
REGISTRATION DOCUMENT

dated 23 July 2013

of

UBS AG

(a corporation limited by shares established under the laws of Switzerland)

which may also be acting through its Jersey branch:

UBS AG, Jersey Branch

(the Jersey branch of UBS AG)

or through its London branch:

UBS AG, London Branch

(the London branch of UBS AG)



This document has been prepared for the purpose of providing disclosure information with regard to UBS AG ("**UBS AG**" or the "**Issuer**") as issuer of debt or derivative securities and constitutes a registration document (the "**Registration Document**") within the meaning of Art. 5 (3) of Directive 2003/71/EC, as amended, in particular by Directive 2010/73/EU, (the "**Prospectus Directive**") and § 12 (1) of the German Securities Prospectus Act (*Wertpapierprospektgesetz* – "**WpPG**") in connection with Art. 14 and Annex XI of the Commission Regulation (EC) No. 809/2004 of 29 April 2004 (the "**Regulation**").

IMPORTANT NOTICES

This Registration Document has been approved by the Federal Financial Services Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht – “BaFin”*) in accordance with § 13 (1) of the WpPG. This Registration Document as well as any securities notes or (base) prospectuses, either incorporating information from this Registration Document by reference or of which this Registration Document forms part, are available to the public in printed format, free of charge, at the registered offices of the Issuer. In addition, the Registration Document as well as any securities notes or (base) prospectuses, either incorporating information from this Registration Document by reference or of which this Registration Document forms part, are published on the UBS website, at www.ubs.com/investors or a successor address.

No person has been authorised to give any information or to make any representation not contained in or not consistent with this Registration Document, and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, or any trustee or any dealer appointed in relation to any issue of debt or derivative securities by the Issuer.

This Registration Document is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuer, any trustee or any dealer appointed in relation to any issue of debt or derivative securities by the Issuer that any recipient of this Registration Document should purchase any debt or derivative securities issued by the Issuer. Each investor contemplating purchasing debt or derivative securities issued by the Issuer should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. No part of this Registration Document constitutes an offer or invitation by or on behalf of the Issuer, any trustee or any dealer appointed in relation to any issue of debt or derivative securities by the Issuer or any of them to any person to subscribe for or to purchase any of the debt or derivative securities issued by the Issuer.

This Registration Document is valid for a period of twelve months from the date of its approval. Neither the delivery of this Registration Document or of any securities notes or (base) prospectuses, either incorporating information from this Registration Document by reference or of which this Registration Document forms part, nor the offering, sale or delivery of any debt or derivative securities shall, in any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof. The contents of this Registration Document will be updated in accordance with the provisions of the Prospectus Directive and the WpPG. Any dealer or trustee appointed in relation to any issue of debt or derivative securities by the Issuer expressly does not undertake to review the financial condition or affairs of the Issuer or its subsidiary undertakings during the life of such securities.

The distribution of this Registration Document and the offer or sale of securities issued by the Issuer may be restricted by law in certain jurisdictions. Persons into whose possession this Registration Document or any securities issued by the Issuer come must inform themselves about, and observe, any such restrictions.

TABLE OF CONTENTS

Page:

I.	Risk Factors	4
II.	Persons Responsible	16
III.	Statutory Auditors.....	16
IV.	Information about UBS AG	16
V.	Business Overview.....	18
VI.	Organisational Structure of the Issuer.....	21
VII.	Trend Information	21
	<u>Outlook</u>	<u>21</u>
VIII.	Administrative, Management and Supervisory Bodies of UBS AG	21
IX.	Major Shareholders.....	25
X.	Financial Information concerning the Issuer's Assets and Liabilities, Financial Position and Profits and Losses	25
	<u>Historical Financial Information.....</u>	<u>25</u>
	<u>Auditing of Historical Annual Financial Information</u>	<u>26</u>
XI.	Legal and Arbitration Proceedings.....	26
XII.	Significant Changes in the Financial or Trading Position; Material Adverse Change in Prospects	36
XIII.	Material Contracts	36
XIV.	Documents on Display and incorporated by reference.....	36
	SIGNATURE PAGE	37

I. Risk Factors

Investing in the debt or derivative securities of the Issuer involves certain issuer-specific risks. Investments in debt or derivative securities of the Issuer should not be made until all these risk factors have been acknowledged and carefully considered. When making decisions relating to investments in the debt or derivative securities of the Issuer, potential investors should consider following risks factors in respect of the Issuer, which may affect the Issuer's ability to fulfil its obligations under its debt or derivative securities and, if necessary, consult their legal, tax, financial or other advisor.

Prospective investors in any debt or derivative securities of the Issuer should read the entire Registration Document and the relevant securities note or (base) prospectus, either incorporating information from this Registration Document by reference or of which this Registration Document forms part, containing disclosure on certain debt or derivative securities (and where appropriate, the relevant summary note applicable to the relevant debt or derivative securities).

As a global financial services provider, the business activities of UBS AG with its subsidiaries (together "UBS Group", "Group" or "UBS") are affected by the prevailing market situation. Different risk factors can impair the company's ability to implement business strategies and may have a direct, negative impact on earnings. Accordingly, UBS AG's revenues and earnings are and have been subject to fluctuations. The revenues and earnings figures from a specific period, thus, are not evidence of sustainable results. They can change from one year to the next and affect UBS AG's ability to achieve its strategic objectives

General insolvency risk

Each investor bears the general risk that the financial situation of the Issuer could deteriorate. The Securities constitute immediate, unsecured and unsubordinated obligations of the Issuer, which, in particular in the case of insolvency of the Issuer, rank *pari passu* with each other and all other current and future unsecured and unsubordinated obligations of the Issuer, with the exception of those that have priority due to mandatory statutory provisions. The obligations of the Issuer created by the Securities are not secured by a system of deposit guarantees or a compensation scheme. In case of an insolvency of the Issuer, Securityholders may, consequently, suffer a **total loss** of their investment in the Securities.

Effect of downgrading of the Issuer's rating

The general assessment of the Issuer's creditworthiness may affect the value of the Securities. This assessment generally depends on the ratings assigned to the Issuer or its affiliated companies by rating agencies such as Standard & Poor's, Fitch and Moody's. As a result, any downgrading of the Issuer's rating by a rating agency may have a negative impact on the value of the Securities.

Regulatory and legislative changes may adversely affect UBS's business and ability to execute its strategic plans

Fundamental changes in the laws and regulations affecting financial institutions could have a material and adverse effect on UBS's business. In the wake of the 2007–2009 financial crisis and the continuing instability in global financial markets, regulators and legislators have proposed, have adopted, or are actively considering, a wide range of changes to these laws and regulations. These measures are generally designed to address the perceived causes of the crisis and to limit the systemic risks posed by major financial institutions. They include the following:

- significantly higher regulatory capital requirements;
- changes in the definition and calculation of regulatory capital;
- changes in the calculation of risk-weighted assets ("**RWA**");
- the introduction of a more demanding leverage ratio;
- new or significantly enhanced liquidity requirements;
- requirements to maintain liquidity and capital in jurisdictions in which activities are conducted and booked;

- limitations on principal trading and other activities;
- new licensing, registration and compliance regimes;
- limitations on risk concentrations and maximum levels of risk;
- taxes and government levies that would effectively limit balance sheet growth or reduce the profitability of trading and other activities;
- a variety of measures constraining, taxing or imposing additional requirements relating to compensation;
- adoption of new liquidation regimes intended to prioritize the preservation of systemically significant functions;
- requirements to adopt structural and other changes designed to reduce systemic risk and to make major financial institutions easier to manage, restructure, disassemble or liquidate; and
- requirements to adopt risk governance structures at a local jurisdiction level.

A number of measures have been adopted and will be implemented over the next several years; some are subject to legislative action or to further rulemaking by regulatory authorities before final implementation. As a result, there is a high level of uncertainty regarding a number of the measures referred to above, including whether (or the form in which) they will be adopted, the timing and content of implementing regulations and interpretations and / or the dates of their effectiveness.

Notwithstanding attempts by regulators to coordinate their efforts, the measures adopted or proposed differ significantly across the major jurisdictions, making it increasingly difficult to manage a global institution. The absence of a coordinated approach, moreover, disadvantages institutions headquartered in jurisdictions that impose relatively more stringent standards. Switzerland has adopted capital and liquidity requirements for its major international banks that are the strictest among the major financial centers. This could disadvantage Swiss banks such as UBS when they compete with peer financial institutions subject to more lenient regulation or with unregulated non-bank competitors.

Regulatory and legislative changes in Switzerland

In September 2011, the Swiss parliament adopted the “too-big-to-fail” law to address the issues posed by large banks. The law became effective on 1 March 2012. Accordingly, Swiss regulatory change efforts have generally proceeded more quickly than those in other major jurisdictions, and the Swiss Financial Market Supervisory Authority (“**FINMA**”), the Swiss National Bank (“**SNB**”) and the Swiss Federal Council are implementing requirements that are significantly more onerous and restrictive for major Swiss banks, such as UBS, than those adopted or proposed by regulatory authorities in other major global financial centers.

The provisions of the revised banking ordinance and capital adequacy ordinance implementing the Swiss “too-big-to-fail” law became effective on 1 January 2013. These ordinances implement capital requirements that increase or decrease in proportion to UBS’s (i) market share in Switzerland and (ii) total exposure, a metric that measures balance sheet size. This could in effect result in higher or lower capital adequacy requirements than the 19% of Basel III RWA that has been publicly discussed. As UBS has previously announced, UBS’s total capital requirements are expected to fall to 17.5% reflecting the planned decrease in total exposure as part of the acceleration of UBS’s strategy announced in October 2012. Actions and interpretations of governmental authorities may affect the calculation of UBS’s capital ratios and increase its effective capital requirements. For example, UBS expects approximately CHF 2–3 billion to be added to its RWA each year from 2013 through 2019 as a result of FINMA’s decision to apply a bank-specific multiplier for banks using the internal ratings-based approach when calculating RWA for Swiss retail mortgages. In addition, a 1% countercyclical buffer on RWA arising from Swiss residential mortgages will be effective from September 2013.

The new banking and capital adequacy ordinances also contain, among other things, provisions regarding emergency plans for systemically important functions, recovery and resolution planning and intervention measures that may be triggered when certain capital thresholds are breached. Those intervention levels may be set at higher capital levels than under current law, and may depend upon the capital structure and type of buffer capital the bank will have to issue to meet the specific Swiss requirements.

If UBS is not able to demonstrate that its systemically relevant functions in Switzerland can be maintained even in case of a threatened insolvency, FINMA may impose more onerous requirements on us. Although the actions that FINMA may take in such circumstances are not yet defined, UBS could be required directly or indirectly, for example, to alter UBS's legal structure (e.g. to separate lines of business into dedicated entities, with limitations on intra-group funding and certain guarantees), or in some manner to further reduce business risk levels. The law also provides that the largest banks will be eligible for a capital rebate if they take actions that facilitate recovery and resolvability beyond ensuring that the systematically important functions are maintained in case of insolvency. Such actions would likely include an alteration of the legal structure of a bank group in a manner that would insulate parts of the group from exposure to risks arising from other parts of the group, thereby making it easier to dispose of certain parts of the group in a recovery scenario, or to liquidate or dispose of certain parts of the group in a resolution scenario, without necessarily adversely affecting other parts.

Due to recent changes in Swiss regulatory requirements, and due to liquidity requirements imposed by certain other jurisdictions in which UBS operates, UBS has been required to maintain substantially higher levels of liquidity overall than had been UBS's usual practice in the past. Like increased capital requirements, higher liquidity requirements make certain lines of business, particularly in the Investment Bank, less attractive and may reduce UBS's overall ability to generate profits.

Regulatory and legislative changes outside Switzerland

Regulatory and legislative changes in other locations in which UBS operates may subject it to a wide range of new restrictions both in individual jurisdictions and, in some cases, globally.

Some of these regulatory and legislative changes may subject UBS to requirements to move activities from UBS AG branches into subsidiaries. Such "subsidiarization" can create operational, capital and tax inefficiencies, increase UBS's aggregate credit exposure to counterparties as they transact with multiple UBS AG affiliates, expose UBS's businesses to higher local capital requirements, and potentially give rise to client and counterparty concerns about the credit quality of the subsidiary. Such changes could also negatively impact UBS's funding model and severely limit UBS's booking flexibility. For example, UBS has significant operations in the UK and use UBS AG's London branch as a global booking center for many types of products. UBS is being required by the UK Financial Services Authority and by FINMA to increase very substantially the capitalization of UBS's UK bank subsidiary, UBS Limited, and expect to be required to change UBS's booking practices to reduce or even eliminate UBS's utilization of UBS AG London branch as a global booking center for the ongoing business of the Investment Bank. In addition, the UK Independent Commission on Banking has recommended structural and non-structural reforms of the banking sector, most of which have been endorsed by the UK government. Key measures proposed include the ring-fencing of retail activities in the UK, additional common equity tier 1 capital requirements of up to 3% of RWA for retail banks, and the issuance of debt subject to "bail-in" provisions. The applicability and implications of such changes to offices and subsidiaries of foreign banks are not yet entirely clear, but they could have a material effect on UBS's businesses located or booked in the UK.

The adoption of the Dodd-Frank Act in the US will also affect a number of UBS's activities, as well as those of other banks. The implementation of the Volcker Rule as of July 2012, for example, is one reason for UBS's exiting equities proprietary trading business segments within the Investment Bank. For other trading activity, UBS expects that it will be required to implement a compliance regime, including the calculation of detailed metrics for each trading book, and may be required to implement a compliance plan globally. Depending on the nature of the final rules, as well as the manner in which they are implemented, the Volcker Rule could have a substantial impact on market liquidity and the economics of market-making activities. The Volcker Rule also broadly limits investments and other transactional activities between banks and covered funds. The proposed implementing regulations both expand the scope of covered funds and provide only a very limited exclusion for activities of UBS outside the US. If adopted as proposed, the regulations could limit certain of UBS's activities in relation to funds, particularly outside the US. Moreover, at the end of 2012, the Federal Reserve issued proposed rules for foreign banking organizations in the US (sections 165 and 166 of Dodd-Frank Act) that include (i) a requirement for an intermediate holding company to hold US subsidiary operations, (ii) riskbased capital and leverage requirements, (iii) liquidity requirements (both substantive and procedural), (iv) single-counterparty credit limits, (v) risk management and risk committee requirements, (vi) stress test requirements, including public disclosure of the results, (vii) a debt-to-equity limit, and (viii) a framework for early remediation of financial weaknesses. The proposal would impose different requirements based on the overall size of the foreign banking organization and the size of its US-based assets. If the rules are adopted as proposed, UBS would be subject to the most stringent requirements based on the current size of its global and US operations.

