

**SUPPLEMENT NO. 1**

**pursuant to §§ 6(2), 16(1) of the Securities Prospectus Act  
(Wertpapierprospektgesetz, "WpPG")**

dated 4 September 2009

of

**UBS AG**

to the

**base prospectus**

dated 6 April 2009,  
(the "**Base Prospectus**")

**in relation to the**

**UBS Structured Note Programme**

Capitalised terms used herein and not otherwise defined in this Supplement No. 1 shall have the same meaning as in the Base Prospectus.

The Base Prospectus (as well as Supplements thereto) can be ordered free of charge at the offices of the Issuer as well as UBS Deutschland AG, Stephanstrasse 14 – 16, 60313 Frankfurt am Main, Federal Republic of Germany, for a period of twelve months after the publication of the Base Prospectus. In addition, any annual and quarterly reports of UBS AG are published on the UBS website, at [www.ubs.com/investors](http://www.ubs.com/investors) or a successor address.

Application has been made to the BaFin for its approval of this Supplement No. 1. Approval by the BaFin means the positive act at the outcome of the scrutiny of the completeness of this Supplement No. 1 including the consistency of the information given and its comprehensibility. Pursuant to §§ 6(2), 16(1), 14(1) WpPG, this Supplement No. 1 has been filed with the BaFin as the competent authority.

Pursuant to §§ 6(2), 16(1), 14(3) WpPG, the availability for inspection of this Supplement No. 1 at the offices of the Fiscal Agent, UBS AG, Bahnhofstrasse 45, 8001 Zurich, will be announced at UBS web page.

In accordance with § 16(3) WpPG, investors who have already submitted purchase orders in relation to Notes issued under the Programme prior to the publication of this Supplement No. 1 are entitled to withdraw their orders within two days of this Supplement No. 1 having been published provided that no discharge has occurred. A withdrawal, if any, of an order must be communicated in writing to the relevant Issuer at its registered office specified in the address list hereof.

- A. The Issuer hereby replaces the English language version of the sub-section of the Base Prospectus entitled "C. Summary of the Description of UBS AG" which is part of the English language version of the section of the Base Prospectus entitled "Summary of the Programme" with the following text in its entirety:**

***"C. Summary of the "Description of UBS AG"***

**Overview**

UBS AG ("UBS AG" or "UBS" or the "Issuer" or the "Company") with its subsidiaries, is, according to its own opinion, one of the world's leading financial firms, serving a discerning international client base. UBS is, according to its own opinion, a leading global wealth manager, one of the world's premier investment banking and securities firms with a strong institutional and corporate client franchise, one of the leading global asset managers and the market leader in Swiss commercial and retail banking. On 30 June 2009, UBS employed 71,806 people<sup>1</sup>. With headquarters in Zurich and Basel, Switzerland, UBS operates in over 50 countries and from all major international centers.

UBS is, according to its own opinion, one of the best-capitalized financial institutions in the world. On 30 June 2009 the BIS Tier1<sup>2</sup> ratio was 13.2%, invested assets stood at CHF 2,250 billion, equity attributable to UBS shareholders was CHF 33,545 million and market capitalization was CHF 42,872 million.

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 currently has long-term senior debt ratings of A+ from Standard & Poor's, Aa2 from Moody's<sup>3</sup> and A+ from Fitch.

**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.

The addresses and telephone numbers of UBS's two registered offices and principal places of business are: Bahnhofstrasse 45, CH-8098 Zurich, Switzerland, telephone +41-44-234 11 11; and Aeschenvorstadt 1, CH-4051 Basel, Switzerland, telephone +41-61-288 20 20.

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

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

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<sup>1</sup> Full-time equivalents.

<sup>2</sup> Tier 1 capital comprises share capital, share premium, retained earnings including current year profit, foreign currency translation and minority interests less accrued dividends, net long positions in own shares and goodwill.

<sup>3</sup> On 15 June 2009, Moody's placed UBS's long-term senior debt rating on review for possible downgrade.

## **Organisational Structure of the Issuer**

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, UBS AG.

Settlement of transactions through the parent bank 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 process transactions via the parent, due to local legal, tax or regulatory provisions or newly acquired companies, these tasks are performed on location by legally independent Group companies. UBS's significant subsidiaries are listed in the Annual Report 2008, in English, on pages E347-E350 (inclusive).

## **Recent Developments**

On 4 August 2009 UBS reported a second quarter 2009 net loss attributable to UBS shareholders of CHF 1,402 million compared with a net loss of CHF 1,975 million in first quarter. This result was mainly driven by lower losses on risk positions from businesses now exited or in the process of being exited by the Investment Bank. Results were significantly affected by an own credit charge of CHF 1,213 million, restructuring charges of CHF 582 million and a goodwill impairment charge of CHF 492 million related to the announced sale of UBS Pactual. Net new money outflows totaled CHF 16.5 billion for Wealth Management & Swiss Bank, CHF 5.8 billion for Wealth Management Americas and CHF 17.1 billion for Global Asset Management. UBS further reduced risk exposures and its balance sheet during second quarter 2009. As of 30 June 2009 UBS had a BIS tier 1 ratio of 13.2% and BIS total capital ratio of 17.7%, including the effect of the capital increase completed on 30 June 2009.

Agreement to resolve the John Doe summons matter: On 12 August 2009, the US government informed the US District Court of the Southern District of Florida that all parties have reached an agreement to resolve the John Doe summons matter and that they have initialed the final documentation. The hearing scheduled for 17 August will be removed from the court's calendar, and immediately after the formal signing.

On 19 August, UBS AG announced the formal signing of a settlement agreement with the US Internal Revenue Service (IRS) regarding the John Doe summons issued on 21 July 2008. The summons has been the subject of a civil action in the United States District Court of the Southern District of Florida. The principal terms of this settlement agreement and the related agreement entered into at the same time by the governments of Switzerland and the United States are described below:

The agreement does not call for any payment by UBS. Moreover, it resolves all issues relating to the alleged breaches of UBS's Qualified Intermediary Agreement with the IRS as set forth in the Notice of Default dated 15 May 2008.

As part of the settlement, the parties will promptly file a stipulation with the court to dismiss the enforcement action relating to the John Doe summons.

In accordance with the separate agreement between the United States and Switzerland, the IRS will submit a request for administrative assistance pursuant to the existing US-Switzerland Double Taxation Treaty to the Swiss Federal Tax Administration (SFTA). This request will seek information relating to certain accounts of US persons maintained at UBS in Switzerland. It is expected that approximately 4,450 accounts will be provided to the SFTA in response to this treaty request. The SFTA will decide which of those accounts should be disclosed to the IRS, and such decisions will be subject to judicial review.

UBS is required to provide information on the accounts covered by the treaty request to the SFTA and to send notices to affected US persons encouraging them to take advantage of the IRS's voluntary disclosure practice and to instruct UBS to send their account information and documentation to the IRS. The US government will withdraw the John Doe summons with prejudice as to all accounts not covered by the treaty request no later than 31 December 2009, provided that UBS has complied with those obligations that are required to be performed by that date.

The US government will withdraw the John Doe summons with prejudice as to the remaining accounts – those subject to the treaty request - no later than 24 August 2010 upon the actual or anticipated delivery to the IRS of information relating to accounts covered by the treaty request that does not differ significantly from the expected results. In addition, the summons will be withdrawn with prejudice as to those remaining accounts if at any time on or after 1 January 2010 the IRS has received information

relating to at least 10,000 accounts of US persons maintained at UBS in Switzerland. The sources of such information include, in addition to the treaty request itself, the IRS's voluntary disclosure practice, client instructions to UBS to send account information to the IRS and the Deferred Prosecution Agreement.

If neither of these events were to occur by 24 August 2010, the two governments would confer and consult in order to consider alternative mechanisms for achieving the expected levels of account information exchange expected to occur through the treaty request. Possible measures will not impose any financial or new, non-financial obligations on UBS. If these efforts were not successful, the John Doe summons could remain in place beyond 24 August 2010 as to the portion of the accounts covered by the treaty request that have not otherwise been disclosed to the IRS.

On 19 August, the Swiss Confederation (the "Confederation") has announced its intention to exercise its right to convert all CHF 6 billion of its holding of UBS Mandatory Convertible Notes due 2011 ("MCNs") and to place with institutional investors the newly issued UBS shares received upon conversion.

Upon conversion of the MCNs, as described above, UBS issued 332,225,913 new shares with a nominal value of CHF 0.10 each from existing conditional capital. As a result, the share capital of UBS increased from currently CHF 322,583,859.90 to CHF 355,806,451.20. Conversion and the capital increase took place on 25 August 2009.

Further, in connection with the conversion of the MCNs, the Confederation waived its right to receive future coupons on the converted MCNs for a cash amount of approximately CHF 1.8 billion, (the "Coupon Consideration"), representing the present value of the future coupon payments. The Coupon Consideration was paid on 25 August 2009.

Upon conversion, the liability relating to the principal value of the MCNs and the negative replacement value relating to the embedded options of the MCNs has been transferred to equity, increasing the book value of UBS' capital by a corresponding amount. Conversion had no impact on UBS' regulatory capital. The Coupon Consideration does not differ materially in amount from the book value of the relevant liability held in UBS' balance sheet as at 30 June 2009. The Coupon Consideration will, therefore, have no material impact on UBS' profit and loss account for the third quarter of 2009. However, the Coupon Consideration has reduced UBS' Tier 1 ratio by approximately 60 basis points based on risk-weighted assets as at 30 June 2009. As at 30 June 2009, UBS had accrued charges of approximately CHF 400 million to its regulatory capital account in respect of the coupon liability. The balance of unaccrued liability of approximately CHF 1.4 billion will therefore be charged to regulatory capital.

