

## IMPORTANT NOTICE

### NOT FOR DISTRIBUTION TO ANY U.S. PERSON OR TO ANY PERSON OR ADDRESS IN THE U.S.

**IMPORTANT:** You must read the following before continuing. The following applies to the base prospectus (the “Base Prospectus”) following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of the Base Prospectus. In accessing the Base Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO.

THE PREFERRED SECURITIES DESCRIBED HEREIN HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR THE SECURITIES LAWS OF ANY STATE OF THE U.S. OR OTHER JURISDICTION AND THE PREFERRED SECURITIES DESCRIBED HEREIN MAY NOT BE OFFERED OR SOLD WITHIN THE U.S. OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE FOLLOWING BASE PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. PERSON OR TO ANY U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

**Confirmation of your Representation:** In order to be eligible to view the Base Prospectus or make an investment decision with respect to the Preferred Securities described herein, investors must not be a U.S. person (within the meaning of Regulation S under the Securities Act). The Base Prospectus is being sent at your request and by accepting the e-mail and accessing the Base Prospectus, you shall be deemed to have represented to UBS Limited and the Managers (as defined herein) that you are not a U.S. person, your stated electronic mail address to which this e-mail has been delivered is not located in the U.S. and that you consent to delivery of such Base Prospectus by electronic transmission.

You are reminded that the Base Prospectus has been delivered to you on the basis that you are a person into whose possession the Base Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver the Base Prospectus to any other person.

The materials relating to the issue of the Preferred Securities described herein do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the issue of the Preferred Securities described herein be made by a licensed broker or dealer and the underwriters or any affiliate of the underwriters is a licensed broker or dealer in that jurisdiction, the issue of the Preferred Securities described herein shall be deemed to be made by the underwriters or such affiliate on behalf of the Issuer in such jurisdiction.

Under no circumstances shall this Base Prospectus constitute an offer to sell, or the solicitation of an offer to buy, nor shall there be any sale of, the Preferred Securities in any jurisdiction in which such offer, solicitation or sale would be unlawful. This Base Prospectus may only be communicated to persons in the United Kingdom in circumstances where section 21(1) of the Financial Services and Markets Act 2000 does not apply to the Issuer or UBS AG.

The Base Prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently UBS Limited and the Managers do not, nor any person who controls them or any of their directors, officers, employees, agents or affiliates accept any liability or responsibility whatsoever in respect of any difference between the Base Prospectus distributed to you in electronic format and the hard copy version available to you on request from UBS Limited and the Managers.



**UBS CAPITAL SECURITIES (JERSEY) LTD.**

*(incorporated with limited liability in Jersey)*

**Euro Fixed/Floating Rate Guaranteed Non-voting Non-cumulative  
Perpetual Preferred Securities**

**having the benefit of a subordinated guarantee of**

**UBS AG**

*(incorporated with limited liability in Switzerland)*

This base prospectus (the "Base Prospectus") relates to the issue of Euro Fixed/Floating Rate Guaranteed Non-voting Non-cumulative Perpetual Preferred Securities (the "Preferred Securities") each with a liquidation preference of Euro 50,000 (the "Liquidation Preference") by UBS Capital Securities (Jersey) Ltd. (the "Issuer"). The final terms of the Preferred Securities will be determined in the future taking into account the prevailing market conditions and demand for the Preferred Securities and will be specified in a separate document (the "Final Terms"), a form of which is set out herein.

The Preferred Securities will accrue (subject as provided herein under "*Description of the Preferred Securities*" and see in particular "*Limitations on payment in respect of Distributions*" under "*Summary of the Offering*") non-cumulative preferential cash distributions from the Closing Date (as defined below). Distributions will be payable (subject as provided herein) (i) annually in arrear on the Distribution Payment Dates (as defined below) falling in June in each year, commencing on the Distribution Payment Date falling in June 2008 until (and including) the First Optional Redemption Date (as defined below) at the Fixed Rate specified in the Final Terms (provided that in respect of (a) the period from (and including) the Closing Date to (but excluding) the Distribution Payment Date falling in June 2008, and (b) the period from (and including) the Distribution Payment Date falling in June 2012 to (but excluding) the First Optional Redemption Date, there will be a short Distribution Period (as defined below) as specified in the Final Terms, and (ii) quarterly in arrear on the Distribution Payment Dates falling from (but excluding) the First Optional Redemption Date and for each Distribution Period thereafter at the Floating Rate specified in the Final Terms.

All obligations of the Issuer to make payments in respect of the Preferred Securities will be guaranteed on a limited and subordinated basis by UBS AG ("UBS") pursuant to a subordinated guarantee to be dated the Closing Date (the "Guarantee"), all as more fully described herein under "*Subordinated Guarantee*".

The Preferred Securities are perpetual securities and not subject to any mandatory redemption provisions. The Preferred Securities will be redeemable, however, on the First Optional Redemption Date or on any Distribution Payment Date thereafter, in whole, but not in part, subject to the Law (as defined below) and satisfaction of the Redemption Conditions, at the option of the Issuer at the Liquidation Preference, plus any Additional Amounts (each as defined herein), plus any accrued and unpaid Distributions for the then current Distribution Period to (but excluding) the redemption date. The Preferred Securities will also be redeemable at the option of the Issuer, subject to the Law and satisfaction of the Redemption Conditions, in whole but not in part, at any time following the occurrence of a Tax Event or a Regulatory Event (each as defined herein), as more fully described herein under "*Description of the Preferred Securities*". Under existing requirements of the Swiss Federal Banking Commission, neither the Issuer nor UBS may redeem or purchase any Preferred Securities unless the Swiss Federal Banking Commission has given its prior written consent.

In the event of the dissolution of the Issuer, Holders of Preferred Securities will be entitled to receive a liquidation preference in an amount which does not exceed the distributions that those Holders would have received in a dissolution of UBS if, at that time, they had held, instead of the Preferred Securities, non-cumulative preference shares issued directly by UBS, having the same liquidation preference and stated distribution rate as the Preferred Securities, subject as described herein under "*Description of the Preferred Securities*".

The Preferred Securities are expected to be assigned, on issue, ratings from Standard & Poor's Rating Services, a division of The McGraw Hill Companies, Inc. ("S&P"), Moody's Investors Services, Inc. ("Moody's") and Fitch Ratings Ltd. ("Fitch"), which will be specified in the Final Terms. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the relevant rating organisation.

*An investment in the Preferred Securities involves certain risks. For a discussion of these risks see "Risk Factors".*

Applications have been made (1) to the Irish Financial Services Regulatory Authority (the "IFSRA"), as competent authority under Directive 2003/71/EC (the "Prospectus Directive"), for this Base Prospectus to be approved as a base prospectus for the purposes of the Prospectus Directive and (2) to the Irish Stock Exchange Limited (the "Irish Stock Exchange") for the Preferred Securities to be admitted to the Official List of the Irish Stock Exchange and to trading on its regulated market.

The Preferred Securities will be represented by a single global certificate in registered form (the "Global Certificate"). The Global Certificate will be registered in the name of a nominee for, and deposited with, a common depository for Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking, *société anonyme*, Luxembourg ("Clearstream, Luxembourg") on or about the Closing Date. Individual definitive certificates evidencing holdings of Preferred Securities will only be available in certain limited circumstances. See "*Summary of Provisions relating to the Preferred Securities in Global Form*".

LEAD MANAGER

**UBS INVESTMENT BANK**

MANAGERS

**Banca Akros S.p.A.  
Barclays Capital  
Fortis Bank  
ING Wholesale Banking  
Merrill Lynch International  
Natixis  
Standard Chartered**

**Banc of America Securities Limited  
Deutsche Bank  
HSBC  
Lloyds TSB Corporate Markets  
Morgan Stanley  
Royal Bank of Canada  
The Royal Bank of Scotland**

**Wachovia Securities**

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## Important Notices

Each of the Issuer and UBS accepts responsibility for the information contained in this Base Prospectus and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Base Prospectus to the best of its knowledge is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Base Prospectus has been prepared on the basis that any offer of Preferred Securities in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “Relevant Member State”) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Preferred Securities. Accordingly, any person making or intending to make an offer in that Relevant Member State of Preferred Securities which are the subject of the offering contemplated in this Base Prospectus may only do so in circumstances in which no obligation arises for the Issuer, UBS or any of the Managers to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer, UBS nor the Managers have authorised, nor do they authorise, the making of any offer of Preferred Securities in circumstances in which an obligation arises for the Issuer, UBS or the Managers to publish or supplement a prospectus for such offer.

Each of the Issuer and UBS has confirmed to the Managers as defined under “*Subscription and Sale*” that (i) this Base Prospectus is true and accurate in all material respects and not misleading; (ii) there are no other facts in relation to the information contained or incorporated by reference in this Base Prospectus the omission of which would, in the context of the issue of the Preferred Securities, make any statement in the Base Prospectus misleading in any material respect; and (iii) all reasonable enquiries have been made to verify the foregoing. Each of the Issuer and UBS has further confirmed to the Managers that, in relation to the Preferred Securities, this Base Prospectus (together with the Final Terms) contains all such information as investors and their professional advisers would reasonably require, and reasonably expect to find, for the purpose of making an informed assessment of the assets and liabilities, profits and losses and financial position of the Issuer, the UBS Group (as defined below) and of the rights attaching to the Preferred Securities.

No person has been authorised to give any information or to make any representation not contained in this Base Prospectus and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, UBS or the Managers. Neither the delivery of this Base Prospectus nor any subscription, sale or purchase made in connection herewith shall, in any circumstances, create any implication that there has been no change in the affairs of the Issuer, UBS or the UBS Group since the date hereof.

Prospective investors should inform themselves as to the legal requirements and tax consequences within the countries of their residence and domicile for the acquisition, holding or disposal of Preferred Securities and any foreign exchange restrictions that might be relevant to them. This Base Prospectus does not constitute an offer of, or an invitation by or on behalf of, the Issuer, UBS or the Managers to subscribe for or purchase any of the Preferred Securities.

Prospective investors should satisfy themselves that they understand all of the risks associated with making investments in the Preferred Securities. If a prospective investor is in any doubt whatsoever as to the risks involved in investing in the Preferred Securities, he should consult his professional advisers.

The distribution of this Base Prospectus and the offering of the Preferred Securities in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus comes are required by the Issuer, UBS and the Managers to inform themselves about, and to observe, any such restrictions.

In particular, the Preferred Securities have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the “Securities Act”). Subject to certain exceptions, the Preferred Securities may not be offered, sold or delivered within the United States or to U.S. persons. A further description of certain restrictions on the offering and sale of the Preferred Securities and on the distribution of this Base Prospectus is given under “*Subscription and Sale*” below.

## Important Notices

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The Jersey Financial Services Commission (the “Commission”) has given and has not withdrawn its consent under Article 4 of the Control of Borrowing (Jersey) Order 1958 to the issue by the Issuer of the Preferred Securities. A copy of this Base Prospectus has been delivered to the Jersey Registrar of Companies in accordance with Article 5 of the Companies (General Provisions) (Jersey) Order 2002, and he has given, and has not withdrawn, his consent to its circulation.

It must be distinctly understood that in giving such consents, neither the Jersey Registrar of Companies nor the Jersey Financial Services Commission takes any responsibility for the financial soundness of the Issuer or for the correctness of any statements made, or opinions expressed, with regard to it. The Jersey Financial Services Commission is protected by the Borrowing (Control) (Jersey) Law 1947, as amended, against any liability arising from the discharge of its functions under that law.

An investment in the Preferred Securities is only suitable for financially sophisticated investors who are capable of evaluating the merits and risks of such investment and who have sufficient resources to be able to bear any losses which may result therefrom.

Unless otherwise specified or the context requires, references in this Base Prospectus to “USD” are to the currency of the United States of America, “CHF” are to the currency of Switzerland and “€” and “Euro” are to the currency introduced at the start of the third stage of European Economic and Monetary Union, pursuant to the Treaty establishing the European Community, as amended from time to time.

The language of this Base Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

IN CONNECTION WITH THE ISSUE OF THE PREFERRED SECURITIES, UBS LIMITED (THE “STABILISING MANAGER”) (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) MAY OVER ALLOT PREFERRED SECURITIES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE PRICE OF THE PREFERRED SECURITIES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISING MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE PREFERRED SECURITIES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE PREFERRED SECURITIES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE PREFERRED SECURITIES. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE STABILISING MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

## Summary of the Offering

*This summary must be read as an introduction to this Base Prospectus and any decision to invest in the Preferred Securities should be based on a consideration of the Base Prospectus as a whole, including the documents incorporated by reference.*

*Words and expressions defined in the “Description of the Preferred Securities” below or elsewhere in this Base Prospectus have the same meanings in this summary.*

Issuer:	UBS Capital Securities (Jersey) Ltd. is incorporated in Jersey with limited liability (the “Issuer”). The Issuer is a wholly-owned subsidiary of, and is fully controlled by, UBS AG (“UBS”).
Guarantor:	UBS AG is incorporated and domiciled in Switzerland.
Issue details:	Euro 1,000,000,000 Fixed/Floating Rate Guaranteed Non-voting Non-cumulative Perpetual Preferred Securities, each with a liquidation preference of Euro 50,000 (the “Liquidation Preference”).
Issue Price:	The Issue Price will be specified in the Final Terms.
Closing Date:	The Closing Date will be specified in the Final Terms.
Use of Proceeds:	The proceeds of the issue of the Preferred Securities are to be used by the Issuer outside Switzerland to subscribe for subordinated non-cumulative perpetual notes issued by UBS, acting through its Jersey branch, or any substitute or replacement notes or securities issued by any member of the UBS Group (the “Notes”) and will initially augment the regulatory capital base of UBS.
The Notes:	<p>The Notes contain terms and conditions which correspond to the provisions of the Preferred Securities. In particular, the Notes have an aggregate principal amount which equals the aggregate Liquidation Preference of the Preferred Securities, bear interest at a rate which is approximately the same as the rate paid as Distributions on the Preferred Securities and contain rights as to redemption which are substantially the same as those of the Preferred Securities.</p> <p>The rights of Holders are represented solely by the Guarantee and the Preferred Securities. Interests in, or details of, the Notes will not be delivered or otherwise made available to Holders.</p>
Ranking of the Preferred Securities:	<p>The Preferred Securities, together with the Guarantee, are intended to provide Holders, as nearly as possible, with rights in respect of Distributions and Liquidation Preference equivalent to those to which the Holders would be entitled if they held the most senior preference shares of UBS.</p> <p>Claims under the Preferred Securities in respect of any Liquidation Distributions rank <i>pari passu</i> with claims of the holders of all other preferred securities issued by the Issuer which rank <i>pari passu</i> with the Preferred Securities.</p>
Subordinated Guarantee:	<p>UBS has irrevocably guaranteed on a subordinated basis, and to the extent set out in the Guarantee, payments due on the Preferred Securities representing (i) Distributions, (ii) Liquidation Distributions, (iii) the Redemption Amount and (iv) Additional Amounts.</p> <p>The Guarantee ranks (a) junior to all liabilities of UBS including subordinated liabilities (in each case other than any liability of UBS which constitutes Tier 1 Securities or any liability which is referred to in (b) or (c) and any other liability expressed to rank <i>pari passu</i> with or junior to the obligations of UBS under the Guarantee), (b) <i>pari passu</i> with UBS Parity Securities (as defined below) issued by UBS and any guarantee or support agreement of UBS ranking <i>pari passu</i> with the</p>