In addition, in 2009 the G20 countries committed to require all standardized over-the-counter ("**OTC**") derivative contracts to be traded on exchanges or trading facilities and cleared through central counterparties by the end of 2012. This commitment is being implemented through the Dodd-Frank Act in the US and

corresponding legislation in the European Union and other jurisdictions, and will have a significant impact on UBS's OTC derivatives business, primarily in the Investment Bank. For example, UBS expects that, as a rule, the shift of OTC derivatives trading to a central clearing model will tend to reduce profit margins in these products, although some market participants may be able to offset this effect with higher trading volumes in commoditized products. Although UBS is preparing for these thematic market changes, they are likely to reduce the revenue potential of certain lines of business for market participants generally, and UBS may be adversely affected.

UBS AG registered as a swap dealer in the US at the end of 2012 enabling the continuation of swaps business with US persons. Regulations issued by the Commodity Futures Trading Commission ("**CFTC**") impose substantial new requirements on registered swap dealers for clearing, trade execution, transaction reporting, recordkeeping, risk management and business conduct. The CFTC has granted time-limited relief to initially limit the scope of new requirements to transactions with US persons. Certain of the CFTC's regulations, including those relating to swap data reporting, recordkeeping, compliance and supervision, are expected to apply to UBS AG globally once this time-limited relief expires. Application of these requirements to UBS's swaps business with non-US persons will present a substantial implementation burden, will likely duplicate or conflict with legal requirements applicable to UBS outside of the United States and may place UBS at a competitive disadvantage to firms that are not CFTC-registered swap dealers. The Securities and Exchange Commission ("**SEC**") is expected to propose rules for the extraterritorial application of its regulation of securities-based swaps in the first half of 2013, and to require registration of securities-based swap dealers in the US following adoption of such rules. SEC regulation of securities-based swaps may present similar risks to CFTC rules.

The effect on business booked or conducted by UBS in whole or in part outside the US cannot yet be determined fully because many of the regulations that must be adopted to implement the Dodd-Frank Act have not yet been finalized.

In many instances, UBS provides services on a cross-border basis. Efforts in the European Union ("**EU**") to harmonize the regime for third-country firms to access the European market may have the effect of creating new barriers that adversely affect UBS's ability to conduct business in these jurisdictions from Switzerland. For instance, the proposed harmonization of third-country access provisions under the revised European MiFID II/MiFIR framework would make it materially more difficult for UBS to service wealth management clients in Europe. As these requirements are still being developed and revised, the effect on UBS's business with clients domiciled or booked in the EU is difficult to predict.

Resolution and recovery; bail-in

UBS is currently required to produce recovery and resolution plans in the US, UK, Switzerland and Germany and is likely to face similar requirements for UBS's operations in other jurisdictions, including UBS's operations in the EU as a whole as part of the proposed EU Recovery and Resolution Directive. Resolution plans may increase the pressure for structural change if UBS's analysis identifies impediments that are not acceptable to regulators. Such structural changes may negatively impact UBS's ability to benefit from synergies between business units, and if they include the creation of separate legal entities may have the other negative consequences mentioned above with respect to "subsidiarization".

In addition a number of jurisdictions, including Switzerland, the US, the UK and the EU, have implemented or are considering implementing changes that would allow resolution authorities to convert debt into equity in a so-called "bail-in". The scope of bail-in authority and the legal mechanisms that would be utilized for the purpose are subject to a great deal of development and interpretation. Depending upon the outcome, bail-in authority may have a significant effect on UBS's funding costs.

The planned and potential regulatory and legislative developments in Switzerland and in other jurisdictions in which UBS has operations may have a material adverse effect on UBS's ability to execute UBS's strategic plans, on the profitability or viability of certain business lines globally or in particular locations, and in some cases on UBS's ability to compete with other financial institutions. They are likely to be costly to implement and could also have a negative impact on UBS's legal structure or business model. Finally, the uncertainty related to or the implementation of legislative and regulatory changes may have a negative impact on UBS's relationships with clients and UBS's success in attracting client business.

UBS's capital strength is important in supporting UBS's strategy, client franchise and competitive position

UBS's capital position, as measured by the BIS tier 1, core and total capital ratios and the common equity tier 1 ratio under Basel III requirements, is determined by (i) RWA (credit, non-counterparty related, market and operational risk positions, measured and risk-weighted according to regulatory criteria) and (ii) eligible capital.

Both RWA and eligible capital are subject to change. Eligible capital would be reduced if UBS experiences net losses or losses through the other comprehensive income account, as determined for the purpose of the regulatory capital calculation, which may also render it more difficult or more costly for UBS to raise new capital. Eligible capital can also be reduced for a number of other reasons, including certain reductions in the ratings of securitization exposures, adverse currency movements affecting the value of equity, prudential adjustments that may be required due to the valuation uncertainty associated with certain types of positions, and changes in the value of certain pension fund assets recognized in other comprehensive income. RWA, on the other hand, are driven by UBS's business activities and by changes in the risk profile of UBS's exposures. For instance, substantial market volatility, a widening of credit spreads (the major driver of UBS's value-at-risk), adverse currency movements, increased counterparty risk, a deterioration in the economic environment, or increased operational risk could result in a rise in RWA. Any such reduction in eligible capital or increase in RWA could materially reduce UBS's capital ratios.

The required levels and calculation of UBS's regulatory capital and the calculation of UBS's RWA are also subject to changes in regulatory requirements or their interpretation. UBS is subject to regulatory capital requirements imposed by FINMA, under which UBS has higher RWA than would be the case under the Basel III guidelines as adopted by the Bank for International Settlements. The changes in the calculation of RWA under Basel III and FINMA requirements (such as the revised treatment of certain securitization exposures under the Basel III framework) have significantly increased the level of UBS's RWA and, therefore, have adversely affected UBS's capital ratios. UBS has announced plans to reduce RWA very substantially and to mitigate the effects of the changes in the RWA calculation. However, there is a risk that UBS will not be successful in pursuing its plans, either because UBS is unable to carry out fully the actions it has planned or because other business or regulatory developments to some degree counteract the benefit of UBS's actions.

In addition to the risk-based capital requirements, UBS is subject to a minimum leverage ratio requirement for systemically important banks introduced by FINMA. The leverage ratio operates separately from the risk-based capital requirements, and, accordingly, under certain circumstances could constrain UBS's business activities even if UBS is able to satisfy the risk-based capital requirements.

Changes in the Swiss requirements for risk-based capital or leverage ratios, whether pertaining to the minimum levels required for large Swiss banks or to the calculation thereof (including changes of the banking law under the "too-big-to-fail" measures), could have a material adverse effect on UBS's business and could affect UBS's competitive position internationally compared with institutions that are regulated under different regimes.

UBS may not be successful in executing its announced strategic plans

In October 2012, UBS announced a significant acceleration in the implementation of UBS's strategy. The strategy includes transforming UBS's Investment Bank to focus it on its traditional strengths, very significantly reducing Basel III RWA and further strengthening UBS's capital position, and significantly reducing costs and improving efficiency across the Group. There is a risk that UBS will not be successful in pursuing UBS's plans, including because UBS is unable to carry out fully the actions it has planned, or that even if it is able to implement its strategy as planned its effects may differ from those intended.

As part of UBS's strategy, UBS is exiting certain business lines, predominantly those formerly in the fixed income area of UBS's Investment Bank that have been rendered less attractive by changes in regulation and market developments. UBS's Corporate Center is tasked with managing down the non-core assets previously in the Investment Bank in the most value-accretive way for shareholders. As UBS winds down these positions and those in the Legacy Portfolio previously transferred to Corporate Center, UBS will incur losses if exit values are lower than the carrying values of these positions. This could be the result of market price declines or illiquid or volatile market conditions, or the result of other institutions seeking to dispose of similar assets contemporaneously. These same factors may make it impossible or inadvisable for UBS to effect the winddowns and the corresponding reduction in RWA and balance sheet size as quickly as UBS has planned.

UBS also announced that it intends to achieve incremental cost savings of CHF 3.4 billion above the CHF 2 billion cost savings program announced in August 2011 as a result of the actions UBS is taking in the Investment Bank and through further group wide efficiency measures. The success of UBS's strategy and UBS's ability to reach certain of the targets UBS has announced depends heavily on the effectiveness of the cost-saving and efficiency measures UBS is able to carry out. As is often the case with major cost-reduction and efficiency programs, UBS's plans involve significant risks. Included among these are the risks that restructuring costs may be higher and may be recognized sooner than UBS has projected and that UBS may not be able to identify feasible cost-saving opportunities at the level of UBS's savings objective that are also consistent with UBS's business goals. In addition, when UBS implements its cost-saving and efficiency programs it may experience unintended consequences such as the loss or degradation of capabilities that UBS needs in order to maintain UBS's competitive position and achieve UBS's targeted returns.

UBS's reputation is critical to the success of its business

UBS's reputation is critical to the success of UBS's strategic plans. Damage to UBS's reputation can have fundamental negative effects on UBS's business and prospects. Reputational damage is difficult to reverse, and improvements tend to be slow and difficult to measure. This was demonstrated in recent years as UBS's very large losses during the financial crisis, the US cross-border matter and other events seriously damaged UBS's reputation. Reputational damage was an important factor in UBS's loss of clients and client assets across UBS's asset-gathering businesses, and contributed to UBS's loss of and difficulty in attracting staff, in 2008 and 2009. These developments had short-term and also more lasting adverse effects on UBS's financial performance, and UBS recognized that restoring its reputation would be essential to maintaining UBS's relationships with clients, investors, regulators and the general public, as well as with UBS's employees. More recently, the unauthorized trading incident announced in September 2011, and UBS's involvement in the LIBOR scandal also adversely affected UBS's reputation. Any further reputational damage could have a material adverse effect on UBS's operational results and financial condition and on UBS's ability to achieve UBS's strategic goals and financial targets.

Material legal and regulatory risks arise in the conduct of UBS's business

The nature of UBS's business subjects UBS to significant regulatory oversight and liability risk. As a global financial services firm operating in more than 50 countries, UBS is subject to many different legal, tax and regulatory regimes. UBS is involved in a variety of claims, disputes, legal proceedings and government investigations in jurisdictions where UBS is active. These proceedings expose UBS to substantial monetary damages and legal defense costs, injunctive relief and criminal and civil penalties, in addition to potential regulatory restrictions on UBS's businesses. The outcome of most of these matters, and their potential effect on UBS's future business or financial results, is extremely difficult to predict.

UBS continues to be subject to government inquiries and investigations, and are involved in a number of litigations and disputes, which arose out of the financial crisis of 2007–2009. UBS is also subject to a large number of claims, disputes, legal proceedings and government investigations unrelated to the financial crisis, and expect that UBS's ongoing business activities will continue to give rise to such matters in the future. Potentially material matters to which UBS is currently subject include claims relating to US RMBS and mortgage loan sales, Swiss retrocessions, LIBOR-related matters and the Banco UBS Pactual tax indemnity.

In December 2012, UBS announced settlements totaling approximately CHF 1.4 billion in fines by and disgorgements to US, UK and Swiss authorities to resolve LIBOR-related investigations with those authorities. UBS Securities Japan Co. Ltd. also pled guilty to one count of wire fraud relating to the manipulation of certain benchmark interest rates. The settlements do not resolve investigations by other authorities or civil claims that have been or may in the future be asserted by private and governmental claimants with respect to submissions for LIBOR or other benchmark interest rates. The extent of UBS's financial exposure to these remaining matters is extremely difficult to estimate and could be material.

The LIBOR-related settlements starkly illustrate the much-increased level of financial risk now associated with regulatory matters and regulatory enforcement in major jurisdictions, particularly in the US and UK. These very large amounts were assessed, and the guilty plea of a UBS subsidiary was required, in spite of UBS's full cooperation with the authorities in their investigations, as a result of which UBS was granted conditional leniency or conditional immunity with respect to certain benchmark interest rates by antitrust authorities in a number of jurisdictions including the US and Switzerland. UBS understands that, in determining the consequences to UBS, the US authorities took into account the fact that UBS has in the recent past been determined to have engaged in serious misconduct in a number of other matters. As a result of this history and regulatory perception, UBS's level of risk with respect to regulatory enforcement may be greater than that of peer institutions.

Considering UBS's overall exposures and the current regulatory and political climate affecting financial institutions, UBS expects charges associated with legal, regulatory and similar matters to remain at elevated levels at least through 2013.

UBS is determined to address the issues that have arisen in the above and other matters in a thorough and constructive manner. UBS is in active dialogue with its regulators concerning the actions that UBS is taking to improve its operational risk management and control framework. Ever since UBS's losses in 2007 and 2008, UBS has been subject to a very high level of regulatory scrutiny and to certain regulatory measures that constrain UBS's strategic flexibility. While UBS believes that it has remediated the deficiencies that led to the material losses during the 2007–2009 financial crisis, the unauthorized trading incident announced in September 2011 and the LIBOR-related settlements, the effects of these matters on UBS's reputation and

relationships with regulatory authorities have proven to be more difficult to overcome. For example, following the unauthorized trading incident FINMA informed UBS that UBS would not be permitted to undertake acquisitions in UBS's Investment Bank unit (unless FINMA granted an exception), and that material new business initiatives in that unit would be subject to FINMA oversight. Although UBS has significantly enhanced its operational risk management and control framework in general and specifically addressed the deficiencies highlighted by the unauthorized trading incident in particular, these special restrictions have not been withdrawn by FINMA to date, pending independent confirmation of the effectiveness of these enhancements to FINMA's satisfaction. As this example illustrates, difficulties associated with UBS's relationships with regulatory authorities have the potential to adversely affect the execution of UBS's business strategy.

