notes will be returned as dividends to UBS AG, as the holder of its company common securities, before any dividends are paid on its company preferred securities.

As long as any company preferred securities of a UBS Preferred Funding Company are outstanding, UBS AG will agree in such UBS Preferred Funding Company's LLC Agreement that it will take no voluntary action to cause the UBS Preferred Funding Company to dissolve or liquidate unless UBS AG also liquidates. Each UBS Preferred Funding Company's LLC Agreement will provide that the UBS Preferred Funding Company will be liquidated if UBS AG is liquidated.

If any UBS Preferred Funding Company dissolves, liquidates or winds up, then after the claims of any creditors of such UBS Preferred Funding Company are satisfied, the holders of its company preferred securities will be entitled to receive, before any distribution of assets is made to the holders of its company common securities or any other class of shares ranking junior to the company preferred securities upon liquidation, liquidating distributions in respect of such company preferred securities in the amount of:

- the liquidation preference of the company preferred securities, *plus*
- an amount equal to unpaid dividends, if any, on the company preferred securities with respect to the current dividend period accrued on a daily basis to the date of liquidation, *plus*

Description of Company Preferred Securities

- an amount equal to unpaid definitive dividends for any prior dividend period, without interest and without accumulation of unpaid nondefinitive dividends for any prior dividend period.

For purposes of this prospectus:

“*definitive dividends*” means, as to a dividend payment date and related dividend period, dividends that are due and payable because (i) they are not limited by the capital limitation and (ii) either (x) they are mandatory dividends or (y) a no dividend instruction was not delivered and they are not limited by the distributable profit limitation.

“*nondefinitive dividends*” means, as to a dividend payment date and related dividend period, dividends that are not definitive dividends.

If UBS AG is liquidated, whether voluntarily or involuntarily, (i) each UBS Preferred Funding Company will be liquidated and (ii) under each UBS AG Subordinated Guarantee Agreement, the holders of related company preferred securities (whether through a UBS Preferred Funding Trust or as direct holders who have withdrawn their company preferred securities from a UBS Preferred Funding Trust) will have a claim entitling them to substantially the same liquidating distributions in the liquidation of UBS AG that they would have been entitled to if they had purchased preferred shares of UBS AG having an aggregate liquidation preference equal to the aggregate liquidation preference of their company preferred securities and bearing dividends at the rate of dividends applicable to such company preferred securities. Each UBS AG Subordinated Guarantee Agreement and the related UBS Preferred Funding Company’s LLC Agreement, taken together, provide that the holders of company preferred securities may not receive liquidating distributions in a liquidation of the relevant UBS Preferred Funding Company and payments under the UBS AG subordinated guarantee that, taken together, exceed the liquidating distributions to which they would have been entitled had they instead owned preferred shares of UBS AG with equivalent terms as described above.

Voting Rights

Except as expressly required by applicable law, or except as indicated below, the holders of company preferred securities will not be entitled to vote. Unless otherwise specified in the applicable prospectus supplement, if the holders of company preferred securities of any UBS Preferred Funding Company are entitled to vote as indicated below, each USD25 or USD1000, as the case may be, liquidation preference of company preferred securities will be entitled to one vote on matters on which the holders of such company preferred securities are entitled to vote. If at any time the aggregate of unpaid dividends for any UBS Preferred Funding Company equals or exceeds the number of regularly scheduled dividend payments, specified in the applicable prospectus supplement, the holders of company preferred securities and any company parity preferred securities of such UBS Preferred Funding Company, voting together as a single class, will have the exclusive right to elect two additional directors of their choosing. Holders of a majority (based on the aggregate liquidation preference) of company preferred securities and any company parity preferred securities of such UBS Preferred Funding Company may exercise this right by written consent or at a meeting of such holders called for such purpose. This right will continue either until all unpaid dividends have been paid in full or until full dividends have been paid on the relevant company preferred securities for four consecutive dividend periods. While this right continues, any vacancy in the office of the additional directors may be filled only by the holders of company preferred securities and company parity preferred securities voting as described above.

Each UBS Preferred Funding Company’s LLC Agreement will provide that a meeting will be called at the request of holders of 25% (based on the aggregate liquidation preference) of its company preferred securities and any company parity preferred securities.

Description of Company Preferred Securities

As long as any of its company preferred securities are outstanding, no UBS Preferred Funding Company may, without the consent or vote of holders of at least 66 $\frac{2}{3}$ % of its outstanding company preferred securities and company parity preferred securities, if any (based on the aggregate liquidation preference), voting together as a single class:

- change or remove any provision of such UBS Preferred Funding Company's LLC Agreement (including the terms of its company preferred securities), issue any company parity preferred securities, redeem or repurchase any company common securities, or consent to a change in the booking location of the issuance of the related subordinated notes to a branch or other office of UBS AG other than the Cayman Islands branch of UBS AG, in each case, if such action would materially and adversely affect the rights, preferences, powers or privileges of its company preferred securities and such company parity preferred securities,
- to the fullest extent permitted by law, liquidate, dissolve or terminate such UBS Preferred Funding Company without the concurrent liquidation of UBS AG,
- amend or modify such UBS Preferred Funding Company's investment policies, or
- merge, convert, consolidate, reorganize or effect any other business combination involving such UBS Preferred Funding Company, unless the resulting entity will have no class or series of equity securities either authorized or outstanding that ranks ahead of its company preferred securities as to dividends or as to the distribution of assets upon liquidation, dissolution or winding up, except the same number of shares of such equity securities with the same preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications or terms or conditions or redemption as the shares of equity securities of such UBS Preferred Funding Company that are authorized and outstanding immediately prior to such transaction, and each holder of its company preferred securities immediately prior to such transaction shall receive securities with the same preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications or terms or conditions or redemption of the resulting entity as the company preferred securities held by such holder immediately prior to the transaction.

As long as any of its company preferred securities are outstanding, no UBS Preferred Funding Company will be permitted, without the consent of the holders of each outstanding company preferred security, authorize, create or increase the authorized amount of, or issue any class or series of, any equity securities of such UBS Preferred Funding Company, or any warrants, options or other rights convertible or exchangeable into any class or series of any equity securities of such UBS Preferred Funding Company, ranking prior to its company preferred securities, either as to dividend rights or rights on dissolution, liquidation or winding up of such UBS Preferred Funding Company.

Notwithstanding any of the foregoing, without consent of any holder of company preferred securities, UBS AG will be permitted to amend or supplement the UBS AG Subordinated Guarantee Agreements to correct or supplement any provision in the UBS AG Subordinated Guarantee Agreements which may be defective or inconsistent with any other provision therein, or to make any other provisions with respect to matters or questions arising under the UBS AG Subordinated Guarantee Agreements, so long as any such action shall not materially adversely affect the interests of the holders of the related company preferred securities. See "Description of UBS AG Subordinated Guarantees—Amendments."

