



Tier 2 capital

Issuer	UBS AG Jersey Branch
ISIN	CH0021896813
Issue Date	30.06.2005
Currency	CHF
Nominal (million)	487.9
Coupon Rate	2.375%
Maturity Date	30.06.2015
First Call Date	-

TERMS OF THE SUBORDINATED BONDS

The terms of the Subordinated Bonds (the "Terms of the Subordinated Bonds") relating to the 1st reopening by UBS AG, acting through its Jersey Branch (the "Issuer"), of the 2.375% Subordinated Bonds due 2015 by CHF 300 000 000 to the new total amount of CHF 650 000 000 will be stated on the reverse side of the Subordinated Bonds (if printed) and are as follows:

Terms of the Subordinated Bonds

1. Form and Denomination, Reopening, Permanent Global Certificate(s) and Printing and Delivery of the Subordinated Bonds and Coupons

- (a) The Subordinated Bonds are evidenced by bearer bonds in the denomination of CHF 5 000 nominal amount or multiples thereof.
- (b) The Issuer reserves the right to reopen (the "Reopening") and increase the aggregate principal amount of the Subordinated Bonds at any time and without prior consultation or permission of the holders of Subordinated Bonds (the "Bondholders") through the issuance of further subordinated bonds, which will be fungible with the Subordinated Bonds (i.e. identical especially in respect of the Terms of the Subordinated Bonds, security number, final maturity and interest rate).

At the time of subscribing to a Reopening, a subscriber shall pay to the Issuer an amount equal to the interest accrued during the period from the Interest Payment Date (as defined in Condition 2 below) immediately preceding the date of the Reopening or, if the Reopening is effected prior to the first Interest Payment Date, the Closing Date (as defined below) to the date of such Reopening on each subordinated bond it has subscribed to.

- (c) The Subordinated Bonds and Coupons (the "Coupons") and all rights in connection therewith are documented solely in the form of one or more Permanent Global Certificate(s) (the "Permanent Global Certificate(s)"), which shall be delivered by UBS AG, Zurich, ("UBS AG") to SIS SEGAINTERSETTLE AG ("SIS"), the Swiss Securities Services Corporation, or any other collective safe custody organisation approved by the SWX Swiss Exchange. Each Bondholder and holder of Coupons (the "Couponholder") retains a co-ownership in the Permanent Global Certificate to the extent of his claim against the Issuer. Except as provided below, no printing of Subordinated Bonds and Coupons will occur. Bondholders and Couponholders, therefore, do not have the right to request the printing and delivery of individual Subordinated Bonds and Coupons.

The Permanent Global Certificate remains in safekeeping with SIS or any other collective safe custody organisation approved by the SWX Swiss Exchange during the entire life of the issue and until complete redemption of the Subordinated Bonds.

Should UBS AG deem the printing of the Subordinated Bonds and Coupons attached to be necessary or useful, or if the presentation of definitive Subordinated Bonds or Coupons is required by Swiss or foreign laws in connection with the enforcement of rights under the Subordinated Bonds, UBS AG will provide for such printing without cost for the Bondholders and Couponholders. Should the Subordinated Bonds and Coupons be printed, UBS AG will then exchange the Permanent Global Certificate(s) (deposited as provided above) as soon as possible against definitive Subordinated Bonds and Coupons.

- (d) Until such time as and if and when the definitive Subordinated Bonds and Coupons have been issued, the expressions "Subordinated Bonds" and "Coupons" mean and include co-ownership under the Permanent Global Certificate(s) and the expressions "Bondholder" and "Couponholder" shall mean and include any person entitled to co-ownership and any further benefit under the Permanent Global Certificate(s).

2. Interest

The Subordinated Bonds bear interest from and including 30 June 2005 (the "Closing Date") at the rate of 2.375% per annum, payable annually in arrears on but excluding 30 June (the "Interest Payment Date"); the first Coupon being payable on 30 June 2006, the last Coupon being payable on 30 June 2015. Interest on the Subordinated Bonds is computed on the basis of a 360-day year of twelve 30-day months.