### **Trend Information (Outlook)**

Market conditions improved steadily during the second quarter, with asset prices rising as investor confidence began to return in many credit and equity markets. In spite of these positive economic signs, the overall economic environment in most of the regions in which we operate remains recessionary. Sustainable recovery is not yet visible. We have seen increased activity levels among our wealth management clients, whose investment behavior appears progressively less risk averse. This should improve the fee earning potential of our wealth and asset management businesses. For our investment banking businesses, the current positive momentum in the equity markets provides a good backdrop for improvement in our equities and investment banking franchises. Credit markets are also buoyant, but our restrictive allocation of balance sheet and other resources to many of our fixed income businesses reflects our conservative view on risk taking as those businesses rebuild. Overall, our outlook remains cautious, consistent with our view that economic recovery will be constrained by low credit creation and the structural weaknesses in consumers' and governments' balance sheets.

### **Administrative, Management and Supervisory Bodies of the Issuer**

UBS operates under a strict dual board structure, as mandated by Swiss banking law. This structure establishes checks and balances and creates an 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"). No member of one Board may be a member of the other.

The supervision and control of the executive management remains with the BoD. The Articles of Association and the Organization Regulations of UBS AG with their annexes govern all details as to authorities and responsibilities of the two bodies.

### **Auditors**

On 15 April 2009, the annual general meeting of UBS reelected Ernst & Young Ltd., Aeschengraben 9, 4002 Basel, Switzerland, as auditors for the financial statements of UBS and the consolidated financial statements of the UBS Group for a further one-year term, in accordance with Swiss company law and banking law provisions. Ernst & Young Ltd., Basel, is a member of the Swiss Institute of Certified Accountants and Tax Consultants based in Zurich, Switzerland.”

- B. The Issuer hereby replaces the German language version of the sub-section of the Base Prospectus entitled "C. Zusammenfassung der Beschreibung der UBS AG" which is part of the German language version of the section of the Base Prospectus entitled "Deutsche Fassung der Kurzbeschreibung des Programms" with the following text in its entirety:**

**"C. Zusammenfassung der "Beschreibung der UBS AG"**

**Überblick**

Die UBS AG („UBS AG“, „UBS“, die „Emittentin“ oder die „Gesellschaft“) einschließlich ihrer Tochtergesellschaften, ist nach eigener Einschätzung eines der global führenden Finanzinstitute für internationale anspruchsvolle Kundinnen und Kunden. UBS ist eigenen Angaben zufolge ein weltweit führender Anbieter von Wealth Management-Dienstleistungen und gehört zu den wichtigsten Investmentbanken und Wertschriftenhäusern mit einer starken Stellung im Geschäft mit institutionellen und Firmenkunden. Sie zählt nach eigener Einschätzung zu den führenden Vermögensverwaltern und ist in der Schweiz Marktführer im Geschäft mit Privat- und Firmenkunden. Zum 30. Juni 2009 beschäftigte UBS 71.806 Mitarbeiter (auf Vollzeitbasis). UBS mit Hauptsitz in Zürich und Basel, Schweiz, ist in mehr als 50 Ländern und an den wichtigsten internationalen Finanzplätzen vertreten.

UBS gehört nach eigener Einschätzung zu den bestkapitalisierten Finanzinstituten der Welt. Am 30. Juni 2009 betrug die BIZ-Kernkapitalquote (Tier 1)<sup>4</sup> 13,2 %, das investierte Kapital belief sich auf CHF 2.250 Mrd., und das UBS-Aktionären zurechenbare Eigenkapital lag bei CHF 33.545 Mio. Die Marktkapitalisierung betrug CHF 42.872 Mio.

Die Rating-Agenturen Standard & Poor's Inc. („Standard & Poor's“), Fitch Ratings („Fitch“) und Moody's Investors Service Inc. („Moody's“) haben die Bonität von UBS und damit ihre Fähigkeit, Zahlungsverpflichtungen, beispielsweise Tilgungs- und Zinszahlungen (Kapitaldienst) bei langfristigen Krediten, pünktlich nachzukommen, beurteilt und bewertet. Bei Fitch und Standard & Poor's kann die Beurteilung mit Plus- oder Minus-Zeichen, bei Moody's mit Ziffern versehen sein. Diese Zusätze geben Aufschluss über die Beurteilung innerhalb einer Bewertungsstufe. Dabei beurteilt Standard & Poor's die UBS hinsichtlich des Long-Term senior debt ratings aktuell mit A+, Moody's mit Aa2<sup>5</sup> und Fitch mit A+.

**Unternehmensinformationen**

Firma und Name der Emittentin im Geschäftsverkehr ist UBS AG. Die Emittentin wurde am 28. Februar 1978 unter dem Namen SBC AG für unbestimmte Zeit gegründet und an diesem Tag in das Handelsregister des Kantons Basel Stadt eingetragen. Am 8. Dezember 1997 erfolgte die Umfirmierung zu UBS AG. UBS in ihrer jetzigen Form entstand am 29. Juni 1998 durch die Fusion der Schweizerischen Bankgesellschaft (gegründet 1862) und des Schweizerischen Bankvereins (gegründet 1872). UBS ist im Handelsregister des Kantons Zürich und des Kantons Basel Stadt eingetragen. Die Handelsregisternummer lautet CH-270.3.004.646-4.

<sup>4</sup> Tier-1-Kapital setzt sich zusammen aus Aktienkapital, Kapitalrücklagen, Gewinnrücklagen einschließlich Gewinn des laufenden Jahres, Währungsumrechnung und Minderheitsanteilen abzüglich aufgelaufene Dividende, Nettolongpositionen in eigenen Aktien und Goodwill.

<sup>5</sup> Am 15. Juni 2009 setzte Moody's das Long-Term senior debt Rating der UBS auf Beobachtung zur möglichen Herabstufung.

UBS ist in der Schweiz gegründet und ansässig und unterliegt als Aktiengesellschaft, d.h. als eine Gesellschaft, die Aktien für Investoren begeben hat, dem schweizerischem Obligationenrecht und den schweizerischen bankenrechtlichen Bestimmungen.

Die Adressen und Telefonnummern der beiden Satzungs- und Verwaltungssitze von UBS lauten: Bahnhofstraße 45, 8001 Zürich, Schweiz, Tel. +41-44-234 11 11; und Aeschenvorstadt 1, 4051 Basel, Schweiz, Tel. +41-61-288 20 20.

Die Aktien von UBS sind an der SIX Swiss Exchange und an den Börsen in New York und Tokio notiert.

Gemäß Artikel 2 der Statuten der UBS AG (die „Statuten“) ist Geschäftszweck von UBS der Betrieb einer Bank. Ihr Geschäftsportfolio umfasst alle Arten von Bank-, Finanz-, Beratungs-, Dienstleistungs- und Handelsgeschäften im In- und Ausland.

### **Organisationsstrukturen der Emittentin**

Die Konzernstruktur von UBS ist darauf ausgelegt, der Geschäftstätigkeit des Unternehmens einen effizienten rechtlichen, steuerlichen, regulatorischen und finanziellen Rahmen zu geben. Weder die einzelnen Unternehmensbereiche von noch das Corporate Center sind rechtlich selbstständige Einheiten; vielmehr agieren sie hauptsächlich über die Niederlassungen des Stammhauses, der UBS AG, im In- und Ausland.

Die Abwicklung von Transaktionen über das Stammhaus ermöglicht es UBS, die Vorteile, die sich aus der Bündelung aller Unternehmensbereiche unter einem Dach ergeben, voll auszuschöpfen. Wo es aber aufgrund lokaler rechtlicher, steuerlicher oder regulatorischer Vorschriften oder aufgrund neu erworbener Gesellschaften nicht möglich oder nicht effizient ist, Transaktionen über das Stammhaus abzuwickeln, werden diese Aufgaben von rechtlich selbstständigen Konzerngesellschaften vor Ort wahrgenommen. Die wichtigsten Tochtergesellschaften können dem Geschäftsbericht 2008 der UBS AG in dem Abschnitt „Finanzinformationen“ (Seiten E 347 bis einschließlich E 350 der englischen Version) entnommen werden.

### Jüngste Entwicklungen

Am 4. August 2009 wies UBS einen den Aktionären zurechenbaren Nettoverlust im zweiten Quartal von 1.402 Millionen CHF aus, verglichen mit einem Nettoverlust von 1.975 Millionen CHF im ersten Quartal. Dieses Ergebnis wurde hauptsächlich erzielt durch geringere Verluste auf Risikopositionen in Geschäften, die bereits verlassen wurden oder die sich im Prozess des Verlassens durch die Investment Bank befinden. Die Ergebnisse wurden maßgeblich durch Kosten auf eigene Verbindlichkeiten in Höhe von 1.213 Millionen CHF beeinflusst, Restrukturierungskosten von 582 Millionen CHF und Kosten einer Goodwillverschlechterung von 492 Millionen CHF verbunden mit der Ankündigung des UBS Pactual Verkaufs. Nettoneugeldabflüsse summierten sich auf 16,5 Milliarden CHF für Wealth Management & Swiss Bank, 5,8 Milliarden CHF für Wealth Management Americas und 17,1 Milliarden für Global Asset Management. UBS hat offene Risikopositionen und seine Bilanz während des zweiten Quartals 2009 weiter reduziert. Am 30. Juni 2009 hatte UBS eine BIS Tier 1 Quote von 13,2 % und eine BIS totale Kapitalquote von 17,7 %, den Effekt der am 30. Juni beendeten Kapitalerhöhung einschließlich.