Performance in the financial services industry is affected by market conditions and the macroeconomic climate

The financial services industry prospers in conditions of economic growth; stable geopolitical conditions; transparent, liquid and buoyant capital markets and positive investor sentiment. An economic downturn, continued low interest rates or a severe financial crisis can negatively affect UBS's revenues and ultimately UBS's capital base.

A market downturn and weak macroeconomic conditions can be precipitated by a number of factors, including geopolitical events, changes in monetary or fiscal policy, trade imbalances, natural disasters, pandemics, civil unrest, war or terrorism. Because financial markets are global and highly interconnected, even local and regional events can have widespread impacts well beyond the countries in which they occur. A crisis could develop, regionally or globally, as a result of disruptions in emerging markets as well as developed markets that are susceptible to macroeconomic and political developments, or as a result of the failure of a major market participant. UBS has material exposures to a number of these markets, both as a wealth manager and as an investment bank. Moreover, UBS's strategic plans depend more heavily upon UBS's ability to generate growth and revenue in the emerging markets, causing UBS to be more exposed to the risks associated with them. The ongoing eurozone crisis and the unresolved US fiscal issues demonstrate that macroeconomic and political developments can have unpredictable and destabilizing effects. Adverse developments of these kinds have affected UBS's businesses in a number of ways, and may continue to have further adverse effects on UBS's businesses as follows:

- a general reduction in business activity and market volumes, as UBS has experienced in the last two years, affects fees, commissions and margins from market-making and client-driven transactions and activities; local or regional economic factors, such as the ongoing eurozone sovereign debt and banking industry concerns, could also have an effect on UBS;
- a market downturn is likely to reduce the volume and valuations of assets UBS manages on behalf of clients, reducing UBS's asset- and performance-based fees;
- a further extended period of low interest rates will continue to erode interest margins in several of UBS's businesses;
- reduced market liquidity limits trading and arbitrage opportunities and impedes UBS's ability to manage risks, impacting both trading income and performance-based fees;
- assets UBS owns and account for as investments or trading positions could fall in value;
- impairments and defaults on credit exposures and on trading and investment positions could increase, and losses may be exacerbated by falling collateral values; and
- if individual countries impose restrictions on cross-border payments or other exchange or capital controls, or change their currency (for example, if one or more countries should leave the euro), UBS could suffer losses from enforced default by counterparties, be unable to access UBS's own assets, or be impeded in – or prevented from – managing UBS's risks.

Because UBS has very substantial exposures to other major financial institutions, the failure of one or more of such institutions could have a material effect on UBS.

The developments mentioned above can materially affect the performance of UBS's business units and of UBS as a whole, and ultimately UBS's financial condition. As discussed below, there is also a somewhat related risk that the carrying value of goodwill of a business unit might suffer impairments and deferred tax assets levels may need to be adjusted.

UBS holds legacy and other risk positions that may be adversely affected by conditions in the financial markets; legacy risk positions may be difficult to liquidate

UBS, like other financial market participants, was severely affected by the financial crisis that began in 2007. The deterioration of financial markets since the beginning of the crisis was extremely severe by historical standards, and UBS recorded substantial losses on fixed income trading positions, particularly in 2008 and 2009. Although UBS has very significantly reduced its risk exposures starting in 2008, and more recently as UBS implements its strategy and focus on complying with Basel III capital standards, UBS continues to hold substantial legacy risk positions. In many cases these risk positions continue to be illiquid, and UBS remains exposed to the risk that the remaining positions may again deteriorate in value. In the fourth quarter of 2008 and the first quarter of 2009, certain of these positions were reclassified for accounting purposes from fair value to amortized cost; these assets are subject to possible impairment due to changes in market interest rates and other factors.

UBS has announced and is carrying out plans to reduce drastically the RWA associated with UBS's non-core and legacy risk positions. There can be no assurance that UBS will be able to liquidate them as quickly as UBS's plans suggest, or that UBS will not incur significant losses in doing so. The continued illiquidity and complexity of many of the legacy risk positions in particular could make it difficult to sell or otherwise liquidate these positions. At the same time, UBS's strategy rests heavily on UBS's ability to reduce sharply the RWA associated with these exposures in order to meet UBS's future capital targets and requirements without incurring unacceptable losses. In addition, if in the future UBS exercises its option to acquire the equity of the SNB StabFund from subsidiaries of the Swiss National Bank, any positions remaining in that fund could augment UBS's risk exposure and RWA until they can be liquidated.

UBS holds positions related to real estate in various countries, and UBS could suffer losses on these positions. These positions include a very substantial Swiss mortgage portfolio. Although management believes that this portfolio has been very prudently managed, UBS could nevertheless be exposed to losses if the concerns expressed by the Swiss National Bank and others about unsustainable price escalation in the Swiss real estate market come to fruition.

In addition, UBS is exposed to risk in its prime brokerage, reverse repo and Lombard lending activities, as the value or liquidity of the assets against which UBS provides financing may decline rapidly.

UBS's global presence subjects it to risk from currency fluctuations

UBS prepares its consolidated financial statements in Swiss francs. However, a substantial portion of UBS's assets, liabilities, invested assets, revenues and expenses are denominated in other currencies, particularly the US dollar, the euro and the British pound. Accordingly, changes in foreign exchange rates, particularly between the Swiss franc and the US dollar (US dollar revenues account for the largest portion of UBS's non-Swiss franc revenues) have an effect on UBS's reported income and expenses, and on other reported figures such as invested assets, balance sheet assets, RWA and tier 1 capital. For example, in 2011 the strengthening of the Swiss franc, especially against the US dollar and euro, had an adverse effect on UBS's revenues and invested assets. Because exchange rates are subject to constant change, sometimes for completely unpredictable reasons, UBS's results are subject to risks associated with changes in the relative values of currencies.

UBS is dependent upon UBS's risk management and control processes to avoid or limit potential losses in UBS's trading and counterparty credit businesses

Controlled risk-taking is a major part of the business of a financial services firm. Credit is an integral part of many of UBS's retail, corporate, wealth management and Investment Bank activities. This includes lending, underwriting and derivatives activities. Changes in interest rates, credit spreads, equity prices, market volatility and liquidity, foreign exchange levels and other market fluctuations can adversely affect UBS's earnings. Some losses from risk-taking activities are inevitable, but to be successful over time, UBS must balance the risks it takes against the returns it generates. UBS must, therefore, diligently identify, assess, manage and control UBS's risks, not only in normal market conditions but also as they might develop under more extreme (stressed) conditions, when concentrations of exposures can lead to severe losses.

As seen during the financial crisis of 2007–2009, UBS is not always able to prevent serious losses arising from extreme or sudden market events that are not anticipated by UBS's risk measures and systems. Value-at-risk, a statistical measure for market risk, is derived from historical market data, and thus by definition could not have anticipated the losses suffered in the stressed conditions of the financial crisis. Moreover, stress loss and concentration controls and the dimensions in which UBS aggregates risk to identify potentially highly correlated exposures proved to be inadequate. Notwithstanding the steps UBS has taken to strengthen UBS's risk management and control framework, UBS could suffer further losses in the future if, for example:

- UBS does not fully identify the risks in UBS's portfolio, in particular risk concentrations and correlated risks;
- UBS's assessment of the risks identified or UBS's response to negative trends proves to be inadequate, insufficient or incorrect;
- markets move in ways that UBS does not expect – in terms of their speed, direction, severity or correlation – and UBS's ability to manage risks in the resultant environment is, therefore, affected;
- third parties to whom UBS has credit exposure or whose securities UBS holds for its own account are severely affected by events not anticipated by UBS's models, and accordingly UBS suffers defaults and impairments beyond the level implied by UBS's risk assessment; or
- collateral or other security provided by UBS's counterparties proves inadequate to cover their obligations at the time of their default.

UBS also manages risk on behalf of UBS's clients in UBS's asset and wealth management businesses. UBS's performance in these activities could be harmed by the same factors. If clients suffer losses or the performance of their assets held with UBS is not in line with relevant benchmarks against which clients assess investment performance, UBS may suffer reduced fee income and a decline in assets under management, or withdrawal of mandates.

If UBS decides to support a fund or another investment that it sponsors in its asset or wealth management businesses (such as the property fund to which Wealth Management has exposure), UBS might, depending on the facts and circumstances, incur charges that could increase to material levels.

Investment positions, such as equity holdings made as a part of strategic initiatives and seed investments made at the inception of funds that UBS manages, may also be affected by market risk factors. These investments are often not liquid and generally are intended or required to be held beyond a normal trading horizon. They are subject to a distinct control framework. Deteriorations in the fair value of these positions would have a negative impact on UBS's earnings.

Valuations of certain positions rely on models; models have inherent limitations and may use inputs which have no observable source

Where possible, UBS marks its trading book assets and other positions at their quoted market price in an active market. Such price information may not be available for certain instruments and, therefore, UBS applies valuation techniques to measure such instruments. Valuation techniques use "market observable inputs" where available, derived from similar instruments in similar and active markets, from recent transaction prices for comparable items or from other observable market data. In the case of positions for which some or all of the inputs required for the valuation techniques are not observable or have limited observability, UBS uses valuation models with non-market observable inputs. There is no single market standard for valuation models of this type. Such models have inherent limitations; different assumptions and inputs would generate different results, and these differences could have a significant impact on UBS's financial results. UBS regularly reviews and updates its valuation models to incorporate all factors that market participants would consider in setting a price, including factoring in current market conditions. Judgment is an important component of this process. Changes in model inputs or in the models themselves, or failure to make the changes necessary to reflect evolving market conditions, could have a material adverse effect on UBS's financial results.

UBS is exposed to possible outflows of client assets in its asset-gathering businesses and to changes affecting the profitability of its Wealth Management business division

UBS experienced substantial net outflows of client assets in UBS's wealth management and asset management businesses in 2008 and 2009. The net outflows resulted from a number of different factors, including UBS's substantial losses, the damage to UBS's reputation, the loss of client advisors, difficulty in recruiting qualified client advisors and developments concerning UBS's cross-border private banking business. Many of these factors have been successfully addressed. UBS's Wealth Management and Wealth Management Americas business divisions recorded substantial net new money inflows in 2012. Long-term changes affecting the cross-border private banking business model will, however, continue to affect client flows in UBS's Wealth Management business division for an extended period of time. One of the important drivers behind the longer-term reduction in the amount of cross-border private banking assets, particularly in Europe, is the heightened focus of fiscal authorities on cross-border investments. Changes in local tax laws or regulations and their enforcement may affect the ability or the willingness of UBS's clients to do business with UBS or the viability of UBS's strategies and business model. In 2012, UBS experienced net withdrawals in UBS's Swiss booking center

from clients domiciled elsewhere in Europe, in many cases related to the negotiation of tax treaties between Switzerland and other countries, including the treaty with Germany that was ultimately not ratified by Germany.

The net new money inflows in recent years in UBS's Wealth Management business division have come predominantly from clients in Asia-Pacific and in the emerging markets and in the high net worth segment globally. Over time, inflows from these lower-margin segments and markets have been replacing outflows from higher-margin segments and markets, in particular cross-border European clients. This dynamic, combined with changes in client product preferences as a result of which lowmargin products account for a larger share of UBS's revenues than in the past, put downward pressure on UBS's return on invested assets. There can be no assurance that efforts by the business to overcome the effects of the changes in the business mix on gross margin, such as through service improvements and product offerings, will be sufficiently successful to counteract those effects. UBS is also making changes to its business offerings and pricing practices in line with emerging industry trends favoring price transparency and recent legal and regulatory developments, including the Swiss Supreme Court's case concerning "retrocessions". There can be no assurance that UBS will be successful in UBS's efforts to offset the adverse impact of these trends and developments.

In 2012, Global Asset Management experienced a net outflow of client assets. Further net outflows of client assets are likely over time to adversely affect the results of the business division.

Liquidity and funding management are critical to UBS's ongoing performance

The viability of UBS's business depends upon the availability of funding sources, and its success depends upon UBS's ability to obtain funding at times, in amounts, for tenors and at rates that enable UBS to efficiently support its asset base in all market conditions. A substantial part of UBS's liquidity and funding requirements is met using short-term unsecured funding sources, including wholesale and retail deposits and the regular issuance of money market securities. The volume of UBS's funding sources has generally been stable, but could change in the future due to, among other things, general market disruptions or widening credit spreads, which could also influence the cost of funding. A change in the availability of short-term funding could occur quickly.

Reductions in UBS's credit ratings can increase UBS's funding costs, in particular with regard to funding from wholesale unsecured sources, and can affect the availability of certain kinds of funding. In addition, as UBS experienced recently in connection with Moody's downgrading of UBS's long-term rating in June 2012, ratings downgrades can require UBS to post additional collateral or make additional cash payments under master trading agreements relating to UBS's derivatives businesses. UBS's credit ratings, together with UBS's capital strength and reputation, also contribute to maintaining client and counterparty confidence and it is possible that ratings changes could influence the performance of some of UBS's businesses.

The more stringent Basel III capital and liquidity requirements will likely lead to increased competition for both secured funding and deposits as a stable source of funding, and to higher funding costs.

Operational risks may affect UBS's business

All of UBS's businesses are dependent on UBS's ability to process a large number of complex transactions across multiple and diverse markets in different currencies, to comply with requirements of many different legal and regulatory regimes to which UBS is subject and to prevent, or promptly detect and stop, unauthorized, fictitious or fraudulent transactions. UBS's operational risk management and control systems and processes are designed to help ensure that the risks associated with UBS's activities, including those arising from process error, failed execution, unauthorized trading, fraud, system failures, cyber-attacks, breaches of information security and failure of security and physical protection, are appropriately controlled.