Notwithstanding the foregoing, without the consent of any holder of company preferred securities, UBS AG will be permitted to amend or supplement any UBS Preferred Funding Company's LLC Agreement:

- to correct or supplement any provision in a UBS Preferred Funding Company's LLC Agreement which may be defective or inconsistent with any other provision therein, or to make any other

Description of Company Preferred Securities

provisions with respect to matters or questions arising under a UBS Preferred Funding Company's LLC Agreement, so long as any such action shall not materially adversely affect the interests of the holders of company preferred securities of such UBS Preferred Funding Company, or

- to cure any ambiguity or correct any mistake.

Redemption

No company preferred securities will be redeemable before the date specified in the applicable prospectus supplement unless a Tax Event, an Investment Company Act Event or a Capital Event occurs, in which case each UBS Preferred Funding Company may redeem its company preferred securities in whole (but not in part) at any time on not less than 30 nor more than 60 days' notice. On or after the date specified in the applicable prospectus supplement, any UBS Preferred Funding Company will be permitted to redeem its company preferred securities for cash, in whole or in part, on not less than 30 nor more than 60 days' notice.

Unless otherwise stated in the applicable prospectus supplement, the redemption price for such optional redemptions on or after the date specified in the applicable prospectus supplement and for redemptions arising from a Tax Event, an Investment Company Act Event or a Capital Event will be:

- 100% of the liquidation preference of the company preferred securities being redeemed, *plus*
- an amount equal to unpaid dividends, if any, on the company preferred securities with respect to the current dividend period (whether or not declared) accrued on a daily basis to the date fixed for redemption, *plus*
- an amount equal to unpaid definitive dividends for any prior dividend period, without interest and without accumulation of unpaid nondefinitive dividends for any prior dividend period.

The applicable prospectus supplement may provide that the redemption price for a redemption arising out of a Tax Event resulting from a Change in Tax Law (as defined below) and relating to the:

- imposition of tax on UBS Preferred Funding Trust or UBS Funding Company, or
- the imposition of withholding tax on UBS Preferred Funding Company's payment of dividends on the company preferred securities, on UBS Preferred Funding Trust's payment of dividends on the trust preferred securities, on UBS AG's payment of interest on the subordinated notes or on UBS AG's payment under the subordinated guarantee

(which are the events described in clauses (A), (B) and (C) of the definition of "Tax Event") will be the redemption price described above and that the redemption price for all other redemptions arising out of a Tax Event resulting from a Change in Tax Law will be:

- the Make Whole Amount (as defined below), *plus*
- an amount equal to unpaid dividends, if any, on the company preferred securities with respect to the current dividend period (whether or not declared) accrued on a daily basis to the date fixed for redemption, *plus*
- an amount equal to unpaid definitive dividends for any prior dividend period, without interest and without accumulation of unpaid nondefinitive dividends for any prior dividend period.

To the extent provided for in the applicable prospectus supplement, UBS Preferred Funding Company will have until the dividend payment date specified in the applicable prospectus supplement after the occurrence of a Tax Event, an Investment Company Act Event or a Capital Event to exercise its rights to redeem the company preferred securities.

Description of Company Preferred Securities

Any redemption of company preferred securities will have to comply with applicable regulatory requirements, including the prior approval of the Swiss Federal Banking Commission if then required under applicable guidelines or policies of the Swiss Federal Banking Commission. The Swiss Federal Banking Commission in its discretion may impose conditions on its approval of any proposed redemption of company preferred securities. If dividends on any company preferred securities of a UBS Preferred Funding Company are unpaid, no company preferred securities of such UBS Preferred Funding Company may be redeemed unless all its outstanding company preferred securities are redeemed, and no UBS Preferred Funding Company may purchase or otherwise acquire any of its company preferred securities, except pursuant to a purchase or exchange offer made on the same terms to the holders of all of its outstanding company preferred securities.

Company preferred securities will not be subject to any sinking fund or mandatory redemption and will not be convertible into any other securities of the relevant UBS Preferred Funding Company or any securities of UBS AG.

“*Change in Tax Law*” means the receipt by UBS AG of an opinion of a nationally recognized law firm or other tax advisor (which may be an accounting firm) in Switzerland, the United States or the Cayman Islands, as appropriate, experienced in such matters to the effect that an event of the type described in clause (A), (B) or (C) of the definition of “Tax Event” has occurred or will occur as a result of (i) any amendment to, clarification of, or change (including any announced prospective change) in, the laws or treaties (or any regulations under any laws or treaties) of the United States, Switzerland or the Cayman Islands or any political subdivision or taxing authority of or in the United States, Switzerland or the Cayman Islands affecting taxation or (ii) any administrative action or any amendment to, clarification of, or change in the official position of or UBS AG interpretation of any administrative action or any interpretation or pronouncement that provides for a position with respect to any administrative action or any interpretation or pronouncement that provides for a position with respect to any administrative action that differs from the previously generally accepted position, in each case, by any legislative body, court, governmental authority or regulatory body, regardless of the manner in which such amendment, clarification, change, interpretation or pronouncement is made known, which amendment, clarification, change or administrative action is effective or which interpretation or pronouncement is announced on or after the date of issuance of the company preferred securities.

“*Make Whole Amount*” as applied to a redemption of the company preferred securities means the greater of (i) 100% of the liquidation preference of the company preferred securities and (ii) as determined by a quotation agent (as defined below), the sum of the present value of the liquidation preference of the company preferred securities together with the present values of scheduled payments of dividends accrued from the date of redemption to the dividend payment date specified in the applicable prospectus supplement (the “remaining life”), in each case discounted to the date of redemption on a semi-annual basis (assuming a 360-day consisting of twelve 30-day months) at the adjusted treasury rate.

For purposes of determining the Make Whole Amount:

“*adjusted treasury rate*” means, with respect to any redemption date, the treasury rate plus .75.

As long as any company preferred securities of a UBS Preferred Funding Company are outstanding, other company parity preferred securities of such UBS Preferred Funding Company may not be redeemed or repurchased unless such UBS Preferred Funding Company concurrently redeems an approximately equal proportion of the aggregate liquidation preference of its outstanding company preferred securities or each rating agency then rating its company preferred securities informs such UBS Preferred Funding Company in writing that the redemption or repurchase of such company parity

Description of Company Preferred Securities

preferred securities would not result in a reduction or withdrawal of the rating then assigned by that rating agency to its company preferred securities.

If fewer than all outstanding company preferred securities of a UBS Preferred Funding Company are to be redeemed, the amount of the company preferred securities of such UBS Preferred Funding Company to be redeemed will be determined by the board of directors of such UBS Preferred Funding Company, and the securities to be redeemed will be determined by lot or *pro rata* as the board of directors in its sole discretion determines to be equitable. The relevant UBS Preferred Funding Company will promptly notify the registrar and transfer agent for its company preferred securities in writing of the securities selected for redemption and, in the case of any partial redemption, the liquidation preference to be redeemed.

