12 August 2011

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*This document includes particulars given in compliance with the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Rules**") and is published for the purpose of giving information with regard to us and obtaining a listing of the CBBCs on the Stock Exchange. We accept full responsibility for the accuracy of the information contained in the Listing Documents (as defined below) and confirm, having made all reasonable enquiries, that to the best of our knowledge and belief there are no other facts the omission of which would make any statement in such Listing Documents misleading.*

Investors are warned that the price of the CBBCs may fall in value as rapidly as it may rise and holders may sustain a total loss of their investment. Prospective purchasers should therefore ensure that they understand the nature of the CBBCs and carefully study the risk factors set out in this document and, where necessary, seek professional advice, before they invest in the CBBCs.

The CBBCs constitute our general unsecured contractual obligations and of no other person and will rank equally among themselves and with all our other unsecured obligations (save for those obligations preferred by law) upon liquidation. If you purchase the CBBCs, you are relying upon our creditworthiness and have no rights under the CBBCs against the trustee or manager of the Trust.

Supplemental Listing Document for Callable Bull/Bear Contracts ("CBBCs")
issued by

UBS

UBS AG

(incorporated with limited liability in Switzerland)

acting through its London Branch

Sponsor

UBS SECURITIES ASIA LIMITED

Key terms

CBBCs	
Stock code	65867
Issue size	100,000,000 CBBCs
Style/ Category	European style cash settled. Category R
Type	Bull
Trust	iShares FTSE A50 China Index ETF#
Units	Existing issued ordinary units of the Trust
Board Lot	1,000 CBBCs
Issue Price per CBBC	HKD 0.250
Funding Cost as of Launch Date+	HKD 0.1360
Strike Price	HKD 10.200
Call Price	HKD 10.500
Cash Settlement Amount per Board Lot (if any) payable at expiry	Subject to no occurrence of a Mandatory Call Event (see the section "Overview of CBBCs" in this document for further details), you will receive a Cash Settlement Amount (if positive) calculated as follows for each Board Lot: $$\frac{\text{Entitlement x (Closing Price - Strike Price) x one Board Lot}}{\text{Number of CBBCs per Entitlement}}$$
Closing Price	The official closing price of one Unit (as derived from the Daily Quotation Sheet of the Stock Exchange) on the Valuation Date, subject to any adjustment (as determined by the Issuer in accordance with the Conditions).
Entitlement	1 Unit
Number of CBBCs per Entitlement	10 CBBCs
Maximum number of Units to which the CBBCs relate	10,000,000 Units
Launch Date	8 August 2011
Issue Date	12 August 2011
Listing date*	Expected to be 15 August 2011 ("**Dealing Commencement Date**")
Observation Commencement Date	15 August 2011
Valuation Date	The Trading Day (being a day on which the Stock Exchange is scheduled to be open for trading for its regular trading sessions) immediately preceding the Expiry Date.
Expiry Date*	27 February 2012

The name of the Trust is included here for identification purposes only. “iShares” is a trademark of BlackRock Institutional Trust Company, N.A. (“**BIT**”). “FTSE” is a trade mark jointly owned by the London Stock Exchange PLC (“**LSE**”) and The Financial Times Limited (“**FTL**”). The CBBCs are not sponsored, endorsed, sold or promoted by BIT, LSE or FTL. BIT, LSE and FTL make no representations or warranties with respect to the CBBCs or this document.

+ The funding cost is calculated in accordance with the following formula:

$$\text{Funding Cost} = \frac{\text{Strike Price x funding rate x n / 365}}{\text{Number of CBBCs per Entitlement}}$$

Where,

(i) “n” is the number of days remaining to expiration; initially, “n” is the number of days from (and including) the Launch Date to (and including) the trading day immediately preceding the Expiry Date; and

(ii) the funding rate will fluctuate throughout the term of the CBBCs as further described in the “Risk factor” section in this document. As of the Launch Date, the funding rate was 23.9737%.

* If such day is not a Business Day in Hong Kong, the immediately succeeding Business Day.

You must read the above together with our base listing document dated 6 April 2011 (as supplemented by any addenda to be issued from time to time), in particular, Part C entitled “Terms and Conditions of Cash Settled Callable Bull/Bear Contracts over Single Unit Trusts” set out in Appendix 2 of our base listing document (“**Conditions**”).

IMPORTANT INFORMATION

The CBBCs are structured products which involve derivatives. Do not invest in them unless you fully understand and are willing to assume the risks associated with them.

What is this document about?

This document is for information purposes only and does not constitute an offer, an advertisement or invitation to the public to subscribe for or to acquire the CBBCs. It is possible that there may have been dealings in the CBBCs since the Launch Date.

What documents should I read before investing in the CBBCs?

You must read this document together with our base listing document dated 6 April 2011 (as supplemented by an addendum dated 8 June 2011 and any addenda to be issued from time to time) (together, the **"Listing Documents"**). The Listing Documents are accurate as at the date of this document. You should carefully study the risk factors set out in the Listing Documents.

What are our credit ratings?

Our long term debt ratings are:

Rating agency	*Rating as of the Launch Date*
Moody's Investors Service, Inc., New York	Aa3
Standard and Poor's Ratings Services, a division of the McGraw-Hill Companies Inc	A+
Fitch Ratings Ltd., London	A+

Rating agencies usually receive a fee from the issuers that they rate.

When evaluating our creditworthiness, you should not solely rely on our credit ratings because:

- a credit rating is not a recommendation to buy, sell or hold the CBBCs;
- ratings of issuers may involve difficult-to-quantify factors such as market competition, the success or failure of new products and markets and managerial competence; and
- a high credit rating is not necessarily indicative of low risk. Our credit ratings as of the Launch Date are for reference only. Any downgrading of our ratings could result in a reduction in the value of the CBBCs.

The CBBCs are not rated.

Are we regulated by any bodies referred to in Rule 15A.13(2) or (3)?

We are a licensed bank regulated by the Hong Kong Monetary Authority. We are also regulated by, among others, the Swiss Financial Market Supervisory Authority and the Financial Services Authority of United Kingdom.

Are we subject to any litigation?

Save as disclosed in the Listing Documents, we and our subsidiaries are not aware of any litigation or claims of material importance pending or threatened against us or them.

Authorisation of the CBBCs

The issue of the CBBCs was authorised by our board of directors on 19 September 2001.

Has our financial position changed since last financial year-end?

There has been no material adverse change in our financial or trading position since 31 December 2010.

Do I need to pay any transaction cost?

The Stock Exchange charges a trading fee of 0.005 per cent. and the Securities and Futures Commission charges a transaction levy of 0.003 per cent in respect of each transaction effected on the Stock Exchange payable by each of the seller and the buyer and calculated on the value of the consideration for the CBBCs. The levy for the investor compensation fund is currently suspended. You do not need to pay any stamp duty in respect of the CBBCs.

Where can I inspect the relevant documents?

The following documents are available for inspection during usual business hours on any weekday (Saturdays, Sundays and holidays excepted) until the Expiry Date at the offices of UBS Securities Asia Limited:

(a) our 2010 annual report for the period ended 31 December 2010 and our second quarter 2011 financial report for the quarterly period ended 30 June 2011;

(b) consent letter of the Auditors;

(c) each of the Listing Documents (in separate English and Chinese versions); and

(d) the instrument executed by us on 10 April 2006.

The Listing Documents are also available on the website of the Stock Exchange at *www.hkex.com.hk*.

各上市文件亦可於聯交所網站(www.hkex.com.hk) 瀏覽。

Have the auditors consented to the inclusion of their report to the Listing Documents?