For example, cyber crime is a fast growing threat to large organizations that rely on technology to support its business, like UBS. Cyber crime can range from internet based attacks that interfere with the organizations' internet websites, to more sophisticated crimes that target the organizations, as well as their clients, and seek to gain unauthorized access to technology systems in efforts to disrupt business, steal money or obtain sensitive information.

A major focus of US governmental policy relating to financial institutions in recent years has been fighting money laundering and terrorist financing. Regulations applicable to UBS and its subsidiaries impose obligations to maintain effective policies, procedures and controls to detect, prevent and report money laundering and terrorist financing, and to verify the identity of their clients. Failure to maintain and implement adequate programs to combat money laundering and terrorist financing could have serious consequences, both in legal terms and in terms of UBS's reputation.

Although UBS is continuously adapting UBS's capability to detect and respond to the risks described above, if UBS's internal controls fail or prove ineffective in identifying and remedying them UBS could suffer operational failures that might result in material losses, such as the loss from the unauthorized trading incident announced in September 2011.

Participation in high-volume and high-frequency trading activities, even in the execution of client-driven business, can also expose UBS to operational risks. UBS's loss in the second quarter of 2012 relating to the Facebook initial public offering illustrates the exposure participants in these activities have to unexpected results arising not only from their own systems and processes but also from the behavior of exchanges, clearing systems and other third parties and from the performance of third party systems.

Certain types of operational control weaknesses and failures could also adversely affect UBS's ability to prepare and publish accurate and timely financial reports. UBS identified control deficiencies following the unauthorized trading incident announced in September 2011, and management determined that UBS had a material weakness in UBS's internal control over financial reporting as of the end of 2010 and 2011, although this has not affected the reliability of UBS's financial statements for either year.

In addition, despite the contingency plans UBS has in place, UBS's ability to conduct business may be adversely affected by a disruption in the infrastructure that supports UBS's businesses and the communities in which UBS is located. This may include a disruption due to natural disasters, pandemics, civil unrest, war or terrorism and involve electrical, communications, transportation or other services used by UBS or third parties with whom UBS conducts business.

UBS might be unable to identify or capture revenue or competitive opportunities, or retain and attract qualified employees

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

UBS's competitive strength and market position could be eroded if UBS is unable to identify market trends and developments, do not respond to them by devising and implementing adequate business strategies, adequately developing or updating UBS's technology, particularly in trading businesses, or are unable to attract or retain the qualified people needed to carry them out.

The amount and structure of UBS's employee compensation are affected not only by UBS's business results but also by competitive factors and regulatory considerations. Constraints on the amount or structure of employee compensation, higher levels of deferral, performance conditions and other circumstances triggering the forfeiture of unvested awards may adversely affect UBS's ability to retain and attract key employees, and may in turn negatively affect UBS's business performance. Reductions in the amount of variable compensation awarded for performance year 2012 have caused UBS's total compensation for certain categories of employees, mainly in the Investment Bank and the Corporate Center, to be lower than is the case for peer institutions. In addition, changes that UBS has made to the terms of compensation awards may place UBS ahead of peers in adjusting compensation terms to the demands of various stakeholders, including regulatory authorities and shareholders. These terms include the introduction of a deferred contingent capital plan with many of the features of the loss-absorbing capital that UBS has issued in the market but with a higher capital ratio writedown trigger, increased average deferral periods for stock awards, and expanded forfeiture provisions for certain awards linked to business performance. These changes, while intended to better align the interests of UBS's staff with those of other stakeholders, increase the risk that key employees will be attracted by competitors and decide to leave UBS, and that UBS may be less successful than its competitors in attracting qualified employees. The loss of key staff and inability to attract qualified replacements, depending upon which and how many roles are affected, could seriously compromise UBS's ability to execute UBS's strategy and to successfully improve UBS's operating and control environment.

UBS's financial results may be negatively affected by changes to accounting standards

UBS reports its results and financial position in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Changes to IFRS or interpretations thereof may cause UBS's future reported results and financial position to differ from current expectations. Such changes also may affect UBS's regulatory capital and ratios. For example, in 2012 UBS adopted the revised international accounting standard IAS 19 Employee Benefits, which affected both UBS's financial position and UBS's regulatory capital. UBS monitors potential accounting changes and when these are finalized by the IASB,

UBS determines the potential impact and discloses significant future changes in its financial statements. Currently, there are a number of issued but not yet effective IFRS changes, as well as potential IFRS changes, that are expected to impact UBS's reported results, financial position and regulatory capital in the future.

UBS's financial results may be negatively affected by changes to assumptions supporting the value of UBS's goodwill

The goodwill UBS has recognized on the respective balance sheets of UBS's operating segments is tested for impairment at least annually. UBS's impairment test in respect of the assets recognized as of 31 December 2012 indicated that the value of UBS's goodwill is not impaired. The impairment test is based on assumptions regarding estimated earnings, discount rates and long-term growth rates impacting the recoverable amount of each segment and on estimates of the carrying amounts of the segments to which the goodwill relates. If the estimated earnings and other assumptions in future periods deviate from the current outlook, the value of UBS's goodwill may become impaired in the future, giving rise to losses in the income statement. In the third quarter of 2012, for example, the recognition by the Investment Bank of a full impairment of goodwill and of an impairment of other non-financial assets resulted in a charge of almost CHF 3.1 billion against UBS's operating profit before tax.

The effects of taxes on UBS's financial results are significantly influenced by changes in UBS's deferred tax assets and final determinations on audits by tax authorities

The deferred tax assets UBS has recognized on its balance sheet as of 31 December 2012 in respect of prior years' tax losses are based on future profitability as indicated by the business plans. If the business plan earnings and assumptions in future periods substantially deviate from current forecasts, the amount of recognized deferred tax assets may need to be adjusted in the future. This could include writeoffs of deferred tax assets through the income statement.

In the coming years, UBS's effective tax rate will be highly sensitive both to UBS's performance and to the accuracy of new business plan forecasts. UBS's results in recent periods have demonstrated that changes in the recognition of deferred tax assets can have a very significant effect on UBS's reported results. If the Group's performance is strong, particularly in the US, UK and Switzerland, UBS could be expected to recognize additional deferred tax assets in the coming years. The effect of doing so would be to significantly reduce the Group's effective tax rate in years in which additional deferred tax assets are recognized. Conversely, if UBS's performance in those countries is weaker than expected, UBS may be required to write off all or a portion of currently recognized deferred tax assets through the income statement. This would have the effect of increasing the Group's effective tax rate in the year in which any write offs are taken.

In the first half of 2013, UBS expects the tax rate to be in the region of 25–30%. The expected tax rate is higher than the normal expected effective tax rate of 20–25% because the net profit for the group in 2013 may reflect losses for some legal entities or parent bank branches for which UBS may not obtain a tax benefit. In addition, the actual tax rate may fall outside the aforementioned tax rate range to the extent that there are significant book tax adjustments that affect taxable profits. Also, the full year tax rate may depend on the extent to which deferred tax assets are revalued during 2013 and the level of profitability for the year.

UBS's effective tax rate is also sensitive to any future reductions in statutory tax rates, particularly in the US and Switzerland. Reductions in the statutory tax rate would cause the expected future tax benefit from items such as tax loss carry-forwards in the affected locations to diminish in value. This in turn would cause a writedown of the associated deferred tax assets.

In addition, statutory and regulatory changes, as well as changes to the way in which courts and tax authorities interpret tax laws could cause the amount of taxes ultimately paid by UBS to materially differ from the amount accrued.

Separately, in 2011 the UK government introduced a balance sheet based levy payable by banks operating and / or resident in the UK. An expense for the year of CHF 124 million has been recognized in operating expenses (within pre-tax profit) in the fourth quarter of 2012. The Group's bank levy expense for future years will depend on both the rate and the Group's taxable UK liabilities at each year end; changes to either factor could increase the cost. This expense will likely increase if, for example, UBS changes its booking practices to reduce or eliminate UBS's utilization of UBS AG London branch as a global booking center for the ongoing business of the Investment Bank and consequently book more liabilities into UBS's UK bank subsidiary, UBS Limited. UBS expects that the annual bank levy expense will continue to be recognized for IFRS purposes as a cost arising in the final quarter of each financial year, rather than being accrued throughout the year, as it is charged by reference to the year-end balance sheet position."

Potential conflicts of interest

The Issuer and affiliated companies may participate in transactions related to the debt or derivative securities of the Issuer in some way, for their own account or for account of a client. Such transactions may not serve to benefit the Securityholders and may have a positive or negative effect on these securities and consequently on the value of the debt or derivative securities of the Issuer. Furthermore, companies affiliated with the Issuer may become counterparties in hedging transactions relating to obligations of the Issuer stemming from the debt or derivative securities of the Issuer. As a result, conflicts of interest can arise between companies affiliated with the Issuer, as well as between these companies and investors, in relation to obligations regarding the calculation of the price of the Securities and other associated determinations. In addition, the Issuer and its affiliates may act in other capacities with regard to the debt or derivative securities of the Issuer, such as calculation agent, paying agent and administrative agent and/or index sponsor.

Within the context of the offering and sale of the debt or derivative securities of the Issuer, the Issuer or any of its affiliates may directly or indirectly pay fees in varying amounts to third parties, such as distributors or investment advisors, or receive payment of fees in varying amounts, including those levied in association with the distribution of the debt or derivative securities of the Issuer, from third parties. Potential investors should be aware that the Issuer may retain fees in part or in full. The Issuer will, upon request, provide information on the amount of these fees.

II. Persons Responsible

UBS AG, having its registered offices at Bahnhofstrasse 45, 8001 Zurich, Switzerland, and Aeschenvorstadt 1, 4051 Basel, Switzerland, accepts responsibility for the information contained in this Registration Document and declares that the information contained in this Registration Document is, to the best of its knowledge, accurate and that no material facts have been omitted.

Where this Registration Document contains information obtained from third parties, such information was reproduced accurately, and to the best knowledge of the Issuer - as far as it is able to ascertain from information provided or published by such third party - no facts have been omitted which would render the reproduced information inaccurate or misleading.

III. Statutory Auditors

Based on section 31 of the Articles of Association, UBS AG shareholders elect the auditors for a term of office of one year. At the AGM of 14 April 2010, 28 April 2011 and 3 May 2012, Ernst & Young Ltd., Aeschengraben 9, CH-4002 Basel, ("**Ernst & Young**") were elected as auditors for the financial statements of UBS AG and the consolidated financial statements of the UBS Group for a one-year term, respectively.

Ernst & Young is a member of the Swiss Institute of Certified Accountants and Tax Consultants based in Zurich, Switzerland.

IV. Information about UBS AG

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

On 31 March 2013 UBS's BIS Basel III common equity tier 1 capital ratio was 15.3% on a phase-in basis and 10.1% on a fully applied basis, invested assets stood at CHF 2,373 billion, equity attributable to UBS shareholders was CHF 47,239 million and market capitalization was CHF 55,827 million. On the same date, UBS employed 61,782 people.

The rating agencies Standard & Poor's ("**Standard & Poor's**"), Fitch Ratings ("**Fitch**") and Moody's ("**Moody's**") have published credit ratings reflecting their assessment of the creditworthiness of UBS AG, i.e.

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

The following table gives an overview of the rating classes as used by the three major rating agencies and their respective meaning. UBS's rating is indicated by the red box.

Moody's		S&P		Fitch		
Long-term	Short-term	Long-term	Short-term	Long-term	Short-term	
Aaa	P-1	AAA	A-1+	AAA	F1+	Prime
Aa1		AA+		AA+		High grade
Aa2		AA		AA		
Aa3		AA-		AA-		
A1		A+	A-1	A+	F1	Upper medium grade
A2		A		A		
A3	P-2	A-	A-2	A-	F2	
Baa1		BBB+		BBB+		Lower medium grade
Baa2	P-3	BBB	A-3	BBB	F3	
Baa3		BBB-		BBB-		
Ba1	Not prime	BB+	B	BB+	B	Non-investment grade speculative
Ba2		BB		BB		
Ba3		BB-		BB-		
B1		B+		B+		Highly speculative
B2		B		B		
B3		B-		B-		
Caa1		CCC+	C	CCC	C	Substantial risks
Caa2		CCC				Extremely speculative
Caa3		CCC-				In default with little prospect for recovery
Ca		CC				
		C				
C		D	/	DDD	/	In default
/				DD		
/				D		

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

Corporate Information

The legal and commercial name of the Issuer is UBS AG. The company was incorporated under the name SBC AG on 28 February 1978 for an unlimited duration and entered in the Commercial Register of Canton

Basel-City on that day. On 8 December 1997, the company changed its name to UBS AG. The company in its present form was created on 29 June 1998 by the merger of Union Bank of Switzerland (founded 1862) and Swiss Bank Corporation (founded 1872). UBS AG is entered in the Commercial Registers of Canton Zurich and Canton Basel-City. The registration number is CH-270.3.004.646-4.

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

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

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

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

V. Business Overview

Business Divisions and Corporate Center

UBS operates as a group with five business divisions (Wealth Management, Wealth Management Americas, the Investment Bank, Global Asset Management and Retail & Corporate) and a Corporate Center. Each of the business divisions and the Corporate Center are described below. A description of the Group's strategy can be found in the in the annual report 2012 of UBS AG as of 31 December 2012 published on 14 March 2013 in the English language (the "**Annual Report 2012**", attached to this Registration Document as [Appendix 1](#)), on pages 24-31 (inclusive); a description of the businesses, strategies, clients, organizational structures, products and services of the business divisions and the Corporate Center can be found in the Annual Report 2012, on pages 35-51 (inclusive).

Wealth Management

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

Wealth Management Americas

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

Investment Bank

The Investment Bank provides corporate, institutional and wealth management clients with expert advice, innovative financial solutions, outstanding execution and comprehensive access to the world's capital markets. It offers investment banking and capital markets, research, equities, foreign exchange, precious metals and tailored fixed income services in rates and credit through its two business units, Corporate Client Solutions and Investor Client Services. The Investment Bank is an active participant in capital markets flow activities, including sales, trading and market-making across a range of securities.