Any company preferred securities redeemed will be canceled. There will be no prescription period in respect of uncollected dividends on company preferred securities.

As used in this prospectus:

“*Administrative action*” means any judicial decision, official administrative pronouncement, published or private ruling, regulatory procedure, notice or announcement (including any notice or announcement of intent to adopt such procedures or regulations) by any legislative body, court, governmental authority or regulatory body having appropriate jurisdiction.

“*Capital Event*” means, with respect to any UBS Preferred Funding Company, the determination by UBS AG after consultation with the Swiss Federal Banking Commission that its company preferred securities cannot be included in calculating the Tier 1 capital of UBS AG on a consolidated basis.

“*Comparable Treasury Issue*” means with respect to any redemption date the United States Treasury security selected by the quotation agent as having a maturity comparable to the remaining life that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining life. If no United States Treasury security has a maturity that is within a period from three months before to three months after the interest payment date and dividend payment date specified in the applicable prospectus supplement, the two most closely corresponding United States Treasury securities will be used as the comparable treasury issue, and the treasury rate will be interpolated or extrapolated on a straight-line basis, rounding to the nearest month using such securities.

“*Comparable Treasury Price*” means (A) the average of five reference treasury dealer quotations for such redemption date, after excluding the highest and lowest of such reference treasury dealer quotations, or (B) if the quotation agent obtains fewer than five such reference treasury dealer quotations, the average of all such quotations.

“*quotation agent*” means UBS Warburg LLC and its successors, except that if UBS Warburg LLC ceases to be primary U.S. Government securities dealer in New York City (a “primary treasury dealer”), UBS Preferred Funding Company will designate another primary treasury dealer.

“*Reference Treasury Dealer*” means (i) the quotation agent and (ii) any other primary treasury dealer selected by the quotation agent after consultation with the relevant UBS Preferred Funding Company.

“*Reference Treasury Dealer Quotations*” means, with respect to each reference treasury dealer and any redemption date, the average, as determined by the quotation agent, of the bid and asked prices for the comparable treasury issue (expressed in each case as a percentage of its principal

Description of Company Preferred Securities

amount) quoted in writing to the quotation agent by such reference treasury dealer at 5:00 p.m., New York City time, on the third business day preceding such redemption date.

“*Treasury Rate*” means (i) the yield, under the heading which represents the average for the week immediately prior to the redemption date, appearing in the most recently published statistical release designated “H.15(519)” or any successor publication which is published weekly by the Federal Reserve and which established yields on actively traded United States Treasury securities adjusted to constant maturity under the caption “Treasury Constant Maturities,” for the maturity corresponding to the remaining life (or, if no maturity is within three months before or after the remaining life, yields for the two published maturities most closely corresponding to the remaining life will be determined and the treasury rate will be interpolated or extrapolated from such yields on a straight-line basis, rounding to the nearest month) or (ii) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per annum equal to the semi-annual equivalent yield to maturity of the comparable treasury issue, calculated using a price for the comparable treasury issue (expressed as a percentage of its principal amount) equal to the comparable treasury price for such redemption date. The treasury rate will be calculated on the third business day preceding the redemption date.

“*Investment Company Act Event*” means, with respect to any UBS Preferred Funding Company, the receipt by UBS AG of an opinion of a nationally recognized law firm in the United States experienced in such matters to the effect that there is more than an insubstantial risk that such UBS Preferred Funding Company or the related UBS Preferred Funding Trust is an “investment company” within the meaning of the Investment Company Act of 1940.

“*Tax Event*” means, with respect to any UBS Preferred Funding Company, the receipt by UBS AG of an opinion of a nationally recognized law firm or other tax advisor (which may be an accounting firm) in Switzerland or the United States, as appropriate, experienced in such matters to the effect that there is more than an insubstantial risk that (A) such UBS Preferred Funding Company or the related UBS Preferred Funding Trust is or will be subject to more than a *de minimis* amount of additional taxes, duties or other governmental charges, (B) UBS AG is or will be required to pay any additional amounts in respect of any taxes, duties or other governmental charges with respect to payments of interest or principal on the related subordinated notes and with respect to any payments on the related trust preferred securities, (C) such UBS Preferred Funding Company is or will be required to pay any additional amounts in respect of any taxes, duties or other governmental charges with respect to payments of dividends on its company preferred securities or the related UBS Preferred Funding Trust is or will be required to pay any additional amounts in respect of any taxes, duties or other governmental charges with respect to distributions on its trust preferred securities, or (D) the treatment of any of such UBS Preferred Funding Company’s items of income, gain, loss, deduction or expense, or the treatment of any item of income, gain, loss, deduction or expense of UBS AG related to the related subordinated notes or its ownership of such UBS Preferred Funding Company, in each case as reflected on the tax returns (including estimated returns) filed (or to be filed) by such UBS Preferred Funding Company or UBS AG, will not be respected by a taxing authority, as a result of which such UBS Preferred Funding Company or UBS AG is or will be subject to more than a *de minimis* amount of additional taxes, duties or other governmental charges or civil liabilities, the effect of which cannot be avoided by such UBS Preferred Funding Company or UBS AG taking reasonable measures available to it without any adverse effect on or material cost to UBS AG or such UBS Preferred Funding Company (as determined by UBS AG in its sole discretion).

Description of Company Preferred Securities

Registrar and Transfer Agent

Wilmington Trust Company, or any other entity that UBS AG designates, will act as registrar and transfer agent for the company preferred securities.

Registration of transfers of company preferred securities will be effected without charge by or on behalf of the relevant UBS Preferred Funding Company, but upon payment of any tax or other governmental charges that may be imposed in connection with any transfer or exchange. No UBS Preferred Funding Company will be required to register or cause to be registered the transfer of its company preferred securities after such company preferred securities have been called for redemption.

The LLC Agreement of each UBS Preferred Funding Company will provide that, in the event of a partial redemption of its company preferred securities that would result in a delisting of the related trust preferred securities from any securities exchange on which such trust preferred securities are then listed, such UBS Preferred Funding Company will redeem its company preferred securities in whole.

Notices

Notices to the holders of company preferred securities will be mailed by first-class mail, postage prepaid, to the holders' addresses appearing in the relevant UBS Preferred Funding Company's records.

Governing Law

The LLC Agreement of each UBS Preferred Funding Company and the company preferred securities are governed by the laws of the State of Delaware.

Nature of the Trading Market

The company preferred securities will not be listed on any national exchange or traded in any established market.