Our auditors (**"Auditors"**) have given and have not withdrawn their written consent to the inclusion of their report dated 3 March 2011 and/or the references to their name in our base listing document, in the form and context in which they are included. Their report was not prepared exclusively for incorporation into our base listing document. The Auditors do not have our shares or shares in our subsidiaries, nor do they have the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for our securities or securities of any of its subsidiaries.

Selling restrictions

The CBBCs have not been and will not be registered under the United States Securities Act of 1933, as amended (the **"Securities Act"**), and will not be offered, sold, delivered or traded, at any time, indirectly or directly, in the United States or to, or for the account or benefit of, any U.S. person (as defined in the Securities Act).

The offer or transfer of the CBBCs is also subject to the selling restrictions specified in our base listing document.

How can I get information about UBS AG?

You may visit *www.ubs.com* to obtain information about us. You must read the section headed "Additional information relating to us" which contains further information relating to us after the date of our addendum. That section supplements the information set out in our addendum.

Capitalised terms and inconsistency

Unless otherwise specified, capitalised terms used in this document have the meanings set out in the Conditions. Terms used in this document apply to the CBBCs described on the cover page.

If this document is inconsistent with our base listing document, this document prevails.

OVERVIEW OF CBBCs

What are callable bull/bear contracts?
Callable bull/bear contracts are a type of structured products that track the performance of an underlying asset. Subject to any early termination triggered by the mandatory call feature described below, it gives you a right to a cash amount at expiry called the Cash Settlement Amount as determined on the Valuation Date by reference to a pre-set price called the Strike Price.

The value of a CBBC with entitlement ratio to the underlying Units of 1 to 1 tends to move virtually on a ratio of 1 to 1 with the underlying Units. The trading price of every Board Lot of the CBBCs tends to mirror the movement in the price of the Units in dollar value.

Similar to derivative warrants, callable bull/bear contracts may provide leveraged return to you (but conversely, it could also magnify your losses).

How do the CBBCs work?
The CBBCs are issued as callable bull contracts.

Callable bull contracts are designed for investors who have an optimistic view on the Units.

The CBBCs are "European Style" and, subject to no occurrence of a Mandatory Call Event (see "What is the mandatory call feature?" below), the CBBCs are only exercisable on the Expiry Date by payment of a Cash Settlement Amount (if any) less the Exercise Expenses on the Settlement Date.

The Cash Settlement Amount (if any) payable at expiry represents the difference between the Closing Price and the Strike Price. If on the Expiry Date, the Cash Settlement Amount is zero or a negative amount, you will lose all of your investments in the CBBCs.

The CBBCs will be issued as Category R. See "Category R or Category N?" below for details about your entitlement following the occurrence of a Mandatory Call Event.

What is the mandatory call feature?
Subject to the limited circumstances set out in the relevant Conditions in which a Mandatory Call Event may be reversed, we must terminate the CBBCs if a Mandatory Call Event occurs during the Observation Period.

The Observation Period commences from the Observation Commencement Date to the Trading Day immediately preceding the Expiry Date (both dates inclusive).

A Mandatory Call Event occurs if the Spot Price is at or below the Call Price on any Trading Day in the Observation Period.

Subject to the limited circumstances set out in the relevant Conditions in which a Mandatory Call Event may be reversed, all Post MCE Trades (as defined in the paragraph headed "Mandatory Call Event" under the section headed "Other Key Terms, Liquidity and Settlement" of this document) will be invalid and will be cancelled and will not be recognised by us or the Stock Exchange.

The time at which a Mandatory Call Event occurs will be determined by reference to the Stock Exchange's automatic order matching and execution system time at which the Spot Price is at or below the Call Price.

Category R or Category N?
The CBBCs are Category R as the Call Price is different from the Strike Price. You may receive a cash payment called the Residual Value upon the occurrence of a Mandatory Call Event. The Residual Value payable (if any) is calculated by reference to the difference of the Minimum Trade Price and the Strike Price. If the Residual Value is zero or a negative number, you will lose all of your investment.

See "Residual Value" in the section headed "Other Key Terms, Liquidity and Settlement" for calculation of the Residual Value.

What are the factors determining the price of the CBBCs?
Throughout the term of the CBBCs, the price of the CBBCs will be influenced by a number of factors, including:
- the Strike Price and the Call Price;
- the likelihood of the occurrence of a Mandatory Call Event;
- the probable range of Residual Value (if any) upon the occurrence of a Mandatory Call Event;
- the time remaining to expiry;
- any change(s) in interim interest rates;
- expected distribution on the Units;
- the supply and demand for the CBBCs;
- the probable range of the Cash Settlement Amounts;
- the depth of the market or liquidity of the underlying Units;
- any related transaction cost; and
- our creditworthiness.

What is your maximum loss?
Your maximum potential loss in the CBBCs is limited to the purchase price for the CBBCs plus the cost involved in such purchase.

Can you sell the CBBCs before maturity?
Yes. We have made an application for the listing of, and permission to deal in, the CBBCs on the Stock Exchange. All necessary arrangements have been made to enable the CBBCs to be admitted into the Central Clearing and Settlement System (**"CCASS"**). Issue of the CBBCs is conditional upon listing being granted. From the Dealing Commencement Date, you may sell or buy the CBBCs on the Stock Exchange.

The Liquidity Provider will make a market in the CBBCs by providing bid and/or sell prices. See the section headed "Liquidity" of this document for further information.

How can you get information about the Units?
You may obtain information on the Units (including the Trust's financial reports) by visiting the Stock Exchange website at *www.hkex.com.hk* or the Trust's website at:

Trust	*website*
iShares FTSE A50 China Index ETF	http://www.ishares.com.hk

How can you get information about the CBBCs after issue?
You may visit the Stock Exchange website at *www.hkex.com.hk/prod/cbbc/intro.htm* to obtain any information on the CBBCs or any notice given by us or the Stock Exchange in relation to the CBBCs.

OTHER KEY TERMS, LIQUIDITY AND SETTLEMENT

You must read this summary together with our base listing document, in particular, the Conditions.