If the Interest Payment Date falls on a day, which is not a Business Day (as defined in Condition 4 below), the Issuer undertakes to effect payment for value the first following day, which is a Business Day.

3. Redemption and Purchase

(a) Final redemption

Unless previously redeemed, or purchased and cancelled, Subordinated Bonds shall be redeemed by the Issuer at their principal amount, without further notice on 30 June 2015.

(b) Redemption for Taxation Reasons

The Issuer may at any time redeem all of the Subordinated Bonds at their principal amount (together in each case with accrued interest), on giving not less than 30 and not more than 45 day's notice to the Bondholders and UBS AG of its intention to redeem the Subordinated Bonds in accordance with this Condition, if:

- (i) on the occasion of the next payment due under the Subordinated Bonds, the Issuer has or will become obliged to pay Additional Amounts as provided or referred to in Condition 7 as a result of any change in, or amendment to, the laws or regulations of Jersey or Switzerland or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Closing Date of the Subordinated Bonds; and
- (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it;

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Amounts were a payment in respect of the Subordinated Bonds then due.

The notice referred to above shall be signed by two authorised signatories of the Issuer and shall specify the following details:

- (i) the principal amount of Subordinated Bonds subject to redemption
- (ii) the due date for such redemption, which shall be a Business Day as defined below
- (iii) the circumstances giving rise to the Issuer's entitlement to effect such redemption.

Any such notice shall be irrevocable, and the delivery thereof shall oblige the Issuer to make the redemption therein specified. Such notice shall be published in accordance with the then applicable listing regulations of the SWX Swiss Exchange. Any notice shall be deemed to have been given on the date of such first publication.

(c) Purchases

The Issuer may at any time purchase Subordinated Bonds at any price in the open market or otherwise. Such Subordinated Bonds may be held, reissued, resold or, at the option of the Issuer surrendered to the Principal Paying Agent (as defined in Condition 4 below) for cancellation.

(d) Cancellation

All Subordinated Bonds redeemed in accordance with this Condition 3 shall be cancelled (together with all unmaturing Coupons attached thereto or surrendered therewith at the time of redemption) and may not be reissued or resold.

4. Payments

The Subordinated Bonds and the relevant Coupons shall be payable at the nominal value printed thereon upon their surrender in freely disposable Swiss francs without collection costs to the Bondholders and Couponholders without any restrictions and whatever the circumstances may be, irrespective of nationality, domicile or residence of the Bondholders or Couponholders and without requiring any certification, affidavit or the fulfilment of any other formality at the counters in Switzerland of UBS AG (the "Principal Paying Agent"), Swiss Union of Raiffeisenbanks, Zurich Cantonalbank and at the counters in Liechtenstein of Liechtensteinische Landesbank Aktiengesellschaft (the "Paying Agents").

Subordinated Bonds redeemed must be presented with all unmatured Coupons attached. The amount of missing unmatured Coupons will be deducted from the sum due for payment, but such Coupons shall be paid on presentation until such time as they become void by virtue of the Statute of Limitation in accordance with Swiss law. In accordance therewith, claims for interest payments shall become time-barred after a period of five years and claims for the redemption of Subordinated Bonds after a period of ten years, calculated from their respective due dates.

If an Interest Payment Date or any other day for a payment due under the Subordinated Bonds falls on a day which is not a Business Day (as defined below), the Issuer undertakes to effect payment for value the first following day which is a Business Day.

"Business Day" means a day on which (i) commercial banks are open for business in Zurich and London, and (ii) foreign exchange markets settle payments generally in Swiss francs.

5. Status of the Subordinated Bonds

The Subordinated Bonds constitute unsecured obligations of the Issuer and rank pari passu without preference among themselves. The Subordinated Bonds constitute subordinated debt obligations and rank pari passu with all other subordinated debt obligations of the Issuer other than subordinated debt obligations, which rank below the Subordinated Bonds. Accordingly, payments of principal and interest are conditional upon the Issuer being solvent at the time of payment by the Issuer and no principal or interest shall be payable in respect of the Subordinated Bonds except to the extent that the Issuer could make such payment and still be solvent immediately thereafter. For the purpose of this Condition 5, the Issuer shall be solvent if (i) it is able to pay its debts as they fall due and (ii) its Assets exceed its Liabilities (in each case defined below) (other than its Liabilities, which are not Senior Claims).

