

**Supplement No. 1**  
**pursuant to § 16 (1) of the German Securities Prospectus Act**  
**dated 7 April 2010**  
**to the already published (single document) Base Prospectus of UBS AG,**  
**[London] [Jersey] [Branch,]**  
**dated 30 November 2009,**  
**(the "Base Prospectus")**  
  
**in relation to the**  
  
**UBS Structured Note Programme**

The attention of the investors is in particular drawn to the following: Investors who have already agreed to purchase or subscribe for the Securities before the Supplement is published have, pursuant to § 16 (3) of the German Securities Prospectus Act, the right, exercisable within a time limit of two working days after the publication of the Supplement, to withdraw their acceptances, provided that the Securities have not been settled yet. A withdrawal, if any, of an order must be communicated in writing to the relevant Issuer at its registered office specified in the address list hereof.

1) In the section entitled "Summary of the Base Prospectus of the Programme", the sub-section entitled "C. Summary of the Description of UBS AG" in relation to the Base Prospectus dated 30 November 2009 is completely replaced as follows:

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

#### Overview

UBS AG (also the "Issuer" or the "Company") with its subsidiaries is a client-focused financial services firm that offers a combination of wealth management, asset management and investment banking services on a global and regional basis. By delivering a full range of advice, products and services to its private, corporate and institutional clients, UBS aims to generate sustainable earnings, create value for its shareholders, and be economically profitable in every segment, market and business in which it operates. With headquarters in Zurich and Basel, Switzerland, UBS is present in all major financial centers and has offices in over 50 countries. On 31 December 2009, UBS employed 65,233 people<sup>1</sup>.

On 31 December 2009 UBS's BIS Tier1<sup>2</sup> ratio was 15.4%, invested assets stood at CHF 2,233 billion, equity attributable to UBS shareholders was CHF 41,013 million and market capitalization was CHF 57,108 million.

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

#### Corporate Information

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

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

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, service and trading activities in Switzerland and abroad.

UBS AG shares are listed on the SIX Swiss Exchange, the New York Stock Exchange and the Tokyo Stock Exchange<sup>3</sup>.

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

<sup>2</sup> BIS Tier 1 ratio is the ratio of eligible Tier 1 capital to BIS risk-weighted assets. Eligible Tier 1 capital comprises paid-in share capital, share premium, retained earnings including current year profit, foreign currency translation and minority interests less certain deduction items, mainly comprising accrued dividends, net long positions in own shares and goodwill.

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.

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

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

Settlement of transactions through the parent bank allows UBS to fully exploit the advantages generated for all business divisions through the use of a single legal entity. In cases where it is impossible or inefficient to process transactions via the parent, due to local legal, tax or regulatory provisions, or where additional legal entities join the Group through acquisition, these tasks are performed on location by legally independent Group companies.

### **Trend Information**

In 2010, UBS expects to see the full effects of the progress it has made in improving operating efficiency, reducing risk and rebuilding and re-focusing its businesses. UBS is confident the steps it is taking to reduce client outflows in its wealth and asset management business divisions will be effective, but in the immediate future UBS still expects to report net outflows with some pressure on margins. UBS expects that the Investment Bank's performance for the year as a whole will improve, in part because its residual risk positions will have a much reduced effect on results. UBS Group results are heavily dependent on market vitality, and more favorable market conditions in January and February 2010 have benefited most of its businesses.

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

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

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

### **Auditors**

On 15 April 2009, the AGM of UBS AG re-elected Ernst & Young Ltd, Aeschengraben 9, 4002 Basel, Switzerland ("Ernst & Young") as auditors for the Financial Statements of UBS AG and the Consolidated Financial Statements of the UBS Group for a further one-year term. Ernst & Young Ltd., Basel, is a member of the Swiss Institute of Certified Accountants and Tax Consultants based in Zurich, Switzerland."

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<sup>3</sup> UBS expects to de-list its shares from the Tokyo Stock Exchange in the near future.

**2) In the section entitled "Deutsche Fassung der Kurzbeschreibung des Basisprospekts des Programms" the sub-section entitled "C. Zusammenfassung der Beschreibung der UBS AG", in relation to the Base Prospects dated 30 November 2009 is completely replaced as follows:**

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

#### **Überblick**

Die UBS AG (ebenso die „**Emittentin**“ oder die „**Gesellschaft**“) einschließlich ihrer Tochtergesellschaften, eine kundenorientierte Bank, bietet als kundenorientiertes Finanzinstitut auf globaler und regionaler Ebene eine Kombination von Dienstleistungen im Wealth Management, Asset Management und Investment Banking an. Dies umfasst die gesamte Palette von Beratung, Produkten und Dienstleistungen für private, Firmen- sowie institutionellen Kunden. Damit will UBS AG nachhaltige Erträge erzielen, Mehrwert für Aktionäre schaffen und in jedem Segment, Markt und Geschäft, in dem sie tätig sind, profitabel sein. Mit Hauptsitz in Zürich und Basel, Schweiz, ist die UBS AG in mehr als 50 Ländern und an den wichtigsten internationalen Finanzplätzen vertreten. Zum 31. Dezember 2009 beschäftigte UBS AG 65.233 Mitarbeiter (auf Vollzeitbasis).

Am 31. Dezember 2010 betrug die BIZ-Kernkapitalquote (Tier 1)<sup>4</sup> 15,4 %, das investierte Kapital belief sich auf CHF 2.233 Mrd., und das UBS-Aktionären zurechenbare Eigenkapital lag bei CHF 41.013 Mio. Die Marktkapitalisierung betrug CHF 57.108 Mio.

Die Rating-Agenturen Standard & Poor's Inc. („**Standard & Poor's**“), Fitch Ratings („**Fitch**“) und Moody's Investors Service Inc. („**Moody's**“) haben die Bonität von UBS und damit ihre Fähigkeit, Zahlungsverpflichtungen, beispielsweise Tilgungs- und Zinszahlungen (Kapitaldienst) bei langfristigen Krediten, pünktlich nachzukommen, beurteilt und bewertet. Bei Fitch und Standard & Poor's kann die Beurteilung mit Plus- oder Minus-Zeichen, bei Moody's mit Ziffern versehen sein. Diese Zusätze geben Aufschluss über die Beurteilung innerhalb einer Bewertungsstufe. Dabei beurteilt Standard & Poor's die UBS hinsichtlich des Long-Term senior debt ratings aktuell mit A+ (Ausblick stabil), Moody's mit Aa3 (Ausblick stabil), und Fitch mit A+ (Ausblick stabil).