Summary of other key terms

Mandatory Call Event	A Mandatory Call Event occurs when the Spot Price on any Trading Day during the period commencing from and including the Observation Commencement Date and ending on and including the close of the Trading Day (Hong Kong time) immediately preceding the Expiry Date (**"Observation Period"**) is at or below the Call Price. **"Spot Price"** means: (a) in respect of a continuous trading session of the Stock Exchange, the price per Unit concluded by means of automatic order matching on the Stock Exchange as reported in the official real-time dissemination mechanism for the Stock Exchange during such continuous trading session in accordance with the Rules and Regulations of the Exchange (**"Trading Rules"**), excluding direct business (as defined in the Trading Rules); and (b) in respect of a pre-opening session or a closing auction session (if applicable) of the Stock Exchange, as the case may be, the final Indicative Equilibrium Price (as defined in the Trading Rules) of the Unit (if any) calculated at the end of the pre-order matching period of such pre-opening session or closing auction session (if applicable), as the case may be, in accordance with the Trading Rules, excluding direct business (as defined in the Trading Rules), subject to such modification and amendment prescribed by the Stock Exchange from time to time. Subject to the limited circumstances set out in the Conditions in which a Mandatory Call Event may be reversed, upon the occurrence of a Mandatory Call Event, we must terminate the CBBCs, and you may receive a Cash Settlement Amount (if any). If the Cash Settlement Amount is less than or equal to zero, you will lose all your value of investment in the CBBCs. Subject to such modification and amendment prescribed by the Stock Exchange from time to time, all trades in the CBBCs concluded via auto-matching or manually after the time of the occurrence of a Mandatory Call Event, and in the case where the Mandatory Call Event occurs during a pre-opening session or a closing auction session (if applicable), all auction trades in the CBBCs concluded in such session and all manual trades concluded after the end of the pre-order matching period in such session (**"Post MCE Trades"**), will be invalid and will be cancelled and will not be recognised by us or the Stock Exchange.
Cash Settlement Amount upon occurrence of a Mandatory Call Event	You may receive the Residual Value (see the formula below for calculation of the Residual Value) provided that we may, at our sole and absolute discretion, pay an amount higher than the Residual Value. In such circumstances, we will take into account a number of factors including but not limited to the residual Funding Cost. As the funding rate and hence the Funding Cost may fluctuate throughout the term of the CBBCs, the potential Residual Value of the CBBCs payable upon the occurrence of a Mandatory Call Event may also be affected by such fluctuation.
Residual Value	$\text{Residual Value per Board Lot} = \frac{\text{Entitlement x (Minimum Trade Price - Strike Price) x one Board Lot}}{\text{Number of CBBCs per Entitlement}}$ Where: **"Minimum Trade Price"** means the lowest Spot Price of the Units during the MCE Valuation Period; and **"MCE Valuation Period"** means, subject to potential extension (as described in further details in the Conditions), the period commencing from and including the moment upon which the Mandatory Call Event occurs and up to the end of the following trading session on the Stock Exchange.
Form of the CBBCs	The CBBCs will be represented by a global certificate in the name of HKSCC Nominees Limited. We will not issue definitive certificates for the CBBCs. You may arrange for your broker to hold the CBBCs in a securities account on your behalf, or if you have a CCASS Investor Participant securities account, you may arrange for the CBBCs to be held in such account. You will have to rely on the records of CCASS and/or the statements you receive from your brokers as evidence of your beneficial interest in the CBBCs.
Stock Exchange	The Stock Exchange of Hong Kong Limited

Listing of CBBCs	The Stock Exchange has agreed in principle to the listing of the CBBCs. No application has been made to list the CBBCs on any other exchange.

Liquidity

Liquidity Provider	*Stock code:*	65867
	Name of Liquidity Provider:	UBS Securities Hong Kong Limited
	Address:	52/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong
	Broker ID Number:	9655

The Liquidity Provider is our affiliate and is regulated by the Stock Exchange and the Securities and Futures Commission. It will act as our agent in providing quotes.

Quotes

You can request a quote by calling the Liquidity Provider at:

telephone number: + 852 2971 6628.

The Liquidity Provider will respond within ten minutes and the quote will be displayed on the Stock Exchange's designated stock page for the CBBCs.

Maximum spread between bid and offer prices	25
Factors for determining the bid and offer prices	The Liquidity Provider will consider factors, including, without limitation, the Call Price, the Strike Price, the prevailing market price of the Units, the price volatility of the Units, prevailing interest rates, the distribution yield of the Units, the time left to the expiry of the CBBCs, the expected life of the CBBCs and the funding cost.
Minimum quantity for which liquidity will be provided	10 Board Lots

Circumstances under which the Liquidity Provider may not be able to, and shall not be obliged to, provide liquidity

(i) upon the occurrence of a Mandatory Call Event;
(ii) during the first five minutes of each morning trading session or the first five minutes after trading commences for the first time on any trading day;
(iii) during a pre-opening session or a closing auction session (if applicable), or any other circumstances as may be prescribed by the Stock Exchange from time to time;

(iv) when the CBBCs are suspended from trading for any reason;
(v) when there are no CBBCs available for market making, in which event, only a bid price will be available. CBBCs held by us or any of our affiliates in a fiduciary or agency capacity are not CBBCs available for market making;
(vi) on the Expiry Date;
(vii) when operational and technical problems affecting the market making activities arise;
(viii) if the stock market experiences exceptional price movement and volatility;
(ix) if a market disruption event occurs;
(x) when the ability of the Liquidity Provider acting on our behalf to source a hedge or unwind an existing hedge is materially affected by the prevailing market condition; and
(xi) if the theoretical value of the CBBCs is less than HKD 0.01. If the Liquidity Provider chooses to provide liquidity under this circumstance, both bid and ask prices will be made available.

Settlement

Settlement date upon a transfer

The CBBCs may only be transferred in a Board Lot (or integral multiples thereof) in accordance with the CCASS Rules. Where a transfer of CBBCs takes place on the Stock Exchange, settlement must currently be made not later than two trading days.

Hong Kong stamp duty is not chargeable upon the transfer of CBBCs whether pursuant to dealings on the Stock Exchange or otherwise.

Early termination and exercise

Trading in the CBBCs will be suspended immediately upon a Mandatory Call Event and, subject to the limited circumstances set out in the Conditions in which a Mandatory Call Event may be reversed, all the Post MCE Trades will be invalid and will be cancelled and will not be recognised by us or the Stock Exchange.

	Subject to early termination upon the occurrence of a Mandatory Call Event, the CBBCs will be automatically exercised on the Expiry Date in integral multiples of the Board Lot if the Cash Settlement Amount is positive; otherwise, you will lose all of your investment. We will deliver the Cash Settlement Amount (if any) net of any Exercise Expenses to HKSCC Nominees Limited, which will then distribute the received Cash Settlement Amount to the securities account of your broker or to your CCASS Investor Participant securities account (as the case may be).
Exercise Expenses	You are responsible for any Exercise Expenses. Exercise Expenses mean any charges or expenses including any taxes or duties which are incurred in respect of the exercise of the CBBCs. If the Cash Settlement Amount is equal to or less than the Exercise Expenses, no amount is payable. We are irrevocably authorised by the holder of the CBBCs to deduct all Exercise Expenses from the Cash Settlement Amount.
Settlement Date	The third CCASS Settlement Day after the MCE Valuation Period or the Valuation Date, as the case may be.

RISK FACTORS

You must read these risk factors together with the "Risk Factors" set out in our base listing document.

You may lose all your investment in the CBBCs

The price of the CBBCs may fall in value as rapidly as it may rise and you should be prepared to sustain a significant or total loss of the purchase price of the CBBCs. In particular, if the Cash Settlement Amount payable at expiry or the Residual Value payable upon the occurrence of a Mandatory Call Event is less than or equal to zero, you will lose all of your investment in the CBBCs.

Mandatory Call Event is irrevocable

A Mandatory Call Event is irrevocable unless it is triggered as a result of any of the following events:

(i) report of system malfunction or other technical errors of HKEx (such as the setting up of wrong Call Price and other parameters) by the Stock Exchange to us; or

(ii) report of manifest errors caused by the relevant third party price source where applicable by us to the Stock Exchange,

and we agree with the Stock Exchange that such Mandatory Call Event is to be revoked provided that such mutual agreement must be reached no later than 30 minutes before the commencement of trading (including the pre-opening session) (Hong Kong time) on the Trading Day of the Stock Exchange immediately following the day on which the Mandatory Call Event occurs.

In such case, the Mandatory Call Event so triggered will be reversed and all trades cancelled (if any) will be reinstated and the trading of the CBBCs will resume.

Delay in Mandatory Call Event notification

We will notify the market as soon as practicable after the CBBCs have been called. You should be aware that there may be a delay in the announcement of a Mandatory Call Event due to technical errors, system failures and other factors that are beyond the control of the Stock Exchange and us.