## Summary of the Offering

	<p>obligations of UBS under the Guarantee and (c) senior to UBS Junior Obligations (as defined below).</p>
Distributions:	<p>The Issuer may in its sole discretion elect (unless a Mandatory Distribution Event (as defined below) has occurred in which case the Issuer will be obliged) to pay to Holders non-cumulative preferential cash distributions which accrue from the Closing Date and will, subject to the Law and to sub-clauses 2.8, 2.9 and 2.10 of the “<i>Description of the Preferred Securities</i>” below, be payable: (i) annually in arrear, subject to the following paragraph, on the Distribution Payment Dates falling in June in each year, commencing on the Distribution Payment Date falling in June 2008 until (and including) the First Optional Redemption Date (as specified in the Final Terms) at the Fixed Rate specified in the Final Terms and (ii) quarterly in arrear on the Distribution Payment Dates falling in July, October, January and April in each year, from (but excluding) the First Optional Redemption Date and for each Distribution Period thereafter at the Floating Rate specified in the Final Terms.</p> <p>In respect of the Fixed Rate Period, there will be short Distribution Periods for the periods: (i) from (and including) the Closing Date to (but excluding) the Distribution Payment Date falling in June 2008; and (ii) from (and including) the Distribution Payment Date falling in June 2012 to (but excluding) the First Optional Redemption Date (as specified in the Final Terms).</p>
Limitations on payments in respect of Distributions:	<p>Distributions on the Preferred Securities will be payable out of the Issuer’s own legally available resources on each Distribution Payment Date. Notwithstanding the existence of resources legally available for distribution by the Issuer, neither the Issuer nor UBS will pay any Distributions or make any payment in respect of Distributions (including any Additional Amounts) under the Preferred Securities or the Guarantee:</p> <ul style="list-style-type: none"><li>(a) if the Issuer, subject to the Issuer having given prior notice to the Holders, in its sole discretion has elected not to pay Distributions (in whole but not in part) which are otherwise scheduled to be paid on any Distribution Payment Date in a situation where a Mandatory Distribution Event has not occurred; or</li><li>(b) to the extent that such payment in respect of the Preferred Securities would breach or cause a breach of the Swiss Federal Banking Commission’s minimum capital adequacy requirements then applicable to UBS on a consolidated or unconsolidated basis (a “Capital Limitation”); or</li><li>(c) if the amount of the Distribution would exceed the amount of dividends that UBS would have been legally able to pay on such securities had they been issued directly by UBS as non-cumulative preference shares of UBS (a “Distributable Profits Limitation”). This Distributable Profits Limitation does not apply to Distributions due following the occurrence of a Mandatory Distribution Event.</li></ul>
Dividend Pusher:	<p>Subject to the Law and the limitations described in sub-clause 2.13.3 of the <i>Description of the Preferred Securities</i> and provided that the Capital Limitation does not apply on such Distribution Payment Date, the Issuer will be required to pay Distributions in full on its Preferred Securities on a Distribution Payment Date in two circumstances (each, a “Mandatory Distribution Event”), as follows:</p> <ul style="list-style-type: none"><li>(a) if UBS has within the six month period immediately preceding (but excluding) the relevant Distribution Payment Date either: (i) declared a dividend in respect of any UBS Junior Instruments at a general meeting of shareholders or (ii) paid dividends or made any</li></ul>

## Summary of the Offering

	<p>other payment or distribution in respect of UBS Junior Instruments; or</p> <p>(b) if UBS or any of its subsidiaries has within the six month period immediately preceding (but excluding) the relevant Distribution Payment Date redeemed, repurchased or otherwise acquired any UBS Parity Instruments or UBS Junior Instruments for any consideration, except by conversion into or exchange for UBS Junior Instruments.</p>
Withholding Tax and Additional Amounts:	<p>The Issuer (or UBS, pursuant to the Guarantee) will pay such additional amounts as may be necessary in order that the net payment received by each Holder in respect of the Preferred Securities or the Guarantee, as the case may be, after withholding for any taxes imposed by tax authorities in Jersey or Switzerland, as the case may be, upon payments made by or on behalf of the Issuer or UBS, as the case may be, will equal the amount which would have been received in the absence of any such withholding taxes.</p>
Optional Redemption:	<p>The Preferred Securities are perpetual securities and not subject to any mandatory redemption provisions. They will be, however, redeemable on the First Optional Redemption Date or on any Distribution Payment Date thereafter in whole, but not in part, at the option of the Issuer, subject to the Law and subject to satisfaction of the Redemption Conditions, at the Optional Redemption Price, being the Liquidation Preference per Preferred Security together with any due and accrued but unpaid Distributions calculated to (but excluding) the date of payment from (and including) the immediately preceding Distribution Payment Date and any relevant Additional Amounts.</p>
Tax Redemption:	<p>If at any time a Tax Event occurs and is continuing, the effect of which cannot be avoided by the Issuer or UBS taking reasonable measures available to it, the Preferred Securities will be redeemable in whole, but not in part, at the option of the Issuer, subject to the Law and to satisfaction of the Redemption Conditions. The redemption price for redemptions arising out of a Tax Event will be the Make Whole Redemption Amount, provided that in the case of a Tax Event resulting from a Change in Tax Law only, the redemption price will be the Optional Redemption Price.</p>
Regulatory Event Redemption:	<p>If at any time a Regulatory Event has occurred and is continuing, the Preferred Securities are redeemable at any time in whole, but not in part, at the option of the Issuer, subject to the Law and to satisfaction of the Redemption Conditions. The redemption price will be the Make Whole Redemption Amount.</p>
Rights upon Liquidation:	<p>In the event of the dissolution of the Issuer, Holders will be entitled to receive for each Preferred Security a Liquidation Distribution (being the Liquidation Preference, together with any due and accrued but unpaid Distributions calculated to (but excluding) the date of payment from (and including) the immediately preceding Distribution Payment Date or, if none, the Closing Date and any relevant Additional Amounts) out of the assets of the Issuer available for distribution under the Law.</p> <p>Notwithstanding the availability of sufficient assets of the Issuer to pay any Liquidation Distribution to Holders as aforesaid, if, at the time such Liquidation Distribution is to be paid, proceedings have been commenced for the voluntary or involuntary dissolution, liquidation or winding-up of UBS other than pursuant to a Permitted Reorganisation, the Liquidation Distribution payable per Preferred Security shall not exceed the amount per security that would have been paid as a liquidation distribution out of the assets of UBS had the Preferred Securities and all UBS Parity Securities been the most senior class of preference shares issued by UBS</p>

## Summary of the Offering

with equivalent rights of participation in the capital of UBS (whether or not UBS could in fact have issued such securities at such time) and ranked (a) junior to all liabilities of UBS including subordinated liabilities (in each case other than any liability of UBS which constitutes Tier 1 Securities or any liability which is referred to in (b) or (c) and any other liability expressed to rank *pari passu* with or junior to the Guarantee), (b) *pari passu* with UBS Parity Securities, if any, issued by UBS and any guarantee or support agreement of UBS ranking *pari passu* with the Guarantee and (c) senior to UBS Junior Obligations.

In the event of an order being made for the liquidation, dissolution or winding-up of UBS other than pursuant to a Permitted Reorganisation or a declaration being made that UBS is insolvent, the Issuer shall be dissolved and the amount per Preferred Security to which Holders will be entitled as a Liquidation Distribution will be as described above.

### Payments:

If, with the prior approval of the Swiss Federal Banking Commission (if then required), the Issuer is liquidated, dissolved or wound up in circumstances where proceedings have not been commenced for the liquidation, dissolution or winding-up of UBS, the Liquidation Distribution shall only be payable to the extent that UBS has Distributable Profits in an amount at least equal to the aggregate Liquidation Distribution.

### Voting Rights:

Holders of the Preferred Securities are not entitled to vote at any general meeting of shareholders of the Issuer. Holders of the Preferred Securities, together with the holders of any preferred securities, preference shares or other securities of the Issuer having the right to vote for the election of directors in such event, are entitled to elect two additional directors to the Issuer's board of directors in the event that Distributions and any Additional Amounts in respect of such Distributions have not been paid in full for one Distribution Payment Date (in the case of annual Distribution Payment Dates) and four consecutive Distribution Payment Dates (in the case of quarterly Distribution Payment Dates). Such directors must vacate their office if on any one Distribution Payment Date (in the case of annual Distribution Payment Dates) or four consecutive Distribution Payment Dates (in the case of quarterly Distribution Payment Dates), Distributions and any Additional Amounts in respect of such Distributions are paid in full by the Issuer.

### Substitution:

Subject to the Law, and to all other laws and regulations applying to the Issuer, and to the prior consent of the Swiss Federal Banking Commission, the Issuer may at any time cause the substitution of the Preferred Securities in whole, but not in part, for Qualifying Tier 1 Instruments (as defined below) without the requirement for approval for the Holders of the Preferred Securities provided that they shall have terms not materially less favourable to a Holder of the Preferred Securities.

### Form of the Preferred Securities:

The Preferred Securities are in registered form. The Global Certificate will be registered in the name of a nominee for, and deposited with, a common depositary for Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking, *société anonyme*, Luxembourg ("Clearstream, Luxembourg") on or about the Closing Date. Individual definitive certificates evidencing holdings of Preferred Securities will only be available in certain limited circumstances.

### Governing Law:

The Issuer is incorporated in Jersey and, accordingly, the Preferred Securities are governed by, and are construed in accordance with, Jersey law. However, determinations in respect of amounts of Available Distributable Profits are construed in accordance with Swiss law. The Guarantee is governed by, and construed in accordance with, Swiss law.

## Summary of the Offering

Listing:	Application has been made for the Preferred Securities to be admitted to the Official List of the Irish Stock Exchange and to trading on its regulated market.
Ratings:	The Preferred Securities are expected to be assigned, on issue, ratings from Moody's, S&P and Fitch, which will be specified in the Final Terms. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the relevant rating organisation.
Risk Factors:	There are certain factors that are material for the purpose of assessing the risks associated with investing in the Preferred Securities. These are set out under "Risk Factors" below and include the facts that the Issuer has no operating history, there is no established public market for the Preferred Securities and certain risks relating to the structure of the Preferred Securities.
Final Terms:	<p>The following information will, <i>inter alia</i>, be contained in the Final Terms:</p> <ul style="list-style-type: none"><li>● Aggregate principal amount of Preferred Securities;</li><li>● Issue Price;</li><li>● Distribution Payment Dates;</li><li>● Distribution Rates;</li><li>● Closing Date;</li><li>● First Optional Redemption Date;</li><li>● Net proceeds;</li><li>● Ratings;</li><li>● Combined management, underwriting and selling commission;</li><li>● Total estimated expenses (including the commission);</li><li>● ISIN;</li><li>● Common Code; and</li><li>● Other terms.</li></ul>

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## Information Incorporated by Reference

The following documents are incorporated in and taken to form part of this Base Prospectus:

- (a) UBS's Annual Report on Form 20-F for the years ended 31 December 2006 and 2007, which UBS filed with the United States' Securities Exchange Commission (the "SEC") on 21 March 2007 and 20 March 2008 respectively; and
- (b) UBS's submissions on Forms 6-K, which UBS filed with the SEC on 13 February 2007, 22 March 2007, 3 May 2007, 14 August 2007, 1 October 2007, 30 October 2007, 10 December 2007, 30 January 2008, 14 February 2008, 21 February 2008, 27 February 2008, 3 March 2008 and 1 April 2008.

These documents have been filed with the Irish Stock Exchange in accordance with the Prospectus Directive.

Any statement contained in this Base Prospectus or in a document incorporated or deemed incorporated by reference into this Base Prospectus will be deemed to be modified or superseded for the purposes of this Base Prospectus to the extent that a statement contained in any subsequent document modifies or supersedes that statement. Any statement that is modified or superseded in this manner will no longer be a part of this Base Prospectus, except as modified or superseded.

The Issuer has undertaken, in connection with the admission to trading of the Preferred Securities that if while the Preferred Securities are outstanding and admitted to trading on the Irish Stock Exchange's regulated market there shall occur any significant new factor which is not reflected in the Base Prospectus (or any supplements thereto or any of the documents incorporated by reference in the Base Prospectus) and/or there shall be any material mistake or inaccuracy relating to the information included in the Base Prospectus (or any supplements thereto or any of the documents incorporated by reference in the Base Prospectus), in each case which is capable of affecting the assessment of the Preferred Securities, the Issuer will prepare or procure the preparation of any amendment or supplement to this Base Prospectus or, as the case may be, publish a new Base Prospectus for use in connection with any subsequent offering by the Issuer of Preferred Securities to be admitted to trading on the Irish Stock Exchange's regulated market.

The reports filed with the SEC can be reviewed and copied at the SEC's office at 450 Fifth Street, N.W., Washington, D.C. 20549, U.S.A. Copies of those reports can be obtained from the Public Reference Section of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549, U.S.A. Reports filed with the SEC can also be accessed at <http://www.sec.gov> via the internet (the information contained on this website does not form part of this Base Prospectus).

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## Risk Factors

*Prospective investors should consider carefully the following information in conjunction with the other information contained in this Base Prospectus before investing in the Preferred Securities.*

### **Risks Associated with UBS's Financial Condition**

An investment in the Preferred Securities will have substantially the same economic risks as an investment in non-cumulative perpetual preference shares issued directly by UBS having the same liquidation preference and rate of distribution as the Preferred Securities. It is expected that the Issuer's sole source of funds to pay Distributions on the Preferred Securities will be payments which it receives under the Notes. The rights of Holders shall be represented solely by the Guarantee and the Preferred Securities, the terms of which provide that interests in the Notes will not be delivered or otherwise made available to Holders.

The Preferred Securities are guaranteed on a limited and subordinated basis by UBS pursuant to the terms of the Guarantee. Accordingly, if UBS's financial condition were to deteriorate, the Issuer and the Holders may suffer direct and materially adverse consequences, including non-payment of Distributions on the Preferred Securities or of payments under the Guarantee.

### **Distributions on the Preferred Securities are discretionary and subject to limitations**

Unless a Mandatory Distribution Event has occurred, the Issuer may, at its sole discretion, elect not to pay any Distribution on any Distribution Payment Date although payment of Distributions is subject to limitations following the occurrence of a Capital Limitation or a Distributable Profits Limitation.

### **Distributions not cumulative**

Distributions on the Preferred Securities are not cumulative. As set out in "*Description of the Preferred Securities*", Distributions on the Preferred Securities may be paid on each Distribution Payment Date out of interest received by the Issuer under the Notes and from other resources legally available, if any, unless: the Issuer in its sole discretion has elected not to pay Distributions otherwise scheduled to be paid on any Distribution Payment Date; UBS has insufficient Available Distributable Profits to enable the Issuer to pay Distributions on the Preferred Securities (and in respect of any UBS Parity Securities); or such payment would result in UBS on a consolidated or unconsolidated basis breaching Swiss Federal Banking Commission's minimum capital adequacy requirements. If Distributions on the Preferred Securities for any Distribution Period are not paid, the Holders will not be entitled to receive such Distributions (or any payment under the Guarantee in respect of such Distributions) whether or not funds are, or subsequently become, available.

### **Perpetual nature of the Preferred Securities**

The Preferred Securities have no fixed final redemption date and Holders have no rights to call for the redemption of the Preferred Securities. Although the Issuer may redeem the Preferred Securities in certain circumstances (including at its option on the First Optional Redemption Date or on any Distribution Payment Date thereafter or following the occurrence of a Tax Event or a Regulatory Event), there are limitations on its ability to do so. Therefore, Holders should be aware that they may be required to bear the financial risks of an investment in the Preferred Securities for an indefinite period of time.

### **Limited Operating History**

The Issuer is a recently established company with a limited operating history and revenues.

### **Subordination**

The obligations of UBS under the Guarantee will rank junior as to payments to all liabilities to creditors of UBS (including without limitation depositors, general creditors and subordinated debt holders) and claims of holders of senior ranking securities. In the event that UBS is wound-up, liquidated or dissolved, the assets of UBS would be available to pay obligations under the Guarantee only after all payments have been made on such senior liabilities and claims.