#### **Unternehmensinformationen**

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

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

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

Die Aktien von UBS sind an der SWX Swiss Exchange und den Börsen in New York und Tokio notiert.<sup>5</sup>

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<sup>4</sup> Die BIZ-Kernkapitalquote (Tier 1) ist das Verhältnis von anrechenbaren eigenen Mitteln zu den BIZ risikogewichteten Aktiven. Tier 1-Kapital setzt sich zusammen aus Aktienkapital, Kapitalrücklagen, Gewinnrücklagen einschließlich Gewinn des laufenden Jahres, Währungsumrechnung und Minderheitsanteilen abzüglich aufgelaufene Dividende, Nettolongpositionen in eigenen Aktien und Goodwill.

<sup>5</sup> UBS geht davon aus, die Notierungseinstellung der Aktien an der Tokyo Stock Exchange in nächster Zeit zu beantragen.

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

### **Organisationsstrukturen der Emittentin**

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

Die Abwicklung von Transaktionen über das Stammhaus ermöglicht es UBS, die Vorteile, die sich aus der Bündelung aller Unternehmensbereiche unter einem Dach ergeben, voll auszuschöpfen. Wo es aber aufgrund lokaler rechtlicher, steuerlicher oder regulatorischer Vorschriften oder, wo weitere rechtlich selbstständige Einheiten aufgrund von Aquisitionen in die Gruppe eingegliedert wurden, nicht möglich oder nicht effizient ist, Transaktionen über das Stammhaus abzuwickeln, werden diese Aufgaben von rechtlich selbstständigen Konzerngesellschaften vor Ort wahrgenommen.

### **Trendinformationen**

Die UBS AG erwartet, dass 2010 die Fortschritte, die bei der Verbesserung der operativen Effizienz, der Risikominderung sowie im Neuaufbau und in der Neuausrichtung von Geschäfte, gemacht wurden, vollumfänglich zum Tragen kommen. Auch ist die UBS AG zuversichtlich, dass die Massnahmen erfolgreich sein werden, die zur Bekämpfung von Vermögensabflüssen im Wealth Management und im Asset Management ergriffen worden sind, obwohl für die unmittelbare Zukunft weiterhin mit einer negativen Nettoneugeldentwicklung gerechnet werden muss, verbunden mit einem gewissen Margendruck. Die UBS AG geht davon aus, dass sich die Performance der Investment Bank im Jahr 2010 insgesamt verbessern wird, unter anderem weil die verbleibenden Risikopositionen die Ergebnisse weit weniger stark beeinflussen dürften. Das Konzernergebnis der UBS AG hängt stark von der Verfassung der Märkte ab, und die Mehrheit der Geschäftseinheiten hat im Januar und Februar 2010 vom günstigeren Marktumfeld profitiert.

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

UBS AG agiert unter einer strikten dualen Führungsgremiumsstruktur, wie dies von der schweizerischen Bankengesetzgebung vorgeschrieben ist. Diese Struktur schafft gegenseitige Kontrolle und macht den Verwaltungsrat (der „**VR**“) unabhängig vom Tagesgeschäft der Bank, für das die Konzernleitung (die „**KL**“) die Verantwortung trägt. Niemand kann Mitglied beider Gremien sein.

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

### **Abschlussprüfer**

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

**3) In the Base Prospectus dated 30 November 2009 the section 'Description of UBS AG' is completely replaced as follows:**

### **"Information about UBS AG"**

The following description contains general information on UBS AG, Bahnhofstrasse 45, 8001 Zurich, Switzerland, and Aeschenvorstadt 1, 4051 Basel, Switzerland.

#### **OVERVIEW**

UBS AG (also the "**Issuer**" or the "**Company**") with its subsidiaries is a client-focused financial services firm that offers a combination of wealth management, asset management and investment banking services on a global and regional basis. By delivering a full range of advice, products and services to its private, corporate and institutional clients, UBS aims to generate sustainable earnings, create value for its shareholders, and be economically profitable in every segment, market and business in which it operates. With headquarters in Zurich and Basel, Switzerland, UBS is present in all major financial centers and has offices in over 50 countries. On 31 December 2009, UBS employed 65,233 people<sup>6</sup>.

On 31 December 2009, UBS's BIS Tier1<sup>7</sup> ratio was 15.4 %, invested assets stood at CHF 2,233 billion, equity attributable to UBS shareholders was CHF 41,013 million and market capitalization was CHF 57,108 million.

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

#### **I. Corporate Information**

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

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

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

UBS AG shares are listed on the SIX Swiss Exchange, the New York Stock Exchange and the Tokyo Stock Exchange<sup>8</sup>.

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.

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

<sup>7</sup> BIS Tier 1 ratio is the ratio of eligible Tier 1 capital to BIS risk-weighted assets. Eligible Tier 1 capital comprises paid-in share capital, share premium, retained earnings including current year profit, foreign currency translation and minority interests less certain deduction items, mainly comprising accrued dividends, net long positions in own shares and goodwill.

<sup>8</sup> UBS expects to de-list its shares from the Tokyo Stock Exchange in the near future.

## **II. BUSINESS OVERVIEW**

### **Business divisions and Corporate Center**

Organizationally, UBS AG and its subsidiaries have operated throughout 2009 as a group ("**UBS Group**", "**Group**", or "**UBS**") with four business divisions (Wealth Management & Swiss Bank, Wealth Management Americas, Global Asset Management and the Investment Bank) and a Corporate Center. Each of the business divisions and the Corporate Center are described below. A full description of their strategies, organization, products, services, markets and performance can be found in the Annual Report 2009 of UBS AG published on 15 March 2010 (the "**Annual Report 2009**"), in the English version on pages 71-107 (inclusive).