Vergleich um das „John Doe Summons“-Verfahren zu lösen: Am 12. August 2009 hat die US Regierung das US Bezirksgericht des südlichen Bezirks von Florida darüber informiert, dass alle Parteien eine Übereinkunft zur Lösung des „John Doe Summons“-Verfahrens gefunden haben und dass sie die endgültige Dokumentation angeregt haben. Die auf den 17. August angesetzte Anhörung wird aus dem Gerichtskalender gestrichen, und unverzüglich nachdem die förmliche Unterzeichnung stattgefunden hat, werden die Parteien die ausbedungene Vereinbarung über die Einstellung bei Gericht einreichen.

Die UBS AG hat am 19. August 2009 die formale Unterzeichnung des Vergleichs mit der US-Steuerbehörde Internal Revenue Service („IRS“) im „John Doe Summons“-Verfahren bekannt gegeben, das am 21. Juli 2008 eingeleitet wurde. Das Verfahren war Gegenstand einer Zivilklage am US-Bezirksgericht des südlichen Bezirks von Florida (United States District Court for the Southern District of Florida). Die Hauptbedingungen dieses Vergleichs und der gleichzeitig erzielten Vereinbarung zwischen der Schweiz und den USA sind nachfolgend beschrieben.

Die Vereinbarung verpflichtet UBS zu keinerlei Zahlungen. Zudem regelt sie alle strittigen Punkte im Zusammenhang mit den angeblichen Verstößen gegen das Qualified Intermediary Agreement („QIA“)

zwischen UBS und der IRS, die in der Anzeige der Nichterfüllung (Notice of Default) vom 15. Mai 2008 dargelegt wurden.

Der Vergleich sieht vor, dass die Parteien bei Gericht umgehend die Einstellung des Verfahrens zur gerichtlichen Durchsetzung des «John Doe Summons»-Verfahrens beantragen.

Gemäss der separaten Vereinbarung zwischen den USA und der Schweiz wird die IRS bei der Eidgenössischen Steuerverwaltung („ESTV“) ein Amtshilfegesuch auf der Grundlage des bestehenden Doppelbesteuerungsabkommens zwischen den USA und der Schweiz einreichen. Zweck dieses Gesuchs ist es, die Herausgabe von Informationen über bestimmte Konten zu fordern, die US-Personen bei UBS in der Schweiz halten. Es wird erwartet, dass der ESTV im Zusammenhang mit diesem Amtshilfegesuch Informationen über rund 4.450 Konten ausgehändigt werden. Die ESTV wird darüber entscheiden, in welchen dieser Fälle eine Herausgabe von Kontoinformationen an die IRS erfolgt, und diese Entscheidungen können vor Gericht angefochten werden.

UBS ist verpflichtet, Informationen über Konten, die vom Gesuch betroffen sind, an die ESTV weiterzuleiten. Weiter muss die Bank die betroffenen US-Personen schriftlich informieren und sie auffordern, vom freiwilligen Offenlegungsprogramm der IRS (Voluntary Disclosure Practice) Gebrauch zu machen sowie die Bank anzuweisen, ihre Kontoinformationen und -unterlagen an die IRS zu übergeben. Die US-Regierung wird das „John Doe Summons“-Verfahren in Bezug auf alle Konten, die nicht vom Gesuch betroffen sind, bis spätestens 31. Dezember 2009 definitiv („with prejudice“) zurückziehen (Erklärung „with prejudic“): die US-Regierung verpflichtet sich, in Zukunft kein weiteres Durchsetzungsbegehren zu stellen). Voraussetzung dafür ist, dass UBS den bis zu diesem Zeitpunkt zu erfüllenden Verpflichtungen nachgekommen ist.

Die US-Regierung wird das „John Doe Summons“-Verfahren in Bezug auf die übrigen Konten, d.h. jene, die vom Amtshilfegesuch betroffen sind, definitiv zurückziehen, sofern die tatsächliche bzw. erwartete Übergabe der Informationen über die vom Amtshilfegesuch betroffenen Kontobeziehungen an die IRS bis spätestens 24. August 2010 stattgefunden hat. Dabei darf deren Anzahl nicht wesentlich vom erwarteten Ergebnis (d.h. der Aushändigung von Informationen über rund 4.450 Konten) abweichen. Ausserdem wird das „John Doe Summons“-Verfahren in Bezug auf die übrigen Konten ebenfalls definitiv zurückgezogen, falls die IRS per Datum 1. Januar 2010 oder später Informationen über mindestens 10 000 bei UBS in der Schweiz geführten Konten von US Personen erhalten hat. Dabei zählen – zusätzlich zu den Informationen aus dem Amtshilfegesuch – auch Informationen aus dem freiwilligen Offenlegungsprogramm der IRS, die Anweisungen der Kunden an UBS, Kontoinformationen an die IRS weiterzuleiten, sowie Informationen aus dem sogenannten Deferred Prosecution Agreement.

Sollte bis zum 24. August 2010 keine dieser Bedingungen erfüllt worden sein, würden sich die beiden Regierungen beraten, um Alternativlösungen für den im Rahmen des Amtshilfegesuchs erwarteten Austausch der Kontoinformationen zu prüfen. Die möglichen Massnahmen werden für UBS keine finanziellen oder neuen nicht-finanziellen Verpflichtungen nach sich ziehen. Falls diese Massnahmen erfolglos bleiben sollten, könnte das „John Doe Summons“-Verfahren für die vom Amtshilfegesuch betroffenen Konten, die nicht anderweitig offengelegt wurden, auch über den 24. August 2010 hinaus anhängig bleiben.

Die Schweizerische Eidgenossenschaft hat am 19. August ihre Absicht angekündigt, die von ihr gehaltene Pflichtwandelanleihe (Mandatory Convertible Notes, „MCNs“) mit Laufzeit bis 2011 im Umfang von CHF 6 Milliarden vollständig in UBS-Aktien zu wandeln und diese bei institutionellen Investoren zu platzieren.

Im Zuge der Wandlung der MCNs hat UBS 332.225.913 neue Aktien mit einem Nominalwert von CHF 0,10 pro Aktie aus bestehendem bedingtem Kapital ausgeben. Als Folge davon erhöht sich das UBS-Aktienkapital von derzeit CHF 322.583.859,90 auf CHF 355.806.451,20. Die Wandlung und die entsprechende Kapitalerhöhung fand am 25. August 2009 stattfinden.

Bei Wandlung wurden die den Nominalwert der MCNs betreffende Verbindlichkeit und der negative Wiederbeschaffungswert der in den MCNs eingebetteten Optionen in das Eigenkapital übertragen. Dadurch hat sich der Buchwert des UBS-Eigenkapitals im entsprechenden Umfang erhöht. Die Wandlung hat keinen Einfluss auf das regulatorische Kapital von UBS. Die Couponabgeltung weicht in ihrer Höhe nicht wesentlich vom Buchwert der entsprechenden Verbindlichkeit in der UBS-Bilanz per 30. Juni 2009 ab. Die Couponabgeltung wird daher keine materiellen Auswirkungen auf die Erfolgsrechnung von UBS für das 3. Quartal 2009 haben. Sie hat jedoch die BIZ-Kernkapitalquote (Tier 1) von UBS um circa 60 Basispunkte, basierend auf den risikogewichteten Aktiven per 30. Juni 2009 reduziert. Per 30. Juni 2009 beliefen sich die auf dem regulatorischen Kapitalkonto abgegrenzten Aufwendungen im



Zusammenhang mit der Couponverpflichtung auf rund CHF 400 Millionen. Der Saldo nicht abgegrenzter Verpflichtungen in Höhe von rund CHF 1,4 Milliarden wird daher dem regulatorischen Kapital belastet werden.

### **Trendinformationen (Ausblick)**

Die Marktverhältnisse haben sich im zweiten Quartal laufend verbessert. Die Bewertungen sind gestiegen, da die Anleger an vielen Kredit- und Aktienmärkten allmählich wieder Vertrauen fassten. Trotz dieser positiven Zeichen herrscht in den meisten Regionen, in denen wir tätig sind, nach wie vor ein rezessives Umfeld. Eine nachhaltige Erholung ist noch nicht in Sicht.

Unsere Wealth-Management-Kunden sind wieder aktiver, und ihr Anlageverhalten scheint zunehmend risikofreudiger zu werden. Dies dürfte das Ertragspotenzial unserer Wealth- und Asset-Management-Einheiten erhöhen. Im Investment Banking schafft die derzeit positive Dynamik an den Aktienmärkten eine gute Grundlage für eine Verbesserung in der Equities- und Investment-Banking-Sparte. Die Kreditmärkte entwickeln sich ebenfalls günstig, doch unsere restriktive Zuteilung von Bilanz- und anderen Ressourcen an viele unserer Fixed-Income-Einheiten ist Ausdruck unserer konservativen Risikohaltung im Rahmen des Wiederaufbaus dieser Bereiche. Insgesamt bleibt unser Ausblick vorsichtig. Dies entspricht unserer Einschätzung, wonach eine geringe Kreditschöpfung und die strukturell schwache Haushaltslage von Konsumenten und Staaten die wirtschaftliche Erholung einschränken werden.

### **Verwaltungs-, Management-, und Aufsichtsorgane der Emittentin**

UBS verfügt auf oberster Stufe über zwei streng getrennte Führungsgremien, wie dies von der schweizerischen Bankengesetzgebung vorgeschrieben ist. Diese Struktur schafft gegenseitige Kontrolle und macht den Verwaltungsrat unabhängig vom Tagesgeschäft der Bank, für das die Konzernleitung (die „KL“) die Verantwortung trägt. Niemand kann Mitglied beider Gremien sein.

Aufsicht und Kontrolle der operativen Unternehmensführung liegen beim Verwaltungsrat. Sämtliche Einzelheiten zu den Kompetenzen und Verantwortlichkeiten der beiden Gremien sind in den UBS-Statuten, dem Organisationsreglement und den entsprechenden Anhängen geregelt.