UBS Parity Securities will share equally in payment with the Guarantee if UBS does not have sufficient funds to make full payments on all of them. The entitlement of the Holders of Preferred Securities under the Guarantee in a liquidation of UBS will be substantially the same as, and no greater than, the claim such Holders would have been entitled to if they had purchased the most senior ranking non-cumulative

perpetual preferred shares that could be issued directly by UBS with financial terms equivalent to those of the Preferred Securities.

### **No limitation on future debt**

UBS is not prohibited from issuing, guaranteeing or otherwise incurring further debt ranking *pari passu* with, or senior to, its obligations under the Guarantee. The issue of any such securities may reduce the amount recoverable by Holders on a winding-up of the Issuer or UBS.

### **Absence of prior public markets**

Prior to the issue of the Preferred Securities, there will have been no public market for the Preferred Securities. Although application has been made for the Preferred Securities to be listed on the Irish Stock Exchange, there can be no assurance that an active public market for the Preferred Securities will develop and, if such a market were to develop, the Managers are under no obligation to maintain such a market. The liquidity of, and the market prices for, the Preferred Securities can be expected to vary with changes in market and economic conditions, the financial condition and prospects of UBS and other factors that generally influence the market prices of securities.

### **Because the Global Certificates are held by or on behalf of Euroclear and Clearstream, Luxembourg, investors will have to rely on their procedures for transfer, payment and communication with the Issuer and/or UBS.**

The Preferred Securities will be represented by the Global Certificate except in certain limited circumstances described in the Global Certificate. The Global Certificate will be registered in the name of a nominee for, and deposited with, a common depositary for Euroclear and Clearstream, Luxembourg. Individual Global Certificates evidencing holdings of Preferred Securities will only be available in certain limited circumstances. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Certificate. While the Preferred Securities are represented by the Global Certificate, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg.

The Issuer and UBS will discharge their payment obligations under the Preferred Securities by making payments to the common depositary for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in the Global Certificate must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the Preferred Securities. The Issuer and UBS have no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificate.

Holders of beneficial interests in the Global Certificate will not have a direct right to vote in respect of the Preferred Securities. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and Clearstream, Luxembourg to appoint appropriate proxies.

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## Description of the Preferred Securities

Set forth below is a summary of the terms and conditions of the Preferred Securities, subject to completion and amendment by the Final Terms, and a summary of certain provisions of the Issuer's Articles of Association (the "Articles"), as in effect on the date hereof insofar as such provisions relate to the rights and privileges of the Holders of the Preferred Securities.

The summaries set forth below contain all material information concerning the Preferred Securities but do not purport to be complete and are subject to, and qualified in their entirety by reference to, the Articles which, among other things, establish the rights, preferences, privileges, limitations and restrictions relating to the Preferred Securities. Copies of the Articles are available for inspection as described under "General Information".

### 1. DEFINITIONS AND INTERPRETATION

In this description of the Preferred Securities, except to the extent that the context otherwise requires:

"Actual/Actual (ISMA) Basis" means the actual number of days in the Distribution Period, divided by the number of days in the Distribution Period in which the relevant period falls (including the first such day but excluding the last day);

"Actual/360 Basis" means the actual number of days in the Distribution Period divided by 360;

"Additional Amounts" means the additional amounts which may be payable in respect of the Preferred Securities as described in Clause 5;

"Administrative Action" means any judicial decision, official administrative pronouncement, published or private ruling, regulatory procedure, notice or announcement (including any notice or announcement of intent to adopt such procedures or regulations) by any legislative body, court, governmental authority or regulatory body having appropriate jurisdiction;

"Agency Agreement" means the agency agreement dated the Closing Date relating to the Preferred Securities between, *inter alios*, UBS and the Paying and Transfer Agents;

"Available Distributable Profits" means, for any financial year of UBS:

- (a) if there are no UBS Parity Securities outstanding, Distributable Profits for the immediately preceding financial year of UBS; and
- (b) if there are UBS Parity Securities outstanding, then an amount determined as the product of:
  - (i) Distributable Profits for the immediately preceding financial year of UBS; and
  - (ii) a ratio (i) the numerator of which is the aggregate amount of full Distributions on the Preferred Securities to be paid on the Distribution Payment Dates that occur during the then current financial year (not including Distributions paid on any preceding Distribution Payment Date of the current year and including Distributions to be paid on the corresponding Distributions Payment Date of the following year) and (ii) the denominator of which is equal to the amount determined pursuant to (i) plus the aggregate amount of full dividends on the UBS Parity Securities to be paid on dividend payment dates which occur during the then current financial year;

"Business Day" means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in London, Switzerland and Jersey, and on which the TARGET System or any successor thereto, is operating;

"Change in Tax Law" means the receipt by UBS of an opinion of a nationally recognised law firm or other tax advisor (which may be an accounting firm) in Switzerland or Jersey, as appropriate, experienced in such matters to the effect that an event of the type described in clause (i), (ii) or (iii) of the definition of "Tax Event" has occurred or will occur as a result of (a) any amendment to, clarification of, or change (including any announced prospective change) in, the laws or treaties (or any regulations under any laws or treaties) of Switzerland or Jersey or any political subdivision, or taxing authority of or in Switzerland or Jersey affecting taxation or (b) any Administrative Action or any amendment to, clarification of, or change in the official position of or UBS interpretation of any Administrative Action or any interpretation or pronouncement that provides for a position with respect to any Administrative Action that differs from the previously generally

## Description of the Preferred Securities

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accepted position, in each case, by any legislative body, court, governmental authority or regulatory body, regardless of the manner in which such amendment, clarification, change, interpretation or pronouncement is made known, which amendment, clarification, change or Administrative Action is effective or which interpretation or pronouncement is announced on or after the date of issuance of the Preferred Securities;

“Clearstream, Luxembourg” means Clearstream Banking, *société anonyme*, Luxembourg or its successor;

“Closing Date” means the date specified as such in the Final Terms;

“Distributions” means the non-cumulative distributions in respect of the Preferred Securities as described under Clause 2;

“Distribution Determination Date” means, with respect to any Distribution Payment Date falling in the Floating Rate Period, the second TARGET Settlement Day before the first day of the relevant Distribution Period;

“Distribution Payment Date” means the dates specified as such in the Final Terms;

“Distribution Period” means the period from (and including) the Closing Date to (but excluding) the first Distribution Payment Date and each period thereafter from (and including) one Distribution Payment Date to (but excluding) the next following Distribution Payment Date;

“Distributable Profits” means, for any financial year of UBS, profit that may be distributed in accordance with Swiss law and regulation then applicable. Currently, for any financial year of UBS, distributable profits are equal to profit brought forward, plus profit for the period, minus appropriation to general statutory reserve, plus other reserves, each as shown in the audited unconsolidated balance sheet and statement of appropriation of retained earnings of UBS and as determined in accordance with accounting standards applicable under Swiss law. The “appropriation to general statutory reserve” is equal to up to 5 per cent. of annual profit to the extent the general reserves of UBS do not equal 20 per cent. of the paid-in share capital plus 10 per cent. of the amount distributed as a dividend from profit for the period in excess of 5 per cent. of the par value of the UBS common shares;

“Distribution Rate” means (i) the Fixed Rate specified in the Final Terms for the Distribution Periods from (and including) the Closing Date to (but excluding) the First Optional Redemption Date; and (ii) the Floating Rate specified in the Final Terms for Distribution Periods from (and including) the First Optional Redemption Date and thereafter;

“Euroclear” means Euroclear Bank SA/NV;

“First Optional Redemption Date” means the date specified as such in the Final Terms;

“Fixed Rate” means the rate specified as such in the Final Terms;

“Fixed Rate Period” means the period from (and including) the Closing Date to (but excluding) the First Optional Redemption Date as specified in the Final Terms;

“Floating Rate” means the sum of three-month EURIBOR and the Floating Rate Margin;

“Floating Rate Margin” means the margin specified as such in the Final Terms;

“Floating Rate Period” means the period from (and including) the First Optional Redemption Date as specified in the Final Terms to (but excluding) the date on which the Preferred Securities are redeemed;

“Guarantee” means the subordinated guarantee in respect of the Preferred Securities executed by UBS and dated the Closing Date;

“Holder” means, in respect of each Preferred Security, each person registered on the Register as the holder of such Preferred Security at the relevant time;

“Issuer” means UBS Capital Securities (Jersey) Ltd.;

“Jersey” means the Island of Jersey;

“Jersey Tax” means any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Jersey or by any authority therein or thereof having power to tax;

## Description of the Preferred Securities

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“Law” means the Companies (Jersey) Law 1991 as amended or restated from time to time;

“Liquidation Distribution” means the Liquidation Preference plus (a) any due and accrued but unpaid Distributions calculated from (and including) the immediately preceding Distribution Payment Date (or, if none, the Closing Date) to (but excluding) the date of payment, and (b) any Additional Amounts, in each case in cash only;

“Liquidation Preference” means the liquidation preference of Euro 50,000 per Preferred Security;

“Make Whole Amount” as applied to a redemption of the Preferred Securities means, in respect of each Preferred Security, (a) the Liquidation Preference of such Preferred Security or, if redemption occurs before the First Optional Redemption Date and this is higher, (b) the price, expressed as a percentage (rounded to four decimal places, 0.00005 being rounded upwards), at which the then current yield on the Preferred Security on the Reference Date (as defined below) (assuming for this purpose that the Preferred Securities are to be redeemed at their Liquidation Preference on the First Optional Redemption Date) is equal to the then current yield (determined by reference to the middle market price) at 11.00 a.m. (Frankfurt time) on the Reference Date of the Reference Bond plus the Make Whole Margin as specified in the Final Terms, all as determined by UBS;

“Make Whole Redemption Amount” has the meaning given in sub-clause 4.5;

“Mandatory Distribution Event” has the meaning given in sub-clause 2.13;

“Notes” means initially the Euro Non-cumulative Fixed/Floating Rate Undated Subordinated Notes issued by UBS, acting through its Jersey branch, and subscribed for by the Issuer, with the net proceeds of the issue of the Preferred Securities and any further notes of UBS, acting through its Jersey branch, of the same series issued after the Closing Date and ranking *pari passu* with the Notes, or any successor securities or notes issued or securities or notes substituted therefor (whether or not issued by UBS, or another member of the UBS Group) with the prior written consent of the Swiss Federal Banking Commission (if then required);

“Optional Redemption Date” means, in the case of an optional redemption pursuant to sub-clause 4.2, the First Optional Redemption Date or any Distribution Payment Date thereafter, as specified in the relevant notice of redemption;

“Optional Redemption Price” means the Liquidation Preference plus (a) any due and accrued but unpaid Distributions calculated from (and including) the immediately preceding Distribution Payment Date (or, if none, the Closing Date) to (but excluding) the relevant Optional Redemption Date or Tax Event Redemption Date, as the case may be and (b) any Additional Amounts payable;

“Paying and Transfer Agents” means HSBC Bank plc and such other entities as are appointed by the Issuer and notified to the Holders as described under Clause 8;

“Permitted Reorganisation” means a solvent reconstruction, amalgamation, reorganisation, merger or consolidation, with the prior approval of the Holders of not less than a simple majority of outstanding Preferred Securities, whereby all or substantially all the business, undertaking and assets of UBS are transferred to a successor entity, which assumes all the obligations under the Guarantee;

“Preferred Securities” means the Euro Fixed/Floating Rate Guaranteed Non-voting Non-cumulative Perpetual Preferred Securities outstanding each with a Liquidation Preference of Euro 50,000, including any further Preferred Securities of the Issuer of the same series issued after the Closing Date and ranking *pari passu* with the Preferred Securities then in issue, and “Preferred Security” shall be construed accordingly;

“Principal Paying and Transfer Agent” means HSBC Bank plc;

“Redemption Amount” means the Optional Redemption Price or the Make Whole Redemption Amount, as the case may be, payable in accordance with Clause 4;

“Redemption Conditions” means, with respect to any redemption, (i) that the consent of the Swiss Federal Banking Commission to the redemption, if then required, has been obtained and (ii) that UBS has Available Distributable Profits in an amount at least equal to the aggregate Redemption Amount;

“Reference Bond” has the meaning specified in the Final Terms;

“Reference Date” means the date which is three dealing days prior to the date fixed for redemption pursuant to sub-clauses 4.3 and 4.4 below;

## Description of the Preferred Securities

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“Register” means the register of Holders maintained at the Issuer’s registered office on behalf of the Issuer under the Law;

“Registrar” means UBS Trustees (Jersey) Limited or such other entity appointed by the Issuer having its office in Jersey and notified to the Holders as described under Clause 8;

“Regulatory Event” means a change in any applicable law or regulation, or in the official interpretation or application thereof, as a result of which for the purposes of the Swiss Federal Banking Commission’s minimum capital adequacy requirements applicable to banks in Switzerland, at that time the Preferred Securities cannot be included in calculating the Tier 1 Capital of UBS;

“Regulatory Event Redemption Date” means the date designated for optional redemption of the Preferred Securities as described under sub-clause 4.4;

“Relevant Proportion” means in relation to any partial payment of any Liquidation Distribution on a Preferred Security, the total amount available for any such payment and for making any corresponding payment of a liquidation distribution on any UBS Parity Securities divided by the sum of (i) the full Liquidation Distributions before any reduction or abatement in respect of the Preferred Securities and (ii) the amount of the full Liquidation Distribution before any reduction or abatement in respect of any UBS Parity Securities, converted where necessary into the same currency in which liquidation payments are made to creditors of UBS;

“Stock Exchange” means the Irish Stock Exchange Limited or such other stock exchange on which the Preferred Securities may be listed from time to time;

“Subsidiary” means any entity which is for the time being a subsidiary undertaking of UBS and where UBS controls the majority of the voting rights of such subsidiary undertaking;

“TARGET Settlement Day” means a day on which the TARGET System is open;

“TARGET System” means the Trans-European Automated Real-time Gross settlement Express Transfer (TARGET or TARGET2) system;

“Tax Event” means, with respect to the Issuer, the receipt by UBS of an opinion of a nationally recognised law firm or other tax advisor (which may be an accounting firm) in Switzerland or Jersey, as appropriate, experienced in such matters to the effect that there is more than an insubstantial risk that (i) the Issuer is or will be subject to more than a *de minimis* amount of additional taxes, duties or other governmental charges, (ii) UBS is or will be required to pay any additional amounts in respect of any taxes, duties or other governmental charges with respect to payments of interest or principal on the Notes (except where the Tax Event arises directly as a result of the replacement or substitution of the initial securities constituting the Notes with any other form of security), (iii) the Issuer is or will be required to pay any additional amounts in respect of any taxes, duties or other governmental charges with respect to distributions on the Preferred Securities, or (iv) the treatment of the Issuer’s items of income, gain, loss, deduction or expense, or the treatment of any item of income, gain, loss, deduction or expense of UBS related to the Notes or its ownership of the Issuer, in each case as reflected on the tax returns (including estimated returns) filed (or to be filed) by the Issuer or UBS, will not be respected by a taxing authority, as a result of which the Issuer or UBS is or will be subject to more than a *de minimis* amount of additional taxes, duties or other governmental charges or civil liabilities, the effect of which cannot be avoided by the Issuer or UBS taking reasonable measures available to it without any adverse effect on or material cost to UBS or the Issuer (as determined by UBS in its sole discretion);

“Tax Event Redemption Date” means the date designated for optional redemption of the Preferred Securities as described under sub-clause 4.3;

“Tier 1 Capital” means Core Capital which has the meaning ascribed to it under Swiss banking laws and the Swiss Federal Banking Commission’s regulatory capital adequacy regulations or any successor requirements replacing these;

“Tier 1 Securities” means any obligation of UBS or, as the case may be, a Subsidiary or other entity which is, or is capable of being, treated as Tier 1 Capital of UBS on a consolidated or unconsolidated basis;

“UBS” means UBS AG and its successors and assigns;

“UBS Group” means UBS together with the Subsidiaries;

## Description of the Preferred Securities

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“UBS Junior Instruments” means (i) ordinary shares of UBS, (ii) participation certificates of UBS, if any, and (iii) any class of preference shares, or any preferred securities or similar securities (that rank *pari passu* with preference shares), directly issued by UBS and treated as paid-in capital, pursuant to Swiss banking laws and regulations;

“UBS Parity Instruments” means any securities, obligations and other instruments which are (i) directly issued by UBS (excluding UBS Junior Instruments), or (ii) issued by any subsidiaries of UBS (and entitled to the benefit of a guarantee or support agreement or similar undertaking of UBS that ranks equally with the Guarantee), and in each case qualify as Tier 1 Capital of UBS (without regards to quantitative limits), pursuant to Swiss banking laws and regulations;

“UBS Junior Obligations” means (i) ordinary shares of UBS, (ii) each class of preferred or preference shares or similar securities of UBS that ranks junior to the most senior ranking preferred or preference shares or similar securities of UBS, and (iii) any indebtedness, guarantee or support agreement or similar undertaking of UBS in respect of any subsidiary securities that rank junior to the Guarantee; and

“UBS Parity Securities” means (i) each class of preferred or preference shares or similar securities of UBS that ranks equally with the most senior ranking preferred or preference shares or similar securities of UBS and (ii) any guarantee or support agreement or similar undertaking of UBS that ranks equally with the Guarantee, and provided in respect of any securities issued by any subsidiaries of UBS.