Non-Recognition of Post MCE Trades

The Stock Exchange and its recognised exchange controller, HKEx, will not incur any liability (whether based on contract, tort, (including, without limitation, negligences), or any other legal or equitable grounds and without regard to the circumstances giving rise to any purported claim except in the case of wilful misconduct on the part of the Stock Exchange and/or HKEx) for, any direct, consequential, special, indirect, economic, punitive, exemplary or any other loss or damage suffered or incurred by us or any other party arising from or in connection with the Mandatory Call Event or the suspension of trading (**"Trading Suspension"**) or the non-recognition of trades after a Mandatory Call Event (**"Non-Recognition of Post MCE Trades"**), including without limitation, any delay, failure, mistake or error in the Trading Suspension or Non-Recognition of Post MCE Trades.

We and our affiliates shall not have any responsibility for any losses suffered as a result of the Trading Suspension and/or Non-Recognition of Post MCE Trades in connection with the occurrence of a Mandatory Call Event, notwithstanding that such Trading Suspension or Non-Recognition of Post MCE Trades may have occurred as a result of an error in the observation of the event.

Fluctuation in the Funding Cost

The Issue Price of the CBBCs is set by reference to the difference between the initial reference spot price of the Units and the Strike Price, plus the applicable Funding Cost. The initial Funding Cost applicable to the CBBCs is specified on the cover page. It will fluctuate throughout the life of the CBBCs as the funding rate changes from time to time. The funding rate is a rate determined by us based on one or more of the following factors, including but not limited to the Strike Price, the prevailing interest rate, the expected life of the CBBCs, any expected notional distribution of the Units and the margin financing provided by us.

The CBBCs can be volatile

Although the price of the CBBCs tends to follow closely with the price of the Units, in some situations, the price of the CBBCs may not track the price of the Units. You should carefully consider, among other things, the factors set out in the section headed "Overview of CBBCs" in this document before dealing in the CBBCs.

You should note that when the Spot Price of the Units is close to the Call Price, the trading price of the CBBCs will be more volatile which may not be comparable and may be disproportionate with the change in the price of the Units.

Our hedging activities

Our trading and/or hedging activities or our related parties related to the CBBCs and/or other financial instruments issued by us from time to time may have an impact on the price of the Units and may trigger a Mandatory Call Event.

In particular, when the price of the Units is close to the Call Price, our unwinding activities in relation to the Units may cause a fall or rise (as the case may be) in the price of the Units leading to a Mandatory Call Event as a result of such unwinding activities.

Before the occurrence of a Mandatory Call Event, we or our related party can unwind our hedging transactions relating to the CBBCs in proportion to the amount of the CBBCs we repurchase from the market from time to time. Upon the occurrence of a Mandatory Call Event, we or our related party can unwind any hedging transactions relating to the CBBCs. Such unwinding activities after the occurrence of a Mandatory Call Event may affect the price of the Units and consequently the Residual Value for the CBBCs.

Adjustment related risk

The occurrence of certain events (including, without limitation, a rights issue, bonus issue or cash distribution by the Trust, a subdivision or consolidation of the Units and a restructuring event of the Trust) may entitle us to adjust the Conditions. However, we are not obliged to adjust the Conditions for every event that affects the Units. Any adjustment or decision not to make any adjustment may adversely affect the value of the CBBCs. See Condition 6 for details about such adjustments.

Possible limited secondary market

The Liquidity Provider may be the only market participant for the CBBCs and therefore the secondary market for the CBBCs may be limited. The more limited the secondary market, the more difficult it may be for you to realise the value in the CBBCs prior to expiry.

We have no role in the Trust

Neither we nor any of our affiliates have the ability to control or predict the actions of the trustee or the manager of the Trust. Neither the trustee nor the manager of the Trust (i) is involved in the offer of the CBBCs in any way, or (ii) has any obligation to consider your interest in taking any corporate actions that might affect the value of the CBBCs.

The manager of the Trust is responsible for making investment and other trading decisions with respect to the management of the Trust consistent with its investment objectives and in compliance with the investment restrictions as set out in the constitutive documents of the Trust. The manner in which the Trust is managed and the timing of actions may have a significant impact on the performance of the Trust. Hence, the market price of the Units is also subject to these risks.

ADDITIONAL INFORMATION RELATING TO US

(i) Authorised Representatives

The paragraph headed “Authorised representatives” on page 5 of the Base Listing Document shall be replaced by the following:

“Clara Au and Johnny Yu, both of 52nd Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong, are our authorised representatives and are authorised to accept services on our behalf in Hong Kong”.

(ii) Updated “Information in relation to us”

The following shall replace the section headed “Information in relation to us” from page 4 to page 23 of the addendum dated 8 June 2011:

“1. Overview

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

On 30 June 2011 UBS's BIS Tier1[1] ratio was 18.1%, invested assets stood at CHF 2,069 billion, equity attributable to UBS shareholders was CHF 47,263 million and market capitalization was CHF 58,745 million. On the same date, UBS employed 65,707 people[2].

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

2. Corporate Information

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

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

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

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

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

3. Business Overview

3.1 Business Divisions and Corporate Center

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

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

[2] Full-time equivalents.

3.1.1 Wealth Management & Swiss Bank

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

3.1.2 Wealth Management Americas

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

3.1.3 Global Asset Management

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

3.1.4 Investment Bank

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

3.1.5 Corporate Center

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

3.2 Organizational Structure of the Issuer

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

The parent bank structure allows UBS to fully exploit the advantages generated for all business divisions through the use of a single legal entity. In cases where it is impossible or inefficient to operate via the parent, due to local legal, tax or regulatory provisions, or where additional legal entities join the Group through acquisition, the business is operated on location by legally independent Group companies. UBS AG's significant subsidiaries are listed in the Annual Report 2010, on pages 362-364 (inclusive) of the English version.

3.3. Competition

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

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

3.4 Recent Developments

On 26 July 2011, UBS published its second quarter 2011 report and reported a net profit attributable to UBS shareholders for the second quarter of 2011 of CHF 1,015 million, compared with CHF 1,807 million in the first quarter of 2011. Revenues for the Group were CHF 7.2 billion compared with CHF 8.3 billion in the first quarter. The result reflects, in particular, lower levels of client activity and weak trading performance in UBS's Fixed Income, Currencies and Commodities ("FICC") business. Operating expenses were down for the Group as a whole, partly as a result of currency movements and lower personnel-related expenses. Moreover, UBS recorded a tax expense of CHF 377 million in the second quarter of 2011.

Risk weighted assets ("RWA") were CHF 206 billion on a Basel II basis, broadly in line with the level recorded at the end of the first quarter. Based on 30 June 2011 exposures, UBS's BIS RWA calculated under the enhanced Basel II framework (commonly referred to as Basel 2.5)[3] were CHF 278.2 billion, CHF 72.0 billion higher than under the standard Basel II framework. The increased RWA is composed of a new incremental risk charge which accounts for default and rating migration risk of trading book positions (CHF 34.8 billion of RWA), an additional stressed value-at-risk (VaR) requirement taking into account a one year observation period relating to significant losses (CHF 33.2 billion of RWA), a comprehensive risk measure requirement (CHF 10.3 billion of RWA) and a revised requirement for securitization positions held for trading that will attract banking book capital charges as well as higher risk weights for re-securitization exposures (CHF 6.5 billion of RWA), to better reflect the inherent risk in these products. These increases were partially offset by a RWA relief in VaR of CHF 12.7 billion. Furthermore, UBS's BIS tier 1 capital calculated under the enhanced Basel II framework was CHF 0.7 billion lower than under the standard Basel II framework and UBS's BIS total capital was lower by CHF 1.4 billion. As a result, UBS's pro forma BIS tier 1 capital ratio including the effects of the enhanced Basel II market risk framework was 13.2%, UBS's BIS core tier 1 capital ratio was 11.7% and UBS's BIS total capital ratio stood at 13.9%.

At the close of the second quarter, UBS's balance sheet stood at CHF 1,237 billion, a decrease of CHF 55 billion on the first quarter, mainly as a result of currency movements.