Book-Entry Issuance of Trust Preferred Securities

The trust preferred securities will initially be issued to investors only in book-entry form. The total aggregate amount of trust preferred securities of each UBS Preferred Funding Trust will be represented by permanent global securities in fully registered form (each, a “global certificate”) and deposited with a custodian for, and registered in the name of The Depository Trust Company (“DTC”) or its nominee. Except as provided in the applicable prospectus supplement, the global certificates will initially be deposited with Wilmington Trust Company, as the custodian for DTC, and registered in the name of Cede & Co., as the nominee of DTC.

Except as described below, the global certificates may be transferred, in whole and not in part, only to another nominee of DTC or a successor of DTC or its nominee. Beneficial interests in the global certificates may not be exchanged for trust preferred securities in certificated form except in the limited circumstances described below.

Persons that acquire beneficial ownership interests in any global certificate will hold their interests through either (i) DTC in the United States or (ii) Clearstream Banking S.A. or the Euroclear System in Europe if such persons are participants in those systems, or indirectly through organizations that are participants in those systems. Clearstream and Euroclear will hold omnibus positions on behalf of their participants through customers’ securities accounts in Clearstream’s and Euroclear’s names on the books of their respective depositories, which in turn will hold those positions in customers’ securities accounts in the depositories’ names on the books of DTC. Unless and until certificated securities are issued, the only “holder” of any trust preferred securities will be Cede & Co., as nominee of DTC, or the nominee of a successor depository. Beneficial owners will be permitted to exercise their rights only indirectly through DTC, Clearstream, Euroclear and their participants.

Withdrawal of Related Company Preferred Securities Represented by Trust Preferred Securities

Any beneficial owner of trust preferred securities may withdraw and hold directly a corresponding amount of related company preferred securities as described under “Description of Trust Preferred Securities—Withdrawal of Company Preferred Securities.” Within a reasonable period after such request has been properly made, the trustee of the relevant UBS Preferred Funding Trust will instruct DTC to reduce the number of trust preferred securities represented by the relevant global certificate by the amount of related company preferred securities to be so withdrawn by the withdrawing owner.

Company preferred securities that are withdrawn will be issued only in definitive, fully-registered form and will not be eligible to be held through DTC, Euroclear or Clearstream, and under current law the holders of such company preferred securities will receive an annual Form K-1 instead of the Form 1099 that is received by the holders of trust preferred securities. See “U.S. Tax Considerations—Information Reporting and Backup Withholding Tax.”

Any holder of company preferred securities may redeposit its company preferred securities as described under “Description of Trust Preferred Securities—Withdrawal of Company Preferred Securities.” Within a reasonable period after such deposit is properly made, the trustee of the relevant UBS Preferred Funding Trust will instruct DTC to increase the number of trust preferred securities represented by the relevant global certificate accordingly.

The Depository Trust Company

The Depository Trust Company, or DTC, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a

Book-Entry Issuance of Trust Preferred Securities

member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934.

DTC holds securities that its participants deposit with DTC. DTC also facilitates the settlement among its participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in its participants’ accounts, eliminating the need for physical movement of securities certificates. Participants in DTC include Clearstream and Euroclear, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations.

DTC is owned by a number of its participants and by the New York Stock Exchange, the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to DTC is also available to others, such as securities brokers and dealers, banks and trust companies, that clear through or maintain a custodial relationship with a DTC participant, either directly or indirectly. The rules applicable to DTC and its participants are on file with the SEC.

Clearstream Banking

Clearstream Banking, *société anonyme*, or Clearstream, is incorporated under the laws of Luxembourg as a professional depository. Clearstream holds securities for its participating organizations and facilitates the clearance and settlement of securities transactions between its participants through electronic book-entry changes in accounts of its participants, eliminating the need for physical movement of certificates. Transactions may be settled in Clearstream in any of 28 currencies, including U.S. dollars.

Clearstream provides to its participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream interfaces with domestic markets in several countries. As a professional depository, Clearstream is subject to regulation by the Luxembourg Monetary Institute. Clearstream participants are recognized financial institutions around the world, including securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. Indirect access to Clearstream is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Clearstream participant, either directly or indirectly.

Euroclear System

Euroclear was created in 1968 to hold securities for its participants and to clear and settle transactions between its participants through simultaneous electronic book-entry delivery against payment, thereby eliminating the need for physical movement of certificates and any risk from lack of simultaneous transfers of securities and cash. The Euroclear System is owned by Euroclear Clearance System Public Limited Company (ECS plc) and operated through a license agreement by Euroclear Bank S.A./N.V., a bank incorporated under the laws of the Kingdom of Belgium (the “Euroclear Operator”).

The Euroclear Operator holds securities and book-entry interests in securities for participating organizations and facilitates the clearance and settlement of securities transactions between Euroclear participants, and between Euroclear participants and participants of certain other securities intermediaries through electronic book-entry changes in accounts of such participants or other securities intermediaries.

The Euroclear Operator provides Euroclear participants, among other things, with safekeeping, administration, clearance and settlement, securities lending and borrowing, and related services.

Book-Entry Issuance of Trust Preferred Securities

Non-participants of Euroclear may hold and transfer book-entry interests in the securities through accounts with a direct participant of Euroclear or any other securities intermediary that holds a book-entry interest in the securities through one or more securities intermediaries standing between such other securities intermediary and Euroclear Operator.

Securities clearance accounts and cash accounts with the Euroclear Operator are governed by the Terms and Conditions Governing Use of Euroclear and the related Operating Procedures of the Euroclear System, collectively, the Euroclear Terms and Conditions, and applicable Belgian law. The Euroclear Terms and Conditions govern transfers of securities and cash within Euroclear, withdrawals of securities and cash from Euroclear, and receipts of payments with respect to securities in Euroclear. All securities in Euroclear are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts. The Euroclear Operator acts under the Euroclear Terms and Conditions only on behalf of Euroclear participants, and has no record of or relationship with persons holding through Euroclear participants.

Participants and Beneficial Owners

Purchases of trust preferred securities within the DTC system must be made by or through DTC participants, which will receive a credit for the trust preferred securities on DTC's records and on the records of Clearstream or Euroclear, if applicable. The ownership interest of each actual purchaser of trust preferred securities, which is that of a beneficial owner of an interest in a global certificate, is in turn to be recorded on the DTC participants' and indirect participants' records.

Beneficial owners of interests in a global certificate will not receive written confirmation from DTC of their purchases, but beneficial owners of an interest in a global certificate are expected to receive written confirmations providing details of the transactions, as well as periodic statements of their holdings, from the DTC participants or indirect participants through which the beneficial owners of an interest in a global certificate purchased their ownership interests in the relevant trust preferred securities. Transfers of ownership interests in trust preferred securities will be accomplished by entries made on the books of DTC participants and indirect participants acting on behalf of beneficial owners of an interest in a global certificate. Beneficial owners of interests in a global certificate will not receive certificates representing their ownership interests in the relevant trust preferred securities, unless use of the book-entry system for such trust preferred securities is discontinued.