In this description of the Preferred Securities any reference to a particular time shall, unless otherwise specified, be to that time in Jersey.

## 2. DISTRIBUTIONS

### 2.1 Distribution Payment Dates

- (a) Subject as provided by the Law and in sub-clauses 2.8, 2.9 and 2.10, non-cumulative preferential cash distributions (“Distributions”) on the Preferred Securities will accrue from the Closing Date (or, in the case of any further Preferred Securities of the same series issued so as to rank *pari passu* with the Preferred Securities as regards participation in the profits and assets of the Issuer, their respective dates of issue or as otherwise provided). The Issuer may in its sole discretion elect (unless a Mandatory Distribution Event has occurred, in which case the Issuer shall be obliged) to pay Holders the Distributions (i) annually in arrear, subject to sub-clause (b) below, on the Distribution Payment Dates falling in June in each year, commencing on the Distribution Payment Date falling in June 2008 until (and including) the First Optional Redemption Date; and (ii) quarterly in arrear on the Distribution Payment Dates falling from (but excluding) the First Optional Redemption Date and for each Distribution Period thereafter.
- (b) In respect of the Fixed Rate Period (as defined below), there will be short Distribution Periods for the periods: (i) from (and including) the Closing Date to (but excluding) the Distribution Payment Date falling in June 2008; and (ii) from (and including) the Distribution Payment Date falling in June 2012 to (but excluding) the First Optional Redemption Date.

### 2.2 Distribution Rate — Fixed Rate Period

The rate of Distribution during the Fixed Rate Period shall be the Fixed Rate specified in the Final Terms (calculated on an Actual/Actual (ISMA) Basis). The Distribution payable, in each case subject to sub-clauses 2.8, 2.9 and 2.10, in relation to each Distribution Period during the Fixed Rate Period, including both short Distribution Period described in sub-clause 2.1(b), will be as specified in the Final Terms.

### 2.3 Distribution Rate — Floating Rate Period

The rate of Distribution during the Floating Rate Period shall be the Floating Rate, which shall be the sum of three-month EURIBOR and the Floating Rate Margin as specified in the Final Terms (calculated on an Actual/360 Basis).

- 2.4 For the purposes of calculating this, “three-month EURIBOR” means the rate for deposits in Euro for a period of three months which appears on the Reuters Screen EURIBOR01 (or such other page as may replace that page on that service, or such other service as may be nominated as the information vendor, for the purpose of displaying comparable rates) as of 11:00 a.m. (Brussels time) on the Distribution Determination Date.

## Description of the Preferred Securities

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2.5 If such rate does not appear on that page on the Distribution Determination Date, the Principal Paying and Transfer Agent will:

- (a) request the principal Eurozone office of each of four major banks in the Eurozone interbank market to provide a quotation of the rate at which deposits in Euro are offered by it at approximately 11.00 a.m. (Brussels time) on the Distribution Determination Date to prime banks in the Eurozone interbank market for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time; and
- (b) determine the arithmetic mean (rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, 0.000005 being rounded upwards) of such quotations; and
- (c) if fewer than two such quotations are provided as requested, the Principal Paying and Transfer Agent will determine the arithmetic mean (rounded, if necessary, as aforesaid) of the rates quoted by major banks in the Eurozone, selected by the Principal Paying and Transfer Agent, at approximately 11.00 a.m. (Brussels time) on the first day of the relevant Distribution Period for loans in Euro to leading European banks for a period equal to the relevant Distribution Period and in an amount that is representative for a single transaction in that market at that time,

provided, however, that if the Principal Paying and Transfer Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Distribution Period, the rate of Distribution applicable to the Preferred Securities during such Distribution Period will be the sum of Floating Rate Margin specified in the Final Terms and the rate or (as the case may be) arithmetic mean last determined in relation to the Preferred Securities in respect of a preceding Distribution Period.

2.6 The Principal Paying and Transfer Agent shall, as soon as practicable after 11.00 a.m. (Brussels time) on the day which is two TARGET Settlement Days prior to the first day of each Distribution Period, calculate the Distribution payable on the relevant Distribution Payment Date on each Preferred Security for the relevant Distribution Period.

2.7 The Principal Paying and Transfer Agent will cause the amount of the Distribution to be notified to the Issuer and the Irish Stock Exchange as soon as possible after determination thereof, but in no event later than the first day of the relevant Distribution Period. Notice will also be provided to the Holders in accordance with Clause 8 below.

2.8 Distributions on the Preferred Securities will be payable at the sole discretion of the Issuer (unless a Distribution is to be made following a Mandatory Distribution Event) out of the Issuer's own legally available resources on each Distribution Payment Date. Distributions on the Preferred Securities will not be cumulative. If the Issuer in its sole discretion, subject to the Issuer having given prior notice to the Holders in accordance with Clause 8, has elected not to pay Distributions on the Preferred Securities in a situation where a Mandatory Distribution Event has not occurred, the Holders of the Preferred Securities will have no claim in respect of such non-payment.

2.9 Notwithstanding the existence of resources legally available for distribution by the Issuer and/or the occurrence of a Mandatory Distribution Event, neither the Issuer nor UBS will pay any Distributions or make any payment in respect of Distributions (including any Additional Amounts) under the Preferred Securities or the Guarantee to the extent that such payment in respect of the Preferred Securities would breach or cause a breach of the Swiss Federal Banking Commission's minimum capital adequacy requirements then applicable to UBS on a consolidated or unconsolidated basis (a "Capital Limitation").

2.10 Subject to 2.9 above and unless the Distribution is to be made following a Mandatory Distribution Event (as defined below), neither the Issuer nor UBS will pay any Distributions or make any payment in respect of Distributions (including any Additional Amounts) under the Preferred Securities or the Guarantee on or in respect of a Distribution Payment Date if the amount of the payment, together with the amount of any distributions or dividends paid or scheduled to be paid to holders of UBS Parity Securities on such date, would exceed the amount of dividends that UBS would have been legally able to pay on the Preferred Securities had they been issued directly by UBS as non-cumulative preference shares of UBS with exactly the same payment terms as the Preferred Securities (a "Distributable Profits Limitation"). To this end, on or before the first Distribution Payment Date of each year, UBS will deliver a certificate to the Issuer (a "Distributable Profits Limitation Certificate") specifying:

- (a) the Distributable Profits of UBS for the financial year ending on the preceding 31 December; and

## Description of the Preferred Securities

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- (b) the Available Distributable Profits (as defined above) for payment of Distributions on the Preferred Securities on each of the Distribution Payment Dates in the then current year.

Unless the Issuer is required to pay a Distribution due to a Mandatory Distribution Event having occurred: (i) the aggregate amount of Distributions on the Preferred Securities that the Issuer may pay on the first Distribution Payment Date of the then current year may not exceed the lesser of the full aggregate amount of Distributions payable on such Distribution Payment Date and the Available Distributable Profits set forth in such Distributable Profits Limitation Certificate, and (ii) the aggregate amount of Distributions on the Preferred Securities that the Issuer may pay on any subsequent Distribution Payment Dates in the then current year may not exceed the lesser of the full aggregate amount of Distributions payable on each such subsequent Distribution Payment Dates and the remaining amount of such Available Distributable Profits (after giving effect to the payment of Distributions pursuant to this (ii) or (i) immediately above).

2.11 On each Distribution Determination Date, the Issuer will determine whether sufficient Available Distributable Profits exist to allow a payment of the relevant Distribution. In the event that any Distribution cannot be paid, the Issuer will notify or procure notification to the Stock Exchange, the Registrar and the Paying and Transfer Agents and to Holders, in accordance with Clause 8, that no Distribution will be made.

2.12 Save as described above, Holders will have no right to participate in the profits of the Issuer or UBS and in particular will have no rights to receive from the Issuer amounts paid under the Notes or otherwise amounts in excess of Distributions due and payable under the Preferred Securities. In the event that any amounts received by the Issuer exceed the amount (if any) then due by way of Distribution under the Preferred Securities, the amount of such excess will be paid to UBS and Holders will have no rights in respect thereof.

2.13 Subject to sub-clause 2.13.3 and the Law, and provided that the Capital Limitation does not apply on such Distribution Payment Date, the Issuer will be required to pay Distributions in full on its Preferred Securities on a Distribution Payment Date in two circumstances (as set out below under sub-clauses 2.13.1 and 2.13.2, each a "Mandatory Distribution Event"), as follows:

2.13.1 if UBS has within the six month period immediately preceding (but excluding) the relevant Distribution Payment Date either: (i) declared a dividend in respect of any UBS Junior Instruments at a general meeting of shareholders or (ii) paid dividends or made any other payment or distribution in respect of UBS Junior Instruments; or

2.13.2 if UBS or any of its subsidiaries has within the six month period immediately preceding (but excluding) the relevant Distribution Payment Date redeemed, repurchased or otherwise acquired any UBS Parity Instruments or UBS Junior Instruments for any consideration, except by conversion into or exchange for UBS Junior Instruments.

2.13.3 Notwithstanding paragraph 2.13.2, the Issuer will not be required to pay Distributions solely as a result of:

- (a) repurchases, redemptions or other acquisitions of UBS Parity Instruments or UBS Junior Instruments in connection with any employment contract, benefit plan or other similar arrangement with or for the benefit of any one or more employees, officers, directors or consultants, in connection with a dividend reinvestment or shareholder share purchase plan or in connection with the issuance of UBS Parity Instruments or UBS Junior Instruments (or securities convertible into or exercisable for such UBS Parity Securities or UBS Junior Instruments) as consideration in an acquisition transaction;
- (b) market-making in the UBS Parity Instruments or UBS Junior Instruments as part of the securities business of UBS or any of its subsidiaries;
- (c) the purchase of fractional interests in UBS Parity Instruments or UBS Junior Instruments pursuant to the conversion or exchange provisions of such UBS Parity Instruments or UBS Junior Instruments or the security being converted or exchanged;
- (d) any declaration of a dividend in connection with any shareholder's rights plan, or the issuance of rights, shares or other property under any shareholder's rights plan, or the redemption or repurchase of rights pursuant to any such plan; or

- (e) any dividend in the form of shares, warrants, options or other rights where the dividend shares or the shares issuable upon exercise of such warrants, options or other rights are the same shares as that on which the dividend is being paid or ranks equally with or junior to such shares.

2.14 Any Distribution Payment Date or other date on which Distributions on the Preferred Securities are required to be paid as described in sub-clauses 2.13.1 and 2.13.2 above is a “Mandatory Distribution Payment Date”. The amount of Distributions required to be paid on any Mandatory Distribution Payment Date (after giving effect to the Capital Limitation, if applicable) is called the “Mandatory Distribution Payment Amount”. If a Distribution Payment Date or other date is a Mandatory Distribution Payment Date, the Issuer will be required to pay the Mandatory Distribution Payment Amount as a Distribution on that date whether or not there are Available Distributable Profits and whether or not interest is paid on the Notes.

### 3. LIQUIDATION DISTRIBUTIONS

3.1 In the event of the commencement of any dissolution of the Issuer, the Holders will be entitled, subject as set out in sub-clause 3.4, to receive the Liquidation Distribution, in respect of each Preferred Security held, out of the assets of the Issuer available for distribution to such Holders under the Law.

Notwithstanding the availability of sufficient assets of the Issuer to pay any Liquidation Distribution to the Holders, if, at the time such Liquidation Distribution is to be paid, proceedings have been commenced for the voluntary or involuntary liquidation, dissolution or winding-up of UBS other than pursuant to a Permitted Reorganisation, the Liquidation Distribution per Preferred Security paid to Holders thereof shall not exceed the amount per security that would have been paid as a liquidation distribution out of the assets of UBS had the Preferred Securities and all UBS Parity Securities been the most senior class of preference shares in UBS with equivalent rights of participation in the capital of UBS (whether or not UBS could in fact have issued such securities at such time) and ranked (a) junior to all liabilities of UBS including subordinated liabilities (in each case other than any liability of UBS which constitutes Tier 1 Securities or any liability which is referred to in (b) or (c) and any other liability expressed to rank *pari passu* with or junior to the obligations of UBS under the Guarantee), (b) *pari passu* with UBS Parity Securities, if any, issued by UBS and any guarantee or support agreement of UBS ranking *pari passu* with the obligations of UBS under the Guarantee and (c) senior to UBS Junior Obligations.

3.2 If the Liquidation Distribution and any other such liquidation distributions cannot be made in full by reason of the limitation described in sub-clause 3.1 or any equivalent article or term of a UBS Parity Security, but there are funds available for payment so as to allow payment of part of the Liquidation Distribution, then each Holder will be entitled to receive the Relevant Proportion of the Liquidation Distribution.

3.3 In the event of an order being made for the liquidation, dissolution, or winding-up of UBS other than pursuant to a Permitted Reorganisation or UBS is declared insolvent, the Issuer shall be dissolved or the Holders may be entitled to petition for the winding-up or dissolution of the Issuer and the amount per Preferred Security to which Holders shall be entitled as a Liquidation Distribution will be as set out in sub-clauses 3.1 and 3.2.

3.4 Subject to the Law, other than in the event referred to in sub-clause 3.3, unless (i) the Swiss Federal Banking Commission has given its approval, if then required, and (ii) UBS has Available Distributable Profits in an amount at least equal to the aggregate Liquidation Distribution, UBS will not permit, or take any action that would or might cause, the liquidation or dissolution of the Issuer. Notwithstanding the foregoing restriction imposed on UBS, if for any other reason the Issuer is liquidated, dissolved or wound up in circumstances where proceedings have not been commenced for the liquidation, dissolution or winding-up of UBS, the Liquidation Distribution shall only be payable to the extent that (ii) above applies. No Holder shall have any claim (whether against the Issuer or UBS) in respect of any Liquidation Distribution or part thereof not paid when it would, but for the operation of this sub-clause 3.4, otherwise have become due.

### 4. REDEMPTION AND PURCHASE

4.1 The Preferred Securities have no fixed final redemption date and Holders have no rights to call for the redemption of the Preferred Securities.