### **Abschlussprüfer**

Am 15. April 2009 wurde die Ernst & Young AG, Aeschengraben 9, 4002 Basel, Schweiz, auf der UBS Generalversammlung als Abschlussprüferin des Jahresabschluss der UBS und des konsolidierten Jahresabschluss der UBS Gruppe in Übereinstimmung mit den gesellschaftsrechtlichen und bankengesetzlichen Vorgaben für den Zeitraum eines weiteren Jahres wiedergewählt. Ernst & Young AG, Basel, ist Mitglied der Treuhand-Kammer der Schweiz mit Sitz in Zürich, Schweiz.“

**C. The Issuer hereby supplements the section of the Base Prospectus entitled "Risk Faktor", II. Risk Factors Relating To The Issuer by the following text:**

**Potentially significant litigation risks**

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

**D. The Issuer hereby replaces the section of the Base Prospectus entitled "Description of UBS AG" with the following text in its entirety:**

***"Description of UBS AG***

***Risk Factors***

Information about risk factors relating to the Issuer is contained in the part "English Version of the Risk Factors" of this Base Prospectus (whereas, a German translation of such risk factors is set out in the part "German Version of the Risk Factors – Deutsche Fassung der Risikofaktoren" which is annexed to this Base Prospectus. For the avoidance of doubt, the German version of the Risk Factors is not part of this Base Prospectus and therefore, the BaFin has not reviewed and/or approved the German version of the Risk Factors).

***Overview***

UBS AG ("UBS AG" or "UBS" or the "Issuer" or the "Company") with its subsidiaries, is, according to its own opinion, one of the world's leading financial firms, serving a discerning international client base. UBS is, according to its own opinion, a leading global wealth manager, one of the world's premier investment banking and securities firms with a strong institutional and corporate client franchise, one of the leading global asset managers and the market leader in Swiss commercial and retail banking. On 30 June 2009, UBS employed 71,806 people<sup>6</sup>. With headquarters in Zurich and Basel, Switzerland, UBS operates in over 50 countries and from all major international centers.

UBS is, according to its own opinion, one of the best-capitalized financial institutions in the world. On 30 June 2009 the BIS Tier1<sup>7</sup> ratio was 13.2%, invested assets stood at CHF 2,250 billion, equity attributable to UBS shareholders was CHF 33,545 million and market capitalization was CHF 42,872 million.

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 currently has long-term senior debt ratings of A+ from Standard & Poor's, Aa2 from Moody's<sup>8</sup> and A+ from Fitch.

***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.

<sup>6</sup> Full-time equivalents.

<sup>7</sup> Tier 1 capital comprises share capital, share premium, retained earnings including current year profit, foreign currency translation and minority interests less accrued dividends, net long positions in own shares and goodwill.

<sup>8</sup> On 15 June 2009, Moody's placed UBS's long-term senior debt rating on review for possible downgrade.

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.

The addresses and telephone numbers of UBS's two registered offices and principal places of business are: Bahnhofstrasse 45, CH-8001 Zurich, Switzerland, telephone +41-44-234 11 11; and Aeschenvorstadt 1, CH-4051 Basel, Switzerland, telephone +41-61-288 20 20.

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

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

## ***Business Overview***

### **Business Divisions and Corporate Center**

Organizationally, UBS has operated throughout 2008 as a Group with three business divisions (Global Wealth Management & Business Banking, Global Asset Management and the Investment Bank) and a Corporate Center. As announced on 10 February 2009, Global Wealth Management & Business Banking has been divided into two business divisions: Wealth Management & Swiss Bank and Wealth Management Americas. Each of the business divisions and the Corporate Center is described below. A full description of their strategies, organization, products, services and markets (under the 2008 structure) can be found in the restated Annual Report 2008 of UBS AG published on 20 May 2009 (the "Annual Report 2008"), in the English version on pages B74 – B115 (inclusive).

### **Wealth Management & Business Banking**

Wealth Management & Swiss Bank caters to high net worth and ultra high net worth individuals around the world (except those served by Wealth Management Americas) whether they are investing internationally or in their home country. UBS offers these clients a complete range of tailored advice and investment services. Its Swiss Bank business provides a complete set of banking services for Swiss individual and corporate clients.

### **Wealth Management Americas**

Wealth Management Americas provides advice-based relationships through its financial advisors who deliver a fully integrated set of products and services specifically designed to address the needs of high net worth and ultra high net worth individuals and families. It includes the former Wealth Management US business area, as well as the domestic Canadian and Brazilian (UBS Pactual) businesses and international business booked in the United States.

### **Global Asset Management**

Global Asset Management is one of the world's leading asset managers, providing investment solutions to private clients, financial intermediaries and institutional investors worldwide. It offers diverse investment capabilities and investment styles across all major traditional and alternative asset classes. Specialist equity, fixed income, currency, hedge fund, real estate, infrastructure and private equity investment capabilities can also be combined in multi-asset strategies.

### **Investment Bank**

The Investment Bank provides securities and other financial products and research in equities, fixed income, rates, foreign exchange and precious metals. It also provides advisory services as well as access to the world's capital markets for corporate, institutional, intermediary and alternative asset management clients.

## **Corporate Center**

The Corporate Center ensures that all business divisions operate as a coherent and effective whole by providing and managing support and control functions for the business divisions and the Group in such areas as risk management and control, finance, legal and compliance, marketing and communications, funding, capital and balance sheet management, management of foreign currency earnings, human resources, information technology infrastructure and service centers.

## **Competition**

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

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

## **Recent Developments**

On 4 August 2009 UBS reported a second quarter 2009 net loss attributable to UBS shareholders of CHF 1,402 million compared with a net loss of CHF 1,975 million in first quarter. This result was mainly driven by lower losses on risk positions from businesses now exited or in the process of being exited by the Investment Bank. Results were significantly affected by an own credit charge of CHF 1,213 million, restructuring charges of CHF 582 million and a goodwill impairment charge of CHF 492 million related to the announced sale of UBS Pactual. Net new money outflows totaled CHF 16.5 billion for Wealth Management & Swiss Bank, CHF 5.8 billion for Wealth Management Americas and CHF 17.1 billion for Global Asset Management. UBS further reduced risk exposures and its balance sheet during second quarter 2009. As of 30 June 2009 UBS had a BIS tier 1 ratio of 13.2 % and BIS total capital ratio of 17.7 %, including the effect of the capital increase completed on 30 June 2009.

Agreement to resolve the John Doe summons matter: On 12 August 2009, the US government informed the US District Court of the Southern District of Florida that all parties have reached an agreement to resolve the John Doe summons matter and that they have initialed the final documentation. The hearing scheduled for 17 August will be removed from the court's calendar, and immediately after the formal signing has occurred, the parties will file the agreed upon stipulation of dismissal with the court.

On 19 August, UBS AG announced the formal signing of a settlement agreement with the US Internal Revenue Service (IRS) regarding the John Doe summons issued on 21 July 2008. The summons has been the subject of a civil action in the United States District Court of the Southern District of Florida. The principal terms of this settlement agreement and the related agreement entered into at the same time by the governments of Switzerland and the United States are described below:

The agreement does not call for any payment by UBS. Moreover, it resolves all issues relating to the alleged breaches of UBS's Qualified Intermediary Agreement with the IRS as set forth in the Notice of Default dated 15 May 2008.

As part of the settlement, the parties will promptly file a stipulation with the court to dismiss the enforcement action relating to the John Doe summons.

In accordance with the separate agreement between the United States and Switzerland, the IRS will submit a request for administrative assistance pursuant to the existing US-Switzerland Double Taxation Treaty to the Swiss Federal Tax Administration (SFTA). This request will seek information relating to certain accounts of US persons maintained at UBS in Switzerland. It is expected that approximately 4,450 accounts will be provided to the SFTA in response to this treaty request. The SFTA will decide which of those accounts should be disclosed to the IRS, and such decisions will be subject to judicial review.

UBS is required to provide information on the accounts covered by the treaty request to the SFTA and to send notices to affected US persons encouraging them to take advantage of the IRS's voluntary disclosure practice and to instruct UBS to send their account information and documentation to the IRS. The US government will withdraw the John Doe summons with prejudice as to all accounts not covered by the treaty request no later than 31 December 2009, provided that UBS has complied with those obligations that are required to be performed by that date.

The US government will withdraw the John Doe summons with prejudice as to the remaining accounts – those subject to the treaty request - no later than 24 August 2010 upon the actual or anticipated delivery to the IRS of information relating to accounts covered by the treaty request that does not differ significantly from the expected results. In addition, the summons will be withdrawn with prejudice as to those remaining accounts if at any time on or after 1 January 2010 the IRS has received information relating to at least 10,000 accounts of US persons maintained at UBS in Switzerland. The sources of such information include, in addition to the treaty request itself, the IRS's voluntary disclosure practice, client instructions to UBS to send account information to the IRS and the Deferred Prosecution Agreement.

If neither of these events were to occur by 24 August 2010, the two governments would confer and consult in order to consider alternative mechanisms for achieving the expected levels of account information exchange expected to occur through the treaty request. Possible measures will not impose any financial or new, non-financial obligations on UBS. If these efforts were not successful, the John Doe summons could remain in place beyond 24 August 2010 as to the portion of the accounts covered by the treaty request that have not otherwise been disclosed to the IRS.

On 19 August the Swiss Confederation (the "Confederation") has announced its intention to exercise its right to convert all CHF 6 billion of its holding of UBS Mandatory Convertible Notes due 2011 ("MCNs") and to place with institutional investors the newly issued UBS shares received upon conversion.