Transfers Among DTC, Clearstream and Euroclear

Transfers between DTC participants will occur in accordance with the rules of DTC. Transfers between Clearstream and Euroclear participants will occur in accordance with their respective rules and operating procedures.

Cross-market transfers between persons holding directly or indirectly through DTC, on the one hand, and directly or indirectly through Clearstream or Euroclear participants, on the other, will be effected in DTC in accordance with the rules of DTC on behalf of the relevant European international clearing system by the relevant European depository. However, those cross-market transactions will require delivery of instructions to the relevant European international clearing system by the counterparty in that system in accordance with its rules and procedures and within its established deadlines, European time. The relevant European international clearing system will, if the transaction meets its settlement requirements, deliver instructions to the relevant European depository to take action to effect final settlement on its behalf by delivering or receiving securities in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Clearstream and Euroclear participants may not deliver instructions directly to the European depositories.

Book-Entry Issuance of Trust Preferred Securities

Because of time zone differences, credits of trust preferred securities received in Clearstream or Euroclear as a result of a transaction with a person that does not hold trust preferred securities through Clearstream or Euroclear will be made during subsequent securities settlement processing and dated the business day following the DTC settlement date. Those credits or any transactions in those securities settled during that processing will be reported to the relevant Euroclear or Clearstream participants on that business day. Cash received in Clearstream or Euroclear as a result of sales of trust preferred securities by or through a Clearstream or Euroclear participant to a DTC participant will be received with value on the DTC settlement date, but will be available in the relevant Clearstream or Euroclear cash account only as of the business day following settlement in DTC.

Limitations on Responsibilities of DTC, Clearstream and Euroclear

DTC, Clearstream and Euroclear have no knowledge of the actual beneficial owners of interests in a global certificate representing trust preferred securities. DTC's records reflect only the identity of the DTC participants, including Clearstream and Euroclear, to whose accounts those trust preferred securities are credited, which may or may not be the beneficial owners of interests in a global certificate. Similarly, the records of Clearstream and Euroclear reflect only the identity of the Clearstream or Euroclear participants to whose accounts those trust preferred securities are credited, which also may or may not be the beneficial owners of interests in a global certificate. DTC, Clearstream and Euroclear participants and indirect participants will remain responsible for keeping account of their holdings on behalf of their customers.

DTC's Procedures for Notices, Voting and Payments

So long as DTC, or its nominee, is the registered owner or holder of a global certificate, DTC or that nominee, as the case may be, will be considered the sole owner or holder of trust preferred securities represented by the global certificate for all purposes under the relevant Amended and Restated Trust Agreement. No beneficial owner of an interest in a global certificate will be able to transfer that interest except in accordance with DTC's applicable procedures, in addition to those provided for under the relevant Amended and Restated Trust Agreement.

DTC has advised UBS AG, as provider of the UBS AG subordinated guarantees, that it will take any action permitted to be taken by a holder of relevant trust preferred securities, including the presentation of trust preferred securities for exchange as described below, only at the direction of one or more of its participants to whose account the DTC interests in the global certificates are credited and only in respect of that portion of the aggregate liquidation amount of trust preferred securities as to which that participant or participants has or have given the direction.

Conveyance of notices and other communications by DTC to its participants, by those participants to its indirect participants, and by participants and indirect participants to beneficial owners of interests in a global certificate will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

The relevant trustee will send redemption notices in respect of trust preferred securities held in book-entry form to Cede & Co., and will also give those notices in the manner indicated under "Description of Trust Preferred Securities—Notices." If less than all the trust preferred securities of any UBS Preferred Funding Trust are being redeemed, DTC will determine the amount of the interest of each DTC participant to be redeemed in accordance with its procedures.

Although voting with respect to trust preferred securities is limited, in those cases where a vote is required, neither DTC nor Cede & Co. will itself consent or vote with respect to such trust preferred securities. Under its usual procedures, DTC will mail an Omnibus Proxy to the relevant UBS Preferred Funding Trust as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s

Book-Entry Issuance of Trust Preferred Securities

consenting or voting rights of those participants to whose accounts such trust preferred securities are allocated on the record date identified in a listing attached to the Omnibus Proxy.

Distributions on trust preferred securities held in book-entry form will be made to DTC in immediately available funds. DTC's practice is to credit its participants' accounts on the relevant payment date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payments on that payment date. Payments by DTC's participants and indirect participants to beneficial owners of interests in a global certificate will be governed by standing instructions and customary practices. Such payments will be the responsibility of those participants and indirect participants and not of DTC, the relevant UBS Preferred Funding Trust or UBS AG, as the guarantor, subject to any statutory or regulatory requirements that may be in effect from time to time. Payment of any dividends or other amounts to DTC is the responsibility of the relevant UBS Preferred Funding Trust, disbursement of such payments to participants is the responsibility of DTC, and disbursement of those payments to the beneficial owner of an interest in a global certificate is the responsibility of participants and indirect participants.

Except as described in this prospectus, a beneficial owner of an interest in a global certificate will not be entitled to receive physical delivery of the trust preferred securities. Accordingly, each beneficial owner of an interest in a global certificate must rely on the procedures of DTC to exercise any rights under its trust preferred securities.

Termination of and Changes to Depository Arrangements

A global certificate is exchangeable for trust preferred securities in registered certificated form if DTC:

- notifies the relevant UBS Preferred Funding Trust that it is unwilling or unable to continue as depository for the global certificates and such UBS Preferred Funding Trust does not appoint a successor depository, or
- has ceased to be a clearing agency registered under the Securities Exchange Act of 1934.

Although DTC, Clearstream and Euroclear have agreed to the foregoing procedures in order to facilitate transfers of interests in the global certificates among participants, none is under any obligation to perform or continue to perform those procedures, and those procedures may be discontinued at any time. Neither UBS AG nor any UBS Preferred Funding Trust will have any responsibility for the performance by DTC, Clearstream, Euroclear or their participants or indirect participants under the rules and procedures governing them. DTC, Clearstream or Euroclear may discontinue providing its services as securities depository with respect to any trust preferred securities at any time by giving notice to the relevant UBS Preferred Funding Trust. Under those circumstances, definitive trust preferred security certificates with respect to such trust preferred securities would be delivered as described under "Description of Trust Preferred Securities—Transfer and Issue of Definitive Trust Preferred Securities."

Limitations on Rights Resulting from Book-Entry Form

The laws of some jurisdictions require that certain purchasers of securities take physical delivery of securities in definitive form. These laws may impair the ability to transfer beneficial interests in the global trust preferred securities as represented by a global certificate.