Global Asset Management

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

Retail & Corporate

Retail & Corporate provides comprehensive financial products and services to retail, corporate and institutional clients in Switzerland and maintains, in its own opinion, a leading position in these client segments. It constitutes a central building block of UBS's universal bank model in Switzerland, delivering growth to UBS's other businesses. It supports them by cross-selling products and services provided by UBS's asset-gathering and investment banking businesses, by referring clients to them and by transferring private clients to Wealth Management when client wealth increases.

Corporate Center

The Corporate Center provides control functions for the business divisions and the Group in such areas as risk control, legal and compliance as well as finance, which includes treasury services, funding, balance sheet and capital management. Corporate Center – Core Functions provides all logistics and support functions including information technology, human resources, corporate development, Group regulatory relations and strategic initiatives, communications and branding, corporate real estate and administrative services, procurement, physical and information security, offshoring and Group-wide operations. It allocates most of its treasury income, operating expenses and personnel associated with these activities to the businesses based on capital and service consumption levels. Corporate Center – Non-core and Legacy Portfolio comprises the non-core businesses previously part of the Investment Bank and the Legacy Portfolio, including certain centrally managed positions such as the SNB StabFund option.

Competition

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

Recent Developments:

Results as of and for the quarter ended 31 March 2013, as presented in UBS's first quarter report 2013 (including unaudited consolidated financial statements)

On 30 April 2013, UBS published its report for the first quarter of 2013. First-quarter 2013 net profit attributable to UBS shareholders was CHF 988 million compared with a loss of CHF 1,904 million in fourth quarter 2012. On an adjusted basis, excluding in the first quarter of 2013 an own credit loss of CHF 181 million, a net loss of CHF 92 million incurred on the buyback of debt in a public tender offer, a gain of CHF 34 million on the disposal of Global Asset Management's Canadian domestic business, a net gain of CHF 31 million on the sale of UBS's remaining proprietary trading business and net restructuring charges of CHF 246 million, and excluding in the fourth quarter of 2012 an own credit loss of CHF 414 million and net restructuring charges of CHF 258 million, the first quarter profit before tax was CHF 1,901 million compared with a loss before tax of CHF 1,165 million in the prior quarter. On a reported basis, profit before tax was CHF 1,447 million compared with a loss before tax of CHF 1,837 million in the prior quarter. Operating income increased by CHF 1,567 million, primarily due to higher net interest and trading income. Operating expenses declined by CHF 1,717 million, predominantly as a result of reduced net charges for provisions for litigation, regulatory and similar matters. In the first quarter, UBS recorded a tax expense of CHF 458 million compared with CHF 66 million in the prior quarter.

Wealth Management's profit before tax in the first quarter was CHF 664 million compared with CHF 398 million. Adjusted profit before tax was CHF 690 million compared with CHF 415 million in the prior quarter. The gross margin on invested assets increased 6 basis points to 91 basis points, mainly reflecting an upturn in transaction-based income. Operating expenses decreased to CHF 1,250 million from CHF 1,350 million, mainly due to seasonally lower general and administrative expenses. Net new money inflows of CHF 15.0 billion represented the highest quarterly net inflows since 2007. The cost/income ratio decreased to 64.9% from 77.3%. On an adjusted basis excluding restructuring charges of CHF 26 million compared with CHF 17 million in the previous quarter, the cost/income ratio improved 12.7 percentage points to 63.6% from 76.3%.

Wealth Management Americas profit before tax was USD 251 million compared with a profit before tax of USD 216 million in the prior quarter. It reported an adjusted quarterly profit before tax of USD 262 million in the first quarter of 2013 compared with an adjusted profit before tax of USD 219 million in the prior quarter. The improvement reflected a 3% decrease in operating expenses, mainly due to lower charges for provisions for litigation, regulatory and similar matters. Net new money continued to be strong and improved to USD 9.2 billion. In US dollar terms, the gross margin on invested assets decreased 4 basis points to 80 basis points. The

gross margin from recurring income decreased 4 basis points due to lower mutual fund and annuity fee income, while the gross margin from non-recurring income remained unchanged from the prior quarter. The cost/income ratio decreased to 85.5% from 86.8% in the prior quarter. On an adjusted basis excluding restructuring charges, the cost/income ratio decreased to 84.9% from 86.6%.

The Investment Bank recorded a profit before tax of CHF 977 million in the first quarter of 2013 compared with a loss before tax of CHF 243 million in the fourth quarter of 2012. Adjusted profit before tax was CHF 928 million compared with a loss before tax of CHF 70 million. Return on attributed equity was 49.5%. Both Corporate Client Solutions and Investor Client Services reported higher revenues. Total operating expenses decreased 2% to CHF 1,806 million from CHF 1,847 million. On an adjusted basis, operating expenses increased 8% to CHF 1,800 million from CHF 1,674 million, mainly due to higher variable compensation accruals. Fully applied BIS Basel III risk-weighted assets increased by CHF 5 billion to CHF 69 billion as of 31 March 2013, compared with pro-forma CHF 64 billion as of 31 December 2012. Funded assets were CHF 193 billion as of 31 March 2013, unchanged from 31 December 2012. The cost/income ratio improved to 64.8% from 114.7%. On an adjusted basis, the cost/income ratio improved to 65.9% from 104.0%.

Global Asset Management's profit before tax in the first quarter of 2013 was CHF 190 million compared with CHF 148 million in the fourth quarter of 2012. Adjusted profit before tax was CHF 160 million compared with CHF 163 million. First quarter operating income included a gain of CHF 34 million from the disposal of the Canadian domestic business. Total operating expenses were CHF 327 million compared with CHF 343 million in the fourth quarter. Excluding money market flows, net new money inflows were CHF 5.1 billion compared with net outflows of CHF 3.8 billion in the prior quarter. The total gross margin was 35 basis points compared with 34 basis points in the fourth quarter of 2012. Excluding the abovementioned gain on disposal, the gross margin was 33 basis points. The cost/income ratio was 63.2% compared with 69.9% in the fourth quarter. Adjusted for restructuring charges and the abovementioned gain on disposal, the cost/income ratio was 66.9%, compared with 66.8%.

Retail & Corporate's profit before tax was CHF 347 million in the first quarter of 2013 compared with CHF 361 million in the prior quarter. Adjusted for restructuring charges, profit before tax was unchanged at CHF 362 million as lower income was offset by lower operating expenses and credit loss expenses. Net new business volume growth was 4.7%, compared with 4.4%. Net new business volume growth was positive for both retail and corporate businesses as well as for net new client assets and to a lesser extent for loans. The net interest margin decreased 8 basis points to 154 basis points, reflecting lower net interest income and a slightly higher average loan volume. The cost/income ratio increased 2.2 percentage points to 62.2%, reflecting lower income. On an adjusted basis, excluding restructuring charges, the cost/income ratio increased to 60.6% from 59.9%.

Corporate Center – Core Functions recorded a loss before tax of CHF 719 million compared with a loss before tax of CHF 1,886 million in the previous quarter. On an adjusted basis, the loss before tax was CHF 398 million compared with a loss before tax of CHF 1,472 million. The first quarter included lower charges for provisions for litigation, regulatory and similar matters and an own credit loss of CHF 181 million compared with a loss of CHF 414 million in the fourth quarter of 2012. Treasury income remaining in Corporate Center – Core Functions after allocations to the business divisions was negative CHF 255 million compared with positive CHF 94 million in the prior quarter.

Corporate Center – Non-core and Legacy Portfolio recorded a loss before tax of CHF 245 million in the first quarter of 2013 compared with a loss before tax of CHF 816 million in the previous quarter. On an adjusted basis, the loss before tax was CHF 84 million compared with an adjusted loss before tax of CHF 765 million. This was mainly due to a positive debit valuation adjustment on the derivatives portfolio, lower charges for provisions for litigation, regulatory and similar matters, as well as a higher gain from the revaluation of the option to acquire the SNB StabFund's equity.

Balance sheet: As of 31 March 2013, UBS's balance sheet stood at CHF 1,214 billion, a decrease of CHF 46 billion from 31 December 2012. Funded assets, which represent total assets excluding positive replacement values, were reduced by CHF 9 billion to CHF 832 billion, primarily due to a reduction in trading portfolio assets, and to a lesser extent reduced financial investments available-for-sale and collateral trading activities, partially offset by an increase in lending assets. Excluding currency effects, funded assets were reduced by CHF 21 billion, mainly in Corporate Center – Non-core and Legacy Portfolio.

Capital management: The BIS Basel III framework came into effect in Switzerland on 1 January 2013. UBS's phase-in BIS Basel III common equity tier 1 (CET1) ratio was 15.3% as of 31 March 2013, unchanged from the end of the previous quarter. UBS's phase-in BIS Basel III CET1 capital increased slightly by CHF 0.2 billion to CHF

40.2 billion at the end of the first quarter of 2013. UBS's phase-in Basel III risk-weighted assets increased by CHF 0.7 billion to CHF 262.5 billion. On a fully applied basis, UBS's BIS Basel III CET 1 ratio increased 0.3 percentage points to 10.1% and the fully applied risk-weighted assets were CHF 258.7 billion.

Invested assets: Group invested assets stood at CHF 2,373 billion at the end of the first quarter, an increase of CHF 143 billion on the prior quarter. Of these, invested assets in Wealth Management increased by CHF 49 billion to CHF 870 billion, supported by positive market performance of CHF 24 billion, strong net new money inflows of CHF 15 billion and positive currency translation effects of CHF 10 billion. In Wealth Management Americas, invested assets increased by CHF 73 billion to CHF 845 billion. In US dollar terms, invested assets increased by USD 48 billion to USD 891 billion, reflecting positive market performance of USD 39 billion and continued strong net new money inflows of USD 9 billion. Global Asset Management's invested assets increased by CHF 18 billion to CHF 599 billion, mainly as a result of positive market movements of CHF 19 billion and positive currency translation effects of CHF 10 billion, partially offset by the disposal of the Canadian domestic business, which reduced invested assets by CHF 7 billion, and net new money outflows of CHF 3 billion.

VI. Organisational Structure of the Issuer

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

In cases where it is impossible or inefficient to operate via the parent bank, due to local legal, tax or regulatory provisions, or where additional legal entities join the Group through acquisition, the business is operated on location by legally independent Group companies. UBS AG's significant subsidiaries as of 31 December 2012 are listed in its annual report as of 31 December 2012 published on 14 March 2013 (the "**Annual Report 2012**"), on pages 441-442 (inclusive) of the English version. UBS AG's significant subsidiaries as of 31 December 2011 are listed in its Annual Report 2011, on pages 394-397 (inclusive).

VII. Trend Information

Outlook

(Outlook statement as presented in UBS's first quarter 2013 report, including unaudited consolidated financial statements, issued on 30 April 2013)

While market participants showed renewed interest early in the first quarter, events in Europe served as a reminder that many of the underlying challenges related to structural issues remain unsolved. The absence of further sustained and credible improvements to the eurozone sovereign debt situation, European banking system issues, ongoing geopolitical risks, and the outlook for growth in the global economy together with an increasing focus on unresolved US fiscal issues would continue to exert a strong influence on client confidence, and thus activity levels, in the second quarter of 2013. It would make further improvements in prevailing market conditions unlikely and would consequently generate headwinds for revenue growth, net interest margins and net new money. Nevertheless, UBS remains confident that its asset-gathering businesses as a whole will continue to attract net new money, reflecting its clients' steadfast trust in the firm. UBS is confident that the actions it has taken will ensure the firm's long-term success and will deliver sustainable returns for its shareholders going forward.

VIII. Administrative, Management and Supervisory Bodies of UBS AG

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

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

Board ("GEB") under the leadership of the Group Chief Executive Officer ("Group CEO"). The BoD decides on the strategy of the Group upon the recommendation of the Group CEO, and supervises and monitors the business, whereas the GEB, headed by the Group CEO, has executive management responsibility. The functions of Chairman of the BoD and Group CEO are assigned to two different people, ensuring a separation of power. The supervision and control of the GEB remains with the BoD. No member of one board may be a member of the other.

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

Board of Directors

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

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

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

Members of the Board of Directors

Members and business addresses	Title	Term of office	Current principal positions outside UBS AG
Axel A. Weber UBS AG, Bahnhofstrasse 45, CH-8098, Zurich	Chairman	2014	Member of the Group of Thirty, Washington, D.C.; research fellow at the Center for Economic Policy Research, London, and the Center for Financial Research, Cologne; member of the board of the Institute of International Finance and senior research fellow at the Center for Financial Studies, Frankfurt/Main; member of the Monetary Economics and International Economics Councils of the <i>Verein für Socialpolitik</i> ; member of the Advisory Board of the German Market Economy Foundation; member of the Advisory Council of the Goethe University, Frankfurt/Main.
Michel Demaré UBS AG, Bahnhofstrasse 45, CH-8098, Zurich	Independent Vice Chairman	2014	Chairman of the board of Syngenta, a member of the IMD Foundation, Lausanne, and of SwissHoldings, Berne.
David Sidwell UBS AG, Bahnhofstrasse 45, CH-8098, Zurich	Senior Independent Director	2014	Director and Chairperson of the Risk Policy and Capital Committee of Fannie Mae, Washington D.C.; Senior Advisor at Oliver Wyman, New York; Chairman of the board of Village Care, New York; Director of the National Council on Aging, Washington D.C.
Reto Francioni Deutsche Börse AG, Mergenthalerallee 61, D-65760 Eschborn	Member	2014	CEO of Deutsche Börse AG (holding different mandates in boards of subsidiaries within the Deutsche Börse Group); professor at the University of Basel. Member of the Shanghai International Financial Advisory Committee; member of the Advisory Board of the Moscow International Financial Center (MIFIC); member of the Advisory Board of Instituto de Empresa; member of the Strategic Advisory Group of VHV Insurance; member of the Board of Trustees of the Goethe Business School; Vice President of the <i>Deutsches Aktieninstitut</i>
Rainer-Marc Frey Office of Rainer-Marc Frey, Seeweg 39, CH-8807 Freienbach	Member	2014	Founder of Horizon21 AG; Chairman of Horizon21 AG, its holding company and related entities and subsidiaries; member of the board of DKSH Group, Zurich, and of the Frey Charitable Foundation, Freienbach.