## Description of the Preferred Securities

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- 4.2 The Preferred Securities are redeemable, at the option of the Issuer, subject to the satisfaction of the Redemption Conditions and the Law, in whole, but not in part, on any Optional Redemption Date upon not less than 30 nor more than 60 days' notice to the Holders specifying the Optional Redemption Date (which notice shall be irrevocable). Upon the expiry of such notice, the Issuer shall be bound to redeem each of the Preferred Securities accordingly by payment of an amount equal to the Optional Redemption Price.
- 4.3 If at any time a Tax Event has occurred and is continuing, the effect of which cannot be avoided by the Issuer or UBS taking reasonable measures available to it, then the Preferred Securities may be redeemed, in whole but not in part, at the option of the Issuer, subject to the satisfaction of the Redemption Conditions and to the Law, at any time upon not less than 30 nor more than 60 days' notice to the Holders specifying the Tax Event Redemption Date (which notice shall be irrevocable). Prior to the publication of any notice of redemption pursuant to the foregoing, the Issuer shall deliver to the Registrar a certificate signed by two directors of the Issuer stating that the Issuer is entitled to effect such redemption and an opinion of counsel to the Issuer experienced in such matters to the effect that a Tax Event has occurred (and specifying which of clauses (i) to (iv) as set out in the definition of "Tax Event" is applicable). Upon the expiry of such notice, the Issuer shall be bound to redeem each of the Preferred Securities accordingly in accordance with, and subject to, the Law. The redemption price for redemptions arising out of a Tax Event will be the Make Whole Redemption Amount as defined in sub-clause 4.5 below, *provided that* in the case of a Tax Event resulting from a Change in Tax Law only, the redemption price will be the Optional Redemption Price.
- 4.4 If at any time a Regulatory Event has occurred and is continuing the Preferred Securities may be redeemed, in whole but not in part, at the option of the Issuer, subject to the satisfaction of the Redemption Conditions and to the Law, at any time upon not less than 30 nor more than 60 days' notice to the Holders specifying the Regulatory Event Redemption Date (which notice shall be irrevocable). Prior to the publication of any notice of redemption pursuant to the foregoing, the Issuer shall deliver to the Registrar a certificate signed by two directors of the Issuer stating that the Issuer is entitled to effect such redemption and an opinion of counsel to the Issuer experienced in such matters to the effect that a Regulatory Event has occurred. Upon the expiry of such notice, the Issuer shall be bound to redeem each of the Preferred Securities accordingly in accordance with, and subject to, the Law. The redemption price for a redemption arising out of a Regulatory Event will be the Make Whole Amount as defined in sub clause 4.5 below.
- 4.5 The redemption price for redemptions arising out of a Tax Event (other than a Tax Event resulting from a Change in Tax Law) or a Regulatory Event will be an amount calculated as follows (the "Make Whole Redemption Amount"):
- (a) the Make Whole Amount, plus
  - (b) an amount equal to any due but unpaid Distributions, if any, on the Preferred Securities with respect to the current Distribution Period accrued on a daily basis to the date fixed for redemption, plus
  - (c) any Additional Amounts payable.
- 4.6 Under existing Swiss Federal Banking Commission requirements, neither the Issuer nor UBS may redeem or purchase any Preferred Securities unless the Swiss Federal Banking Commission has given its prior written consent. The Swiss Federal Banking Commission may impose conditions on any such redemption or purchase.
- 4.7 In each year in which a repurchase is made, the aggregate nominal amount of the Preferred Securities repurchased shall be announced in accordance with the rules of the Irish Stock Exchange with mention of remaining Preferred Securities.

## 5. ADDITIONAL AMOUNTS

All payments in respect of the Preferred Securities by the Issuer will be made without withholding or deduction for, or on account of, any Jersey Tax, unless the withholding or deduction of such Jersey Tax is required by law. In the event of such withholding or deduction, each Holder will be entitled to receive, as further distributions, such additional amounts ("Additional Amounts") as may be necessary in order that the net amounts received by the Holders after such withholding or deduction shall equal the amounts which would have been receivable in respect of the Preferred Securities in the absence of such withholding or deduction; except that no such Additional Amounts will be payable to a Holder (or to a third party on his

behalf) with respect to any Preferred Security (i) to the extent that such Jersey Tax is imposed or levied by virtue of such Holder (or the beneficial owner) of such Preferred Security having some connection with Jersey, other than merely being a Holder (or beneficial owner) of such Preferred Security or (ii) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive including, without limitation, the agreement between the European Community and Switzerland on the taxation of savings income of 26 October 2004 and any act, ordinance or guidance relating thereto or any agreement between the European Community and any country other than Switzerland and any act, ordinance or guidance relating thereto or (iii) who would have been able to avoid such withholding or deduction by presenting the Preferred Securities to another Paying and Transfer Agent in a Member State of the European Union, and except that the Issuer's obligations to make any such payments are subject to the Law and to the limitations provided in sub-clauses 2.8, 2.9, 2.10, 3.1 and 3.4.

### 6. PAYMENTS

6.1 Distributions will be payable, subject to sub-clauses 2.8, 2.9 and 2.10 on the relevant Distribution Payment Date (or where any Distribution Payment Date is not a Business Day on the next Business Day (without interest in respect of such delay)) to the Holders of record as they appear on the Register on the relevant record date, which will be five Business Days prior to the relevant Distribution Payment Date.

If the Issuer gives a notice of redemption pursuant to sub-clause 4.2, 4.3 or 4.4 in respect of the Preferred Securities, then, by 15.00 hours on the Optional Redemption Date, the Tax Event Redemption Date or the Regulatory Event Redemption Date, as the case may be, the Issuer shall procure that the Redemption Amount will be paid by the Registrar or by the Paying and Transfer Agent on behalf of the Issuer to the Holders. Upon such payment, all rights of Holders to participate in the assets of the Issuer or to be returned any amount in respect of the Preferred Securities will be extinguished provided its holding of Preferred Securities is redeemed in accordance with the foregoing.

6.2 Subject to all applicable fiscal or other laws and regulations:

6.2.1 each payment in respect of Distributions will be made by cheque and mailed to the Holder of record at such Holder's address as it appears on the Register on the relevant record date for the Preferred Securities; and

6.2.2 any payment in respect of a Redemption Amount or the Liquidation Distribution in respect of any Preferred Security will be made by cheque against presentation and surrender of the relevant certificate of entitlement at the office of the Registrar or a Paying and Transfer Agent, provided, however, that a Holder may receive such payment by direct transfer if appropriate direct transfer instructions have been received by the Registrar in sufficient time prior to the relevant date of payment. Holders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due if the due date is not a Business Day, if the Holder is late in surrendering certificates (if required to do so) or if a cheque mailed in accordance with this Clause arrives after the due date for payment.

In the event that payment of any Redemption Amount in respect of any Preferred Security is improperly withheld or refused and not paid by the Issuer, Distributions on such Preferred Security, subject as described in sub-clause 2.9, will continue to accrue, on an Actual/Actual (ISMA) Basis (if the payment is due in the Fixed Rate Period) or on an Actual/360 Basis (if the payment is due in the Floating Rate Period), from the Optional Redemption Date, Tax Event Redemption Date or Regulatory Event Redemption Date, as the case may be, to the date of actual payment of such Redemption Amount.

6.3 The Issuer will not make any payment to Holders, or procure such a payment in respect of the Preferred Securities, that could not lawfully have been made if Holders had held the most senior preference shares of UBS (if any and whether or not UBS could issue such preference shares at such time) instead of the Preferred Securities.

6.4 The Issuer will maintain, at all times whilst the Preferred Securities are outstanding (a) a Registrar having its office in Jersey and (b) a Paying and Transfer Agent having a specified office in a European Union Member State (if any) that will not be obliged to withhold or deduct tax pursuant to European Council

Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive.

### **7. VOTING RIGHTS**

- 7.1 Except as described below, Holders will not be entitled to receive notice of or attend or vote at any general meeting of shareholders of the Issuer or participate in the management of the Issuer.
- 7.2 If on any Distribution Payment dates (in the case of annual Distribution Payment Dates) and four consecutive Distribution Payment Dates (in the case of quarterly Distribution Payment Dates):
- 7.2.1 Distributions and any Additional Amounts in respect of such Distributions have not been paid in full on the Preferred Securities by the Issuer; and/or
- 7.2.2 UBS breaches any of its payment obligations under the Guarantee in respect of such Distributions or any such Additional Amounts thereon, then the Holders, together with the holders of any other outstanding preferred securities, preference shares or other Tier 1 Securities of the Issuer having the right to vote for the election of directors in such event, acting as a single class without regard to series, will be entitled, by written notice to the Issuer given by the holders of a majority in liquidation preference of such shares or securities or by ordinary resolution passed by the holders of a majority in liquidation preference of such shares or securities present in person or by proxy at a separate general meeting of such holders convened for the purpose, to appoint two additional members of the board of directors who, whether because of their individual residency status or otherwise, do not adversely affect the Issuer's regulatory or taxation position or status.

Not later than 30 days after such entitlement arises, if the written notice of the holders of any other outstanding preferred securities, preference shares or other Tier 1 Securities of the Issuer having the right to vote for the election of directors in the circumstances described above has not been given as provided for above, the board of directors will convene a separate general meeting for the above purpose. If the board of directors fails to convene such meeting within such 30-day period, the holders of 10 per cent. in liquidation preference of the Preferred Securities and such other outstanding preferred securities, preference shares or other Tier 1 Securities will be entitled to convene such meeting. The provisions of the Articles of Association of the Issuer concerning the convening and conduct of general meetings of shareholders will apply with respect to any such separate general meeting.

Any member of the board of directors so appointed shall vacate office, subject to the terms of such other outstanding preferred securities, preference shares or other Tier 1 Securities, if on any one Distribution Payment Date (in the case of annual Distribution Payment Dates) and four consecutive Distribution Payment Dates (in the case of quarterly Distribution Payment Dates), Distributions and any Additional Amounts in respect of such Distributions have been paid in full on the Preferred Securities by the Issuer and/or UBS has made payment of all amounts in respect of such Distributions and any Additional Amounts in respect thereof (or an amount equivalent to the Distributions to be paid in respect of the next one or four Distribution Periods (as the case may be) has been paid or irrevocably set aside in a separately designated trust account for payment to the Holders).

The Issuer will cause a notice of any meeting at which Holders are entitled to vote to be mailed to each Holder. Each such notice will include a statement setting forth (i) the date, time and place of such meeting, (ii) a description of any resolution to be proposed for adoption at such meeting on which such Holders are entitled to vote and (iii) instructions for the delivery of proxies.

### **8. NOTICES**

All notices to the Holders will be mailed to the Holder of record at their respective addresses on the Register. Any such notice shall be deemed to have been given on the fourth day after the date of mailing.

### **9. TRANSFERS AND FORM**

The Preferred Securities are in registered form each with an issue price as specified in the Final Terms. For each Preferred Security issued, an amount equal to its nominal value will be credited to the Issuer's issued share capital account and an amount representing the difference between its issue price and its nominal value will be credited to the Issuer's share premium account. On or about the Closing Date, a single global certificate in registered form (the "Global Certificate") representing the Preferred Securities will be registered

in the name of a nominee for, and deposited with, a common depository for Euroclear and Clearstream, Luxembourg. Individual definitive certificates evidencing holdings of Preferred Securities will only be available in certain limited circumstances. See “*Summary of Provisions relating to the Preferred Securities in Global Form*”.

If definitive certificates are made available in respect of Preferred Securities they will be available to the Holders from offices of the Registrar, or will be posted to the relevant Holders at the address shown in the Register or, as applicable, in the relevant instrument of transfer within three Business Days of issue, by uninsured post at the risk of such Holders. Transfers of Preferred Securities if represented by definitive certificates may be effected by presentation of the relevant certificate (with the transfer certificate relating thereto duly completed on behalf of the transferor and transferee) at the specified office of the Registrar or any Paying and Transfer Agent. Where a Holder transfers some only of the Preferred Securities represented by any such certificate he shall be entitled to a certificate for the balance without charge.

### **10. SUBSTITUTION**

Subject to the Law and to the Issuer having given one month’s prior notice to (and having received prior approval from) the Swiss Federal Banking Commission (or such other period, longer or shorter, as the Swiss Federal Banking Commission may then require or accept), the Issuer may cause the substitution of the Preferred Securities in whole, but not in part, with Qualifying Tier 1 Instruments in an equivalent nominal amount at any time without the requirement for approval of the Holders.

Upon such substitution, the proceeds of redemption of the Preferred Securities shall be mandatorily applied to the subscription or purchase of the Qualifying Tier 1 Instruments so issued.

The Issuer must give a written notice of substitution to the Holders of the Preferred Securities, not less than 30 days nor more than 60 days prior to the Substitution Date. Prior to the publication of any notice of substitution pursuant to the foregoing provisions, the Issuer must first deliver to the Registrar a certificate, signed by two Directors, certifying that the securities to be offered in substitution for the Preferred Securities are, and that an independent investment bank appointed by the Issuer for the purposes of making such assessment agrees that they are, Qualifying Tier 1 Instruments.

“Qualifying Tier 1 Instruments” means instruments whether debt, shares, interests in limited partnerships or otherwise, issued directly or indirectly by UBS AG that: (a) have terms not materially less favourable to a Holder of the Preferred Securities provided that they shall (1) include a ranking at least equal to that of the Guarantee, (2) have the same dividend or distribution rate or rate of return and Distribution Payment Dates from time to time applying to the Preferred Securities, (3) have the same redemption dates as the Preferred Securities, (4) have been approved by the Swiss Federal Banking Commission as Tier 1 Capital, (5) if not issued by UBS AG, then have the benefit of a guarantee by UBS AG on substantially similar terms as the Guarantee and (6) preserve any existing rights under the Preferred Securities and the Guarantee to any accrued Distributions which have not been paid in respect of the period from (and including) the Distribution Payment Date last preceding the date of substitution (the “Substitution Date”) to (but excluding) the Substitution Date; and (b) are listed on the Irish Stock Exchange, the London Stock Exchange, the Luxembourg Stock Exchange or such other stock exchange as is a Recognised Stock Exchange.

“Recognised Stock Exchange” means (a) any market of a recognised investment exchange which is for the time being designated as a recognised stock exchange for the purposes of section 1005 of the Income Tax Act 2007.

### **11. REPLACEMENT OF CERTIFICATES**

If a certificate is damaged or defaced or alleged to have been lost, stolen or destroyed, a new certificate representing the same Preferred Securities may be issued on payment of such fee and on such terms (if any) as to evidence and indemnity and the payment of out-of-pocket expenses as the Issuer may think fit and on payment of the costs of the Issuer incidental to its investigation of the evidence and, if damaged or defaced, on delivery up of the old certificate at the office of the Registrar.

### **12. PRESCRIPTION**

Claims against the Issuer for payment of Distributions and sums in respect of any Redemption Amount or Liquidation Distribution of the Preferred Securities will be prescribed unless made within 10 years from the date on which such payment becomes due or, if later, the date on which the Issuer makes such payment available to Holders.

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## Summary of Provisions relating to the Preferred Securities in Global Form

### **Initial Issue of Preferred Securities**

The Preferred Securities will be issued in registered form and will be represented by a single Global Certificate which will be registered in the name of a nominee for, and deposited with, a common depository for Euroclear and Clearstream, Luxembourg on or about the Closing Date.

### **Exchange**

If (a) Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than for the purposes of a public holiday) or announces an intention permanently to cease business or does in fact so cease business or (b) as a result of a change in law, transfer duties or similar taxes become payable on transfers of the Preferred Securities in Euroclear or Clearstream, Luxembourg, a number of Preferred Securities corresponding to its book-entry interest in the Preferred Securities represented by the Global Certificate will, subject to such reasonable requirements as the Issuer may require, be transferred to each holder of an interest in the Preferred Securities whose name is notified by Euroclear or Clearstream, Luxembourg to the Registrar. Each such holder will be registered as a Holder of the Preferred Securities in the Register maintained by or on behalf of the Issuer and will receive a certificate made out in its name.