UBS's Basel II tier 1 capital ratio stood at 18.1% at the end of the quarter. UBS's FINMA leverage ratio for second quarter 2011 improved to 4.8%, compared with 4.6% in the first quarter of 2011 as a result from an increase in FINMA tier 1 capital and a decrease in total adjusted assets.

Net new money inflows for the Group were CHF 8.7 billion in the second quarter of 2011 as clients continued to entrust UBS more of their assets, albeit at lower levels than in the first quarter. Wealth Management achieved net new money inflows of CHF 5.6 billion, primarily from its strategic growth areas of the Asia Pacific region, the emerging markets and in the ultra high net worth client segment. Net new money inflows in the second quarter of 2011 were CHF 2.6 billion for Wealth Management Americas, mainly as a result of UBS's success in recruiting new financial advisors, and CHF 1.1 billion for Global Asset Management (compared with net inflows of CHF 3.6 billion and CHF 5.6 billion in first quarter, respectively).

During the second quarter, the Board of Directors ("BoD") of UBS AG and senior management reconfirmed UBS's broad strategic direction. UBS is confident that it will create the most value for its clients and shareholders as an integrated bank with a client-focused business model. In order to ensure continued improvements in its profitability, UBS will develop its leading wealth management businesses, including further investing in its onshore businesses and the ultra high net worth client segment, while expanding its activities in the Asia-Pacific region and the emerging markets. The benefits of a globally competitive investment bank and a successful asset management business are also crucial to UBS's future. In its home market, Switzerland, UBS aims to maintain its leading position.

Over the last four quarters, a decline in returns for the banking industry as a whole has been witnessed, reflecting deleveraging and actions being taken in advance of increased capital requirements. A weakening economic outlook and higher future capital requirements may extend or exacerbate these trends. Given these circumstances, UBS will continue to evaluate potential changes to its businesses, corporate structure and booking model. The fundamental shift in the global financial environment also has implications for UBS's medium-term targets, which were set in 2009 and based on market and regulatory assumptions that are now outdated. While UBS continues to be optimistic that it will deliver higher profitability, UBS believes that its 2009 target for pre-tax profits is unlikely to be achieved in the time period originally envisaged.

In the current environment, UBS needs to be ever more vigilant around its levels of expenditure. As a result, UBS will initiate further cost reductions to align its expense base to current market conditions. Over the next 2 to 3 years, UBS will eliminate costs of CHF 1.5–2.0 billion, while remaining committed to investing in key growth areas that underpin its long-term success.

On 1 July 2011, UBS announced that Axel Weber, former President of the German Bundesbank, will be nominated for election to the BoD of UBS AG at the Annual General Meeting on 3 May 2012. Subject to his election, he will be appointed as non-independent Vice Chairman and is then expected to become Chairman of the Board in 2013.

At the UBS Annual General Meeting in April UBS shareholders approved the 2010 Annual Report and Group Financial Statements, elected Joseph Yam to the BoD and re-elected the incumbent members of the BoD.

3.5 Trend Information (Outlook statement as presented in UBS's second quarter 2011 report issued on 26 July 2011)

Current economic uncertainty shows little sign of abating. UBS therefore does not envisage material improvements in market conditions in the third quarter of 2011, particularly given the seasonal decline in activity levels traditionally associated with the summer holiday season, and expect these conditions to continue to constrain its results. In the second half of 2011, UBS may recognize deferred tax assets that could reduce its full-year effective tax rate. The levy imposed by the United Kingdom on bank liabilities, formally introduced just after the end of the second quarter, is expected to reduce the Investment Bank’s performance before tax by approximately CHF 100 million before the end of 2011. As a result of UBS's intention to initiate cost reduction measures, it is likely that UBS will book significant restructuring charges later this year. Going forward, UBS's solid capital position and financial stability as well as its sharpened focus on cost discipline will enable UBS to build further on the progress it has already made.

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

4. Administrative, Management and Supervisory Bodies of the Issuer

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

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

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

4.1 Board of Directors

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

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

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

4.1.1 Members of the Board of Directors

Member and business addresses	**Title**	**Term of office**	**Current positions outside UBS AG**[1]
Kaspar Villiger UBS AG, Bahnhofstrasse 45, P.O. Box, CH-8001, Zurich, Switzerland	Chairman	2012	None
Michel Demaré ABB Ltd., Affolternstrasse 44, P.O. Box 5009, CH-8050 Zurich, Switzerland	Independent Vice Chairman	2012	CFO and member of the Group Executive Committee of ABB; President Global Markets at ABB; member of the IMD Foundation Board, Lausanne.
David Sidwell UBS AG, Bahnhofstrasse 45, P.O. Box, CH-8001, Zurich, Switzerland	Senior Independent Director	2012	Director and Chairperson of the Risk Policy and Capital Committee of Fannie Mae, Washington D.C.; Senior Advisor at Oliver Wyman, New York; trustee of the International Accounting Standards Committee Foundation, London; Chairman of the board of Village Care, New York; Director of the National Council on Aging, Washington D.C.
Rainer-Marc Frey Office of Rainer-Marc Frey, Seeweg 39, CH-8807 Freienbach Switzerland	Member	2012	Founder and Chairman of Horizon21 and its related entities and subsidiaries; member of the board of DKSH Group, Zurich, and of the Frey Charitable Foundation, Freienbach.
Bruno Gehrig Swiss International Air Lines AG, Obstgartenstrasse 25, CH-8302 Kloten, Switzerland	Member	2012	Chairman of the board of Swiss International Air Lines; Vice Chairman and Chairperson of the Remuneration Committee of Roche Holding Ltd., Basel.
Ann F. Godbehere UBS AG, Bahnhofstrasse 45, P.O. Box, CH-8001, Zurich, Switzerland	Member	2012	Board member and Chairperson of the Audit Committees of Prudential plc, Rio Tinto plc and Rio Tinto Limited, London; board member of Atrium Underwriters Ltd., Atrium Underwriting Group Ltd., London, member of the board and Chairperson of the Audit Committee of Ariel Holdings Ltd., Bermuda.

Member and business addresses	Title	Term of office	Current positions outside UBS AG[1]
Axel P. Lehmann Zurich Financial Services, Mythenquai 2, CH-8002, Zurich, Switzerland	Member	2012	Group Chief Risk Officer of Zurich Financial Services; Chairman of the board of Farmers Group, Inc. and of the Institute of Insurance Economics at the University of St. Gallen and Chairman of the Chief Risk Officer Forum.
Wolfgang Mayrhuber Deutsche Lufthansa AG, Flughafen Frankfurt am Main 302, D-60549 Frankfurt am Main Germany	Member	2012	Chairman of the supervisory board and Chairperson of the Mediation, the Nomination and the Executive Committees of Infineon Technologies AG, as well as member of the supervisory boards of Munich Re Group, BMW Group, Lufthansa Technik AG and Austrian Airlines AG; member of the board of SN Airholding SA/NV, Brussels, and HEICO Corporation, Hollywood, FL.
Helmut Panke BMW AG, Petuelring 130, D-80788 Munich Germany	Member	2012	Member of the board of Microsoft Corporation and Chairperson of the Antitrust Compliance Committee; member of the board of Singapore Airlines Ltd.; member of the supervisory board of Bayer AG.
William G. Parrett UBS AG, Bahnhofstrasse 45, P.O. Box, CH-8001, Zurich, Switzerland	Member	2012	Independent Director, and Chairperson of the Audit Committee, of the Eastman Kodak Company, the Blackstone Group LP and Thermo Fisher Scientific Inc.; Immediate Past Chairman of the board of the United States Council for International Business and of United Way Worldwide; member of the Board of Trustees of Carnegie Hall.
Joseph Yam 18 B South Bay Towers 59 South Bay Rd. Hong Kong	Member	2012	Executive Vice President of the China Society for Finance and Banking; Chairman of the board of Macroprudential Consultancy Limited and member of the International Advisory Councils of a number of government and academic institutions. Board member and chairperson of the Risk Committee of China Construction Bank. Member of the board of Johnson Electric Holdings Limited.