Ann F. Godbehere UBS AG, Bahnhofstrasse 45, CH-8098 Zurich	Member	2014	Board member and Chairperson of the Audit Committee of Prudential plc, Rio Tinto plc, Rio Tinto Limited, Atrium Underwriters Ltd., and Atrium Underwriting Group Ltd., London. Member of the board of Arden Holdings Ltd., Bermuda, and British American Tobacco plc.
Axel P. Lehmann Zurich Insurance Group, Mythenquai 2, CH-8002 Zurich	Member	2014	Member of the Group Executive Committee, Group Chief Risk Officer and Regional Chairman Europe of Zurich Insurance Group, Zurich; Chairman of the board of Farmers Group, Inc.; Chairman of the board of the Institute of Insurance Economics at the University of St. Gallen; member of the Chief Risk Officer Forum; member of the board of Economiesuisse.
Helmut Panke BMW AG, Petuelring 130, D-80788 Munich	Member	2014	Member of the board and Chairperson of the Regulatory and Public Policy Committee of Microsoft Corporation; member of the board and Chairperson of the Safety & Risk Committee of Singapore Airlines Ltd.; member of the Supervisory Board of Bayer AG.

William G. Parrett UBS AG, Bahnhofstrasse 45, CH-8098, Zurich	Member	2014	Member of the board and Chairperson of the Audit Committee of the Eastman Kodak Company, the Blackstone Group LP and Thermo Fisher Scientific Inc.; Past Chairman of the board of the United States Council for International Business and of United Way Worldwide; member of the Carnegie Hall Board of Trustees.
Isabelle Romy Froriep Renggli, Bellerivestrasse 201, CH-8034 Zurich	Member	2014	Partner at Froriep Renggli, Zurich; associate professor at the University of Fribourg and at the Federal Institute of Technology, Lausanne; member and Vice Chairman of the Sanction Commission of the SIX Swiss Exchange.
Beatrice Weder di Mauro Johannes Gutenberg- University Mainz, Jakob Welder-Weg 4, D-55099 Mainz	Member	2014	Professor at the Johannes Gutenberg University, Mainz; research fellow at the Center for Economic Policy Research, London; member of the board of Roche Holding Ltd., Basel; member of the Supervisory Board of ThyssenKrupp AG, Essen, and of Robert Bosch GmbH, Stuttgart.
Joseph Yam UBS AG, Bahnhofstrasse 45, CH-8098, Zurich	Member	2014	Executive Vice President of the China Society for Finance and Banking; member of the international advisory councils of a number of government and academic institutions. Board member and Chairperson of the Risk Committee of China Construction Bank. Member of the board of Johnson Electric Holdings Limited and of UnionPay International Co., Ltd.

Organizational principles and structure

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

The BoD committees comprise the Audit Committee, the Corporate Responsibility Committee, the Governance and Nominating Committee, the Human Resources and Compensation Committee and the Risk Committee. The BoD has also established a Special Committee in connection with the unauthorized trading incident announced in September 2011, as well as, in 2012, an ad-hoc committee on strategy to discuss details of the acceleration of UBS's strategy with the senior management.

Audit Committee

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

The AC does not itself perform audits, but monitors the work of the external auditors who in turn are responsible for auditing UBS AG's and the Group's annual financial statements and for reviewing the quarterly financial statements.

The function of the AC is to serve as an independent and objective body with oversight of: (i) the Group's accounting policies, financial reporting and disclosure controls and procedures, (ii) the quality, adequacy and scope of external audit, (iii) the Group's compliance with financial reporting requirements, (iv) senior management's approach to internal controls with respect to the production and integrity of the financial statements and disclosure of the financial performance, and (v) the performance of UBS's Group Internal Audit in conjunction with the Chairman of the BoD and the Risk Committee.

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

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

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

Group Executive Board

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

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

Members of the Group Executive Board

Sergio P. Ermotti	Group Chief Executive Officer
Markus U. Diethelm	Group General Counsel
John A. Fraser	Chairman and Chief Executive Officer Global Asset Management
Lukas Gähwiler	Chief Executive Officer UBS Switzerland, Chief Executive Officer Retail & Corporate
Ulrich Körner	Group Chief Operating Officer, Chief Executive Officer UBS Group EMEA
Philip J. Lofts	Group Chief Risk Officer
Robert J. McCann	Chief Executive Officer Wealth Management Americas, Chief Executive Officer UBS Group Americas
Tom Naratil	Group Chief Financial Officer
Andrea Orcel	Chief Executive Officer Investment Bank
Chi-Won Yoon	Chief Executive Officer UBS Group Asia Pacific
Jürg Zeltner	Chief Executive Officer UBS Wealth Management

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

Potential conflicts of interest

Members of the BoD and GEB may act as directors or executive officers of other companies (for current positions outside UBS AG (if any) please see above under "Members of the Board of Directors") and may have economic or other private interests that differ from those of UBS AG. Potential conflicts of interest may arise from these positions or interests. UBS is confident that its internal corporate governance practices and its

compliance with relevant legal and regulatory provisions reasonably ensure that any conflicts of interest of the type described above are appropriately managed, including through disclosure when appropriate.

IX. Major Shareholders

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

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

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

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

As of 31 March 2013, the following shareholders (acting in their own name or in their capacity as nominees for other investors or beneficial owners) were registered in the share register with 3% or more of the total share capital of UBS AG: Chase Nominees Ltd., London (11.57%); Government of Singapore Investment Corp., Singapore (6.40%); the US securities clearing organization DTC (Cede & Co.) New York, "The Depository Trust Company" (5.40%); and Nortrust Nominees Ltd., London (4.02%).

UBS holds UBS AG shares primarily to hedge employee share and option participation plans. A smaller number is held by the Investment Bank for hedging related derivatives and for market-making in UBS AG shares. As of 31 March 2013, UBS held a stake of UBS AG's shares, which corresponded to less than 3.00% of UBS AG's total share capital. As of 31 December 2012, UBS had disposal positions relating to 422,236,769 voting rights, corresponding to 11.02% of the total voting rights of UBS AG. 8.20% of this consisted of voting rights on shares deliverable in respect of employee awards. The year-end disposal positions also included the number of shares that may be issued, upon certain conditions, out of conditional capital to the Swiss National Bank ("**SNB**") in connection with the transfer of certain illiquid securities and other positions to a fund owned and controlled by the SNB.

Further details on the distribution of UBS AG's shares, also by region and shareholders' type, and on the number of shares registered, not registered and carrying voting rights as of 31 December 2012 can be found in the Annual Report 2012, on pages 225-227 (inclusive) of the English version.

X. Financial Information concerning the Issuer's Assets and Liabilities, Financial Position and Profits and Losses

A description of UBS AG's and UBS Group's assets and liabilities, financial position and profits and losses for financial year 2011 is available in the financial information section of the annual report of UBS AG as of 31 December 2011 in the English language ("**Annual Report 2011**", attached to this Registration Document as [Appendix 2](#)), and for financial year 2012 in the financial information section of the Annual Report 2012. The Issuer's financial year is the calendar year.

Historical Financial Information

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

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

With respect to the financial year 2012, reference is made to the following parts of the Annual Report 2012 (within the Financial information section, English version):

1. the Consolidated Financial Statements of UBS Group, in particular to the Income Statement on page 323, the Balance Sheet on page 325, the Statement of Cash Flows on pages 329-330 (inclusive) and the Notes to the Consolidated Financial Statements on pages 331-455 (inclusive); and
2. the Financial Statements of UBS AG (Parent Bank), in particular to the Income Statement on page 460, the Balance Sheet on page 461, the Statement of Appropriation of Retained Earnings on page 462, the Notes to the Parent Bank Financial Statements on pages 463-482 (inclusive) and the Parent Bank Review on pages 457-459 (inclusive); and
3. the section entitled "Introduction and accounting principles" on page 316.

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

Auditing of Historical Annual Financial Information

The consolidated financial statements of UBS Group and the financial statements of UBS AG (Parent Bank) for financial years 2011 and 2012 were audited by Ernst & Young. The reports of the auditors on the consolidated financial statements can be found on pages 287-288 (inclusive) of the Annual Report 2011 (Financial information section, English version) and on pages 321-322 (inclusive) of the Annual Report 2012 (Financial information section, English version). The reports of the auditors on the financial statements of UBS AG (Parent Bank) can be found on pages 435-436 (inclusive) of the Annual Report 2011 (Financial information section, English version) and on pages 483-484 (inclusive) of the Annual Report 2012 (Financial information section, English version).

Interim Financial Information

Reference is also made to UBS's first quarter 2013 report, which contains information on the financial condition and the results of operation of the UBS Group as of and for the quarter ended on 31 March 2013. The interim financial statements are not audited.

XI. Legal and Arbitration Proceedings

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

Such matters are subject to many uncertainties and the outcome is often difficult to predict, particularly in the earlier stages of a case. There are also situations where the Group may enter into a settlement agreement. This may occur in order to avoid the expense, management distraction or reputational implications of continuing to contest liability, even for those matters for which the Group believes it should be exonerated. The uncertainties inherent in all such matters affect the amount and timing of any potential outflows for both matters with respect to which provisions have been established and other contingent liabilities. The Group makes provisions for such matters brought against it when, in the opinion of management after seeking legal advice, it is more

likely than not that the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required, and the amount can be reliably estimated. If any of those conditions is not met, such matters result in contingent liabilities.

Specific litigation, regulatory and other matters are described below, including all such matters that management considers to be material and others that management believes to be of significance due to potential financial, reputational and other effects. The amount of damages claimed, the size of a transaction or other information is provided where available and appropriate in order to assist users in considering the magnitude of potential exposures.

In the case of certain matters below, UBS states that it has established a provision, and for the other matters it makes no such statement. When UBS makes this statement and it expects disclosure of the amount of a provision to prejudice seriously its position with other parties in the matter, because it would reveal what UBS believes to be the probable and reliably estimable outflow, UBS does not disclose that amount. In some cases UBS is subject to confidentiality obligations that preclude such disclosure. With respect to the matters for which UBS does not state whether it has established a provision, either (a) it has not established a provision, in which case the matter is treated as a contingent liability under the applicable accounting standard, or (b) it has established a provision but expects disclosure of that fact to prejudice seriously its position with other parties in the matter because it would reveal the fact that UBS believes an outflow of resources to be probable and reliably estimable.

The aggregate amount provisioned for litigation, regulatory and similar matters as a class is disclosed in Note 17a) to the unaudited consolidated financial statements of UBS's first quarter 2013 report. It is not practicable to provide an aggregate estimate of liability for UBS's litigation, regulatory and similar matters as a class of contingent liabilities. Doing so would require UBS to provide speculative legal assessments as to claims and proceedings that involve unique fact patterns or novel legal theories, which have not yet been initiated or are at early stages of adjudication, or as to which alleged damages have not been quantified by the claimants.

Provisions for litigation, regulatory and similar matters by segment (unaudited)*

<i>CHF million</i>	Wealth Management	Wealth Management Americas	Investment Bank	Global Asset Management	Retail & Corporate	CC – Core Functions	CC – Non-core and Legacy Portfolio	Total
Balance as of 31 December 2012	130	170	28	7	29	338	732	1,432
Additions from acquired companies			8					8
Increase in provisions recognized in the income statement	8	12	1	0	0	27	346	395
Release of provisions recognized in the income statement	(4)	(6)	(2)	0	(1)	0	0	(13)
Provisions used in conformity with designated purpose	(19)	(11)	(0)		(2)	(0)	(30)	(62)
Foreign currency translation / unwind of discount	0	6	1	0	0	5	26	38
Balance as of 31 March 2013	114	172	35	7	26	370	1,074	1,797

* Source: UBS's first quarter 2013 report

1. Auction rate securities

In 2008, UBS entered into settlements with the SEC, the New York Attorney General ("**NYAG**") and the Massachusetts Securities Division whereby UBS agreed to offer to buy back Auction Rate Securities ("**ARS**") from eligible customers, and to pay penalties of USD 150 million. UBS has since finalized settlements with all of the states. The settlements resolved investigations following the industry-wide disruption in the markets for ARS and related auction failures beginning in early 2008. The SEC continues to investigate individuals affiliated with UBS regarding the trading in ARS and disclosures. UBS was also named in (i) several putative class actions, which were thereafter dismissed by the court and/or settled; (ii) arbitration and litigation claims asserted by investors relating to ARS; and (iii) arbitration and litigation claims asserted by ARS issuers, including a pending litigation under state common law and a state racketeering statute seeking at least USD 40 million in

compensatory damages, plus exemplary and treble damages, and several pending arbitration claims filed in 2012 and 2013 alleging violations of state and federal securities law that seek compensatory and punitive damages, among other relief. In November 2012, UBS settled a consequential damages claim brought by a former customer for USD 45 million.

2. Inquiries regarding cross-border wealth management businesses

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

3. Matters related to the financial crisis

UBS is responding to a number of governmental inquiries and investigations and is involved in a number of litigations, arbitrations and disputes related to the financial crisis of 2007 to 2009 and in particular mortgage-related securities and other structured transactions and derivatives. In February 2013, the SEC advised UBS that it is terminating its investigation of UBS's valuation of super senior tranches of collateralized debt obligations ("**CDO**") during the third quarter of 2007 without recommending any enforcement action. UBS is in discussions with the SEC concerning UBS's structuring and underwriting of one CDO in 2007. UBS has also communicated with and has responded to other inquiries by various governmental and regulatory authorities concerning various matters related to the financial crisis. These matters concern, among other things, UBS's (i) disclosures and writedowns, (ii) interactions with rating agencies, (iii) risk control, valuation, structuring and marketing of mortgage-related instruments, and (iv) role as underwriter in securities offerings for other issuers.

UBS is a defendant in several lawsuits filed by institutional purchasers of CDOs structured by UBS in which plaintiffs allege, under various legal theories, that UBS misrepresented the quality of the collateral underlying the CDOs. Plaintiffs in these suits collectively seek to recover several hundred million dollars in claimed losses. In April 2013, the trial court dismissed with prejudice one of these suits in which plaintiffs claimed losses of at least USD 331 million.