### **Wealth Management & Swiss Bank**

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

### **Wealth Management Americas**

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

### **Global Asset Management**

Global Asset Management is, in its own opinion, a large-scale asset manager with well diversified businesses across regions, capabilities and distribution channels. It offers investment capabilities and investment styles across all major traditional and alternative asset classes. These include equities, fixed income, currency, hedge fund, real estate, infrastructure and private equity investment capabilities that can also be combined in multi-asset strategies.

### **Investment Bank**

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

### **Corporate Center**

The Corporate Center seeks to ensure that the business divisions operate as a coherent and effective whole by providing and managing support and control functions for the business divisions and the Group in such areas as risk control, finance, legal and compliance, funding, capital and balance sheet management, management of foreign currencies, communication and branding, human resources, information technology, real estate, procurement and service centers.

## **III. Organisational Structure of the Issuer**

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

Settlement of transactions through the parent bank allows UBS to fully exploit the advantages generated for all business divisions through the use of a single legal entity. In cases where it is impossible or inefficient to process transactions via the parent, due to local legal, tax or regulatory provisions, or where additional

legal entities join the Group through acquisition, these tasks are performed on location by legally independent Group companies. UBS AG's significant subsidiaries are listed in the Annual Report 2009, in English, on pages 350-352 (inclusive).

## **Competition**

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

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

## **IV. Trend Information**

Recent Developments:

On 17 November 2009, at its 2009 Investor Day in Zurich, UBS AG's Group Executive Board has provided an update on the ongoing transformation of the firm, and the strategy and medium-term targets that will characterize UBS's return to sustainable profitability. The continuing transformation of UBS and the execution of the business strategies presented to investors will enable UBS to meet specific goals over the medium-term (3-5 years). At a Group level, UBS aims to achieve: approximately CHF 15 billion of annual profit before tax; a cost-to-income ratio of 65-70%; and a return-on-equity of 15-20%. The objectives will be subject to market movements and regulatory changes.

On 29 September 2009, UBS announced that Sergio Marchionne, Senior Independent Director of the Board of Directors of UBS AG, and Peter Voser will not stand for re-election to the Board at the annual general meeting which will take place on 14 April 2010. Further, on 7 December 2009, UBS announced that it has nominated Wolfgang Mayrhuber, the Chairman of the Executive Board and CEO of Deutsche Lufthansa AG, for election to the Board of Directors of UBS AG.

On 15 March 2010, UBS published its Annual Report 2009 and reported a net loss attributable to UBS shareholders for 2009 of CHF 2,736 million, compared to a net loss of CHF 21,292 million for 2008. This improvement was due to much lower losses on residual risk positions in the Investment Bank and reduced operating expenses for the Group. The result for 2009 included a number of significant items, namely an own credit loss of CHF 2.0 billion which occurred as a result of the markets' perception of UBS' improved creditworthiness, charges relating to the sale of UBS Pactual of CHF 1.4 billion, restructuring charges of CHF 0.8 billion, and a CHF 0.3 billion gain on the mandatory convertible notes converted in August 2009. The Group's net profit attributable to shareholders for the fourth quarter was CHF 1.2 billion, including a positive contribution from each of UBS' business divisions. The year-end 2009 BIS tier 1 ratio was 15.4 %, up from 11.0 % on 31 December 2008. UBS's total assets stood at CHF 1,341 billion on 31 December 2009, down CHF 674 billion (33 %) from CHF 2,015 billion on 31 December 2008. This decline was due primarily to significant market driven reductions in replacement values (RVs) on both sides of the balance sheet. UBS' FINMA leverage ratio was 3.93 % on 31 December 2009 compared with 2.45 % on 31 December 2008. Net new money outflows in 2009 were CHF 89.8 billion for Wealth Management & Swiss Bank, compared with CHF 107.1 billion in 2008; CHF 11.6 billion for Wealth Management Americas, compared with CHF 15.9 billion; and CHF 45.8 billion for Global Asset Management, compared with CHF 103.0 billion.

## **Outlook**

In 2010, UBS expects to see the full effects of the progress it has made in improving operating efficiency, reducing risk and rebuilding and re-focusing its businesses. UBS is confident the steps it is taking to reduce client outflows in its wealth and asset management business divisions will be effective, but in the immediate future UBS still expects to report net outflows with some pressure on margins. UBS expects that the Investment Bank's performance for the year as a whole will improve, in part because its residual risk positions will have a much reduced effect on results. UBS Group results are heavily dependent on market vitality, and more favorable market conditions in January and February 2010 have benefited most of its businesses.



## V. Administrative, Management and Supervisory Bodies of the Issuer

### Details of the Executive Bodies of the Company

UBS AG operates under a strict dual board structure, as mandated by Swiss banking law. This structure establishes checks and balances and creates an institutional independence of the Board of Directors (“**BoD**”) from the day-to-day management of the firm, for which responsibility is delegated to the Group Executive Board (“**GEB**”). No member of one Board may be a member of the other.

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

### Board of Directors

The BoD is the most senior body of UBS AG. The BoD consists of at least six and a maximum of 12 members. All the members of the BoD are elected individually by the Annual General Meeting (“**AGM**”) for a term of office of one year<sup>9</sup>. The BoD constitutes itself at its first meeting following the AGM. In this meeting the Chairman, the Vice Chairman/Vice Chairmen, the Senior Independent Director, the committee Chairmen and the committee members are elected among and by the BoD members. 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 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’ strategic aims and the necessary financial and human resources upon recommendation of the Group Chief Executive Officer (“**Group CEO**”) and sets the UBS Group’s values and standards to ensure that its obligations to its shareholders and others are met. The BoD’s proposal for election must be such that three quarters of the BoD members will be independent. While the Chairman does not need to be independent, at least one of the Vice Chairmen must be. The BoD meets as often as business requires, and at least six times a year.