Description of UBS AG Subordinated Guarantees

At or prior to the issuance of any trust preferred securities and the related company preferred securities, UBS AG and Wilmington Trust Company, as guarantee trustee, will execute the related UBS AG Subordinated Guarantee Agreements. We will qualify the UBS AG Subordinated Guarantee Agreements as indentures under the Trust Indenture Act. The terms of the UBS AG subordinated guarantees will include both those stated in the UBS AG Subordinated Guarantee Agreements and those made part of the UBS AG Subordinated Guarantee Agreements by the Trust Indenture Act. The following summary of the material terms and provisions of the UBS AG subordinated guarantees is not complete and is subject to, and qualified in its entirety by reference to, the UBS AG Subordinated Guarantee Agreements and the Trust Indenture Act. We have filed a copy of a form of UBS AG Subordinated Guarantee Agreement as an exhibit to the registration statement of which this prospectus is a part.

Guaranteed Obligations

In each UBS AG Subordinated Guarantee Agreement, UBS AG will unconditionally guarantee, on a subordinated basis, the payment by the related UBS Preferred Funding Company of the following, without duplication:

- any dividends on the related company preferred securities that are due and payable on any mandatory dividend payment date in an amount equal to the mandatory dividend payment;
- any discretionary dividends on the related company preferred securities that become definitive because UBS AG does not deliver a no dividend instruction;
- the redemption price payable with respect to any related company preferred securities called for redemption by the relevant UBS Preferred Funding Company;
- the liquidating distribution on each related company preferred security payable upon liquidation of the relevant UBS Preferred Funding Company; and
- any additional amounts payable by the relevant UBS Preferred Funding Company as described under “Description of Company Preferred Securities—Additional Amounts.”

Subject to the subordination provisions described below, UBS AG will be obligated to make such payments as and when due, regardless of any defense, right of set-off or counterclaim that the relevant UBS Preferred Funding Company may have or assert, other than the defense of payment, and whether or not the relevant UBS Preferred Funding Company has legally available funds for the guaranteed payments. UBS AG’s obligations under the UBS AG Subordinated Guarantee Agreements are several and independent of the obligations of each relevant UBS Preferred Funding Company with respect to its company preferred securities.

See “Description of Company Preferred Securities—Dividends” for a description of circumstances when dividend on company preferred securities are mandatory, “Description of Company Preferred Securities—Redemption” for a description of the company preferred securities’ redemption provisions, and “Description of Company Preferred Securities—Ranking and Liquidation Preference” for a description of the liquidation claim to which the holders are entitled in a liquidation of any UBS Preferred Funding Company.

Description of UBS AG Subordinated Guarantees

Subordination

Each UBS AG subordinated guarantee will be a general and unsecured obligation of UBS AG and, in liquidation of UBS AG, will rank, both as to payment and in liquidation:

- subordinate and junior to all deposits and other liabilities (including those in respect of bonds, notes and debentures of UBS AG) that do not expressly rank equally with the obligations of UBS AG under the relevant UBS AG Subordinated Guarantee Agreement, and
- senior to the ordinary shares of UBS AG and any other securities or shares of UBS AG expressed to rank junior to the most senior preference shares of UBS AG (if any) from time to time outstanding.

The foregoing liabilities that rank senior to the UBS AG subordinated guarantees are collectively called “UBS AG senior liabilities.”

Payments under the UBS AG subordinated guarantees (other than payments upon a winding-up or dissolution, by bankruptcy or otherwise, in Switzerland of UBS AG as provided below) will be conditional upon UBS AG not being in default in the payment of UBS AG senior liabilities and being solvent at the time of payment. A report as to the insolvency of UBS AG by two persons, each being a managing director, director or other authorized officer or agent of UBS AG or employees of the independent accountants of UBS AG will, in the absence of manifest error be treated and accepted by UBS AG, the holders of company preferred securities and all other interested parties as correct and sufficient evidence thereof.

If UBS AG is liquidated, whether voluntarily or involuntarily, (i) each UBS Preferred Funding Company will be liquidated and (ii) under the UBS AG Subordinated Guarantee Agreements, the holders of related company preferred securities (whether through a UBS Preferred Funding Trust or as direct holders who have withdrawn their related company preferred securities from a UBS Preferred Funding Trust) will have a claim entitling them to substantially the same liquidating distributions in the liquidation of UBS AG that they would have been entitled to if they had purchased preferred shares of UBS AG having an aggregate liquidation preference equal to the aggregate liquidation preference of their related company preferred securities and bearing dividends at the rate of dividends applicable to their related company preferred securities. Each UBS AG Subordinated Guarantee Agreement and each related UBS Preferred Funding Company’s LLC Agreement, taken together, will provide that the holders of company preferred securities of the relevant UBS Preferred Funding Company will not receive liquidating distributions in a liquidation of such UBS Preferred Funding Company and payments under the related UBS AG subordinated guarantee that, taken together, exceed the liquidating distributions to which they would have been entitled had they instead owned non-cumulative perpetual preferred shares of UBS AG with equivalent terms as described above.

The subordination provisions set out above will be irrevocable. UBS AG will not be permitted to create or permit to exist any charge or other security interest over its assets to secure its obligations in respect of the UBS AG subordinated guarantees.

The obligations of UBS AG in respect of the UBS AG subordinated guarantees will be, prior to the winding up or dissolution of UBS AG, conditional upon UBS AG being solvent immediately before and after payment by the Cayman Islands branch. If this condition is not satisfied, any amounts that might otherwise have been allocated in or towards payment in respect of a UBS AG subordinated guarantee will be used to absorb losses of UBS AG.

If a capital loss (as defined below) occurs, the board of directors of UBS AG will be required by Article 725 paragraph 1 of the Swiss Code of Obligations to call a general meeting of the shareholders of UBS AG and propose at such meeting measures for a financial reorganization of UBS AG. Holders

Description of UBS AG Subordinated Guarantees

of trust preferred securities and company preferred securities will not have any right to attend or take any action at any such meeting because they are not shareholders of UBS AG. Neither the calling of such a meeting nor the proposal of such financial organization will itself affect the obligations of UBS AG under any UBS AG Subordinated Guarantee Agreement.

If at any time UBS AG's unconsolidated unsubordinated liabilities exceed its unconsolidated total assets (valued at the higher of their going-concern and their liquidation value), as calculated based on the most recent unconsolidated interim balance sheet of UBS AG, the board of directors of UBS AG is required by Article 725 paragraph 2 of the Swiss Code of Obligations to notify the competent court of such excess, unless unsubordinated creditors of UBS AG will agree to subordinate their claims to the extent that such unsubordinated liabilities exceed such assets. Upon any such notification, such court must declare the bankruptcy of UBS AG in accordance with Article 725a paragraph 1 of the Swiss Code of Obligations and Article 35 paragraph 2 of the Swiss Banking Law. In the past, however, the Swiss Federal Banking Commission has usually exercised the broad discretion granted to it under Swiss banking law before the occurrence of such an excess when it has perceived the interests of creditors of a Swiss bank to be at risk. In such cases, the Swiss Federal Banking Commission has generally withdrawn the banking license of the affected bank, which has then been required to go into liquidation (pursuant to Article 23 quinquies of the Swiss Banking Law).