### **Accountholders**

So long as the Preferred Securities are registered in the name of a nominee for a common depository, such nominee will be the sole registered owner or holder of the Preferred Securities represented by the Global Certificate. Except as set forth under “*Description of Preferred Securities — Transfers and Form*” and under “*Transfers of Interests*” below, the persons shown in the records of Euroclear or Clearstream, Luxembourg, as the Holders of the Preferred Securities evidenced by the Global Certificate (each an “Accountholder”) will not be entitled to have Preferred Securities registered in their names and will not receive or be entitled to receive physical delivery of definitive certificates evidencing interests in the Preferred Securities. Accordingly, each Accountholder must rely on the rules and procedures of Euroclear or Clearstream, Luxembourg, to exercise any rights and obligations of a holder of Preferred Securities.

### **Payment**

Each Accountholder must look solely to Euroclear or Clearstream, Luxembourg for its share of each payment made by the Issuer to the registered holder of the Preferred Securities and in relation to all other rights arising under the Global Certificate, subject to and in accordance with the respective rules and procedures of Euroclear or Clearstream, Luxembourg. Such persons shall have no claim directly against the Issuer in respect of payments due on the Preferred Securities for so long as the Preferred Securities are represented by the Global Certificate and such obligations of the Issuer will be discharged by payment to the registered holder of the Preferred Securities in respect of each amount so paid.

### **Transfers of Interests**

Accountholders will only be able to transfer their beneficial interests in the Preferred Securities in accordance with the restrictions described under “*Description of Preferred Securities — Transfers and Form*” and with the rules and procedures of Euroclear or Clearstream, Luxembourg, as the case may be.

### **Notices**

Notwithstanding Clause 8 (*Notices*), so long as the Global Certificate is held on behalf of Euroclear, Clearstream, Luxembourg or any other clearing system (an “Alternative Clearing System”), notices to Holders of Preferred Securities represented by the Global Certificate may be given by delivery of the relevant notice to Euroclear, Clearstream, Luxembourg or (as the case may be) such Alternative Clearing System.

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## Form of Subordinated Guarantee

The following is the Guarantee executed by UBS AG.

**THIS GUARANTEE** (the “Guarantee”), dated 11 April 2008, is executed by UBS AG (“UBS”) for the benefit of the Holders (as defined below).

### **WHEREAS:**

- (i) UBS desires to issue this Guarantee for the benefit of the Holders, as provided herein.
- (ii) The Guarantee is intended to provide the Holders, on a dissolution of the Issuer (as defined below) or on a default by the Issuer in discharging its obligations in respect of the Preferred Securities (as defined below), with rights against UBS in respect of the Guaranteed Payments (as defined below) which are as nearly as possible equivalent to those which they would have had if the Preferred Securities had been directly issued preference shares of UBS (whether or not UBS could in fact have issued such securities).

**NOW, THEREFORE** UBS executes this Guarantee for the benefit of the Holders.

### **1. Definitions**

Terms not otherwise defined herein shall have the meaning ascribed to them in the rights attaching to the Preferred Securities as set out in the Issuer’s Articles of Association and the following terms shall, unless the context otherwise requires, have the following meanings:

“Guaranteed Payments” means (without duplication) collectively (i) all Distributions due on the Preferred Securities, (ii) any Liquidation Distribution to which Holders are entitled, (iii) any Redemption Amount and (iv) any Additional Amounts;

“Holder” means, in respect of each Preferred Security, each person registered on the Register as holding such Preferred Security at the relevant time, save for as long as the Preferred Securities are registered in the name of a nominee for a common depositary for Euroclear or Clearstream, Luxembourg in which case it shall mean each person (other than such nominee) who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as the holder of any Preferred Securities (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the number of Preferred Securities standing to the account of any person shall be conclusive and binding for all purposes), the right to which shall be vested in the name of the person appearing in the Register;

“Issuer” means UBS Capital Securities (Jersey) Ltd.; and

“Preferred Securities” means the Euro 1,000,000,000 Fixed/Floating Rate Guaranteed Non-voting Non-cumulative Perpetual Preferred Securities outstanding of the Issuer each with a Liquidation Preference of Euro 50,000, including any further Preferred Securities of the same series, whether or not in issue on the date of this Guarantee, the Holders of which are entitled to the benefits of this Guarantee as evidenced by the execution of this Guarantee.

### **2. Guarantee**

- 2.1 Subject to the exceptions and limitations contained in the following provisions of this Clause 2, UBS irrevocably and unconditionally guarantees to the Holders in accordance with the terms of Article 111 of the Swiss Federal Code of Obligations, as primary obligor and not merely as a surety, irrespective of the validity of the Preferred Securities and waiving all rights of objection and defence arising from the Preferred Securities, that it will pay to the Holders the Guaranteed Payments, as and when due, to the extent that such payments shall not have been paid within 3 days of becoming due and payable by the Issuer in accordance with the terms of the Preferred Securities regardless of any defence, right of set-off or counterclaim which the Issuer may have or assert. This Guarantee is continuing and irrevocable. The rights and claims of the Holders against UBS under this Guarantee (i) are subordinated to the claims of the Senior Creditors (as defined in Clause 2.3) and; (ii) in respect of Guaranteed Payments are conditional upon satisfaction of the conditions set out in the following provisions of this Clause 2.

All amounts expressed to be payable hereunder are expressed as amounts net of mandatory deductions.

2.2 Notwithstanding Clause 2.1, UBS will not, save to the extent provided in Clause 2.5, be obliged to make any Guaranteed Payment if UBS is prevented by applicable Swiss banking regulations or other requirements from making payment in full under this Guarantee. In addition, notwithstanding Clause 2.1, UBS will not, save to the extent provided in Clause 2.5, be obliged to make any Guaranteed Payment in respect of Distributions on any Preferred Securities:

- (a) if the amount of the payment, together with the amount of any distributions or dividends paid or scheduled to be paid to holders of UBS Parity Securities, would exceed the amount of dividends that UBS would have been legally able to pay on the Preferred Securities had they been issued directly by UBS as non-cumulative preference shares of UBS with exactly the same payment terms as the Preferred Securities (a “Distributable Profits Limitation”). To this end, on or before the first Distribution Payment Date of each year, UBS will deliver a certificate to the Issuer (a “Distributable Profits Limitation Certificate”) specifying:
  - (i) the Distributable Profits of UBS for the financial year ending on the preceding 31 December; and
  - (ii) the Available Distributable Profits for payment of Distributions on the Preferred Securities on each of the Distribution Payment Dates in the then current year;
- (b) even if Available Distributable Profits are sufficient, to the extent that such payment in respect of the Preferred Securities would breach or cause a breach of the Swiss Federal Banking Commission’s minimum capital adequacy requirements then applicable to UBS on a consolidated or unconsolidated basis.

2.3 In the event of the liquidation, dissolution or winding-up of UBS, by bankruptcy or otherwise, any payment under this Guarantee of such Liquidation Distribution shall not exceed the amount per security that would have been paid as a liquidation distribution out of the assets of UBS had the Preferred Securities and all UBS Parity Securities been the most senior class of preference shares in UBS with equivalent rights of participation in the capital of UBS (whether or not UBS could in fact have issued such securities at such time) and ranking as set out in the next paragraph.

Such claims will rank:

- (a) junior to all liabilities of UBS including subordinated liabilities (in each case other than any liability of UBS which constitutes Tier 1 Securities or any liability which is referred to in (b) or (c) and any other liability expressed to rank *pari passu* with or junior to this Guarantee) (“Senior Creditors”);
- (b) *pari passu* with UBS Parity Securities, if any, issued by UBS and any guarantee or support agreement of UBS ranking *pari passu* with UBS’ obligations under this Guarantee; and
- (c) senior to UBS Junior Obligations.

The foregoing liabilities that rank senior to this Guarantee are collectively called “UBS Senior Liabilities”.

Payments under this Guarantee (other than payments upon a dissolution, by bankruptcy or otherwise, in Switzerland of UBS as provided below) will be conditional upon UBS not being in default in the payment of UBS Senior Liabilities and being solvent at the time of payment. A report as to the insolvency of UBS by two persons, each being a managing director, director or other authorised officer or agent of UBS or employees of the independent accountants of UBS will, in the absence of manifest error be treated and accepted by UBS, the holders of Preferred Securities and all other interested parties as correct and sufficient evidence thereof.

The subordination provisions set out above will be irrevocable. UBS will not be permitted to create or permit to exist any charge or other security interest over its assets to secure its obligations in respect of this Guarantee.

The obligations of UBS in respect of this Guarantee will be, prior to the bankruptcy or dissolution of UBS or otherwise, conditional upon UBS being solvent immediately before and after payment by the

relevant branch. If this condition is not satisfied, any amounts that might otherwise have been allocated in or towards payment in respect of this Guarantee will be used to absorb losses of UBS.

- 2.4 All Guaranteed Payments made hereunder will be made without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Switzerland or Jersey or any political sub-division thereof or by any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event, UBS will, if permitted by the Swiss Federal Banking Commission's approval (to the extent such approval is required), pay such additional amounts ("Guarantor Additional Amounts") as may be necessary in order that the net amounts received by the Holders after such withholding or deduction shall equal the amounts which would have been receivable under this Guarantee in the absence of such withholding or deduction; except that no such Guarantor Additional Amounts will be payable to a Holder (or a third party on his behalf) (i) to the extent that such taxes, duties, assessments or governmental charges are imposed or levied by virtue of such Holder (or the beneficial owner of a Preferred Security) having some connection with Switzerland or Jersey other than being a Holder (or beneficial owner) of a Preferred Security or (ii) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive including, without limitation, the agreement between the European Community and Switzerland on the taxation of savings income of 26 October 2004 and any act, ordinance or guidance relating thereto or any agreement between the European Community and any country other than Switzerland and any act, ordinance or guidance relating thereto or (iii) who would have been able to avoid such withholding or deduction by presenting the Preferred Securities to another Paying and Transfer Agent in a Member State of the European Union; provided further that UBS's obligation to pay any Guarantor Additional Amounts is subject to the exceptions relating to Guaranteed Payments set out in Clauses 2.2 and 2.3.
- 2.5 If in relation to Guaranteed Payments on liquidation of the Issuer, the amounts described in Clauses 2.1 and 2.4 cannot be made in full by reason of either of the conditions referred to in Clause 2.2 or 2.3, such amounts will be payable *pro rata* in the Relevant Proportion and the obligations of UBS in respect of any such unpaid balance shall lapse.
- 2.6 The obligations, covenants, agreements and duties of UBS under this Guarantee shall in no way be affected or impaired by reason of the happening from time to time of any of the following:
- (a) the release or waiver, by operation of law or otherwise, of the performance or observance by the Issuer of any express or implied agreement, covenant, term or condition relating to the Preferred Securities to be performed or observed by or on behalf of the Issuer;
  - (b) the extension of time for the payment by or on behalf of the Issuer of all or any portion of any Distribution, the Optional Redemption Price, the Liquidation Distribution or any other sums payable under the terms of the Preferred Securities or the extension of time for the performance of any other obligation under, arising out of, or in connection with, the Preferred Securities, provided that nothing in this Guarantee shall affect or impair a valid extension;
  - (c) any failure, omission, delay or lack of diligence on the part of Holders to enforce, assert or exercise any right, privilege, power or remedy conferred on the Holders pursuant to the terms of the Preferred Securities, or any action on the part of the Issuer granting indulgence or extension of any kind;
  - (d) the voluntary or involuntary winding-up, dissolution, amalgamation, reconstruction, sale of any collateral, receivership, insolvency, bankruptcy, assignment for the benefit of creditors, reorganisation, arrangement, composition or readjustment of debt of, or other similar proceedings, affecting the Issuer or any of the assets of the Issuer;
  - (e) any invalidity of, or defect or deficiency in, the Preferred Securities; or
  - (f) the settlement or compromise of any obligation guaranteed hereby or hereby incurred.

There shall be no obligation on the Holders to give notice to, or obtain consent of, UBS with respect to the happening of any of the foregoing.

- 2.7 This Guarantee shall be deposited with and held by the Registrar until all the obligations of UBS have been discharged in full. UBS hereby acknowledges the right of every Holder to the production of, and the right of every Holder to obtain a copy of, this Guarantee from the Registrar.
- 2.8 A Holder may enforce this Guarantee directly against UBS and in the case of non-payment a Holder may initiate debt collection proceedings against UBS, which ultimately may result in UBS's bankruptcy. All waivers contained in this Guarantee shall be without prejudice to the right to proceed against the assets of the Issuer as permitted by the terms of the Preferred Securities. UBS agrees that this Guarantee shall not be discharged except by complete performance of all obligations of UBS under this Guarantee, save that, for the avoidance of doubt, any partial performance by UBS shall be good discharge of its obligations as to that part performed.
- 2.9 UBS shall be subrogated to any and all rights of the Holders against the assets of the Issuer in respect of any amounts paid to the Holders by UBS under this Guarantee. UBS shall not exercise any rights which it may acquire by way of subrogation or any indemnity, reimbursement or other agreement, in all cases as a result of a payment under this Guarantee, if, at the time of any such payment, any amounts are due and unpaid under this Guarantee. If UBS shall receive or be paid any amount with respect to the Preferred Securities in violation of the preceding sentence, UBS agrees to pay over such amount to the Holders.
- 2.10 Notwithstanding any reference to the Preferred Securities herein, UBS acknowledges that this Guarantee is an undertaking pursuant to Art. 111 of the Swiss Code of Obligations (*Garantie*) and not a mere surety. Its obligations hereunder are of a non-accessory nature (*nicht-akzessorische Garantie-Verpflichtung*), independent of the obligations of the Issuer under the Preferred Securities and UBS shall be liable as principal and sole obligor hereunder to make Guaranteed Payments pursuant to the terms of this Guarantee, notwithstanding the occurrence of any event referred to in Clause 2.6.
- 2.11 UBS's obligations hereunder constitute and will always constitute unsecured obligations of UBS. The claims of the Holders will at all times rank (a) junior to all Senior Creditors, (b) *pari passu* with any UBS Parity Securities and any guarantee or support agreement of UBS ranking *pari passu* with UBS' obligations under this Guarantee and (c) senior to UBS Junior Obligations.
- 2.12 Subject to applicable law, no beneficiary of this Guarantee will be able to exercise, claim or plead any right of set-off, compensation or retention in respect of any amount owed to it by UBS arising under or in connection with this Guarantee and each beneficiary of this Guarantee will, by virtue of being a beneficiary of this Guarantee, be deemed to have waived all such rights to set-off, compensation or retention, including in the case of insolvency of UBS. Notwithstanding the provisions of the foregoing sentence, if any of the said rights and claims of any Holder against UBS is discharged by set-off, such Holder will immediately pay an amount equal to the amount of such discharge to UBS or, in the event of its winding-up, the liquidator of UBS (to be held for UBS) and accordingly any such discharge will be deemed not to have taken place.

### **3. Undertakings**

- 3.1 UBS undertakes that, so long as any of the Preferred Securities are outstanding unless UBS is itself in bankruptcy or subject to protective measures in terms of the Swiss banking regulations, it will not permit, or take any action that would or might cause, the liquidation, dissolution or winding-up of the Issuer otherwise than (i) with the prior approval of the Swiss Federal Banking Commission (if then required) and (ii) if UBS has sufficient Available Distributable Profits in an amount at least equal to the aggregate Liquidation Distribution.
- 3.2 UBS undertakes that it will not, and it will procure that no member of the UBS Group will, make any payment to Holders, or procure such a payment in respect of the Preferred Securities, that could not lawfully have been made if Holders had held the most senior preference shares of UBS (if any, and whether or not UBS could issue such preference shares at such time) instead of the Preferred Securities.
- 3.3 UBS will procure that the Issuer will maintain at all times whilst the Preferred Securities are outstanding (a) a Registrar having its office in Jersey and (b) a Paying and Transfer Agent having a specified office in

a European Union Member State (if available) that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive.

**4. Termination**

With respect to the Preferred Securities, this Guarantee shall automatically terminate and be of no further force and effect upon payment of the Redemption Amount on, or purchase and cancellation of, all Preferred Securities or full payment of the Liquidation Distribution.