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

### Board of Directors of UBS AG

The BoD consists of twelve members:

	<b>Title</b>	<b>Term of office</b>	<b>Position outside UBS AG</b>
Kaspar Villiger	Chairman	2010	None
Sergio Marchionne	Independent Vice Chairman / Senior Independent Director	2010	CEO and member of the board of Fiat S.p.A.; CEO of Fiat Group Automobiles; CEO of Chrysler Group LLC; Chairman of Société Générale de Surveillance Group of Geneva (SGS); member of the BoD of Philip Morris International Inc., New York; member of European Automobile Manufacturers' Association (ACEA); Chairman of CNH Case New Holland.

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

Sally Bott	Member	2010	Group HR Director and member of the Group Executive Committee of BP plc; member of the board of the Royal College of Music in London; member of the board of the Carter Burden Center for the Aging in New York City.
Michel Demaré	Member	2010	CFO and member of the Group Executive Committee of ABB; President Global Markets at ABB; member of the IMD Foundation Board, Lausanne.
Rainer-Marc Frey	Member	2010	Founder and Chairman of Horizon21; member of the BoD of DKSH Group, Zurich; member of the Advisory Board of Invision Private Equity AG, Zug; member of the BoD of the Frey Charitable Foundation, Freienbach.
Bruno Gehrig	Member	2010	Vice Chairman of the BoD of Roche Holding Ltd., Basel; Chairman of the Swiss Air Transport Foundation, Zug.
Ann F. Godbehere	Member	2010	Board member of Prudential plc, Rio Tinto plc and Rio Tinto Limited, the Lloyd's managing agency, Atrium Underwriters Ltd. and Atrium Underwriting Group Ltd., as well as member of the board of Ariel Holdings.
Axel P. Lehmann	Member	2010	Group Chief Risk Officer of Zurich Financial Services (Zurich); responsible for Group IT at Zurich; Chairman of the Board of the Institute of Insurance Economics at the University of St. Gallen and Vice Chairman of the Chief Risk Officer Forum.
Helmut Panke	Member	2010	Member of the BoD of Microsoft Corporation, Redmond, USA, and Singapore Airlines Ltd.; member of the Supervisory Board of Bayer AG, Germany.
William G. Parrett	Member	2010	Independent Director of the Eastman Kodak Company, the Blackstone Group LP and Thermo Fisher Scientific Inc., USA; Chairman of the BoD of the United States Council for International Business and of United Way Worldwide; member of the Board of Trustees of Carnegie Hall; member of the Executive Committee of the International Chamber of Commerce.
David Sidwell	Member	2010	Director of the Federal National Mortgage Association (Fannie Mae) and Senior Advisor at Oliver Wyman; trustee of the International Accounting Standards Committee Foundation, London; Chairman of the BoD of Village Care of New York; Director of the National Council on Aging.
Peter R. Voser	Member	2010	CEO and executive BoD member of Royal Dutch Shell plc; member of the BoD of the Swiss Federal Audit Oversight Authority.

## Group Executive Board

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

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

## Group Executive Board of UBS AG

The Group Executive Board consists of thirteen members:

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

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

## Potential conflicts of interest

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

## VI. Auditors

On 15 April 2009, the AGM of UBS AG re-elected Ernst & Young Ltd, Aeschengraben 9, 4002 Basel, Switzerland (“Ernst & Young”) as auditors for the Financial Statements of UBS AG and the Consolidated Financial Statements of the UBS Group for a further one-year term. Ernst & Young Ltd., Basel, is a member of the Swiss Institute of Certified Accountants and Tax Consultants based in Zurich, Switzerland.

## **VII. Major Shareholders of the Issuer**

The ownership of UBS AG shares is broadly dispersed.

On 16 March 2010, The Capital Group Companies, Inc., Los Angeles, disclosed under the Swiss Stock Exchange Act a holding of 4.75 % of the total share capital of UBS AG.

On 12 March 2010, Government of Singapore disclosed under the Swiss Stock Exchange Act a holding of 6.45 % of the total share capital of UBS AG.

On 17 December 2009, BlackRock Inc., New York, disclosed under the Swiss Stock Exchange Act a holding of 3.45 % of the total share capital of UBS AG.

As of 31 December 2009, the following shareholders, acting 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 (11.63%); the US securities clearing organization DTC (Cede & Co.) New York, "The Depository Trust Company" (8.42 %); Mellon Bank N.A., Everett (3.21 %) and Nortrust Nominees Ltd, London (3.07 %). Pursuant to UBS' provisions on registration of shares, voting rights of nominees are limited to 5 %. This regulation does not apply to securities clearing and settlement organizations. Only shareholders registered in UBS AG's share register as shareholders with voting rights are entitled to exercise voting rights.

As of 31 December 2009, UBS held a stake of UBS AG's registered shares, which corresponded to less than 3.00 % of its total share capital. On 11 March 2010, UBS AG disclosed disposal positions relating to 558,512,499 of its shares, corresponding to 14.58 % of the total share capital. These positions included the number of shares that may be issued, upon certain conditions, out of conditional capital to the Swiss National Bank ("**SNB**") in connection with the transfer of certain illiquid and other positions to a fund owned and controlled by the SNB.

Further details on the distribution of UBS AG's shares, the number of registered and non-registered securities, voting rights as well as distribution by shareholder categories and geographical regions can be found in the Annual Report 2009, in English, on pages 187-190 (inclusive).

## **VIII. Financial Information concerning the Issuer's Assets and Liabilities; Financial Position and Profits and Losses**

A description of the Issuer's assets and liabilities, financial position and profits and losses is available for financial year 2008 in the Annual Report 2008, published as a restatement on 20 May 2009, Financial Information, in English, and for financial year 2009 in the Annual Report 2009, in English. The Issuer's financial year is the calendar year.

In the case of financial year 2008 reference is made to

- (i) the Consolidated Financial Statements of UBS Group, in particular to the Income Statement on page 256, the Balance Sheet on page 257, the Statement of Cash Flows on pages 261-262 (inclusive) and the Notes to the Consolidated Financial Statements on pages 263-370 (inclusive), and
- (ii) the Financial Statements of UBS AG (Parent Bank), in particular to the Income Statement on page 372, the Balance Sheet on page 373, the Statement of Appropriation of Retained Earnings on page 373, the Notes to the Parent Bank Financial Statements on pages 374-389 (inclusive) and to the Parent Bank Review on page 371, and
- (iii) the sections entitled "Accounting Principles" on page 245 and "Critical Accounting Policies" on pages 246-250 (inclusive) in the Annual Report 2008 of UBS AG, as restated on 20 May 2009, Financial Information, in English.