[1] **Positions outside UBS held by members of the BoD in the last five years are indicated in their respective curriculum vitae below**

On 1 July 2011, UBS announced that Axel Weber, former President of the German Bundesbank, will be nominated for election to the BoD of UBS AG at the Annual General Meeting on 3 May 2012. Subject to his election, he will be appointed as non-independent Vice Chairman and is then expected to become Chairman of the Board in 2013.

4.1.2 Organizational principles and structure

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

The BoD committees comprise the Audit Committee, the Corporate Responsibility Committee, the Governance and Nominating Committee, the Human Resources and Compensation Committee and the Risk Committee.

4.1.3 Audit Committee

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

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

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

The members of the AC are William G. Parrett (Chairperson), Ann F. Godbehere, Michel Demaré and Rainer-Marc Frey.

4.2 Group Executive Board

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

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

4.2.1 Members of the Group Executive Board

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

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

4.3 Potential conflicts of interest

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

5. Auditors

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

6. Major Shareholders of the Issuer

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

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

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

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

As of 30 June 2011, the following shareholders were registered in the share register with 3% or more of the total share capital of UBS AG: Chase Nominees Ltd., London (10.07%); the US securities clearing organization DTC (Cede & Co.) New York, "The Depository Trust Company" (7.32%); Government of Singapore Investment Corp. (6.41%) and Nortrust Nominees Ltd, London (3.79%).

UBS holds its own shares primarily to hedge employee share and option participation plans. A smaller number is held by the Investment Bank in its capacity as a market-maker in UBS shares and related derivatives. As of 30 June 2011, UBS held a stake of UBS AG's shares, which corresponded to less than 3.00% of its total share capital. As of 31 December 2010, UBS had disposal positions relating to 508,052,477 voting rights, corresponding to 13.26% of the total voting rights of UBS AG. They consisted mainly of 9.66% of voting rights on shares deliverable in respect of employee awards and included the number of shares that may be issued, upon certain conditions, out of conditional capital to the Swiss National Bank ("SNB") in connection with the transfer of certain illiquid and other positions to a fund owned and controlled by the SNB.

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

7. Financial Information concerning the Issuer’s Assets and Liabilities, Financial Position and Profits and Losses

7.1 Historical Annual Financial Information

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

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

(i) the Consolidated Financial Statements of UBS Group, in particular to the Income Statement on page 255, the Balance Sheet on page 257, the Statement of Cash Flows on pages 261-262 (inclusive) and the Notes to the Consolidated Financial Statements on pages 263-370 (inclusive), and
(ii) the Financial Statements of UBS AG (Parent Bank), in particular to the Income Statement on page 372, the Balance Sheet on page 373, the Statement of Appropriation of Retained Earnings on page 373, the Notes to the Parent Bank Financial Statements on pages 374–392 (inclusive) and the Parent Bank Review on page 371, and
(iii) the sections entitled "Introduction and accounting principles" on page 244 and “Critical accounting policies” on pages 245-248 (inclusive).

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

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

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

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

7.2 Auditing of Historical Annual Financial Information

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

7.3 Interim Financial Information

Reference is also made to UBS's first and second quarter 2011 reports, which contain information on the financial condition and the results of operation of the UBS Group as of and for the three months ended on 31 March 2011 and 30 June 2011, respectively. The interim financial statements are not audited.

7.4 Litigation and regulatory matters

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

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

1. Municipal bonds

In November 2006, UBS and others received subpoenas from the Antitrust Division of the US Department of Justice (DOJ) and the US Securities and Exchange Commission (SEC) seeking information relating to the investment of proceeds of municipal bond issuances and associated derivative transactions. In addition, various state Attorneys General issued subpoenas seeking similar information. Several putative class actions also have been filed in Federal District Courts against UBS and numerous other firms. In December 2010, three former UBS employees were indicted in connection with the Federal criminal antitrust investigation. On 4 May 2011, UBS announced a settlement with the SEC, DOJ, the US Internal Revenue Service (IRS) and a group of state Attorneys General under which UBS would pay a total of USD 140.3 million to resolve the regulatory, antitrust and securities law issues. The class action litigations remain pending; however, approximately USD 63 million of the regulatory settlement will be made available to potential claimants through a settlement fund, and payments made through the fund should reduce the total monetary amount at issue in the class action.

2. Auction rate securities

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

3. US cross-border

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

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

4. Inquiries regarding Non-US cross-border wealth management businesses

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

5. Matters related to the credit crisis

UBS is responding to a number of governmental inquiries and investigations and is involved in a number of litigations, arbitrations and disputes related to the credit crisis and in particular mortgage-related securities and other structured transactions and derivatives. In particular, the SEC is investigating UBS’s valuation of super senior tranches of collateralized debt obligations (CDO) during the third quarter of 2007 and UBS’s reclassification of financial assets pursuant to amendments to IAS 39 during the fourth quarter of 2008. UBS has provided documents and testimony to the SEC and is continuing to cooperate with the SEC in its investigation. UBS has also communicated with and has responded to other inquiries by various governmental and regulatory authorities, including the Swiss Financial Market Supervisory Authority (FINMA), the UK Financial Services Authority (FSA), the SEC, the US Financial Industry Regulatory Authority (FINRA), the Financial Crisis Inquiry Commission (FCIC), the New York Attorney General, and the US Department of Justice, concerning various matters related to the credit crisis. These matters concern, among other things, UBS’s (i) disclosures and writedowns, (ii) interactions with rating agencies, (iii) risk control, valuation, structuring and marketing of mortgage-related instruments, and (iv) role as underwriter in securities offerings for other issuers.

6. Lehman principal protection notes

From March 2007 through September 2008, UBS sold approximately USD 1 billion face amount of structured notes issued by Lehman Brothers Holdings Inc. (Lehman), a majority of which were referred to as “principal protection notes,” reflecting the fact that while the notes’ return was in some manner linked to market indices or other measures, some or all of the investor’s principal was an unconditional obligation of Lehman as issuer of the notes. UBS has been named along with other defendants in a putative class action alleging materially misleading statements and omissions in the prospectuses relating to these notes and asserting claims under US securities laws. UBS has also been named in numerous individual civil suits and customer arbitrations (some of which have resulted in settlements or adverse judgments), was named in a proceeding brought by the New Hampshire Bureau of Securities, and is responding to investigations by other state regulators relating to the sale of these notes to UBS’s customers. The customer litigations and regulatory investigations relate primarily to whether UBS adequately disclosed the risks of these notes to its customers. In April 2011, UBS entered into a settlement with FINRA related to the sale of these notes, pursuant to which UBS agreed to pay a USD 2.5 million fine and approximately USD 8.25 million in restitution and interest to a limited number of investors in the US.