UBS's balance sheet at 31 March 2013 reflected a provision with respect to matters described in this item 3 in an amount that UBS believes to be appropriate under the applicable accounting standard. As in the case of other matters for which UBS has established provisions, the future outflow of resources in respect of this matter cannot be determined with certainty based on currently available information, and accordingly may ultimately prove to be substantially greater (or may be less) than the provision that UBS has recognized.

4. Lehman principal protection notes

From March 2007 through September 2008, UBS Financial Services Inc. ("**UBSFS**") sold approximately USD 1 billion face amount of structured notes issued by Lehman Brothers Holdings Inc. ("**Lehman**"), a majority of which were referred to as "principal protection notes," reflecting the fact that while the notes' return was in some manner linked to market indices or other measures, some or all of the investor's principal was an unconditional obligation of Lehman as issuer of the notes. Based on its role as an underwriter of Lehman structured notes, UBSFS has been named as a defendant in a putative class action asserting violations of disclosure provisions of the federal securities laws. In January 2013, plaintiffs' motion to certify the case as a class action, which UBS opposed, was granted with respect to certain claims. UBS's petition to appeal that ruling was denied by the Second Circuit and discovery has commenced. Firms that underwrote other non-structured Lehman securities have been named as defendants in the same purported class action, and those underwriters have entered into settlements. In 2011, UBSFS entered into a settlement with the Financial Industry Regulatory Authority ("**FINRA**") related to the sale of these notes, pursuant to which UBSFS agreed to pay a USD 2.5 million fine and up to USD 8.25 million in restitution and interest to a limited number of investors in the US. UBSFS has also been named in numerous individual civil suits and customer arbitrations, which proceedings are at various stages. The individual customer claims, some of which have resulted in awards payable by UBSFS, relate primarily to whether UBSFS adequately disclosed the risks of these notes to its customers.

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

From 2002 through 2007, prior to the crisis in the US residential loan market, UBS was a substantial issuer and underwriter of US residential mortgage-backed securities ("**RMBS**") and was a purchaser and seller of US residential mortgages. A subsidiary of UBS, UBS Real Estate Securities Inc. ("**UBS RESI**"), acquired pools of residential mortgage loans from originators and (through an affiliate) deposited them into securitization trusts. In this manner, from 2004 through 2007, UBS RESI sponsored approximately USD 80 billion in RMBS, based on the original principal balances of the securities issued.

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

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

Securities Lawsuits Concerning Disclosures in RMBS Offering Documents: UBS has been named as a defendant relating to its role as underwriter and issuer of RMBS in a large number of lawsuits. These suits relate to approximately USD 44 billion in original face amount of RMBS underwritten or issued by UBS. Some of the lawsuits are in their early stages, and have not advanced beyond the motion to dismiss phase; others are in varying stages of discovery. Of the original face amount of RMBS at issue in these cases, approximately USD 11 billion was issued in offerings in which a UBS subsidiary transferred underlying loans (the majority of which were purchased from third-party originators) into a securitization trust and made representations and warranties about those loans ("**UBS-sponsored RMBS**"). The remaining USD 33 billion of RMBS to which these cases relate was issued by third parties in securitizations in which UBS acted as underwriter ("**third-party RMBS**").

In connection with certain of these lawsuits, UBS has indemnification rights against surviving third-party issuers or originators for losses or liabilities incurred by UBS, but UBS cannot predict the extent to which it will succeed in enforcing those rights. A settlement announced in April 2013 by a third-party issuer could, upon court approval and finalization, reduce the original face amount of RMBS at issue in these cases from USD 44 billion to USD 21 billion, and the original face amount of RMBS at issue in cases involving third-party issuers from USD 33 billion to USD 10 billion. UBS cannot make any assurance that this third-party issuer settlement, to which UBS is not required or expected to make a financial contribution, will receive court approval and be finalized.

These lawsuits include actions brought by the Federal Housing Finance Agency ("**FHFA**"), as conservator for the Federal National Mortgage Association ("**Fannie Mae**") and the Federal Home Loan Mortgage Corporation ("**Freddie Mac**" and collectively with Fannie Mae, the "**GSEs**"), in connection with the GSEs' investments in USD 4.5 billion in original face amount of UBS-sponsored RMBS and USD 1.8 billion in original face amount of third-party RMBS. These suits assert claims for damages and rescission under federal and state securities laws and state common law and allege losses of at least USD 1.2 billion plus interest. The court denied UBS's motion to dismiss in May 2012. In April 2013, the court's decision with respect to two legal issues that were the subject of UBS's motion to dismiss was affirmed on appeal by the US Court of Appeals for the Second Circuit. The FHFA also filed suits in 2011 against UBS and other financial institutions relating to their role as underwriters of third-party RMBS purchased by the GSEs asserting claims under various legal theories, including violations of the federal and state securities laws and state common law.

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

Loan repurchase demands related to sales of mortgages and RMBS: When UBS acted as an RMBS sponsor or mortgage seller, it generally made certain representations relating to the characteristics of the underlying loans. In the event of a material breach of these representations, UBS was in certain circumstances contractually obligated to repurchase the loans to which they related or to indemnify certain parties against losses. UBS has received demands to repurchase US residential mortgage loans as to which UBS made certain representations at the time the loans were transferred to the securitization trust. UBS has been notified by certain institutional purchasers and insurers of mortgage loans and RMBS, including Freddie Mac, of their contention that possible breaches of representations may entitle the purchasers to require that UBS repurchase the loans or to other relief. The table below summarizes repurchase demands received by UBS and UBS's repurchase activity from 2006 through 23 April 2013. In the table, repurchase demands characterized as Demands resolved in litigation

and Demands rescinded by counterparty are considered to be finally resolved. Repurchase demands in all other categories are not finally resolved.

Loan repurchase demands by year received – original principal balance of loans (unaudited) ^{1,*}

<i>USD million</i>	2006-2008	2009	2010	2011	2012	through 23 April 2013	Total
Resolved demands							
Actual or agreed loan repurchases / make whole payments by UBS	12	1	0				13
Demands rescinded by counterparty	110	100	19	8			238
Demands resolved in litigation	1	21					21
Demands expected to be resolved by third parties							
Demands resolved or expected to be resolved through enforcement of indemnification rights against third-party originators		77	2	45	142	1	267
Demands in dispute							
Demands in litigation			346	732	1,041		2,118
Demands in review by UBS		2	0	9	12	6	29
Demands rebutted by UBS but not yet rescinded by counterparty		3	2	290	244		539
Total	123	205	368	1,084	1,438	7	3,225

¹ Loans submitted by multiple counterparties are counted only once.

* Source: UBS's first quarter 2013 report

Assured Guaranty Municipal Corp. ("**Assured Guaranty**"), a financial guaranty insurance company, made additional loan repurchase demands totaling approximately USD 182 million in original principal balance in November and December 2012, and it is not clear when or to what extent additional demands may be made by Assured Guaranty, Freddie Mac or others.

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

In most instances in which UBS would be required to repurchase loans due to misrepresentations, UBS would be able to assert demands against third-party loan originators who provided representations when selling the related loans to UBS. However, many of these third parties are insolvent or no longer exist. UBS estimates that, of the total original principal balance of loans sold or securitized by UBS from 2004 through 2007, less than 50% was purchased from surviving third-party originators. In connection with approximately 60% of the loans (by original principal balance) for which UBS has made payment or agreed to make payment in response to demands received in 2010, UBS has asserted indemnity or repurchase demands against originators. Since 2011, UBS has advised certain surviving originators of repurchase demands made against UBS for which UBS would be entitled to indemnity, and has asserted that such demands should be resolved directly by the originator and the party making the demand.

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

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

In October 2012, following the Court's holding that only the trustee may assert claims seeking to enforce UBS RESI's repurchase obligations, the RMBS trusts at issue in the Assured Guaranty litigation filed a related action in the Southern District of New York seeking to enforce UBS RESI's obligation to repurchase loans with an original principal balance of approximately USD 2 billion for which Assured Guaranty had previously demanded repurchase. UBS's motion to dismiss the suit filed by the trusts is pending. With respect to the portion of the loans subject to the suits filed by Assured Guaranty and the trusts that were originated by institutions still in existence, UBS is enforcing its indemnity rights against those institutions. At this time, UBS does not expect that it will be required to make payment for the majority of loan repurchase demands at issue in the suit brought by the RMBS trusts for at least the following reasons: (1) UBS reviewed the origination file and/or servicing records for the loan and concluded that the allegations of breach of representations and warranties are unfounded, or (2) a surviving originator is contractually liable for any breaches of representations and warranties with respect to loans that it originated. UBS has indemnification rights in connection with approximately half of the USD 2 billion in original principal balance of loans at issue in this suit (reflected in the "In litigation" category in the accompanying table). Additionally, in its motion to dismiss the suit filed by the trusts, UBS has asserted that, under governing transaction documents, UBS is not required to repurchase liquidated loans that were the subject of repurchase demands now at issue in this suit.

In April 2012, Freddie Mac filed a notice and summons in New York Supreme Court initiating suit against UBS RESI for breach of contract and declaratory relief arising from alleged breaches of representations and warranties in connection with certain mortgage loans and UBS RESI's alleged failure to repurchase such mortgage loans. The complaint for this suit was filed in September 2012. Freddie Mac seeks, among other relief, specific performance of UBS RESI's alleged loan repurchase obligations for at least USD 94 million in original principal balance of loans for which Freddie Mac had previously demanded repurchase; no damages are specified.

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

As reflected in the table below, UBS's balance sheet at 31 March 2013 reflected a provision of USD 962 million with respect to matters described in this item 5. As in the case of other matters for which UBS has established provisions, the future outflow of resources in respect of this matter cannot be determined with certainty based on currently available information, and accordingly may ultimately prove to be substantially greater (or may be less) than the provision that UBS has recognized.

Provision for claims related to sales of residential mortgage-backed securities and mortgages (unaudited)*

<i>USD million</i>	
Balance as of 31 December 2012	658
Increase in provision recognized in the income statement	311
Release of provision recognized in the income statement	0
Provision used in conformity with designated purpose	(7)
Balance as of 31 March 2013	962

* Source: UBS's first quarter 2013 report

6. Claims related to UBS disclosure

A putative consolidated class action has been filed in the United States District Court for the Southern District of New York against UBS, a number of current and former directors and senior officers and certain banks that underwrote UBS's May 2008 Rights Offering (including UBS Securities LLC) alleging violation of the US securities laws in connection with UBS's disclosures relating to UBS's positions and losses in mortgage-related securities, UBS's positions and losses in auction rate securities, and UBS's US cross-border business. In 2011, the court dismissed all claims based on purchases or sales of UBS ordinary shares made outside the US, and, in September 2012, the court dismissed with prejudice the remaining claims based on purchases or sales of UBS ordinary shares made in the US for failure to state a claim. Plaintiffs have appealed the court's decision. UBS, a number of senior officers and employees and various UBS committees have also been sued in a putative consolidated class action for breach of fiduciary duties brought on behalf of current and former participants in two UBS Employee Retirement Income Security Act ("**ERISA**") retirement plans in which there were purchases of UBS stock. In 2011, the court dismissed the ERISA complaint. In March 2012, the court denied plaintiffs' motion for leave to file an amended complaint. On appeal, the Second Circuit upheld the dismissal of all counts relating to one of the retirement plans. With respect to the second retirement plan, the Court upheld the dismissal of some of the counts, and vacated and remanded for further proceedings with regard to the counts alleging that defendants had violated their fiduciary duty to prudently manage the plan's investment options, as well as the claims derivative of that duty.

In October 2012, a consolidated complaint was filed in a putative securities fraud class action pending in federal court in Manhattan against UBS AG and certain of its current and former officers relating to the unauthorized trading incident that occurred in the Investment Bank and was announced in September 2011. The lawsuit was filed on behalf of parties who purchased publicly traded UBS securities on any US exchange, or where title passed within the US, during the period 17 November 2009 through 15 September 2011. UBS's motion to dismiss the complaint is pending.

7. Madoff

In relation to the Bernard L. Madoff Investment Securities LLC ("**BMIS**") investment fraud, UBS AG, UBS (Luxembourg) SA and certain other UBS subsidiaries have been subject to inquiries by a number of regulators, including the Swiss Financial Market Supervisory Authority ("**FINMA**") and the Luxembourg Commission de Surveillance du Secteur Financier ("**CSSF**"). Those inquiries concerned two third-party funds established under Luxembourg law, substantially all assets of which were with BMIS, as well as certain funds established in offshore jurisdictions with either direct or indirect exposure to BMIS. These funds now face severe losses, and the Luxembourg funds are in liquidation. The last reported net asset value of the two Luxembourg funds before revelation of the Madoff scheme was approximately USD 1.7 billion in the aggregate, although that figure likely includes fictitious profit reported by BMIS. The documentation establishing both funds identifies UBS entities in various roles including custodian, administrator, manager, distributor and promoter, and indicates that UBS employees serve as board members. UBS (Luxembourg) SA and certain other UBS subsidiaries are responding to inquiries by Luxembourg investigating authorities, without however being named as parties in those investigations. In 2009 and 2010, the liquidators of the two Luxembourg funds filed claims on behalf of the funds against UBS entities, non-UBS entities and certain individuals including current and former UBS employees. The amounts claimed are approximately EUR 890 million and EUR 305 million, respectively. The liquidators have filed supplementary claims for amounts that the funds may possibly be held liable to pay the BMIS Trustee. These amounts claimed by the liquidator are approximately EUR 564 million and EUR 370 million, respectively. In addition, a large number of alleged beneficiaries have filed claims against UBS entities (and non-UBS entities) for purported losses relating to the Madoff scheme. The majority of these cases are pending in Luxembourg, where appeals have been filed by the claimants against the 2010 decisions of the court in which the claims in a number of test cases were held to be inadmissible. In the US, the BMIS Trustee has filed claims against UBS entities, among others, in relation to the two Luxembourg funds and one of the offshore funds. A claim was filed in 2010 against 23 defendants, including UBS entities, the Luxembourg and offshore funds concerned and various individuals, including current and former UBS employees. The total amount claimed against all defendants in this action was not less than USD 2 billion. A second claim was filed in 2010 against 16 defendants including UBS entities and the Luxembourg fund concerned. The total amount claimed against all defendants was not less than USD 555 million. Following a motion by UBS, in 2011 the District Court dismissed all of the BMIS Trustee's claims other than claims for recovery of fraudulent conveyances and preference payments that were allegedly transferred to UBS on the ground that the BMIS Trustee lacks standing to bring such claims. The BMIS Trustee has appealed the District Court's decision. In Germany, certain clients of UBS are exposed to Madoff-managed positions through third-party funds and funds administered by UBS entities in Germany. A small number of claims have been filed with respect to such funds.