In the case of financial year 2009 reference is made to

- (i) the Consolidated Financial Statements of UBS Group, in particular to the Income Statement on page 255, the Balance Sheet on page 257, the Statement of Cash Flows on pages 261-262 (inclusive) and the Notes to the Consolidated Financial Statements on pages 263-370 (inclusive), and
- (ii) the Financial Statements of UBS AG (Parent Bank), in particular to the Income Statement on page 372, the Balance Sheet on page 373, the Statement of Appropriation of Retained Earnings on page 373, the Notes to the Parent Bank Financial Statements on pages 374-392 (inclusive) and to the Parent Bank Review on page 371, and

(iii) the sections entitled "Introduction and accounting principles" on page 244 and "Critical accounting policies" on pages 245-248 (inclusive) in the Annual Report 2009 of UBS AG, in English.

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

The Consolidated Financial Statements of UBS Group and the Financial Statements of UBS AG (Parent Bank) for financial years 2008 and 2009 were audited by Ernst & Young. The reports of the auditors on the Consolidated Financial Statements can be found on pages 254-255 (inclusive) of the Annual Report 2008, Financial Information, in English, and on pages 252-253 (inclusive) of the Annual Report 2009, in English. The reports of the auditors on the Financial Statements of UBS AG (Parent Bank) can be found on pages 390-391 (inclusive) of the Annual Report 2008, Financial Information, in English, and on pages 393-394 of the Annual Report 2009, in English.

UBS' restated Annual Report 2008 and the Annual Report 2009 form an integral component of this document, and are therefore fully incorporated in this document.

## 1. Legal and Arbitration Proceedings

The UBS Group operates in a legal and regulatory environment that exposes it to significant litigation risks. As a result, UBS is involved in various disputes and legal proceedings, including litigation, arbitration, and regulatory and criminal investigations. Such cases are subject to many uncertainties, and their outcome is often difficult to predict, including the impact on operations or on the financial statements, particularly in the earlier stages of a case. In certain circumstances, to avoid the expense and distraction of legal proceedings, UBS may, based on a cost-benefit analysis, enter into a settlement even though UBS denies any wrongdoing. The Group makes provisions for cases brought against it when, in the opinion of management after seeking legal advice, it is probable that a liability exists, and the amount can be reasonably estimated.

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

a) Tax shelter investigation: UBS continues to cooperate with the US Internal Revenue Service ("**IRS**") in civil litigation relating to various tax-oriented transactions in which UBS and others engaged between 1996 and 2000.

b) HealthSouth: With respect to two securities class actions brought in the United States District Court for the Northern District of Alabama, UBS and its insurers have reached an agreement in principle settling those actions with lead plaintiffs representing the stockholder and bondholder classes. This settlement is subject to notice to the classes and court approval, and is not expected to have any material impact on UBS's results.

c) Municipal Bonds: In November 2006, UBS and others received subpoenas from the US Department of Justice, Antitrust Division, and the US Securities and Exchange Commission ("**SEC**") seeking information relating to the investment of proceeds of municipal bond issuances and associated derivative transactions. Both investigations are ongoing, and UBS is cooperating. In addition, various state Attorneys General have issued subpoenas seeking similar information. In the SEC investigation, on 4 February 2008, UBS received a "Wells notice" advising that the SEC staff is considering recommending that the SEC bring a civil action against UBS AG in connection with the bidding of various financial instruments associated with municipal securities. The discussions with the SEC are ongoing.

d) Auction Rate Securities: UBS was the subject of an SEC investigation and state regulatory actions relating to the marketing and sale of auction rate securities ("**ARS**") to clients, and to UBS' role and participation in ARS auctions and underwriting of ARSs. UBS was also named in several putative class actions and individual civil suits and arbitrations. The regulatory actions and investigations and the civil proceedings followed the disruption in the markets for these securities and related auction failures since mid-February 2008. At the end of 2008 UBS entered into settlements with the SEC, the New York Attorney General ("**NYAG**") and the Massachusetts Securities Division whereby UBS agreed to offer to buy back ARSs from eligible customers within certain time periods, the last of which begins on 30 June 2010, and to pay penalties of USD 150 million (USD 75 million to the NYAG, USD 75 million to the other states). UBS' settlement is largely in line with similar industry regulatory settlements. UBS is continuing to finalize

agreements with other state regulators. The SEC continues to investigate individuals affiliated with UBS who traded in ARSs or who had responsibility for disclosures.

e) US Cross-Border: UBS AG has been the subject of a number of governmental inquiries and investigations relating to its cross-border private banking services to US private clients during the years 2000-2007. On 18 February 2009, UBS AG announced that it had entered into a Deferred Prosecution Agreement (DPA) with the US Department of Justice Tax Division (“**DOJ**”) and the United States Attorney’s Office for the Southern District of Florida, and a Consent Order with the SEC relating to these investigations. As part of the settlement agreements UBS agreed to, among other things, (i) pay a total of USD 780 million to the United States, (ii) complete the exit of the US cross-border business out of non-SEC registered entities, and (iii) implement and maintain an effective program of internal controls with respect to compliance with its obligations under the Qualified Intermediary (“**QI**”) Agreement with the IRS, as well as a revised legal and compliance governance structure in order to strengthen independent legal and compliance controls. Pursuant to the DPA, the DOJ agreed that any further prosecution of UBS will be deferred for a period of at least 18 months, subject to extension under certain circumstances such as UBS needing more time to complete the implementation of the exit of its US cross-border business. If UBS satisfies all of its obligations under the DPA, the DOJ will refrain permanently from pursuing charges against UBS relating to the investigation of its US cross-border business. As part of the resolution of an SEC claim that UBS acted as an unregulated broker dealer and investment advisor in connection with its US cross-border business, UBS consented to a settlement that provides, among other things, that: (i) UBS will pay USD 200 million to the SEC (included in the USD 780 million payment described above); and (ii) UBS will complete its exit of the US cross-border business and will be permanently enjoined from violating certain SEC registration requirements.