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

From 2002 through about 2007, UBS was a substantial underwriter and issuer of US residential mortgage-backed securities (RMBS). UBS has been named as a defendant relating to its role as underwriter and issuer of RMBS in a large number of lawsuits relating to approximately USD 39 billion in original face amount of RMBS underwritten or issued by UBS. Most of the lawsuits are in their early stages. Many have not advanced beyond the motion to dismiss phase; others are in varying stages of discovery. Of the original face amount of RMBS at issue in these cases, approximately USD 4.8 billion was issued in offerings in which a UBS subsidiary transferred underlying loans (the majority of which were purchased from third-party originators) into a securitization trust and made representations and warranties about those loans. The remaining USD 34 billion of RMBS to which these cases relate was issued by third parties in securitizations in which UBS acted as underwriter. In connection with certain of these lawsuits, UBS has indemnification rights against solvent third-party issuers or originators for any loss or liability incurred by UBS. Additionally, UBS is named as a defendant in three lawsuits brought by insurers of RMBS seeking recovery of insurance paid to RMBS investors. These insurers allege that UBS and other RMBS underwriters aided and abetted misrepresentations and fraud by RMBS issuers, and claim equitable and contractual subrogation rights. UBS has also been contacted by certain government-sponsored enterprises requesting that UBS repurchase USD 2 billion of securities issued in UBS-sponsored RMBS offerings.

As described in the section “Other contingent liabilities - Demands related to sales of mortgages and RMBS” below, UBS also has contractual obligations to repurchase US residential mortgage loans as to which UBS’s representations made at the time of transfer prove to have been materially inaccurate.

8. Claims related to UBS disclosure

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

9. Madoff

In relation to the Bernard L. Madoff Investment Securities LLC (BMIS) investment fraud, UBS AG, UBS (Luxembourg) SA and certain other UBS subsidiaries have been subject to inquiries by a number of regulators, including FINMA and the Luxembourg Commission de Surveillance du Secteur Financier (CSSF). Those inquiries concerned two third-party funds established under Luxembourg law, substantially all assets of which were with BMIS, as well as certain funds established under offshore jurisdictions with either direct or indirect exposure to BMIS. These funds now face severe losses, and the Luxembourg funds are in liquidation. The last reported net asset value of the two Luxembourg funds before revelation of the Madoff scheme was approximately USD 1.7 billion in the aggregate, although that figure likely includes fictitious profit reported by BMIS. The documentation establishing both funds identifies UBS entities in various roles including custodian, administrator, manager, distributor and promoter, and indicates that UBS employees serve as board members. Between February and May 2009, UBS (Luxembourg) SA responded to criticisms made by the CSSF in relation to its responsibilities as custodian bank and demonstrated to the satisfaction of the CSSF that it has the infrastructure and internal organization in place in accordance with professional standards applicable to custodian banks in Luxembourg. UBS (Luxembourg) SA and certain other UBS subsidiaries are also responding to inquiries by Luxembourg investigating authorities, without however being named as parties in those investigations. In December 2009 and March 2010, the liquidators of the two Luxembourg funds filed claims on behalf of the funds against UBS entities, non-UBS entities and certain individuals including current and former UBS employees. The amounts claimed are approximately EUR 890 million and EUR 305 million respectively. In addition, a large number of alleged beneficiaries have filed claims against UBS entities (and non-UBS entities) for purported losses relating to the Madoff scheme. The majority of these cases are pending in Luxembourg, where appeals have been filed against the March 2010 decisions of the court in which the claims in a number of test cases were held to be inadmissible. In the US, the BMIS Trustee has filed claims against UBS entities, amongst others, in relation to the two Luxembourg funds and one of the offshore funds. A claim was filed in November 2010 against 23 defendants including UBS entities, the Luxembourg and offshore funds concerned and various individuals, including current and former UBS employees. The total amount claimed against all defendants is no less than USD 2 billion. A second claim was filed in December 2010 against 16 defendants including UBS entities and the Luxembourg fund concerned. The total amount claimed against all defendants is not less than USD 555 million. UBS has filed motions requesting that these complaints be moved from the Bankruptcy Court to the Federal District Court. In Germany, certain clients of UBS are exposed to Madoff-managed positions through third-party funds and funds administered by UBS entities in Germany. A small number of claims have been filed with respect to such funds.

10. Transactions with City of Milan and other Italian public sector entities

In January 2009, the City of Milan filed civil proceedings against UBS Limited, UBS Italia SIM Spa and three other international banks in relation to a 2005 bond issue and associated derivatives transactions entered into with the City between 2005 and 2007. The claim is to recover alleged damages in an amount which will compensate for terms of the related derivatives which the City claims to be objectionable. In the alternative, the City seeks to recover alleged hidden profits asserted to have been made by the banks in an amount of approximately EUR 88 million (of which UBS Limited is alleged to have received approximately EUR 16 million) together with further damages of not less than EUR 150 million. The claims are made against all of the banks on a joint and several basis. The case is currently stayed following a petition filed by the four banks to the Italian basis Court of Cassation challenging the jurisdiction of the Italian courts. In addition, two current UBS employees and one former employee, together with employees from other banks, a former City officer and a former adviser to the City, are facing a criminal trial for alleged "aggravated fraud" in relation to the City's 2005 bond issue and the execution, and subsequent restructuring, of certain related derivative transactions. The primary allegation is that UBS Limited and the other international banks obtained hidden and/or illegal profits by entering into the derivative contracts with the City. The banks also face an administrative charge of failing to have in place a business organizational model to avoid the alleged misconduct by employees, the sanctions for which could include a limitation on activities in Italy. The City has separately asserted claims for damages against UBS Limited and UBS individuals in those proceedings. A number of transactions with other public entity counterparties in Italy have also been called into question or become the subject of legal proceedings and claims for damages and other awards. These include derivative transactions with the Regions of Calabria, Tuscany, Lombardy and Lazio and the City of Florence. UBS has itself issued proceedings before English courts in connection with a number of derivative transactions with Italian public entities, including some of those mentioned above, aimed at obtaining declaratory judgments as to the legitimacy of UBS's behavior.

11. HSH Nordbank AG (HSH)

HSH has filed an action against UBS in New York State court relating to USD 500 million of notes acquired by HSH in a synthetic CDO transaction known as North Street Referenced Linked Notes, 2002-4 Limited (NS4). The notes were linked through a credit default swap between the NS4 issuer and UBS to a reference pool of corporate bonds and asset-backed securities. HSH alleges that UBS knowingly misrepresented the risk in the transaction, sold HSH notes with "embedded losses", and improperly profited at HSH's expense by misusing its right to substitute assets in the reference pool within specified parameters. HSH is seeking USD 500 million in compensatory damages plus pre-judgment interest. The case was initially filed in 2008. Following orders issued in 2008 and 2009, in which the court dismissed most of HSH's claims and its punitive damages demand and later partially denied a motion to dismiss certain repleaded claims, the claims remaining in the case are for fraud, breach of contract and breach of the implied covenant of good faith and fair dealing. Both sides have appealed the court's most recent partial dismissal order, and a decision on the appeal is pending.

12. Kommunale Wasserwerke Leipzig GmbH (KWL)

In 2006 and 2007, KWL entered into a series of Credit Default Swap (CDS) transactions with bank swap counterparties, including UBS. Under the CDS contracts between KWL and UBS, the last of which were terminated by UBS in October 2010, a net sum of approximately USD 138 million has fallen due from KWL but not been paid. In January 2010, UBS issued proceedings in the English High Court against KWL seeking various declarations from the English court, in order to establish that the swap transaction between KWL and UBS is valid, binding and enforceable as against KWL. In October 2010, the English court ruled that it has jurisdiction and will hear the proceedings, and UBS issued a further claim seeking declarations concerning the validity of its early termination of the remaining CDS transactions with KWL. Whilst KWL appealed from that decision, it has recently informed UBS that in light of a recent decision of the European Court of Justice (ECJ) in another case not involving UBS, it does not intend to proceed with the jurisdictional appeal in the English courts. The civil dispute will now proceed before the English court with UBS's two claims now consolidated together and amended to include a claim for payment from KWL of the net principal sum outstanding plus interest. In March 2010, KWL issued proceedings in Leipzig, Germany, against UBS and other banks involved in these contracts, claiming that the swap transactions are void and not binding on the basis of KWL's allegation that KWL did not have the capacity or the necessary internal authorization to enter into the transactions and that the banks knew this. Upon and as a consequence of KWL withdrawing its appeal on jurisdiction in England (and the same ECJ ruling referred to above), it is expected that the Leipzig court will dismiss KWL's civil claim against UBS and one of the other banks in the German courts and that no civil claim will proceed against either of them in Germany. The proceedings by KWL against the third bank will now proceed before the German courts following a preliminary order by the Leipzig court that it has jurisdiction to hear this case.