8. Transactions with Italian public sector entities

A number of transactions that UBS Limited and UBS AG respectively entered into with public sector entity counterparties in Italy have been called into question or become the subject of legal proceedings and claims for damages and other awards. In Milan, in 2012, civil claims brought by the City of Milan against UBS Limited, UBS Italia SIM Spa and three other international banks in relation to a 2005 bond issue and associated derivatives transactions entered into with Milan between 2005 and 2007 were settled without admission of liability. In December 2012, the criminal court in Milan issued a judgment convicting two current UBS employees and one former employee, together with employees from the three other banks, of fraud against a public entity in relation to the same bond issue and the execution, and subsequent restructuring, of the related derivative transactions. In the same proceedings, the Milan criminal court also found UBS Limited and three other banks liable for the administrative offense of failing to have in place a business organizational model capable of preventing the criminal offenses of which its employees were convicted. The sanctions against UBS Limited, which are not effective until appeals are exhausted, are confiscation of the alleged level of profit flowing from the criminal findings (EUR 16.6 million), a fine in respect of the finding of the administrative offense (EUR 1 million) and payment of legal fees. UBS has previously provided for this potential exposure in the amount of EUR 18.5 million.

Derivative transactions with the Regions of Calabria, Tuscany, Lombardy, Lazio and Campania, and the City of Florence have also been called into question or become the subject of legal proceedings and claims for damages and other awards. In 2012, UBS AG and UBS Limited settled all civil disputes with the Regions of Tuscany, Lombardy and Lazio without any admission of liability (the latter settlement is conditional upon Lazio making certain amendments to its pleading in ongoing litigation against third parties). An in-principle agreement has also been reached with the City of Florence and is expected to be formalized shortly. Provisions have been booked in respect of these agreed or prospective settlements.

9. Kommunale Wasserwerke Leipzig GmbH ("**KWL**")

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

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

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

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

Since 2011, the SEC has been conducting an investigation concerning the KWL transactions and UBS is cooperating with the SEC.

10. Puerto Rico

In 2011, a purported derivative action was filed on behalf of the Employee Retirement System of the Commonwealth of Puerto Rico ("**System**") against over 40 defendants, including UBS Financial Services Inc. of Puerto Rico ("**UBS PR**") and other consultants and underwriters, trustees of the System, and the President and Board of the Government Development Bank of Puerto Rico. The plaintiffs alleged that defendants violated their purported fiduciary duties and contractual obligations in connection with the issuance and underwriting of approximately three billion dollars of bonds by the System in 2008 and sought damages of over USD 800 million. UBS is named in connection with its underwriting and consulting services. In March 2013, the case was dismissed by the Puerto Rico court on the grounds that plaintiffs did not have standing to bring the claim. UBS is also cooperating with an SEC investigation into the bond offerings. Separately, in late 2012, an SEC administrative hearing on securities law violation charges against two UBS PR executives concluded, with a decision expected in late 2013. The charges stemmed from the SEC's investigation of UBS PR's sale of closed-end funds in 2008 and 2009, which UBS PR settled in May 2012.

11. LIBOR and other benchmark rates

Numerous government agencies, including the SEC, the US Commodity Futures Trading Commission ("**CFTC**"), the DOJ, the UK Financial Services Authority ("**FSA**"), the UK Serious Fraud Office ("**SFO**"), the Monetary Authority of Singapore ("**MAS**"), the Hong Kong Monetary Authority ("**HKMA**"), FINMA, the various state attorneys general in the US, and competition authorities in various jurisdictions are conducting investigations regarding submissions with respect to British Bankers' Association LIBOR (London Interbank Offered Rate) and other benchmark rates. These investigations focus on whether there were improper attempts by UBS (among others), either acting on its own or together with others, to manipulate LIBOR and other benchmark rates at certain times. The UK Parliament is conducting an inquiry into "transparency, conflicts of interest and the culture and professional standards of the financial services industry including the interaction with the criminal law", and a narrower review by the FSA that concerns the LIBOR process is also ongoing.

In December 2012, UBS reached settlements with the FSA, the CFTC and the Criminal Division of the DOJ in connection with their investigations of benchmark interest rates. At the same time FINMA issued an order concluding its formal proceedings with respect to UBS relating to benchmark interest rates. UBS will pay a total of approximately CHF 1.4 billion in fines and disgorgement – including GBP 160 million in fines to the FSA, USD 700 million in fines to the CFTC, and CHF 59 million in disgorgement to FINMA. Under a non-prosecution agreement ("**NPA**") that UBS entered into with the DOJ, UBS has agreed to pay a fine of USD 500 million. Pursuant to a separate plea agreement between the DOJ and UBS Securities Japan Co. Ltd. ("**UBSSJ**"), UBSSJ has entered a plea to one count of wire fraud relating to the manipulation of certain benchmark interest rates, including Yen LIBOR, and the DOJ and UBSSJ have agreed to a sentence to be imposed on UBSSJ that would include a fine of USD 100 million, which is subject to the discretion of the sentencing court. The NPA requires UBS to pay the USD 500 million fine to DOJ within 10 days of the sentencing of UBSSJ, and provides that any criminal penalties imposed on UBSSJ at sentencing, which currently is scheduled for 27 June 2013, will be deducted from the USD 500 million fine. The conduct described in the various settlements and the FINMA order includes certain UBS personnel: engaging in efforts to manipulate submissions for certain benchmark rates to benefit trading positions; colluding with employees at other banks and cash brokers to influence certain benchmark rates to benefit their trading positions; and giving inappropriate directions to UBS submitters that were in part motivated by a desire to avoid unfair and negative market and media perceptions during the financial crisis. The benchmark interest rates encompassed by these resolutions include Yen LIBOR, GBP LIBOR, CHF LIBOR, Euro LIBOR, USD LIBOR, EURIBOR (Euro Interbank Offered Rate) and Euroyen TIBOR (Tokyo Interbank Offered Rate). UBS has ongoing obligations to cooperate with authorities with which it has reached resolutions and to undertake certain remediation with respect to benchmark interest rate submissions. Investigations by other government authorities remain ongoing notwithstanding these resolutions.

UBS has been granted conditional leniency or conditional immunity from authorities in certain jurisdictions, including the Antitrust Division of the DOJ and the Swiss Competition Commission ("**WEKO**"), in connection with potential antitrust or competition law violations related to submissions for Yen LIBOR and Euroyen TIBOR. WEKO has also granted UBS conditional immunity in connection with potential competition law violations related to submissions for Swiss franc LIBOR and certain transactions related to Swiss franc LIBOR. The

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

In 2011, the Japan Financial Services Agency ("**JFSA**") commenced administrative actions and issued orders against UBS Securities Japan Ltd ("**UBS Securities Japan**") and UBS AG, Tokyo Branch in connection with their investigation of Yen LIBOR and Euroyen TIBOR. These actions were based on findings by the Japan Securities and Exchange Surveillance Commission ("**SESC**"), and, in the case of UBS AG, Tokyo Branch, the JFSA, that a former UBS Securities Japan trader engaged in inappropriate conduct relating to Euroyen TIBOR and Yen LIBOR, including approaching UBS AG, Tokyo Branch, and other banks to ask them to submit TIBOR rates taking into account requests from the trader for the purpose of benefiting trading positions.

A number of putative class actions and other actions are pending in the federal courts in New York and other jurisdictions against UBS and numerous other banks on behalf of parties who transacted in certain interest rate benchmark-based derivatives linked directly or indirectly to US dollar LIBOR, Yen LIBOR, Euroyen TIBOR and EURIBOR. Also pending are actions asserting losses related to various products whose interest rate was linked to US dollar LIBOR, including adjustable rate mortgages, preferred and debt securities, bonds pledged as collateral, loans, depository accounts, investments and other interest bearing instruments. All of the complaints allege manipulation, through various means, of various benchmark interest rates, including LIBOR, Euroyen TIBOR or EURIBOR rates and seek unspecified compensatory and other damages, including treble and punitive damages, under varying legal theories that include violations of the US Commodity Exchange Act, federal and state antitrust laws and the federal racketeering statute. In March 2013, a federal court in New York dismissed the federal antitrust and racketeering claims of certain US dollar LIBOR plaintiffs and a portion of their claims brought under the Commodity Exchange Act. Plaintiffs will have the opportunity to replead certain claims that have been dismissed.

With respect to additional matters and jurisdictions not encompassed by the settlements and order referred to above, UBS's balance sheet at 31 March 2013 reflected a provision in an amount that UBS believes to be appropriate under the applicable accounting standard. As in the case of other matters for which UBS has established provisions, the future outflow of resources in respect of such matters cannot be determined with certainty based on currently available information, and accordingly may ultimately prove to be substantially greater (or may be less) than the provision that UBS has recognized.

12. Swiss retrocessions

The Swiss Supreme Court ruled in October 2012, in a test case against UBS, that distribution fees paid to a bank for distributing third party and intra-group investment funds and structured products must be disclosed and surrendered to clients who have entered into a discretionary mandate agreement with the bank, absent a valid waiver.

In November 2012, FINMA issued a supervisory note to all Swiss banks in response to the Supreme Court decision. The note sets forth the measures Swiss banks are to adopt, which include informing all affected clients about the Supreme Court decision and directing them to an internal bank contact for further details. UBS has met the FINMA requirements and has notified all potentially affected clients in the context of the mailing of the year-end account statements.

It is expected that the Supreme Court decision will result in a significant number of client requests for UBS to disclose and potentially surrender retrocessions. Client requests are being assessed on a case-by-case basis. Considerations to be taken into account when assessing these cases include, among others, the existence of a discretionary mandate and whether or not the client documentation contained a valid waiver with respect to distribution fees.

UBS's balance sheet at 31 March 2013 reflected a provision with respect to matters described in this item 12 in an amount that UBS believes to be appropriate under the applicable accounting standard. The ultimate exposure will depend on client requests and the resolution thereof, factors that are difficult to predict and assess, particularly in view of the limited experience to date. Hence as in the case of other matters for which UBS has established provisions, the future outflow of resources in respect of such matters cannot be determined with certainty based on currently available information, and accordingly may ultimately prove to be substantially greater (or may be less) than the provision that UBS has recognized.

13. Banco UBS Pactual tax indemnity

Pursuant to the 2009 sale of Banco UBS Pactual S.A. ("**Pactual**") by UBS to BTG Investments, LP ("**BTG**"), BTG has submitted contractual indemnification claims that UBS estimates amount to approximately USD 1.3 billion (increased from the previously disclosed estimate due to interest calculations and currency movements), including interest and penalties. The claims pertain principally to several tax assessments issued by the Brazilian tax authorities against Pactual relating to the period from December 2006 through March 2009, when UBS owned Pactual. These assessments are being or will be challenged in administrative proceedings. BTG has also provided notice to UBS of several additional Pactual-related inquiries by the Brazilian tax authorities that relate to the period of UBS's ownership of Pactual, but involving substantially smaller amounts.

14. Greater Southwestern Funding

In June 2010, UBS was named as a defendant in a putative class action complaint brought in federal court in Oklahoma relating to its role as underwriter and seller in a bond offering of USD 182 million in zero coupon bonds originally issued in 1984 by Greater Southwestern Funding Corporation ("**GSF**"). The complaint alleges that GSF breached its contractual obligation to make payments on the bonds and is liable for the principal and interest due on the bonds, and that UBS is liable for GSF's contract indebtedness under equitable theories, including a corporate "veil-piercing" claim. A class was certified in December 2011. On March 26, 2013, the court denied UBS's motion for summary judgment seeking dismissal of all claims against UBS. The case went to trial in April 2013, and the jury returned a unanimous verdict in UBS's favor on all claims.

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

XII. Significant Changes in the Financial or Trading Position; Material Adverse Change in Prospects

There has been no material change in the financial or trading position of UBS Group or of UBS AG since the reporting date of UBS's first quarter 2013 report (including unaudited consolidated financial statements) for the period ended on 31 March 2013.

There has been no material adverse change in the prospects of UBS AG since 31 December 2012.

XIII. 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.

XIV. Documents on Display and incorporated by reference

- The Annual Report of UBS AG as of 31 December 2011, comprising the sections (1) Operating environment and strategy, (2) Financial and operating performance, (3) Risk, treasury and capital management, (4) Corporate governance, responsibility and compensation, (5) Financial information (including the "Report of the Statutory Auditor and the Independent Registered Public Accounting Firm on the Consolidated Financial Statements" and the "Report of the Statutory Auditor on the Financial Statements");
- The Annual Report of UBS AG as of 31 December 2012, comprising the sections (1) Operating environment and strategy, (2) Financial and operating performance, (3) Risk, treasury and capital

management, (4) Corporate governance, responsibility and compensation, (5) Financial information (including the "Report of the statutory auditor and the independent registered public accounting firm on the consolidated financial statements" and the "Report of the statutory auditor on the financial statements"); and

- UBS's report for the quarter ended 31 March 2013 (including unaudited consolidated financial statements); and
- The Articles of Association of UBS AG,

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

SIGNATURE PAGE

Signed on behalf of the UBS AG,
23 July 2013:

UBS AG

By:

(signed by Philippe Adam)

By:

(signed by Stefanie Ganz)