The agreements with the DOJ and SEC did not resolve the “John Doe” summons which the IRS served on UBS in July 2008. In this regard, on 19 February 2009, the Civil Tax Division of the DOJ filed a civil petition for enforcement of this summons in the US Federal District Court for the Southern District of Florida, through which it sought an order directing UBS to produce information located in Switzerland regarding US clients who have maintained accounts with UBS in Switzerland without providing a Form W-9.

On 19 August 2009, UBS executed a settlement agreement with the IRS and the DOJ, to resolve the “John Doe” summons litigation (UBS-US Settlement Agreement). At the same time, the United States and Switzerland entered into a separate but related agreement (Swiss-US Agreement). Among other things, these agreements provide that: (i) UBS and the IRS would promptly file a stipulation dismissing the “John Doe” summons enforcement action then pending in federal court in Miami, which occurred the same day; (ii) the IRS would submit a request for information regarding accounts of US clients maintained at UBS in Switzerland, on the basis that such clients appear to have committed tax fraud or the like within the meaning of the existing 1996 Swiss-US Double Taxation Treaty, to the Swiss Federal Tax Administration (“**SFTA**”), which it did on 31 August 2009; (iii) UBS would send a notice to US accountholders that appear to be within the scope of the treaty request and produce to the SFTA information on the corresponding accounts both in accordance with a specified schedule, which UBS has done in compliance with an order issued by the SFTA on 1 September 2009; and (iv) UBS and the IRS would agree to amend UBS’ QI Agreement, whereupon the IRS would withdraw the previously disclosed QI Notice of Default dated 15 May 2008. The UBS-US Settlement Agreement does not call for any monetary payment by UBS.

Because UBS has complied with all of its obligations set forth in the UBS-US Settlement Agreement required to be completed by 31 December 2009, the IRS has withdrawn the summons with prejudice as to all accounts not covered by the treaty request.

Subject to UBS’s compliance with its further notification and information processing obligations set forth in the UBS-US Settlement Agreement, the IRS will withdraw the “John Doe” summons with prejudice as to the remaining accounts - i.e. those subject to the treaty request - no later than 24 August 2010 upon the actual or anticipated delivery to the IRS of information relating to accounts covered by the treaty request that does not differ significantly from the expected results. Alternatively, the summons will be withdrawn with prejudice as to the remaining accounts if at any time on or after 1 January 2010 the IRS has received information from any source relating to at least 10,000 accounts of US persons maintained at UBS in Switzerland.

On 21 January 2010, the Swiss Federal Administrative Court ruled that the SFTA did not have a proper legal basis to grant the IRS request for information with respect to accounts of US persons who had failed to report substantial amounts of income over an extended period, but had not engaged in fraudulent activity within the meaning of Swiss law. The decision does not invalidate the UBS-US Settlement Agreement or the Swiss-US Agreement and it does not affect the treaty request to the extent it is directed at accounts in relation to which such fraudulent activity occurred. Following consultations with the US Government about measures to ensure the further implementation of the Swiss-US Settlement Agreement, the Swiss

Government decided on 24 February 2010 that it will seek to amend the Swiss-US Agreement and submit it to Parliament for approval.

UBS continues, as in the past, to fulfill all of its obligations under the settlements, including, among other things, the exit of the US cross-border business out of non-SEC registered entities and the provision of relevant account information to the SFTA under the treaty process.

f) **Inquiries Regarding Non-US Cross-Border Businesses:** Following the disclosure of the US cross-border matter and the settlements with the DOJ and the SEC, tax and regulatory authorities in a number of countries have requested information relating to the cross-border wealth management services provided by UBS and other financial institutions. In particular, the revenue services of Canada, the UK and Australia have served requests upon, or made inquiries of, UBS and other Swiss and non-Swiss financial institutions providing cross-border wealth management services for information relating to such services that is located in their respective jurisdictions. UBS is cooperating with these requests strictly within the limits of financial privacy obligations under Swiss and other applicable laws. It is premature to speculate on the outcome of any such inquiries.

g) **Matters Related to the Credit Crisis:** UBS is responding to a number of governmental inquiries and investigations, and is involved in a number of litigations, arbitrations and disputes, related to the credit crisis and in particular mortgage-related securities and other structured transactions and derivatives. These matters concern, among other things, UBS's valuations, accounting classifications, disclosures, writedowns, and contractual obligations, as well as its role as underwriter in securities offerings for other issuers. In particular, UBS has communicated with and has responded to inquiries by FINMA, its home country consolidated regulator, as well as the SEC, the Financial Industry Regulatory Authority and the United States Attorney's Office for the Eastern District of New York, regarding some of these issues and others, including the role of internal control units, governance and processes around risk control and valuation of mortgage-related instruments, compliance with public disclosure rules, and the business rationales for the launching and the reintegration of Dillon Read Capital Management. FINMA concluded its investigation in October 2008.

h) **Claims Related to UBS Disclosure:** A putative consolidated class action has been filed against UBS and a number of current and former directors and senior officers in the Southern District of New York alleging securities fraud in connection with the firm's disclosures relating to its losses in the subprime mortgage markets, its losses and positions in auction rate securities, and its US cross-border business. Defendants have moved to dismiss the complaint for lack of jurisdiction and for failure to state a claim. UBS and a number of senior officers and directors have also been sued in a putative consolidated class action brought on behalf of holders of UBS Employee Retirement Income Security Act ("**ERISA**") retirement plans in which there were purchases of UBS stock. UBS has moved to dismiss the ERISA complaint for failure to state a claim.