As used in this prospectus and the applicable prospectus supplement:

“*assets*” means the consolidated gross assets of UBS AG.

A “*capital loss*” will be deemed to occur if UBS AG's assets are less than the sum of (i) its liabilities and (ii) one-half of its share capital and statutory reserves, each as shown on and as calculated based on the latest published annual unconsolidated balance sheet of UBS AG.

“*liabilities*” means the consolidated gross liabilities of UBS AG, all as shown by the latest published audited consolidated balance sheet of UBS AG as adjusted for contingencies and for subsequent events, all valued in such manner as UBS AG or any liquidator (as the case may be) may determine and calculated in accordance with IAS.

“*solvent*” means (i) UBS AG is able to pay its debts as they fall due and (ii) UBS AG's assets exceed its liabilities (other than its liabilities to persons who are not senior creditors).

Subject to applicable law, no beneficiary of the UBS AG subordinated guarantees will be able to exercise, claim or plead any right of set-off, compensation or retention in respect of any amount owed to it by UBS AG arising under or in connection with the UBS AG subordinated guarantees and each beneficiary of the UBS AG subordinated guarantees will, by virtue of being a beneficiary of the UBS AG subordinated guarantees, be deemed to have waived all such rights to set-off, compensation or retention.

Additional Amounts

UBS AG will make all payments under the UBS AG subordinated guarantees without withholding or deducting for, or on account of, any present or future tax, duties, assessments or governmental charges imposed or levied by Switzerland or the jurisdiction of residence of the issuer of any subordinated notes held by any UBS Preferred Funding Company or from which any payment on such notes is made or any authority of any of those jurisdictions that has the power to tax, unless UBS AG is required by law to withhold or deduct the present or future tax, duties, assessments or governmental charges. If UBS AG is required to withhold or deduct any portion of a payment, UBS AG will pay additional amounts in order to cause the net amounts received by the holders of the relevant trust preferred securities and company preferred securities to be the same as the holders would have received in the absence of the withholding or deduction, subject to the same limitations or additional amounts payable

Description of UBS AG Subordinated Guarantees

by each UBS Preferred Funding Company as described above under “Description of Company Preferred Securities—Additional Amounts.”

If payment of the amounts described above cannot be made by reason of any limitation referred to above, those amounts will be payable in proportion to the amounts that would have been payable but for that limitation.

Other Provisions

The relevant guarantee trustee, on behalf of the holders of the related company preferred securities, may enforce each UBS AG subordinated guarantee directly against UBS AG if UBS AG defaults under such UBS AG subordinated guarantee. Each UBS AG Subordinated Guarantee Agreement will provide that, to the fullest extent permitted by law, without the need for any other action of any person, including the relevant guarantee trustee or any other holder of related trust preferred securities or related company preferred securities, each holder of related trust preferred securities or related company preferred securities will be entitled to enforce the rights of the holders of such company preferred securities under the related UBS AG Subordinated Guarantee Agreement represented by the trust preferred securities or company preferred securities held by such holder.

Certain Covenants of UBS AG and the UBS Preferred Funding Companies

Issuance and Guarantee of Preference Shares

UBS AG will not issue any preferred or preference shares with liquidation rights effectively ranking senior to its obligations under the UBS AG subordinated guarantees or give any guarantee in respect of any of its preferred shares or preferred shares issued by any of its subsidiaries if the guarantee would rank senior to the UBS AG subordinated guarantees unless the UBS AG subordinated guarantees are amended to give the holders of related company preferred securities and the related trust preferred securities the same rights and entitlements as are contained in or attached to the other guarantees so that the UBS AG subordinated guarantees rank equally with those guarantees and, from a financial point of view, effectively, with those preferred shares. Except to the extent described above, the UBS AG subordinated guarantees do not limit the incurrence or issuance of other secured or unsecured debt or other obligations of UBS.

Payment of Dividends

UBS AG will agree in the UBS AG subordinated guarantees that if any amount required to be paid under the UBS AG subordinated guarantees in respect of any dividends on related trust preferred securities or related company preferred securities payable in respect of the most recent dividend period has not been paid, UBS AG will pay that amount before paying any dividend or other payment on any UBS AG junior obligations, except dividends in the form of the ordinary shares.

No Assignment

UBS AG will not be permitted to assign its obligations under the UBS AG subordinated guarantees, except in the case of merger, consolidation or sale of substantially all of its assets where UBS AG is not the surviving entity.

Termination

Each UBS AG subordinated guarantee will terminate on the earlier of:

- the payment of the redemption price for all related company preferred securities or purchase and cancellation of all related company preferred securities, and
- full payment of the liquidating distribution on all related company preferred securities.

Description of UBS AG Subordinated Guarantees

However, each UBS AG subordinated guarantee will continue to be effective or will be reinstated, as the case may be, if the holder is required to return any payment made under the related company preferred securities or the related UBS AG subordinated guarantee.

Amendments

Any changes to the provisions of a UBS AG subordinated guarantee that establish the amount and timing of the payments under that UBS AG subordinated guarantee must be approved by each holder of related company preferred securities. Any other provision of a UBS AG subordinated guarantee may be modified only with the prior approval of the holders of not less than two-thirds (based on the aggregate liquidation preference) of the related company preferred securities.

Notwithstanding the foregoing, without the consent of any holder of related company preferred securities, UBS AG may amend or supplement each UBS AG Subordinated Guarantee Agreement:

- to evidence the succession of another entity to UBS AG and the assumption by any such successor of the covenants of UBS AG in such UBS AG Subordinated Guarantee Agreement,
- to add to the covenants of UBS AG for the benefit of the holders of related company preferred securities, or to surrender any right or power conferred upon UBS AG under such UBS AG Subordinated Guarantee Agreement,
- to correct or supplement any provision in such UBS AG Subordinated Guarantee Agreement which may be defective or inconsistent with any other provision therein, or to make any other provisions with respect to matters or questions arising under such UBS AG Subordinated Guarantee Agreement, so long as any such action shall not materially adversely affect the interests of the holders of related company preferred securities, or
- to cure any ambiguity or correct any mistake.

Information Concerning the Guarantee Trustee

Wilmington Trust Company will be the guarantee trustee. The guarantee trustee will be required to perform only those duties that are specifically set forth in the UBS AG subordinated guarantees, except when a default has occurred and is continuing with respect to any UBS AG subordinated guarantee. After a default, the guarantee trustee will be required to exercise the same degree of care a prudent person would exercise under the circumstances in the conduct of his or her own affairs. Subject to these requirements, the guarantee trustee is under no obligation to exercise any of the powers vested in it by any UBS AG subordinated guarantee at the request of any holder of related company preferred securities or any holder of related trust preferred securities, as the case may be, unless the holder offers the guarantee trustee reasonable indemnity against the costs, expenses and liabilities that might be incurred by exercising those powers.