Upon conversion of the MCNs, as described above, UBS will issue 332,225,913 new shares with a nominal value of CHF 0.10 each from existing conditional capital. As a result, the share capital of UBS will increase from currently CHF 322,583,859.90 to CHF 355,806,451.20. Conversion and the capital increase are expected to take place on 25 August 2009.

Further, in connection with the conversion of the MCNs, the Confederation will waive its right to receive future coupons on the converted MCNs for a cash amount of approximately CHF 1.8 billion, (the "Coupon Consideration"), representing the present value of the future coupon payments. The Coupon Consideration is expected to be paid on 25 August 2009.

Upon conversion, the liability relating to the principal value of the MCNs and the negative replacement value relating to the embedded options of the MCNs will be transferred to equity, increasing the book value of UBS's capital by a corresponding amount. Conversion will have no impact on UBS's regulatory capital. The Coupon Consideration does not differ materially in amount from the book value of the relevant liability held in UBS's balance sheet as at 30 June 2009. The Coupon Consideration will, therefore, have no material impact on UBS's profit and loss account for the third quarter of 2009. However, the Coupon Consideration will reduce UBS's Tier 1 ratio by approximately 60 basis points based on risk-weighted assets as at 30 June 2009. As at 30 June 2009, UBS had accrued charges of approximately CHF 400 million to its regulatory capital account in respect of the coupon liability. The balance of unaccrued liability of approximately CHF 1.4 billion will therefore be charged to regulatory capital.

### **Organisational Structure of the Issuer**

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, UBS AG.

Settlement of transactions through the parent bank 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 process transactions via the parent, due to local legal, tax or regulatory provisions or newly acquired companies, these tasks are performed on location by legally independent Group companies. UBS's significant subsidiaries are listed in the Annual Report 2008, in English, on pages E347 - 350 (inclusive).

## **Trend Information (Outlook)**

Market conditions improved steadily during the second quarter, with asset prices rising as investor confidence began to return in many credit and equity markets. In spite of these positive economic signs, the overall economic environment in most of the regions in which we operate remains recessionary. Sustainable recovery is not yet visible. We have seen increased activity levels among our wealth management clients, whose investment behavior appears progressively less risk averse. This should improve the fee earning potential of our wealth and asset management businesses. For our investment banking businesses, the current positive momentum in the equity markets provides a good backdrop for improvement in our equities and investment banking franchises. Credit markets are also buoyant, but our restrictive allocation of balance sheet and other resources to many of our fixed income businesses reflects our conservative view on risk taking as those businesses rebuild. Overall, our outlook remains cautious, consistent with our view that economic recovery will be constrained by low credit creation and the structural weaknesses in consumers' and governments' balance sheets.

## ***Administrative, Management and Supervisory Bodies of the Issuer***

UBS operates under a strict dual board structure, as mandated by Swiss banking law. This structure establishes checks and balances and creates an 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"). No member of one Board may be a member of the other.

The supervision and control of the executive management remains with the BoD. The Articles of Association and the Organization Regulations of UBS AG with their annexes govern all details as to authorities and responsibilities of the two bodies. Details of the Executive Bodies of the Company.

## **Board of Directors**

The BoD is the most senior body of UBS. The BoD consists of at least six and a maximum of 12 members. All the members of the BoD are elected individually by the annual general meeting for a term of office of one year<sup>9</sup>. The BoD itself then appoints its Chairman, one or more vice chairmen, the deputy, the senior independent director and the chairpeople and members of the various BoD committees (audit committee; corporate responsibility committee; governance and nominating committee; human resources and compensation committee; risk committee and strategy committee).

The BoD has ultimate responsibility for the success of UBS and delivering sustainable shareholder value within a framework of prudent and effective controls which enables risk to be assessed and managed. The BoD sets UBS's strategic aims, ensures that the necessary financial and human resources are in place for UBS to meet its objectives and reviews management performance. The BoD sets UBS's values and standards and ensures that its obligations to its shareholders and others are met. The BoD's proposal for election of members of the BoD must be such that three quarters of the members will, following election, be independent. While the Chairman does not need to be independent, at least one of the vice-chairmen must be. The BoD meets as often as business requires, and at least six times a year.

The business address of the members of the BoD is UBS AG, Bahnhofstrasse 45, CH-8098 Zurich, Switzerland.

<sup>9</sup> At the annual general meeting on 23 April 2008 the shareholders reduced the term of office for the members of the BoD from three years to one year. As a result, the new members were elected for one year. For existing members the one-year term starts from the point at which they are re-elected.

## Board of Directors of UBS AG

The BoD consists of twelve members:

	<b>Title</b>	<b>Term of office</b>	<b>Position outside UBS AG</b>
Kaspar Villiger	Chairman	2010	None
Sergio Marchionne	Independent vice chairman / Senior independent director	2010	CEO and member of the supervisory board of Fiat S.p.A., Turin; CEO of Fiat Group Automobiles; Chairman of SGS, Geneva; member of the BoD of Philip Morris International Inc., New York; member of Acea (European Automobile Manufacturers Association); Chairman of CNH Case New Holland Global N.V., Amsterdam.
Sally Bott	Member	2010	Group HR Director and member of the Group Executive Committee of BP Plc; member of the board of the Royal College of Music in London; member of the board of the Carter Burden Center for the Aged in NYC.
Michel Demaré	Member	2010	CFO and member of the Group Executive Committee of ABB; president of Global Markets at ABB; member of the foundation board of IMD, Lausanne.
Rainer-Marc Frey	Member	2010	Founder and Chairman of Horizon21; member of the BoD of DKSH Group, Zurich; member of the advisory board of Invision Private Equity AG, Zug; member of the BoD of the Frey Charitable Foundation, Freienbach.
Bruno Gehrig	Member	2010	Vice chairman of the BoD of Roche Holding AG, Basel; Chairman of the Swiss Air Transport Foundation, Zug.
Ann F. Godbehere	Member	2010	Non executive director of Prudential Plc; member of the board of the Lloyd's managing agency Atrium Underwriters Group Ltd.; member of the board of Ariel Holdings.
Axel P. Lehmann	Member	2010	Group Chief Risk Officer and member of the Group Executive Committee of Zurich Financial Services (Zurich); responsible for Group IT at Zurich; Chairman of the board of the Institute of Insurance Economics at the University of St. Gallen.
Helmut Panke	Member	2010	Member of the BoD of Microsoft Corporation, Redmond, WA (USA); member of the supervisory board of Bayer AG (Germany); member of the BoD of the American Chamber of Commerce in Germany.
William G. Parrett	Member	2010	Independent director of Eastman Kodak Co., Blackstone Group LP and Thermo Fisher Scientific Inc., USA; Chairman of the BoD of the



			United States Council for International Business and of United Way of America; member of the board of trustees of Carnegie Hall; member of the Executive Committee of the International Chamber of Commerce.
David Sidwell	Member	2010	Director of the Federal National Mortgage Association Fannie Mae; trustee of the International Accounting Standards Committee Foundation, London; Chairman of the BoD of Village Care of New York; director of the National Council on Aging.
Peter R. Voser	Member	2010	CEO and executive BoD member of Royal Dutch Shell plc, London; member of the BoD of the Swiss Federal Auditor Oversight Authority.

### Group Executive Board

Under the leadership of the Group Chief Executive Officer (the "Group CEO"), the GEB has executive management responsibility for UBS Group and its business. It assumes overall responsibility for the development and implementation of the strategies for the Group and the business divisions. All GEB members (with the exception of the Group CEO) are proposed by the Group CEO and the BoD approves the appointments of the Group CEO, the Group Chief Operating Officer, the Group Chief Financial Officer, the Group Chief Risk Officer and the Group General Counsel; the human resources and compensation committee approves all other GEB members.

The business address of the members of the GEB is UBS AG, Bahnhofstrasse 45, CH-8098 Zurich, Switzerland

### Group Executive Board of UBS AG

The GEB consists of thirteen members:

Oswald J. Gruebel	Group Chief Executive Officer
John Cryan	Group Chief Financial Officer
Markus U. Diethelm	Group General Counsel
John A. Fraser	Chairman and Chief Executive Officer Global Asset Management
Marten Hoekstra	Chief Executive Officer Wealth Management Americas
Carsten Kengeter	co-CEO Investment Bank
Ulrich Koerner	Group Chief Operating Officer and Chief Executive Officer Corporate Center
Philip J. Lofts	Group Chief Risk Officer
Francesco Morra	Chief Executive Officer Switzerland, Wealth Management & Swiss Bank
Alexander Wilmot-Sitwell	co-CEO Investment Bank
Robert Wolf	Chairman and Chief Executive Officer, UBS Group Americas / President Investment Bank
Chi-Won Yoon	Chairman and Chief Executive Officer, Asia Pacific
Jürg Zeltner	Chief Executive Officer Wealth Management Global, Wealth Management & Swiss Bank

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

## **Conflicts of interest**

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

## **Auditors**

On 15 April 2009, the annual general meeting of UBS reelected Ernst & Young Ltd., Aeschengraben 9, 4002 Basel, Switzerland, as auditors for the financial statements of UBS and the consolidated financial statements of the UBS Group for a further one-year term, in accordance with Swiss company law and banking law provisions. Ernst & Young Ltd., Basel, is a member of the Swiss Institute of Certified Accountants and Tax Consultants based in Zurich, Switzerland.

## **Major Shareholders of the Issuer**

The ownership of UBS shares is broadly dispersed. As at 30 June 2009, Chase Nominees Ltd., London, was registered with a 7.80% holding (31 December 2008: 7.19%, 31 December 2007: 7.99%) of total share capital held in trust for other investors. As at 30 June 2009, the US securities clearing organization DTC (Cede & Co.) New York, "The Depository Trust Company", held 8.75% (31 December 2008: 9.89%, 31 December 2007: 14.15%) of total share capital in trust for other beneficiaries. Pursuant to UBS's provisions on registration of shares, the voting rights of nominees are limited to 5%. This regulation does not apply to securities clearing and settlement organizations. On 30 June 2009, no other shareholder had reported holding 3% or more of all voting rights. Only shareholders registered in the share register as shareholders with voting rights are entitled to exercise voting rights.