i) **Madoff:** In relation to the Madoff investment fraud, UBS, UBS (Luxembourg) SA and certain other UBS subsidiaries have been subject to inquiries by a number of regulators, including FINMA and the Luxembourg Commission de Surveillance du Secteur Financier ("**CSSF**"). Those inquiries concerned two third-party funds established under Luxembourg law substantially all assets of which were with Bernard L. Madoff Investment Securities LLC ("**BMIS**"), as well as certain funds established under offshore jurisdictions with either direct or indirect exposure to BMIS. These funds now face severe losses. The last reported net asset value of the two Luxembourg funds before revelation of the Madoff scheme was approximately USD 1.7 billion in the aggregate. The documentation establishing both funds identifies UBS entities in various roles including custodian, administrator, manager, distributor and promoter, and indicates that UBS employees serve as board members. On 25 February 2009, the CSSF issued a communiqué with respect to the larger of the two funds, stating that UBS (Luxembourg) SA had failed to comply with its due diligence responsibilities as custodian bank. The CSSF ordered UBS (Luxembourg) SA to review its infrastructure and procedures relating to its supervisory obligations as custodian bank, but did not order it to compensate investors. On 25 May 2009, UBS (Luxembourg) SA submitted a comprehensive final report to the CSSF, which resulted in the CSSF publishing a new communiqué saying that UBS (Luxembourg) SA has provided evidence demonstrating that it has the infrastructure and internal organization in place in accordance with professional standards applicable to custodian banks in Luxembourg. In addition, on 17 December 2009, a claim in the amount of EUR 890 million was filed on behalf of the larger of the two Luxembourg funds by the liquidators of that fund against 15 defendants, including UBS entities, Access Management Luxembourg SA, Ernst & Young, the CSSF and various individuals. A large number of alleged beneficiaries have filed claims against UBS entities (and non-UBS entities) for purported losses relating to the Madoff scheme. Further, certain clients of UBS in Germany are exposed to Madoff-managed positions through third-party funds and funds administered by UBS entities in Germany.

j) City of Milan Transactions: In January 2009, the City of Milan filed civil proceedings against UBS Limited, UBS Italia SIM Spa and three other international banks in relation to a 2005 bond issue and associated derivatives transactions entered into with the City of Milan between 2005 and 2007. The claim is to recover alleged damages in an amount which will compensate for terms of the related derivatives which the City claims to be objectionable. In the alternative, the City seeks to recover alleged hidden profits alleged to have been made by the banks in the amount of EUR 88 million (of which UBS Limited is alleged to have received EUR 16 million) together with further damages of not less than EUR 150 million. The claims are made against all of the banks on a joint and several basis. UBS is vigorously defending the claim. In addition, a criminal investigation by a Prosecutor in Milan has been ongoing in relation to the same transactions. In November 2009, the Prosecutor filed a request for committal for trial of two current UBS employees and one former UBS employee, together with employees from other banking institutions. The request alleges that the banks' employees engaged in criminal conduct in order to allow the banks to earn allegedly concealed profits on the June 2005 bond issue and related derivative transactions. The Prosecutor also requested committal for trial of UBS Limited and the other banks in relation to the administrative charge of failing to have in place a business organization model to prevent crime. Preliminary court hearings are taking place through March 2010.

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

## **2. Significant changes in the Financial Situation of the Issuer**

On 17 November 2009, at its 2009 Investor Day in Zurich, UBS AG's Group Executive Board has provided an update on the ongoing transformation of the firm, and the strategy and medium-term targets that will characterize UBS' return to sustainable profitability. The continuing transformation of UBS and the execution of the business strategies presented to investors will enable UBS to meet specific goals over the medium-term (3-5 years). At a Group level, UBS aims to achieve: approximately CHF 15 billion of annual profit before tax; a cost-to-income ratio of 65-70 %; and a return-on-equity of 15-20 %. The objectives will be subject to market movements and regulatory changes.

On 29 September 2009, UBS announced that Sergio Marchionne, Senior Independent Director of the Board of Directors of UBS AG, and Peter Voser will not stand for re-election to the Board at the annual general meeting which will take place on 14 April 2010. Further, on 7 December 2009, UBS announced that it has nominated Wolfgang Mayrhuber, the Chairman of the Executive Board and CEO of Deutsche Lufthansa AG, for election to the Board of Directors of UBS AG.

On 15 March 2010, UBS published its Annual Report 2009 and reported a net loss attributable to UBS shareholders for 2009 of CHF 2,736 million, compared to a net loss of CHF 21,292 million for 2008. This improvement was due to much lower losses on residual risk positions in the Investment Bank and reduced operating expenses for the Group. The result for 2009 included a number of significant items, namely an own credit loss of CHF 2.0 billion which occurred as a result of the markets' perception of UBS' improved creditworthiness, charges relating to the sale of UBS Pactual of CHF 1.4 billion, restructuring charges of CHF 0.8 billion, and a CHF 0.3 billion gain on the mandatory convertible notes converted in August 2009. The Group's net profit attributable to shareholders for the fourth quarter was CHF 1.2 billion, including a positive contribution from each of UBS's business divisions. The year-end 2009 BIS tier 1 ratio was 15.4 %, up from 11.0 % on 31 December 2008. UBS' total assets stood at CHF 1,341 billion on 31 December 2009, down CHF 674 billion (33 %) from CHF 2,015 billion on 31 December 2008. This decline was due primarily to significant market driven reductions in replacement values ("RVs") on both sides of the balance sheet. UBS' FINMA leverage ratio was 3.93 % on 31 December 2009 compared with 2.45 % on 31 December 2008. Net new money outflows in 2009 were CHF 89.8 billion for Wealth Management & Swiss Bank, compared with CHF 107.1 billion in 2008; CHF 11.6 billion for Wealth Management Americas, compared with CHF 15.9 billion; and CHF 45.8 billion for Global Asset Management, compared with CHF 103.0 billion.

Apart from the above-mentioned, there has been no material change in the financial position of the Issuer since the publication of UBS' Annual Report 2009 (audited) for the period ending on 31 December 2009.