For the purpose of these Conditions, "Senior Claims" means the aggregate amount of all claims in respect of the deposit liabilities of the Issuer and all other liabilities of the Issuer (including all deposit liabilities and other liabilities of the head office and all other offices of the Issuer wherever located), except those liabilities, which by their terms rank pari passu with or are subordinated to the Subordinated Bonds; "Assets" means the non-consolidated total assets of the Issuer and "Liabilities" means the non-consolidated total liabilities of the Issuer, all as shown by the latest published audited balance sheet of the Issuer but adjusted for contingencies and for subsequent events.

Subject to applicable law, no Bondholder may exercise or claim any right of set-off, compensation or retention in respect of any amount owed to it by the Issuer, arising under or in connection with the Subordinated Bonds and each Bondholder shall, by virtue of his subscription, purchase or holding of any Subordinated Bond, be deemed to have waived all such rights of set-off, compensation or retention.

6. Events of Default

The following Events shall constitute an "Event of Default" for the purposes of the Subordinated Bonds:

- (i) there is a default for more than 30 days in the payment of any principal or interest due in respect of the Subordinated Bonds, or
- (ii) there is a default in the performance by the Issuer of any other obligation under the Subordinated Bonds, which is incapable of remedy or which, being a default capable of remedy, continues for 60 days after written notice of such default has been given by any Bondholder to the Issuer; or

- (iii) any order shall be made in Switzerland or the country where the Issuer is located by any competent court or other authority for the dissolution, administration or bankruptcy of the Issuer (other than in connection with a solvent reorganisation, reconstruction or merger) or for the appointment of a liquidator, provisional liquidator, receiver, administrator or manager of the Issuer or of all or a substantial part of its assets, or the Issuer shall be adjudicated or found bankrupt or insolvent, or anything analogous occurs to the Issuer, or
- (iv) the Issuer stops payment or is unable to, or admits to creditors generally an inability to, pay its debts as they fall due, or passes a resolution for the dissolution or voluntary bankruptcy of the Issuer, or shall enter into any composition or other arrangements with its creditors generally, other than in connection with a solvent reorganisation, reconstruction or merger.

If an Event of Default in relation to the Subordinated Bonds shall have occurred and be continuing, any Bondholder may, at such Bondholder's option, declare the Subordinated Bond held by the Bondholder to be forthwith due and payable at the nominal amount thereof, together with accrued interest (if any) to the date of repayment, without presentment, demand, protest or other notice of any kind, by written notice to the Issuer and the Principal Paying Agent at its specified office.

7. Taxation

- (a) All sums payable by the Issuer pursuant the Terms of the Subordinated Bonds will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or other government charges of any nature ("Taxes") imposed by or on behalf of Jersey and/or Switzerland, or any authority thereof or therein having power to impose Taxes unless such withholding or deduction is required by law.
- (b) If the Issuer is required to deduct or withhold any Taxes then the Issuer will pay such additional amounts as will result in the Bondholders or the Couponholders receiving the amounts they would have received if no withholding or deduction of Taxes had been required ("Additional Amounts").
- (c) The Issuer will not be required to pay any Additional Amounts pursuant to Condition 7 (b) in relation to a Subordinated Bond or Coupon, which is presented for payment, (i) by or on behalf of a Bondholder or Couponholder who is liable to such Taxes on the Subordinated Bond or Coupon as a result of having some connection with Jersey or Switzerland other than its mere ownership or possession of the Subordinated Bond or Coupon or the receipt of principal or interest in respect thereof, or (ii) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to any European Union Directive on the taxation of savings implementing the conclusions of the ECOFIN Council meeting of 26–27 November 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive, or (iii) by or on behalf of a Bondholder or Couponholder who would have been able to avoid such withholding or deduction by presenting the relevant Subordinated Bond or Coupon to, or arranging to receive payment through, another paying agent, or (iv) more than 30 days after the date on which the payment first becomes due except to the extent that the Bondholder or Couponholder would have been entitled to receive the Additional Amounts if it had presented the Subordinated Bond or Coupon for payment on the last day of the 30-day period.
- (d) Any reference in the Terms of the Subordinated Bonds to amounts payable by the Issuer pursuant to the Terms of the Subordinated Bonds includes (i) any Additional Amounts payable pursuant to this Condition 7 and (iii) any sum payable pursuant to an obligation taken in addition to or in substitution for the obligation in this Condition 7.