As of 30 June 2009, UBS held a stake of UBS registered shares, which corresponds to less than 3.00% of the total share capital of UBS AG.

As of 19 June 2009 UBS had disposal positions relating to 976,366,123 shares of UBS AG, corresponding to 33.29% of the total share capital of UBS AG. These positions included the number of shares of UBS AG to be issued upon the future conversion of (i) the Mandatory Convertible Notes issued in March 2008 to the Government of Singapore Investment Corporation Pte. Ltd, Singapore, and an investor from the Middle East, and (ii) the Mandatory Convertible Notes issued in December 2008 to the Swiss Confederation. Correspondingly, as of 15 July 2008, the Government of Singapore Investment Corporation Pte. Ltd reported in a filing with the US Securities and Exchange Commission that it held 240,223,963 UBS shares, including 228,832,951 shares to be received upon conversion of the MCN, and as of 26 November 2008, the Swiss Confederation held acquisition positions relating to 329,447,681 shares of UBS AG.

Further details on the distribution of UBS shares, the number of registered and non-registered securities, voting rights as well as distribution by shareholder categories and geographical regions can be found in the Annual Report 2008, in English, on pages D195 - D198 (inclusive).

## ***Financial Information concerning the Issuer's Assets and Liabilities, Financial Position and Profits and Losses***

A description of the Issuer's assets and liabilities, financial position and profits and losses is available, for financial year 2007, in the Annual Report 2007 of UBS AG, 4 Financial Statements, in English, which were restated on 14 April 2008 (see (iv) below) and, for financial year 2008, in the Annual Report 2008, as restated on 20 May 2009, Financial Information, in English. The Issuer's financial year is the calendar year.

In the case of financial year 2007 reference is made to

- (i) the Financial Statements of UBS AG (Group), in particular to the Income Statement of UBS AG (Group) on page D18, the Balance Sheet of UBS AG (Group) on page D19, the Statement of Cash Flows of the UBS AG (Group) on pages D23 - D24 (inclusive) and the Notes to the Financial Statements on pages D25 - D120 (inclusive), and

- (ii) the Financial Statements of UBS AG (Parent Bank), in particular to the Income Statement of UBS AG (Parent Bank) on page D125, the Balance Sheet of UBS AG (Parent Bank) on page D126, the Statement of Appropriation of Retained Earnings of UBS AG (Parent Bank) on page D127, the Notes to the Financial Statements on page D128 and the Parent Bank Review on page D124, and
- (iv) the section entitled "Accounting Standards and Policies" on pages D3 - D8 (inclusive) in the Annual Report 2007 of UBS AG, 4 Financial Statements.
- (iv) In January 2008, the International Accounting Standards Board ("IASB") issued an amendment to IFRS 2 Share-based Payment. The amended standard, entitled IFRS 2 Sharebased Payment: Vesting Conditions and Cancellations, is effective 1 January 2009 (early adoption permitted). The new standard clarifies the definition of vesting conditions and the accounting treatment of cancellations. UBS has early adopted this amended standard as of 1 January 2008. Under the amended standard, UBS is required to distinguish between vesting conditions (such as service and performance conditions) and non-vesting conditions. The amended standard no longer considers vesting conditions to include certain non-compete provisions. The impact of this change is that UBS compensation awards are expensed over the period that the employee is required to provide active services in order to earn the award. Post-vesting sales and hedge restrictions and non-vesting conditions are considered when determining grant date fair value. Following adoption of this amendment, UBS fully restated the two comparative prior years (2006 and 2007). The effect of the restatement on the opening balance sheet at 1 January 2006 was as follows: reduction of retained earnings by approximately CHF 2.3 billion, increase of share premium by approximately CHF 2.3 billion, increase of liabilities (including deferred tax liabilities) by approximately CHF 0.5 billion, and increase of deferred tax assets by approximately CHF 0.5 billion. Net profits attributable to UBS shareholders declined by CHF 863 million in 2007 and by CHF 730 million in 2006. Additional compensation expense of CHF 797 million and CHF 516 million was recognized in 2007 and 2006, respectively. This additional compensation expense includes awards granted in 2008 for the performance year 2007. The impact of the restatement on total equity as of 31 December 2007 was a decrease of CHF 366 million. Retained earnings at 31 December 2007 decreased by approximately CHF 3.9 billion, share premium increased by approximately CHF 3.5 billion, liabilities (including deferred tax liabilities) increased by approximately CHF 0.6 billion and deferred tax assets increased by approximately CHF 0.2 billion. The restatement decreased basic and diluted earnings per share for the year ended 31 December 2007 by CHF 0.40 each and for the year ended 31 December 2006 by CHF 0.33 and CHF 0.31, respectively. In order to provide comparative information, these amounts also reflect the retrospective adjustments to shares outstanding in 2007 due to the capital increase and the share dividend paid in 2008. The additional compensation expense is attributable to the acceleration of expense related to share-based awards as well as for certain alternative investment vehicle awards and deferred cash compensation awards which contain non-compete provisions and sale and hedge restrictions that no longer qualify as vesting conditions under the amended standard.

Reference is also made to the Consolidated Financial Statements (restated) of UBS AG for the financial year 2007, in particular the Income Statement of UBS AG (Group) on page F-31, the Balance Sheet of UBS AG (Group) on page F-32, the Statement of Cash Flows of UBS AG (Group) on pages F-37 - F-38 (inclusive) and the Notes to the Financial Statements on pages F-39 - F-139 (inclusive). Moreover, reference is made to the Annual Report 2008 of UBS AG, Financial Information.

In the case of financial year 2008 reference is made to

- (i) the Financial Statements of UBS AG (Group), in particular to the Income Statement of UBS AG (Group) on page E256, the Balance Sheet of UBS AG (Group) on page E257, the Statement of Cash Flows of the UBS AG (Group) on pages E261 - E262 (inclusive) and the Notes to the Financial Statements on pages E263 - E370 (inclusive), and
- (ii) the Financial Statements of UBS AG (Parent Bank), in particular to the Income Statement of UBS AG (Parent Bank) on page E372, the Balance Sheet of UBS AG (Parent Bank) on page E373, the Statement of Appropriation of Retained Earnings of UBS AG (Parent Bank) on page E373, the Notes to the Financial Statements of UBS AG (Parent Bank) on pages E374 - E389 (inclusive) and to the Parent Bank Review on page E371, and

- (iii) the sections entitled "Accounting Principles" on page E245 and "Critical Accounting Policies" on pages E246 - E250 (inclusive) in the Annual Report 2008 of UBS AG, as restated on 20 May 2009, Financial Information, in English.

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

The financial statements for UBS AG (Group) and its subsidiaries as well as for UBS AG (Parent Bank) were audited by Ernst & Young Ltd., Basel, for financial years 2007 and 2008. The report of the auditors of UBS AG (Parent Bank) can be found on page D140 of the Annual Report 2007 of UBS AG, 4 Financial Statements, in English and on pages E390 - E391 of the Annual Report 2008 of UBS AG, Financial Information, in English. The report of the auditors of UBS AG (Group) can be found on pages D16 - D17 (inclusive) of the Annual Report 2007 of UBS AG, 4 Financial Statements, in English, and on pages F29 - F30 (inclusive) of the Consolidated Financial Statements (restated) of UBS AG for the financial year 2007, in English and on pages E252 - E255 (inclusive) of the Annual Report 2008 of UBS AG, Financial Information, in English.

Reference is also made to UBS' first and second quarter 2009 reports, which contain information on the financial condition and the results of operation of UBS Group as of 31 March 2009 and 30 June 2009 respectively. The interim financial statements are not audited.

All relevant financial information contained in the 2007 and 2008 annual reports as well as in UBS' first and second quarter 2009 reports (including the relevant notes thereto), as well as the "Risk Factors" section of the Annual Report 2008, as restated on 20 May 2009, in English, on pages 23-27, form an integral component of this document, and are therefore fully incorporated in this document.

### **Legal and Arbitration Proceedings**

The UBS Group operates in a legal and regulatory environment that exposes it to potentially significant litigation risks. As a result, UBS is involved in various disputes and legal proceedings, including litigation, arbitration, and regulatory and criminal investigations, including numerous disputes and legal proceedings arising directly or indirectly out of the credit crisis. Such cases are subject to many uncertainties, and their outcome is often difficult to predict, including the impact on the operations or 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 UBS denies any wrongdoing. The Group makes provisions for cases brought against it when after seeking legal advice, in the opinion of management, it is probable that a liability exists, and the amount can be reasonably estimated.

Certain potentially significant legal proceedings within the last 12 months until the date of this document are described below:

- a) Tax shelter investigation: In connection with a criminal investigation of tax shelters, the United States Attorney's Office for the Southern District of New York (US Attorney's Office) continues to examine certain tax-oriented transactions in which UBS and others engaged between 1996 and 2000. UBS is continuing to cooperate in this investigation and with the IRS in the related civil litigation.
- b) Municipal Bonds: In November 2006, UBS and others received subpoenas from the US Department of Justice, Antitrust Division, and the US Securities and Exchange Commission ("SEC") seeking information relating to the investment of proceeds of municipal bond issuances and associated derivative transactions. Both investigations are ongoing, and UBS is cooperating. In addition, various state Attorneys General have issued subpoenas seeking similar information. In the SEC investigation, on 4 February 2008, UBS received a "Wells notice" advising that the SEC staff is considering recommending that the SEC bring a civil action against UBS AG in connection with the bidding of various financial instruments associated with municipal securities.
- c) HealthSouth: UBS is defending itself in two putative securities class actions brought in the US District Court for the Northern District of Alabama by holders of stocks and bonds in HealthSouth Corp. A class has been certified in the stockholder action. UBS is seeking leave to appeal that ruling. In October 2008, UBS agreed to settle derivative litigation brought on behalf of HealthSouth in Alabama State Court. Due to existing insurance coverage this settlement had no impact on UBS' result in 2008.