## **IX. 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.



## **X. Documents on Display**

- The restated Annual Report of UBS AG as of 31 December 2008, comprising (i) Strategy, performance and responsibility, (ii) UBS business divisions and Corporate Center (iii) Risk and treasury management, (iv) Corporate governance and compensation, (v) Financial information (including the "Report of the Statutory Auditor and the Independent Registered Public Accounting Firm on the Consolidated Financial Statements" and the "Report of the Statutory Auditor on the Financial Statements");
- The Annual Report of UBS AG as of 31 December 2009, comprising (i) Strategy, performance and responsibility, (ii) UBS business divisions and Corporate Center (iii) Risk and treasury management, (iv) Corporate governance and compensation, (v) Financial information (including the "Report of the Statutory Auditor and the Independent Registered Public Accounting Firm on the Consolidated Financial Statements" and the "Report of the Statutory Auditor on the Financial Statements");
- the Review 2008 and 2009 and the Compensation Report 2008 and 2009;
- The Articles of Association of UBS AG, as the Issuer,

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

**4) In the Base Prospectus dated 30 November 2009, in section “General Information” the paragraph entitled “Availability of Documents” is completely replaced as follows:**

**“Availability of Documents**

So long as any of the Notes are outstanding copies of the following documents will be available, during usual business hours on any weekday (Saturdays and public holidays excepted), at the office of [the *Fiscal Agent*] [the Issuer]:

- [(a)] the Agency Agreement (as amended and supplemented from time to time);
- [(b)] [(•)] a copy of the latest Base Prospectus (together with any supplement including any Final Terms thereto);
- [[[(c)] [(•)] a copy of the ISDA Definitions; and
- [(d)] [(•)] the documents referred to under “Documents on Display (relating to the Issuer)” above.

Copies of the documents referred to under (a) through (•) above and information which refers to sources such as Bloomberg shall also be maintained in printed format, for free distribution, at the registered offices of the Issuer [as well as UBS Deutschland AG, Bockenheimer Landstrasse 2 - 4, 60306 Frankfurt am Main, Federal Republic of Germany,] for a period of twelve months after the publication of the Base Prospectus. In addition, any annual and quarterly reports of UBS AG are published on the UBS website, at [www.ubs.com/investors](http://www.ubs.com/investors) or a successor address.”

**6) In the Base Prospectus dated 30 November 2009, the section following the heading “Incorporation by Reference” is completely replaced as follows:**

**“Incorporation by Reference**

The following documents shall be incorporated in, and form part of, this Base Prospectus and may be obtained free of charge at the registered offices of the Issuer [as well as UBS Deutschland AG, Bockenheimer Landstrasse 2 - 4, 60306 Frankfurt am Main, Federal Republic of Germany,] for a period of twelve months after the publication of this Base Prospectus:

<b>Incorporated document</b>	<b>Referred to in</b>	<b>Information</b>
- UBS Annual Report 2009, in English; pages 71 -107 (inclusive)	- Business Overview	- Description of the Issuer’s business groups
- UBS Annual Report 2009, in English; pages 350 – 352 (inclusive)	- Organisational Structure of the Issuer	- Illustration of the key subsidiaries
- UBS Annual Report 2009, in English; pages 187 – 190 (inclusive)	- Major Shareholders of the Issuer	- Further details on UBS shares
- UBS Annual Report 2008 (restated), Financial Information, in English:	- Financial Information concerning the Issuer’s Assets and Liabilities, Financial Position and Profits and Losses	- Financial Statements of UBS AG (Group) for the financial year 2008 (restated):
(i) page 256,		(i) Income Statement,
(ii) page 257,		(ii) Balance Sheet,
(iii) pages 261 - 262 (inclusive),		(iii) Statement of Cash Flows,
(iv) pages 263 - 370 (inclusive),		(iv) Notes to the Financial Statements,
(v) pages 245 - 250 (inclusive),		(v) Accounting Standards and Policies,
(vi) pages 254 - 255 (inclusive).		(vi) Report of the Group Auditors
		- Financial Statements of UBS AG (Parent Bank) for the financial year 2008 (restated):
(i) page 372,		(i) Income Statement,
(ii) page 373,		(ii) Balance Sheet,
(iii) page 373,		(iii) Statement of Appropriation of Retained Earnings,
(iv) pages 374 - 389 (inclusive),		(iv) Notes to the Financial

		Statements,
(v) page 371,		(v) Parent Bank Review,
(vi) pages 245 - 250 (inclusive),		(vi) Accounting Standards and Policies,
(vii) pages 390 - 391 (inclusive).		(vii) Report of the Statutory Auditors.
- UBS Annual Report 2009, in English:	- Financial Information concerning the Issuer's Assets and Liabilities, Financial Position and Profits and Losses	- Financial Statements of UBS AG (Group) for the financial year 2009:
(i) page 255,		(i) Income Statement,
(ii) page 257,		(ii) Balance Sheet,
(iii) pages 261 - 262 (inclusive),		(iii) Statement of Cash Flows,
(iv) pages 263 - 370 (inclusive),		(iv) Notes to the Financial Statements,
(v) pages 244 – 248 (inclusive),		(v) Accounting Standards and Policies,
(vi) pages 252 - 253 (inclusive).		(vi) Report of the Group Auditors.
		- Financial Statements of UBS AG (Parent Bank) for the financial year 2009:
(i) page 372,		(i) Income Statement,
(ii) page 373,		(ii) Balance Sheet,
(iii) page 373,		(iii) Statement of Appropriation of Retained Earnings,
(iv) pages 374 – 392 (inclusive),		(iv) Notes to the Financial Statements,
(v) page 371,		(v) Parent Bank Review,
(vi) pages 244 - 248 (inclusive),		(vi) Accounting Standards and Policies,
(vii) pages 393 – 394 (inclusive).		(vii) Report of the Statutory Auditors.

- (a) the Annual Report 2009 of UBS AG has been filed with the BaFin as appendix to Supplement No. 1 dated 7 April 2010 to the Structured Warrant Programme dated 21 October 2009;
- (b) the Restated UBS AG Annual Report 2008 has been filed with the BaFin as appendix to the Base Prospectus dated 15 June 2009."

The Base Prospectus and all supplements thereto, 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 and are published on the website [www.ubs.com/keyinvest](http://www.ubs.com/keyinvest), or a successor website.

In addition, the annual and quarterly reports of UBS AG (and related review and compensation report) are published on UBS' website, at [www.ubs.com/investors](http://www.ubs.com/investors) or a successor address.

Frankfurt am Main, 7 April 2010

**UBS AG**



signed by



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