Governing Law

The UBS AG subordinated guarantees will be governed by and construed in accordance with the laws of the State of New York.

Description of Subordinated Notes of UBS AG

The following summary of the material terms and provisions of the subordinated notes is not complete and is subject to, and qualified in its entirety by reference to, the terms and provisions of the subordinated notes. We have filed a copy of the form of subordinated note as an exhibit to the registration statement of which this prospectus is a part.

General

Each UBS Preferred Funding Company will apply the proceeds of its company preferred securities and company common securities to purchase from the Cayman Islands branch of UBS AG newly issued subordinated notes of the Cayman Islands branch. The subordinated notes are undated perpetual obligations of UBS AG, acting through the Cayman Islands branch, and will have an aggregate principal amount of up to \$4,529,508,000. Interest on the subordinated notes will be payable from the date of initial issuance on the dates specified in the applicable prospectus supplement—which dates will correspond to the dividend payment dates of the related company preferred securities—(each, an “interest payment date” and the period from and including an interest payment date, or the date of initial issuance, as applicable, to but not including the next interest payment date, an “interest period”) for each interest period, at a fixed or floating rate specified in the applicable prospectus supplement.

Interest due on an interest payment date will be deferrable at the option of UBS AG’s Cayman Islands branch to the extent that dividends on the related company preferred securities due on the corresponding dividend payment date would constitute nondefinitive dividends. Interest deferred in this manner will not itself bear interest.

Redemption

The subordinated notes will be redeemable with the consent of the Swiss Federal Banking Commission and at the option of the Cayman Islands branch of UBS AG:

- on or after the date specified in the applicable prospectus supplement, in whole or in part, at a redemption price equal to 100% of their principal amount *plus* interest accrued but unpaid to the date fixed for redemption.
- prior to the date specified in the applicable prospectus supplement, in whole but not in part, if a Tax Event, an Investment Company Act Event or a Capital Event occurs at a redemption price equal to 100% of their principal amount *plus* interest accrued but unpaid to the date fixed for redemption.

Additional Amounts

If the Cayman Islands branch of UBS AG is required to withhold any taxes, duties or other governmental charges with respect to any payment in respect of any subordinated notes, the Cayman Islands branch will pay such additional amounts as shall be required so that the amount received by each UBS Preferred Funding Company under the related subordinated notes shall not be reduced as a result of any such additional taxes, duties or other governmental charges.

Description of Subordinated Notes of UBS AG

Subordination

The subordinated notes are a general and unsecured obligation of UBS AG and, in liquidation of UBS AG, will rank, both as to payment and in liquidation:

- subordinate and junior to UBS AG senior liabilities, as defined under “Description of UBS AG Subordinated Guarantee—Subordination,” and
- senior to the ordinary shares of UBS AG and any other securities or shares of UBS AG expressed to rank junior to the most senior preference shares of UBS AG (if any) from time to time outstanding.

Payments under any subordinated notes (other than payments upon a winding-up or dissolution, by bankruptcy or otherwise, in Switzerland of UBS AG) are conditional upon UBS AG not being in default in the payment of UBS AG senior liabilities, and being solvent, as defined under “Description of UBS AG Subordinated Guarantees—Subordination,” at the time of payment. A report as to the insolvency of UBS AG by two persons, each being a managing director, director or other authorized officer or agent of UBS AG or employees of the independent accountants of UBS AG will, in the absence of manifest error be treated and accepted by UBS AG, the holders of the company preferred securities and all other interested parties as correct and sufficient evidence thereof.

Enforcement of Subordinated Notes

Any consent, notice or other action (including any enforcement action) given or taken by or on behalf of a UBS Preferred Funding Company with respect to related subordinated notes may be given or taken at the discretion of a majority of the entire board of directors of such UBS Preferred Funding Company.

Transfer of Subordinated Notes

The subordinated notes held by a UBS Preferred Funding Company will be represented by a single definitive note registered in the name of such UBS Preferred Funding Company. Each UBS Preferred Funding Company’s LLC Agreement provides that any UBS Preferred Funding Company may sell its subordinated notes only upon the affirmative vote of both a majority of the board of directors of such UBS Preferred Funding Company and the holders of two-thirds (based on the aggregate liquidation preference) of its company preferred securities and other company parity preferred securities (if any), voting together as a single class.

Although each UBS Preferred Funding Company will be permitted to sell its subordinated notes subject to the requirements of the Securities Act of 1933 and other applicable laws and the foregoing requirements, neither UBS AG nor any UBS Preferred Funding Company anticipates that any UBS Preferred Funding Company will sell its subordinated notes and there is no expectation that a market will develop or exist for any subordinated notes. Unless otherwise specified in the applicable prospectus supplement, any subordinated notes, by their terms, will provide that they may be sold in whole and not in part and may not be divided into denominations of less than USD25 or USD1000, as the case may be.

Events of Default

No subordinated notes will provide for acceleration if the Cayman Islands branch of UBS AG fails to make a payment when due. If the Cayman Islands branch fails to make a payment when due of an installment of interest on any subordinated notes, the related UBS Preferred Funding Company will be entitled to seek to enforce payment only of the defaulted installment but not in respect of any failure to pay interest due under the related subordinated notes that was deferred because the dividends on its

Description of Subordinated Notes of UBS AG

company preferred securities on the corresponding dividend payment date would have constituted nondefinitive dividends. A “default” under any subordinated notes will occur if the Cayman Islands branch fails to make a payment when due of an installment of principal or interest.

Modification and Amendment of Subordinated Notes

Any subordinated notes will be able to be modified or amended only by the written agreement of the Cayman Islands branch of UBS AG and the related UBS Preferred Funding Company. However, each UBS Preferred Funding Company’s LLC Agreement will provide that no UBS Preferred Funding Company may agree to any such modification or amendment for so long as any of its company preferred securities or other company parity preferred securities, if any, are outstanding unless holders of two-thirds (based on the aggregate liquidation preference) of its company preferred securities and other company parity preferred securities, if any, voting as a class, consent to such modification or amendment (except that such consent of the holders of its company preferred securities and any other company parity preferred securities shall not be required if (a) the proposed amendment or modification would not materially and adversely affect the rights, preferences, powers or privileges of such UBS Preferred Funding Company and (b) such UBS Preferred Funding Company has received a letter from each of Moody’s Investors Service, Inc. and Standard & Poor’s Ratings Services to the effect that such amendment will not result in a downgrading of its respective rating then assigned to its company preferred securities).

Governing Law

The subordinated notes will be governed by the laws of the State of New York.