**5. Transfer; Amendment; Notices**

5.1 UBS shall not assign or transfer its obligations hereunder without the prior approval of the Holders of not less than a simple majority in Liquidation Preference of the outstanding Preferred Securities (excluding any Preferred Securities held by UBS or any entity of which UBS, either directly or indirectly, owns 20 per cent., or more of the voting shares or similar ownership interests), which approval shall be obtained in accordance with procedures contained in the Articles of Association of the Issuer and applicable law of Jersey, except in the case of a Permitted Reorganisation.

5.2 Except for those changes which do not adversely affect the rights of Holders or changes made to correct a manifest error (in any of which cases no agreement or approval of Holders will be required), this Guarantee shall be changed only by agreement in writing signed by UBS with the prior approval of the Holders of not less than a simple majority in Liquidation Preference of the outstanding Preferred Securities (excluding any Preferred Securities held by UBS or any entity of which UBS, either directly or indirectly, owns 20 per cent., or more of the voting shares or other similar ownership interests), which approval shall be obtained in accordance with the procedures contained in the Articles of Association of the Issuer and applicable law of Jersey.

5.3 Any notice, request or other communication required or permitted to be given hereunder to UBS shall be given in writing by delivering the same against receipt therefor or be addressed to UBS, as follows, to:

UBS AG  
P.O. Box  
8098 Zürich  
Switzerland  
Attention: Trade Finance Department

Facsimile: +41 –44 –239 48 44

The address of UBS may be changed at any time and from time to time and shall be the most recent such address furnished in writing by UBS to the registrar for the Preferred Securities.

Any notice, request or other communication required or permitted to be given hereunder to the Holders shall be given by UBS in the same manner as notices sent on behalf of the Issuer to Holders.

5.4 This Guarantee is solely for the benefit of the Holders and is not separately transferable from their interests in respect of the Preferred Securities.

5.5 UBS will furnish any Holder, upon request of such Holder, with a copy of its annual report, and any interim reports made generally available by UBS to Holders of the ordinary shares of UBS.

**6. Governing Law**

This Guarantee is governed by, and shall be construed in accordance with, Swiss law and UBS irrevocably submits to the exclusive jurisdiction of the courts of Zurich, to settle any disputes arising out of this Guarantee.

Executed by  
**UBS AG**  
acting by:

.....  
Name: Name:  
Director Director

Accepted by  
**UBS TRUSTEES (JERSEY) LIMITED** as Registrar  
acting by:

.....  
Name: Name:  
Director Director

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## Form of Final Terms

### FINAL TERMS

#### UBS CAPITAL SECURITIES (JERSEY) LTD.

#### Issue of Euro [●] Fixed/Floating Rate Guaranteed Non-voting Non-cumulative Perpetual Preferred Securities (the "Preferred Securities")

#### having the benefit of a subordinated guarantee of UBS AG ("UBS")

The Base Prospectus referred to below (as completed by these Final Terms) has been prepared on the basis that, any offer of Preferred Securities in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State") will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of the Preferred Securities. Accordingly any person making or intending to make an offer of the Preferred Securities may only do so in circumstances in which no obligation arises for the Issuer, UBS or any Manager to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer.

Neither the Issuer, UBS nor any Manager has authorised, nor do they authorise, the making of any offer of Preferred Securities in any other circumstances.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions of the Preferred Securities set forth in the base prospectus dated 9 April 2008 (the "Base Prospectus") that constitutes a base prospectus for the purposes of the Prospectus Directive. This document constitutes the Final Terms of the Preferred Securities described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus. Full information on the Issuer and the offer of the Preferred Securities is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus is available for viewing at the office of the Registrar in Jersey.

1. Closing Date: [Insert]
2. Aggregate Principal Amount of Preferred Securities: Euro [Insert]
3. First Optional Redemption Date: [●] April 2013
4. Issue Price: Euro [insert] per Preferred Security
5. Distribution basis: [●] per cent. fixed rate during the Fixed Rate Period and 3-month EURIBOR + [●] per cent. floating rate during the Floating Rate Period.  
(Further particulars specified below)
6. Fixed Rate Period Provisions:
  - (i) Fixed Rate: [●] per cent. per annum payable annually in arrear.
  - (ii) Distribution Payment Dates: Subject to the following paragraph, [●] June in each year, commencing on [●] June 2008 and up to (and including) the First Optional Redemption Date.  
  
There will be a first short Distribution Period ("First Short Distribution Period") in respect of the period from (and including) the Closing Date to (and excluding) [●] June 2008 and (ii) a last short Distribution Period ("Last Short Distribution Period") in respect of the period from (and including) [●] [June] 2012 to (and excluding) the First Optional Redemption Date.
  - (iii) Fixed Rate Period Distributions: [●] per Liquidation Preference of €50,000.  
  
In respect of the First Short Distribution Period, the Distribution shall be €[●] per Liquidation Preference of €50,000.

- In respect of the Last Short Distribution Period, the Distribution shall be €[●] per Liquidation Preference of €50,000.
7. Floating Rate Period Provisions: Applicable during the Floating Rate Period.  
(i) Floating Rate: Three-month EURIBOR + [●] per cent. per annum.  
(ii) Floating Rate Margin: + [●] per cent. per annum  
(iii) Distribution Payment Dates: [●], [●], [●] and [●] in each year from (and including) [●] to (but excluding) the date on which the Preferred Securities are redeemed.
8. Make Whole Amount Provisions:  
(i) Make Whole Margin: [Insert]  
(ii) Reference Bond: [Insert]
9. Net Proceeds: Euro [Insert]
10. Form of Preferred Securities: Registered
11. ISIN: [Insert]
12. Common Code: [Insert]
13. Names of Managers: [Insert]
14. Combined management, underwriting and selling commission: [Insert]
15. Estimate of total expenses related to admission to trading: Euro [Insert]
16. Ratings: The Preferred Securities to be issued have been rated:  
[S&P: [●]]  
[Moody's: [●]]  
[Fitch: [●]]
17. Distributors (if known): [Insert]
18. Others terms: [Insert]

The above pricing gives a yield of [Insert details]. Such yield is applicable as of the date of these Final Terms and may fluctuate in the future.

The date of these Final Terms is [Insert].

**LISTING AND ADMISSION TO TRADING**

Application has been made to the Irish Stock Exchange Limited for the Preferred Securities to be admitted to the Official List of the Irish Stock Exchange and to trading on its regulated market.

**RESPONSIBILITY**

Each of the Issuer and UBS accepts responsibility for the information contained in these Final Terms and declares that, having taken all reasonable care to ensure that such is the case, the information contained in these Final Terms to the best of its knowledge is in accordance with the facts and does not omit anything likely to affect the import of such information.

**Signed on behalf of the Issuer:**

By:.....  
*Duly authorised*

**Signed on behalf of UBS:**

By:.....  
*Duly authorised*

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## Use of Proceeds

The proceeds of the issue of the Preferred Securities, which will be set out in the Final Terms, are to be used by the Issuer outside Switzerland, after paying any expenses of the issue, to subscribe for the Notes. The net proceeds of the issue of the Notes will initially be used by UBS to augment its regulatory capital base.

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## Description of UBS Capital Securities (Jersey) Ltd.

### Corporate Information

UBS Capital Securities (Jersey) Ltd. was incorporated in Jersey (registered number 99241) on 14 November 2007 under the Law for an unlimited duration as a public company with limited liability.

The Issuer is a wholly owned subsidiary of UBS. The registered office of the Issuer is Durell House, 28 New Street, St. Helier, Jersey JE3 0XT. The telephone number of the Issuer's registered office is +44 (0) 1534 701 000. No Holder may participate in the administration of the Issuer.

### Sole Purpose

The Issuer is not required by the Law to have specified objects in its memorandum of association.

The Issuer was established for the sole purpose of raising finance for the UBS Group. It has carried out no operations since its registration other than in relation to the creation of the Preferred Securities.

Since the date of its registration, the Issuer has not had any loan capital outstanding, has not incurred any borrowings, has had no contingent liabilities and has not granted any guarantees.

### MANAGEMENT

#### Board Of Directors

<i>Name</i>	<i>Principal Occupation Outside the Issuer</i>
Johann Baerlocher	Branch Manager
Flavio Mueller	Treasurer
Jean-Pierre Mathey	Treasurer
Stuart Littlewood	Treasurer

There are no conflicts of interest between the duties of the persons listed above to the Issuer and their private interests or other duties

All of the directors are employees of UBS. The business address of each of the directors of the Issuer is 24 Union Street, St. Helier, Jersey JE4 8UJ, save in the case of Jean-Pierre Mathey whose business address is Europastrasse 1, CH-8152 Opfikon, Switzerland.

The Issuer has adopted corporate governance policies which comply with the Law in all respects.

### Company Secretary and Principal Bankers

The company secretary of the Issuer is UBS Secretaries Limited, Durell House, 28 New Street, St. Helier, Jersey JE3 0XT and the principal bankers of the Issuer are UBS AG, 24 Union Street, St. Helier, Jersey JE4 8UJ.

### Organisational Structure

The entire issued share capital of the Issuer is owned by UBS AG.

### Subsidiaries

The Issuer has no subsidiaries.

**CAPITALISATION AND INDEBTEDNESS**

The capitalisation of the Issuer as at 31 January 2008 is as follows:

	Aggregate amount paid-up EUR
<b>Share Capital</b>	
1,000 Ordinary Shares of €0.01 nominal value each, all of which have been issued at a price of €0.01 per Ordinary Share and are fully paid.....	10
<b>Total Share Capital</b> .....	<u>10</u>

**SELECTED FINANCIAL INFORMATION**

The following tables set out in summary form opening balance sheet relating to the Issuer. No accounts of the Issuer have yet been audited. Ernst & Young LLP, registered auditors, has been appointed as auditor of the Issuer in Jersey. The financial statements of the Issuer will be prepared in accordance with International Financial Reporting Standards as adopted by the European Commission (“IFRS”).

**BALANCE SHEET OF UBS CAPITAL SECURITIES (JERSEY) LTD. AS OF 31 JANUARY 2008 (UNAUDITED)**

	31 January 2008 EUR
<b>Assets</b>	
Cash .....	10
Investment in UBS AG Jersey Bond .....	594,000,000
Bond Coupon Interest Receivable .....	4,994,115
Preferred Shares Coupon Payable .....	(4,994,115)
<b>Total Assets</b> .....	<u>594,000,010</u>
	31 January 2008 EUR
<b>Liabilities and Shareholders' Equity</b>	
TPS Preferred Shares Issued.....	594,000,000
Share Capital.....	10
<b>Total Shareholders' Equity</b> .....	<u>594,000,010</u>

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# Description of UBS

## 1. OVERVIEW

UBS AG and its subsidiaries (“UBS AG” or “UBS”) is, according to its own opinion, one of the world’s leading financial firms, serving a discerning international client base. As an integrated firm, UBS creates added value for clients by drawing on the combined resources and expertise of all its businesses. UBS is, according to its own opinion, the leading global wealth manager, a leading investment banking and securities firm with a strong institutional and corporate client franchise, one of the largest global asset managers and the market leader in Swiss commercial and retail banking. On 31 December 2007, UBS employed more than 80,000 people. With headquarters in Zurich and Basel, Switzerland, UBS operates in over 50 countries and from all major international centers.

With the proposed rights issue of approximately CHF 15 billion, UBS will remain, according to its own opinion, one of the best capitalised financial institutions in the world. On 31 December 2007 the BIS Tier 1<sup>1</sup> ratio was 8.8 per cent., invested assets stood at CHF 3,189 billion, equity attributable to UBS shareholders at CHF 35,585 million and the market capitalisation was CHF 108,654 million.

UBS is among the few globally active major banks that have a first-class rating. 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 fulfil 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. Standard & Poor’s currently rates UBS’s creditworthiness with AA-<sup>2</sup>, Fitch with AA-<sup>3</sup> and Moody’s with Aa1<sup>4</sup>.

## 2. CORPORATE INFORMATION

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

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

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

UBS shares are listed on the SWX Swiss Exchange and traded through SWX Europe which is wholly owned by the SWX Swiss Exchange. They are also listed on the New York Stock Exchange and on the Tokyo Stock Exchange.

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

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1 Tier 1 capital comprises share capital, share premium, retained earnings including current year profit, foreign currency translation and minority interests less accrued dividends, net long positions in own shares and goodwill.  
2 Following UBS’s announcement of 1 April 2008, Standard & Poor’s downgraded UBS’s long-term counterparty credit rating to “AA-” from “AA” with a negative outlook.  
3 Following UBS’s announcement of 1 April 2008, Fitch downgraded UBS’s credit rating to “AA-” from “AA” with a negative outlook.  
4 Following UBS’s announcement of 1 April 2008, Moody’s downgraded UBS’s credit rating to “Aa1” from “Aaa”, while keeping the ratings on review for possible further cuts. Moody’s has announced that UBS’s hybrid ratings could potentially be subject to wider notching, depending on the distance to their respective coupon deferral triggers.

### 3. BUSINESS OVERVIEW

#### 3.1 Business Groups and Corporate Center

UBS is managed through three Business Groups and its Corporate Center, each of which is described below. In addition there is an area of business combined in Industrial Holdings. A full description of their strategies, structure, organisation, products, services and markets can be found in the Annual Report 2007 of UBS AG, 1 Strategy, Performance and Responsibility, in the English version on pages 85-152 (inclusive).

##### 3.1.1 *Global Wealth Management & Business Banking*

With more than 140 years of experience, the global wealth management business provides a comprehensive range of products and services individually tailored for wealthy clients around the world. UBS's client advisors provide a full range of wealth management services to clients — from asset management to estate planning and from corporate finance advice to art banking. In the US, the business is, according to its own opinion, one of the leading wealth managers. Business Banking Switzerland is, according to its own opinion, the market leader in Switzerland, providing a complete set of banking and securities services for individual and corporate clients.

##### 3.1.2 *Global Asset Management*

The Global Asset Management business is, according to its own opinion, one of the world's leading investment managers, providing traditional and alternative and real estate investment solutions to private, institutional and corporate clients, and through financial intermediaries. It is, according to its own opinion, one of the largest global institutional asset managers and the largest hedge fund of funds manager in the world. It is also, according to its own opinion, one of the largest mutual fund managers in Europe and the largest in Switzerland.

##### 3.1.3 *Investment Bank*

UBS's Investment Bank is, according to its own opinion, one of the world's leading investment banking and securities firms, providing a full range of products and services to corporate and institutional clients, governments, financial intermediaries and alternative asset managers. Its investment bankers, sales people and research analysts, supported by its risk and logistics teams, deliver advice and execution to clients all over the world. The Investment Bank also works with financial sponsors and hedge funds and indirectly meets the needs of private investors through both UBS's own wealth management business and through other private banks.

##### 3.1.4 *Corporate Center*

Corporate Center creates value for shareholders and stakeholders by partnering with the Business Groups to ensure that the firm operates as an effective and integrated whole with a common vision and set of values. It helps UBS's businesses grow sustainably through its risk, financial control, treasury, communication, legal and compliance, human resources, strategy, off shoring and technology functions.

#### 3.2 Industrial Holdings

The Industrial Holdings segment consists of UBS's private equity investments (which were held by the Investment Bank until early 2005). UBS's strategy is to de-emphasise and reduce exposure to this asset class while capitalising on orderly exit opportunities as they arise.

#### 3.3 Organisational Structure of the Issuer

The objective of UBS's group structure is to support the business activities of the Company within an efficient legal, tax, supervisory and financial framework. Neither the individual Business Groups of UBS, Global Wealth Management & Business Banking, Global Asset Management, Investment Bank, nor the Corporate Center (the "Business Groups") are legally independent entities; instead, they perform their activities through the domestic and foreign offices of the parent bank, UBS AG.