- d) Parmalat: UBS has been facing multiple proceedings arising out of the Parmalat insolvency. In June 2008, UBS settled all civil claims brought by Parmalat and its administrator for EUR 185 million. Certain other civil claims by third parties have automatically terminated as a result of termination of criminal proceedings in Milan and Parma (with the exception of some costs issues which are the subject of appeals to Court of Cassation). A joint offer by UBS (and two other banks) has also been made to all retail bondholder and shareholder third party claimants. A very large proportion of this category of claimants has now accepted the offer. If 100 % of this class accepts the offer, UBS would have to make a further payment of approximately EUR 18.5 million.
- e) Auction Rate Securities: UBS was sued by four state regulatory authorities and was the subject of investigations by the SEC and other regulators, relating to the marketing and sale of auction rate securities ("ARSs") to clients and to UBS' role and participation in ARS auctions and underwriting of ARSs. UBS was also named in several putative class actions and individual civil suits and a large number of individual 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. Plaintiffs and the regulators generally sought rescission, *i. e.*, for UBS to purchase the ARSs that UBS sold to them at par value, as well as compensatory damages, disgorgement of profits and in some cases penalties. On 8 August 2008, UBS entered into settlements in principle with the SEC, the New York Attorney General ("NYAG") and other state agencies represented by the North American Securities Administrators Association ("NASAA"), whereby UBS agreed to offer to buy back ARSs from eligible customers within certain time periods, the last of which begins on 30 June 2010, and to pay penalties of USD 150 million (USD 75 million to the NYAG, USD 75 million to the other states). UBS subsequently finalized its settlement with the State of Massachusetts, the SEC and the NYAG, and is continuing to finalize agreements with the other state regulators. UBS' settlement is largely in line with similar industry regulatory settlements. The NYAG and SEC continue to investigate individuals affiliated with UBS who traded in ARSs or who had responsibility for disclosures.
- f) US Cross-Border: UBS AG has been responding to a number of governmental inquiries and investigations relating to its cross-border 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. As part of these settlement agreements, among other things: (i) UBS will pay a total of USD 780 million to the United States, USD 380 million representing disgorgement of profits from maintaining the US cross-border business and USD 400 million representing US federal backup withholding tax required to be withheld by UBS, together with interest and penalties, and restitution for unpaid taxes associated with certain account relationships involving fraudulent sham and nominee offshore structures and otherwise as covered by the DPA; (ii) UBS will complete the exit of the US cross-border business out of non-SEC registered entities, as announced in July 2008, which these settlements permit UBS to do in a lawful, orderly and expeditious manner; (iii) UBS will implement and maintain an effective program of internal controls with respect to compliance with its obligations under its Qualified Intermediary ("QI") Agreement with the Internal Revenue Service ("IRS"), as well as a revised legal and compliance governance structure in order to strengthen independent legal and compliance controls; and (iv) pursuant to an order issued by the Swiss Financial Market Supervisory Authority ("FINMA"), information was transferred to the DOJ regarding accounts of certain US clients as set forth in the DPA who, based on evidence available to UBS, appear to have committed tax fraud or the like within the meaning of the Swiss-US Double Taxation Treaty. Pursuant to the DPA, the DOJ has agreed that any further prosecution of UBS will be deferred for a period of at least 18 months, subject to extension under certain circumstances such as UBS needing more time to complete the implementation of the exit of its US cross-border business. If UBS satisfies all of its obligations under the DPA, the DOJ will refrain permanently from pursuing charges against UBS relating to the investigation of its US crossborder business. As part of the SEC resolution, the SEC filed a Complaint against UBS in US Federal District Court in Washington, D.C., charging UBS with acting as an unregistered broker-dealer and investment advisor in connection with maintaining its US cross-border business. Pursuant to the Consent Order, UBS did not admit or deny the allegations in that Complaint, and consented to the entry of a final judgment that provides, among other things, that: (i) UBS will pay USD 200 million to the SEC, representing disgorgement of profits from the US crossborder business (this amount is included in, and not in addition to, the USD 780 million UBS is paying to the United States as described above); and (ii) UBS will complete its exit of the US cross-border business and will be permanently enjoined from violating the SEC registration requirements by providing broker-dealer or investment advisory services to US persons through UBS entities not registered with the SEC. The

District Court entered the final judgment on 19 March 2009. The DOJ and SEC agreements did not resolve the "John Doe" summons which the IRS served on UBS in July 2008. In this regard, on 19 February 2009, the Civil Tax Division of the DOJ filed a civil petition for enforcement of this summons in US Federal District Court in Miami, through which it seeks an order directing UBS to produce information located in Switzerland regarding US clients who have maintained accounts with UBS in Switzerland without providing a Form W-9. The DPA preserves UBS' ability to fully defend its rights in connection with the IRS's enforcement effort. UBS believes that it has substantial defenses, including that complying with the summons would constitute a violation of Swiss financial privacy laws, and intends to vigorously contest the enforcement of the summons. The litigation could result in the imposition of substantial fines, penalties and / or other remedies (due to a possible finding of contempt of court). In addition, pursuant to the DPA, should UBS fail to comply with a final US court order directing it to comply with the summons after fully exhausting all rights to appeal, the DOJ may, after certain conditions have been satisfied, choose to pursue various remedies available for breach of the DPA. This may include charging UBS with conspiracy to commit tax fraud. On 13 July 2009, the District Court entered an order, on joint motion by UBS and the US government, which motion was also supported by the Swiss government as *amicus curiae*, staying the litigation of the matter and granting a continuance of the evidentiary hearing that was set to begin on that day. The Court set the evidentiary hearing for 3 and 4 August. On 31 July, the U.S. Government informed the Court that the parties have reached an agreement in principle on the major issues and expect to resolve the remaining issues in the coming week. The hearing scheduled for 3 and 4 August has been postponed twice and is now scheduled for 17 August, and the Court has scheduled a status conference for 12 August. Also on 18 February 2009, FINMA published the results of the now concluded investigation conducted by the Swiss Federal Banking Commission ("SFBC"). The SFBC concluded, among other things, that UBS violated the requirements for proper business conduct under Swiss banking law and issued an order barring UBS from providing services to US resident private clients out of non-SEC registered entities. Further, the SFBC ordered UBS to enhance its control framework around its cross-border businesses, and announced that the effectiveness of such framework will be audited. Following the disclosure of the US cross-border matter and the settlements with the DOJ and the SEC, tax and regulatory authorities in a number of jurisdictions have expressed an interest in understanding the cross-border wealth management services provided by UBS and other financial institutions. It is premature to speculate on the outcome of any such inquiries.

- g) 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 US mortgage-related securities and related structured transactions and derivatives. These matters concern, among other things, UBS' valuations, disclosures, writedowns, underwriting, and contractual obligations. In particular, UBS has been in regular communication with, and responding to inquiries by FINMA, its home country consolidated regulator, as well as the SEC, the Financial Industry Regulatory Authority ("FINRA") and the United States Attorney's Office for the Eastern District of New York ("USAO"), regarding some of these issues and others, including the role of internal control units, governance and processes around risk control and valuation of mortgage-related instruments, compliance with public disclosure rules, and the business rationales for the launching and the reintegration of Dillon Read Capital Management ("DRCM"). FINMA concluded its investigation in October 2008, but the investigations by the SEC, FINRA and the USAO are ongoing.
- h) Claims Related to UBS Disclosure: A putative consolidated class action was filed against UBS and a number of current and former directors and senior officers in the Southern District of New York alleging securities fraud in connection with the firm's disclosures relating to its losses in the subprime mortgage markets, its losses and positions in auction rate securities, and its US cross-border business. Defendants have moved to dismiss the complaint for lack of jurisdiction and for failure to state a claim. In February and March 2009, two additional securities fraud class actions were filed in the Southern District of New York against UBS and various senior executives and directors alleging that defendants made materially misleading disclosures concerning UBS' US cross-border wealth management business. By order dated 7 April 2009, these two actions were consolidated with the pending shareholder class action. UBS and a number of senior officers and directors have also been sued in a consolidated class action brought on behalf of holders of UBS ERISA retirement plans in which there were purchases of UBS stock. UBS has moved to dismiss the ERISA complaint for failure to state a claim.
- i) Madoff: In relation to the Madoff investment fraud, UBS, UBS (Luxembourg) SA and certain other UBS subsidiaries are responding to inquiries by a number of regulators, including FINMA and the Luxembourg Commission de Surveillance du Secteur Financier ("CSSF"). The CSSF has made

inquiries concerning two third-party funds established under Luxembourg law the assets of which were managed by Bernard L. Madoff Investment Securities LLC ("BMIS") (as well as certain funds established under offshore jurisdictions with either direct or indirect exposure to BMIS), and which now face severe losses. 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. 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. On 25 February 2009, the CSSF issued a communiqué with respect to the larger of the two funds, stating that UBS (Luxembourg) SA had failed to comply with its due diligence responsibilities as custodian bank. The CSSF ordered UBS (Luxembourg) SA to review its infrastructure and procedures relating to its supervisory obligations as custodian bank, but did not order it to compensate investors. On 25 May 2009, UBS (Luxembourg) SA submitted a comprehensive final report to the CSSF, which resulted in the CSSF publishing a new communiqué saying that UBS (Luxembourg) SA has provided evidence demonstrating that it has the infrastructure and internal organization in place in accordance with professional standards applicable to custodian banks in Luxembourg. A large number of alleged beneficiaries have filed claims against UBS entities for purported losses relating to the Madoff scheme. Further, certain clients of UBS Sauerborn (the KeyClient segment of UBS Deutschland AG) are exposed to Madoff-managed positions through third-party funds and funds administered by UBS Sauerborn.