8. Replacement

If any Subordinated Bond or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the offices of the Principal Paying Agent in Switzerland upon payment by the claimant of the expenses incurred in connection therewith and on such terms as to evidence, security and indemnity as the Issuer may require. Mutilated or defaced Subordinated Bonds or Coupons must be surrendered before replacements will be issued.

9. Substitution of the Issuer

UBS AG, Zurich, and the Issuer may, without the consent of the Bondholders or Couponholders, substitute any non-Swiss branch of UBS AG for the Issuer as the principal debtor in respect of the Subordinated Bonds and Coupons (the "Substituted Issuer"), provided that if the Substituted Issuer is incorporated, located, domiciled, or resident for taxation purposes in a place other than the jurisdiction of incorporation of the Issuer, UBS AG, Zurich, and the Issuer shall implement such provisions as may be necessary to ensure that each Bondholder and Couponholder has the benefit of a covenant in terms corresponding to the provisions of Condition 7 above.

10. Notices

All notices regarding the Subordinated Bonds and/or the Coupons shall exclusively be published on the website of the SWX Swiss Exchange, being www.swx.com, and in any case in accordance with the then applicable regulation of the SWX Swiss Exchange.

11. Meetings of Bondholders and Modifications of Terms of the Subordinated Bonds

The provisions of Art. 1157 et seq. of the Swiss Code of Obligation ("OR") with respect to the Community of Bond Creditors shall fully apply.

12. Listing

The Issuer will use its best endeavours to have the Subordinated Bonds listed on the SWX Swiss Exchange and to maintain such listing during the whole life of the Subordinated Bonds.

13. Amendment to the Terms of the Subordinated Bonds

The Terms of the Subordinated Bonds may be amended from time to time by the Issuer or by UBS AG on behalf of the Bondholders and Couponholders provided that such amendment is of a formal, minor or technical nature, is made to correct a manifest error or is not materially prejudicial to the interests of the Bondholders and/or the Couponholders.

Any such amendment shall be binding on the Bondholders and Couponholders in accordance with its terms.

Notice of such amendment shall be communicated as per Condition 10 above.

14. Governing Law and Jurisdiction

The form, construction and interpretation of the Subordinated Bonds and Coupons shall be subject to and governed by Swiss law.

Any dispute which might arise between Bondholders and Couponholders on the one hand and the Issuer or UBS AG on the other hand regarding the Subordinated Bonds and/or the Coupons shall be settled in accordance with Swiss law and falls within the jurisdiction of the ordinary courts of the Canton of Zurich, with the right to appeal to the Swiss Federal Court of Justice in Lausanne, where the law permits, the decision of which will be final.

Only for that purpose and only for the purpose of enforcement in Switzerland, the Issuer undertakes, as long as the Subordinated Bonds are outstanding, to elect legal and special domicile in Switzerland and in implementation of this undertaking hereby empowers UBS AG at its address at Bahnhofstrasse 45, 8001 Zurich, to act as its agent for receiving service of process.

The above-mentioned jurisdiction is also exclusively competent for the declaration of invalidity of Subordinated Bonds and Coupons. The Issuer shall be discharged by and to the extent of any payment made to a holder recognised as creditor by an enforceable judgement of a Swiss court.