The other two banks that entered into CDS transactions with KWL entered into back-to-back CDS transactions with UBS. In April 2010, UBS issued separate proceedings in the English High Court against those bank swap counterparties seeking declarations as to the parties' obligations under those transactions. The back-to-back CDS transactions were subsequently terminated in April and June 2010. The aggregate amount that UBS contends is outstanding under those transactions is approximately USD 189 million plus interest. These English court proceedings are currently stayed.

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

13. Puerto Rico

The SEC has been investigating UBS's secondary market trading and associated disclosures involving shares of closed-end funds managed by UBS Asset Managers of Puerto Rico, principally in 2008 and 2009. In November 2010, the SEC issued a "Wells notice" to two UBS subsidiaries, advising them that the SEC staff is considering whether to recommend that the SEC bring a civil action against them relating to these matters.

14. LIBOR

Several government agencies, including the SEC, the US Commodity Futures Trading Commission, the DOJ and the FSA, are conducting investigations regarding submissions to the British Bankers' Association, which sets LIBOR rates. UBS understands that the investigations focus on whether there were improper attempts by UBS (among others), either acting on its own or together with others, to manipulate LIBOR rates at certain times. In addition, UBS has received an order to provide information to the Japan Financial Services Agency concerning similar matters.

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

A number of putative class actions have been filed in federal courts in the US against UBS and numerous other banks on behalf of certain parties who transacted in LIBOR-based derivatives. The complaints allege manipulation, through various means, of the US dollar LIBOR rate and prices of US dollar LIBOR-based derivatives in various markets. Claims for damages are asserted under various legal theories, including violations of the US Commodity Exchange Act and antitrust laws.

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

7.5 Other contingent liabilities

Demands related to sales of mortgages and RMBS

For several years prior to the crisis in the US residential mortgage loan market, UBS sponsored securitizations of US residential mortgage- backed securities (RMBS) and were a purchaser and seller of US residential mortgages. A subsidiary of UBS, UBS Real Estate Securities Inc. ("UBS RESI"), acquired pools of residential mortgage loans from originators and (through an affiliate) deposited them into securitization trusts. In this manner, from 2004 through 2007 UBS RESI sponsored approximately USD 80 billion in RMBS, based on the original principal balances of the securities issued. The overall market for privately issued US RMBS during this period was approximately USD 3.9 trillion.

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

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

When UBS acted as an RMBS sponsor or mortgage seller, UBS generally made certain representations relating to the characteristics of the underlying loans. In the event of a material breach of these representations, UBS was in certain circumstances contractually obligated to repurchase the loans to which they related or to indemnify certain parties against losses. UBS has been notified by certain institutional purchasers and insurers of mortgage loans and RMBS that possible breaches of representations may entitle the purchasers to require that UBS repurchase the loans or to other relief. Loan repurchase demands increased in the second quarter, as reflected in the table below, which summarizes repurchase demands received by UBS and UBS's repurchase activity from 2006 through 15 July 2011.

As of the end of the second quarter of 2011, UBS's balance sheet reflects a provision of USD 87.5 million based on its best estimate of the loss arising from loan repurchase demands received from 2006 through 2011 to which UBS has agreed or which remain unresolved, and for certain anticipated loan repurchase demands of which it has been informed. A counterparty has advised UBS that it intends to make loan repurchase demands that are currently estimated to amount to at least USD 900 million in original principal balance, but it is not yet clear when or to what extent these demands will be made. UBS also cannot reliably estimate when or to what extent the provision will be utilized in connection with actual loan repurchases or payments for liquidated loans, because both the submission of loan repurchase demands and the timing of resolution of such demands are uncertain.

Payments made by UBS to date to resolve repurchase demands have been for liquidated adjustable rate mortgages that provide the borrower with a choice of monthly payment options (Option ARM loans). These payments were equivalent to approximately 62% of the original principal balance of the Option ARM loans. The corresponding percentages for other loan types can be expected to vary. With respect to unliquidated Option ARM loans that UBS has agreed to repurchase, UBS expects severity rates will be similar to payments made for liquidated loans. Actual losses upon repurchase will reflect the estimated value of the loans in question at the time of repurchase as well as, in some cases, partial repayment by the borrowers or advances by servicers prior to repurchase. It is not possible to predict future indemnity rates or percentage losses upon repurchase for reasons including timing and market uncertainties as well as possible differences in the characteristics of loans that may be the subject of future demands compared with those that have been the subject of past demands.

In most instances in which UBS would be required to repurchase loans or indemnify against losses due to misrepresentations, it would be able to assert demands against third-party loan originators who provided representations when selling the related loans to UBS. However, many of these third parties are insolvent or no longer exist. UBS estimates that, of the total original principal balance of loans sold or securitized by UBS from 2004 through 2007, less than 50% was purchased from third-party originators that remain solvent. UBS has asserted indemnity or repurchase demands against originators equivalent to approximately 60% of the original principal balance of the liquidated loans for which UBS has made payment in response to demands received in 2010 and 2011. Only a small number of UBS' demands have been resolved, and UBS has not recognized any asset in respect of the unresolved demands.

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

As described above under section 7.5 "Litigation and regulatory matters", UBS is also subject to claims and threatened claims in connection with UBS's role as underwriter and issuer of RMBS.

7.6 Material Contracts

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

7.7 Significant Changes in the Financial Situation

There has been no material change in the financial position of UBS since the publication of UBS's second quarter 2011 report (including non-audited consolidated financial statements) for the period ending on 30 June 2011.

8. Share Capital

As of the date of this document, UBS AG had (i) fully paid and issued share capital of CHF 383,084,051.30, divided into 3,830,840,513 registered shares with a par value of CHF 0.10 each, (ii) no authorized capital and (iii) conditional share capital in the amount of CHF 62,992,071.20, comprising 629,920,712 registered shares with a par value of CHF 0.10 each, as reflected in its Articles of Associations most recently registered with the Commercial Register of Zurich and the Commercial Register of Basel-City.

9. Documents on Display

- The Annual Report of UBS AG as of 31 December 2009, comprising the sections (i) Strategy, performance and responsibility, (ii) UBS business divisions and Corporate Center (iii) Risk and treasury management, (iv) Corporate governance and compensation, (v) Financial information (including the "Report of the Statutory Auditor and the Independent Registered Public Accounting Firm on the Consolidated Financial Statements" and the “Report of the Statutory Auditor on the Financial Statements”);

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

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

- the quarterly reports of UBS AG as at 31 March 2011 and 30 June 2011; and

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

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

(iii) Second Quarter 2011 Report

We released our second quarter 2011 report for the quarterly period ended on 30 June 2011 on 26 July 2011. You may visit our website at http://www.ubs.com/1/e/investors/quarterly_reporting/2011.html to access our second quarter 2011 report.

The information set out under this paragraph has been extracted without adjustment from our second quarter 2011 report. Page references under this paragraph refer to pages in such report.

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