Besides the proceedings specified above under (a) through (i) no governmental, legal or arbitration proceedings, which may significantly affect the Issuer's financial position are or have been pending, nor is the Issuer aware that any such governmental, legal or arbitration proceedings are threatened.

### **Significant Changes in the Financial Situation of the Issuer**

On 4 August 2009, UBS reported a second quarter 2009 net loss attributable to UBS shareholders of CHF 1,402 million compared with a net loss of CHF 1,975 million in first quarter. This result was mainly driven by lower losses on risk positions from businesses now exited or in the process of being exited by the Investment Bank. Results were significantly affected by an own credit charge of CHF 1,213 million, restructuring charges of CHF 582 million and a goodwill impairment charge of CHF 492 million related to the announced sale of UBS Pactual. Net new money outflows totaled CHF 16.5 billion for Wealth Management & Swiss Bank, CHF 5.8 billion for Wealth Management Americas and CHF 17.1 billion for Global Asset Management. UBS further reduced risk exposures and its balance sheet during second quarter 2009. As of 30 June 2009 UBS had a BIS tier 1 ratio of 13.2 % and BIS total capital ratio of 17.7 %, including the effect of the capital increase completed on 30 June 2009.

Agreement to resolve the John Doe summons matter: On 12 August 2009, the US government informed the US District Court of the Southern District of Florida that all parties have reached an agreement to resolve the John Doe summons matter and that they have initialed the final documentation. The hearing scheduled for 17 August will be removed from the court's calendar, and immediately after the formal signing has occurred, the parties will file the agreed upon stipulation of dismissal with the court.

On August 19, UBS AG announced the formal signing of a settlement agreement with the US Internal Revenue Service (IRS) regarding the John Doe summons issued on 21 July 2008. The summons has been the subject of a civil action in the United States District Court of the Southern District of Florida. The principal terms of this settlement agreement and the related agreement entered into at the same time by the governments of Switzerland and the United States are described below:

The agreement does not call for any payment by UBS. Moreover, it resolves all issues relating to the alleged breaches of UBS's Qualified Intermediary Agreement with the IRS as set forth in the Notice of Default dated 15 May 2008.

As part of the settlement, the parties will promptly file a stipulation with the court to dismiss the enforcement action relating to the John Doe summons.

In accordance with the separate agreement between the United States and Switzerland, the IRS will submit a request for administrative assistance pursuant to the existing US-Switzerland Double Taxation Treaty to the Swiss Federal Tax Administration (SFTA). This request will seek information relating to certain accounts of US persons maintained at UBS in Switzerland. It is expected that approximately 4,450 accounts will be provided to the SFTA in response to this treaty request. The SFTA will decide which of those accounts should be disclosed to the IRS, and such decisions will be subject to judicial review.

UBS is required to provide information on the accounts covered by the treaty request to the SFTA and to send notices to affected US persons encouraging them to take advantage of the IRS's voluntary disclosure practice and to instruct UBS to send their account information and documentation to the IRS. The US government will withdraw the John Doe summons with prejudice as to all accounts not covered by the treaty request no later than 31 December 2009, provided that UBS has complied with those obligations that are required to be performed by that date.

The US government will withdraw the John Doe summons with prejudice as to the remaining accounts – those subject to the treaty request - no later than 24 August 2010 upon the actual or anticipated delivery to the IRS of information relating to accounts covered by the treaty request that does not differ significantly from the expected results. In addition, the summons will be withdrawn with prejudice as to those remaining accounts if at any time on or after 1 January 2010 the IRS has received information relating to at least 10,000 accounts of US persons maintained at UBS in Switzerland. The sources of such information include, in addition to the treaty request itself, the IRS's voluntary disclosure practice, client instructions to UBS to send account information to the IRS and the Deferred Prosecution Agreement.

If neither of these events were to occur by 24 August 2010, the two governments would confer and consult in order to consider alternative mechanisms for achieving the expected levels of account information exchange expected to occur through the treaty request. Possible measures will not impose any financial or new, non-financial obligations on UBS. If these efforts were not successful, the John Doe summons could remain in place beyond 24 August 2010 as to the portion of the accounts covered by the treaty request that have not otherwise been disclosed to the IRS.

On 19 August, the Swiss Confederation (the "Confederation") has announced its intention to exercise its right to convert all CHF 6 billion of its holding of UBS Mandatory Convertible Notes due 2011 ("MCNs") and to place with institutional investors the newly issued UBS shares received upon conversion.

Upon conversion of the MCNs, as described above, UBS issued 332,225,913 new shares with a nominal value of CHF 0.10 each from existing conditional capital. As a result, the share capital of UBS increased from currently CHF 322,583,859.90 to CHF 355,806,451.20. Conversion and the capital increase took place on 25 August 2009.

Further, in connection with the conversion of the MCNs, the Confederation waived its right to receive future coupons on the converted MCNs for a cash amount of approximately CHF 1.8 billion, (the "Coupon Consideration"), representing the present value of the future coupon payments. The Coupon Consideration was paid on 25 August 2009.

Upon conversion, the liability relating to the principal value of the MCNs and the negative replacement value relating to the embedded options of the MCNs has been transferred to equity, increasing the book value of UBS' capital by a corresponding amount. Conversion had no impact on UBS' regulatory capital. The Coupon Consideration does not differ materially in amount from the book value of the relevant liability held in UBS' balance sheet as at 30 June 2009. The Coupon Consideration will, therefore, have no material impact on UBS' profit and loss account for the third quarter of 2009. However, the Coupon Consideration has reduced UBS' Tier 1 ratio by approximately 60 basis points based on risk-weighted assets as at 30 June 2009. As at 30 June 2009, UBS had accrued charges of approximately CHF 400 million to its regulatory capital account in respect of the coupon liability. The balance of unaccrued liability of approximately CHF 1.4 billion will therefore be charged to regulatory capital.

Apart from the above-mentioned, there has been no material change in the financial position of the Issuer since the publication of UBS' second quarter report (not audited) for the period ending 30 June 2009.

## **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.



## Documents on Display

- The restated Annual Report of UBS AG as at 31 December 2007, comprising (i) 1 Strategy, Performance and Responsibility, (ii) 2 Risk, Treasury and Capital Management, (iii) 3 Corporate Governance and Compensation Report, (iv) 4 Financial Statements (including the "Report of the Group Auditors – Independent Registered Public Accounting Firm, Consolidated Financial Statements" and the "Report of the Statutory Auditors");
- The Consolidated Financial Statements (restated) of UBS AG for the financial year 2007 (including the "Report of the Group Auditors"), published in the securities prospectus dated 23 May 2008 for the Offering of 760,295,181 Registered Shares of UBS AG;
- The Annual Report of UBS AG as of 31 December 2008, as restated on 20 May 2009, comprising (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 2007 and 2008 and the Compensation Report 2008;
- The quarterly reports of UBS AG as at 31 March 2009 and 30 June 2009; and
- The Articles of Association of UBS AG Zurich/Basel, 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 are published on the UBS website, at [www.ubs.com/investors](http://www.ubs.com/investors) or a successor address."

**E. The Issuer hereby supplements the section of the Base Prospectus entitled "General Information", as follows:**

***The sub-section entitled "Availability of Documents", on pages 343 through 344 of the Base Prospectus will be supplemented by the following text:***

"(g) a copy of the Quarterly Report of UBS AG as of 31 March 2009; and

(h) a copy of the Quarterly Report of UBS AG as of 30 June 2009.

Copies of the documents referred to under (a) through (h) above and information which refers to sources such as Bloomberg shall also 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, any annual and quarterly reports of UBS AG are published on the UBS website, at "www.ubs.com/investors" or a successor address."

***The sub-section entitled "Incorporation by Reference", on pages 344 through 346 of the Base Prospectus will be supplemented by the following text:***

"

<b>Document incorporated by Reference</b>
The Quarterly Report of UBS AG as of 31 March 2009
The Quarterly Report of UBS AG as of 30 June 2009

Furthermore, a copy of the Quarterly Report of UBS AG as of 31 March 2009 is incorporated by reference into this Base Prospectus and has been deposited with the BaFin in connection with the approval of the Base Prospectus dated 15 June 2009.

In addition, a copy of the Quarterly Report of UBS AG as of 30 June 2009 is incorporated by reference into this Base Prospectus and has been deposited with the BaFin for approval in connection with the Supplement No. 10 dated 31 August 2009 to the already published (single document) Base Prospectus of UBS AG, London Branch, dated 20 October 2005, concerning the issue of [Call] [Put] Warrants, HIT [Call] [Put] Warrants, Lock Out [Call] [Put] Warrants, Double Lock Out Warrants, [Turbo Long-] [Turbo Short-] Warrants, Digital [Call] [Put] Warrants and Hamster Warrants.

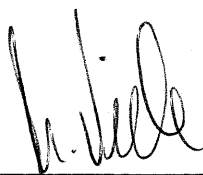
"

**SIGNATORIES**  
**UBS AG**

Signed on behalf of UBS AG on 4 September 2009:

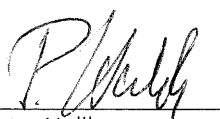
**UBS AG**

By:



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Thomas Viola



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Peter Holik

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