Settlement of transactions through the parent bank allows UBS to fully exploit the advantages generated for all Business Groups 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 statutory, tax or supervisory provisions or newly acquired companies, these tasks are performed on location by legally independent group companies. The major subsidiaries are listed in the Annual Report 2007 of UBS AG, 4 Financial Statements, in English, on pages 96-99 (inclusive).

### 3.4 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.

### 3.5 Trend Information (Outlook)

On 1 April 2008 UBS announced that it expects to report for the first quarter 2008 a net loss attributable to UBS shareholders of approximately CHF 12 billion after losses and writedowns of approximately USD 19 billion on US real estate and related structured credit positions. UBS will publish full first quarter results including details on risk positions as planned on 6 May 2008. The environment for the financial industry remains difficult. UBS management considers operational efficiencies and cost management throughout the firm to be the key performance targets in the coming quarters.

## 4. ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES OF THE ISSUER

### 4.1 Details of the Executive Bodies of the Company

UBS operates under a strict dual Board structure, as mandated by Swiss banking law. The functions of Chairman of the Board of Directors (“Chairman”) and Group Chief Executive Officer (“Group CEO”) are assigned to two different people, thus providing separation of powers. 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 Organisation Regulations of UBS AG, with their Appendices govern all details as to authorities and responsibilities of the two bodies. Please refer to [www.ubs.com/corporate-governance](http://www.ubs.com/corporate-governance).

The BoD consists of at least six and a maximum of 12 members. The term of office for members of the board is three years.

#### 4.1.1 Board of Directors

The BoD is the most senior body of UBS. All the members of the BoD are elected individually by the Annual General Meeting for a term of office of three years<sup>5</sup>. The BoD itself then appoints its Chairman, the Vice Chairmen and the various BoD Committees (Audit Committee, Compensation Committee, Nominating Committee and Corporate Responsibility Committee).

The BoD has ultimate responsibility for the mid- and long-term strategic direction of UBS, for appointments and dismissals at top management levels and the definition of the firm’s risk principles and risk capacity. While the majority of the BoD members are always non-executive and independent, the Chairman and at least one Vice Chairman have executive roles in line with Swiss banking laws, and assume supervisory and leadership responsibilities. 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.

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<sup>5</sup> The BoD will propose to the Annual General Meeting on 23 April 2008 that the Articles of Association of UBS be amended such that new or re-elected members of the BoD are elected for a one year term only.

## Board of Directors of UBS AG

The BoD consists of eleven members:

	Title	Term of Office	Position outside UBS AG
Marcel Ospel	Chairman	2008 <sup>6</sup>	
Stephan Haeringer	Executive Vice Chairman	2010	
Ernesto Bertarelli	Member	2009	Holds several board memberships Partner at the Lévy, Kaufmann-Kohler law firm and Professor of international private law at the University Geneva
Gabrielle Kaufmann-Kohler	Member	2009	
Sergio Marchionne	Member <sup>7</sup>	2010	CEO of Fiat S.p.A, Turin Member of the Board of DKSH AG (Diethelm Keller Siber Hegner), Zurich, and Chairman of its Audit and Finance Committee. Member of the Board of Directors of Ascom (Switzerland) Ltd., Berne
Rolf A. Meyer	Member	2009	
Helmut Panke	Member	2010	Member of the Board of Directors of Microsoft Corporation, Redmond, WA (USA)
Peter Spuhler	Member	2010	Owner of Stadler Rail AG, Switzerland Chief Financial Officer of The Royal Dutch Shell plc, London
Peter R. Voser	Member	2008 <sup>8</sup>	
Lawrence A. Weinbach	Member	2008 <sup>8</sup>	Partner of the Yankee Hill Capital Management LLC, Southport, CT, USA (since 2006)
Joerg Wolle	Member	2009	President and CEO of DKSH Holding Ltd.

### 4.1.2 Group Executive Board

The GEB has business management responsibility for UBS. The Group CEO and the members of the GEB are appointed by the Board of Directors and are accountable to the Chairman and the Board for the firm's results. The GEB, and in particular the Group CEO, are responsible for the implementation and results of the firm's business strategies, for the alignment of the Business Groups to UBS's integrated business model, and for the exploitation of synergies across the firm.

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

## Group Executive Board of UBS AG

The GEB consists of twelve members:

Marcel Rohner	Group Chief Executive Officer
John A. Fraser	Chairman and CEO Global Asset Management
Marten Hoekstra	Deputy CEO, Global Wealth Management & Business Banking and Head of Wealth Management Americas, Global Wealth Management & Business Banking
Jerker Johansson	Chairman & CEO Investment Bank
Peter Kurer <sup>9</sup>	Group General Counsel
Joseph Scoby	Group Chief Risk Officer
Walter Stuerzinger	Chief Operating Officer, Corporate Center
Marco Suter	Group Chief Financial Officer
Rory Tapner	Chairman and CEO Asia Pacific
Raoul Weil	Chairman and CEO Global Wealth Management & Business Banking
Alexander Wilmot-Sitwell	Chairman and CEO UBS Group EMEA and Joint Global Head Investment Banking Department, Investment Bank
Robert Wolf	Chairman and CEO, UBS Group Americas and President and Chief Operating Officer, Investment Bank

<sup>6</sup> Marcel Ospel will not stand for re-election to the BoD at the Annual General Meeting on 23 April 2008. The BoD proposes to the Annual General Meeting on 23 April 2008 that it elect Peter Kurer, Group General Counsel of UBS, to the Board. It plans to appoint Peter Kurer to succeed Marcel Ospel as Chairman.

<sup>7</sup> The BoD appointed Sergio Marchionne as non-executive Vice Chairman effective 24 April 2008.

<sup>8</sup> The BoD proposes to the Annual General Meeting on 23 April 2008 the re-election of Peter R. Voser and Lawrence A. Weinbach.

<sup>9</sup> The BoD proposes to the Annual General Meeting on 23 April 2008 that it elect Peter Kurer, Group General Counsel of UBS, to the Board. It plans to appoint Peter Kurer to succeed Marcel Ospel as Chairman.

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

### 4.1.3 *Conflicts of interest*

No conflicts exist between the private interests and/or other duties of the members of the BoD or the GEB and their obligations to the Issuer.

## 4.2 Auditors

On 18 April 2007, the UBS Annual General Meeting re-elected Ernst & Young Ltd., Aeschengraben 9, 4002 Basel, Switzerland, as the Group and statutory auditor in accordance with company law and banking law provisions 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.

## 4.3 Major Shareholders of the Issuer

The ownership of UBS shares is broadly disbursed. As at 31 December 2007, Chase Nominees Ltd., London, was registered with a 7.99 per cent. holding (31 December 2006: 8.81 per cent., 31 December 2005: 8.55 per cent.) of total share capital held in trust for other investors. As at 31 December 2007, the US securities clearing organisation DTC (Cede & Co.) New York, "The Depository Trust Company", held 14.15 per cent. (31 December 2006: 13.21 per cent., 31 December 2005: 9.95 per cent.) of total share capital in trust for other beneficiaries. Pursuant to UBS provisions on registering shares, the voting rights of nominees are limited to 5 per cent. This regulation does not apply to securities clearing and settlement organisations. No other shareholder was registered with a holding in excess of 5 per cent. of total share capital.

Further details on the distribution of UBS shares, the number of registered and non-registered securities, voting rights as well as distribution by shareholder categories and geographical regions can be found in the Annual Report 2007 of UBS AG, 3 Corporate Governance and Compensation Report, in English, on pages 5-6 (inclusive).

## 5. 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 in the Financial Report of the Issuer for financial year 2006 and in the Annual Report 2007 of UBS AG, in the Financial Statements for financial year 2007, in English. In this context, the Issuer's fiscal year is equivalent to the calendar year.

In the case of financial year 2006 reference is made to

- (i) the Financial Statements of UBS AG (Group), in particular to the Income Statement of UBS AG (Group) on page 82, the Balance Sheet of UBS AG (Group) on page 83, to the Statement of Cash Flows of the UBS AG (Group) on pages 86-87 (inclusive) and to the Notes to the Financial Statements on pages 88-214 (inclusive), and
- (ii) the Financial Statements of UBS AG (Parent Bank), in particular to the Income Statement of UBS AG (Parent Bank) on page 218, the Balance Sheet of UBS AG (Parent Bank) on page 219, to the Statement of Appropriation of Retained Earnings of UBS AG (Parent Bank) on page 220, to the Notes to the Financial Statements on page 221-225 (inclusive) and to the Parent Bank Review on page 217, and
- (iii) the sections entitled "Accounting Standards and Policies" on pages 67-72 (inclusive) in the Financial Report 2006.

In the case of financial year 2007 reference is made to:

- (i) the Financial Statements of UBS AG (Group), in particular to the Income Statement of UBS AG (Group) on page 18, the Balance Sheet of UBS AG (Group) on page 19, to the Statement of Cash Flows of the UBS AG (Group) on pages 23-24 (inclusive) and to the Notes to the Financial Statements on pages 25-120 (inclusive), and
- (ii) the Financial Statements of UBS AG (Parent Bank), in particular to the Income Statement of UBS AG (Parent Bank) on page 125, the Balance Sheet of UBS AG (Parent Bank) on page 126, to the Statement of Appropriation of Retained Earnings of UBS AG (Parent Bank) on page 127, to the Notes to the Financial Statements on page 128 and to the Parent Bank Review on page 124, and

- (iii) the sections entitled “Accounting Standards and Policies” on pages 3-8 (inclusive) in the Annual Report 2007 of UBS AG, 4 Financial Statements.

All relevant financial information including the relevant notes thereto, contained therein and audited by the UBS auditor, form an integral component of this document, and are therefore fully incorporated in this document.

The Financial Reports form an essential part of UBS’s reporting. They include the audited Consolidated Financial Statements of UBS, prepared in accordance with International Financial Reporting Standards (“IFRS”), a reconciliation to United States Generally Accepted Accounting Principles (“US GAAP”), and the audited financial statements of UBS AG, prepared according to Swiss banking law provisions. The Financial Reports also include discussions and analyses of the financial and business results of UBS and its Business Groups, as well as certain additional disclosures required under Swiss and US regulations.

The financial statements for UBS AG (Group) and its subsidiaries as well as for UBS AG (Parent Bank) were audited by Ernst & Young Ltd., Basel, for financial years 2006 and 2007. The “Report of the Statutory Auditors” of the UBS AG (Parent Bank) can be found on page 226 of the Financial Reports for 2006 and on page 140 of the Annual Report 2007 of UBS AG, 4 Financial Statements. The “Report of the Group Auditors” of the UBS AG (Group) can be found on pages 80-81 (inclusive) of the Financial Reports for 2006 and on page 16-17 (inclusive) of the Annual Report 2007 of UBS AG, 4 Financial Statements.

### **5.1 Legal and Arbitration Proceedings**

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

During the financial year 2007 until the date of this document, UBS has been involved in the following legal proceedings which could be material to the operating result of the Group in a given reporting period:

- (a) **Tax Shelter:** In connection with a criminal investigation of tax shelters, the United States Attorney’s Office for the Southern District of New York (“US Attorney’s Office”) is examining UBS’s conduct in relation to certain tax-oriented transactions in which UBS and others engaged during the years 1996-2000. Some of these transactions were the subject of the Deferred Prosecution Agreement which the accounting firm KPMG LLP entered into with the US Attorney’s Office in August 2005, and are at issue in *United States v. Stein*, S1 05 Cr. 888 (LAK). UBS is cooperating in the government’s investigation.
- (b) **Municipal Bonds:** In November 2006, UBS and others received subpoenas from the US Department of Justice, Antitrust Division, and the SEC relating to derivative transactions entered into with municipal bond issuers and to the investment of proceeds of municipal bond issuances. Both investigations are ongoing, and UBS is cooperating. 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. Under the SEC’s Wells process, UBS will have the opportunity to set forth reasons of law, policy or fact why such an action should not be brought.
- (c) **HealthSouth:** UBS is defending itself in two purported securities class actions brought in the US District Court of the Northern District of Alabama by holders of stock and bonds in HealthSouth Corp. UBS also is a defendant in HealthSouth derivative litigation in Alabama State Court and has responded to an SEC investigation relating to UBS’s role as a banker for HealthSouth.

- (d) Parmalat: UBS is involved in a number of proceedings in Italy related to the bankruptcy of Parmalat. These proceedings include, *inter alia*, clawback proceedings against UBS Limited in connection with a structured finance transaction. Further, UBS is a defendant in two civil damages claims brought by Parmalat, one of which relates to the same structured finance transaction against UBS Limited, while the other against UBS AG relates to certain derivative transactions. In addition, UBS Limited and one current and one former UBS employee are the subject of criminal proceedings in Milan. UBS AG and UBS Limited are defendants in civil actions brought by Parmalat investors in parallel with the criminal proceedings in Milan. Furthermore, four current or former UBS employees are defendants in relation to criminal proceedings in Parma. Civil claims have also been recently filed in parallel with the criminal proceedings by Parmalat against the individuals and UBS Limited and also by Parmalat investors against the individuals, UBS AG and UBS Limited. UBS AG and UBS Limited deny the allegations made against them and against the individuals in these matters and are vigorously defending themselves in these proceedings.
- (e) Insight One: In early July 2007, UBS agreed to a settlement of the InsightOne case after the New York State Attorney General filed a civil complaint regarding UBS's fee-based brokerage program for private clients in the United States in December 2006. UBS denied that the program was part of a scheme to disadvantage clients, but chose to settle to bring the proceedings to an end. Under the settlement, UBS paid a total of USD 23.3 million, of which USD 21.3 million was paid to certain current and former InsightOne customers pursuant to an agreed upon remediation plan, and USD 2 million was paid in penalties. In 2006, UBS established provisions sufficient to cover the settlement, and therefore the settlement did not impact UBS's Net profit in 2007.
- (f) Bankruptcy Estate of Enron: In June 2007, UBS and Enron settled adversarial proceedings in the US Bankruptcy Court for the Southern District of New York brought by Enron to avoid and recover payments made prior to filing for bankruptcy in connection with equity forward and swap transactions. UBS believed it had valid defences to all of Enron's claims, but chose to settle to eliminate the uncertainty created by the proceeding. Under the terms of the settlement, UBS paid Enron USD 115 million and waived a proof of claim for approximately USD 5.5 million that UBS filed in Enron's bankruptcy case. In 2006, UBS recognized a provision for more than half of the settlement amount, with the difference recognized in 2007. Therefore, the settlement did not materially impact UBS's Net profit in 2007.

Besides the proceedings specified above under (a) through (f) no governmental, legal or arbitration proceedings, which may significantly affect the Issuer's financial condition (as opposed to the operating results in the quarterly reporting period) are or have been pending, nor is the Issuer aware that any such governmental, legal or arbitration proceedings are threatened.

## **5.2 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.

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

Since the publication of the last audited financial statements for the period ending 31 December 2007, the following changes have occurred or are planned to occur:

- In order to strengthen its capital position UBS has introduced measures on 10 December 2007, adding CHF 19.4 billion of BIS Tier 1 capital. These measures include:
  - (a) An agreement with two strategic investors, Government of Singapore Investment Corporation Pte. Ltd. (GIC) and an undisclosed strategic investor in the Middle East to subscribe to an issue of CHF 13 billion of mandatory convertibles notes. This was approved at the extraordinary general meeting (EGM) on 27 February 2008. GIC has committed to subscribe to CHF 11 billion and the other investor to CHF 2 billion. The mandatory convertible notes were issued on 5 March 2008. The conversion of the notes into ordinary shares must take place on or before a date approximately two years after issuance;
  - (b) A re-sale of 36.4 million treasury shares previously intended to be cancelled; such re-sale has been approved by the Board of Directors of UBS. UBS has received indications of interest in a share issue,

is considering these and will place these shares over time. This is expected to increase BIS Tier 1 capital by approximately CHF 2 billion;

- (c) A proposal by the Board of Directors to replace the 2007 cash dividend with a stock dividend, i.e. a bonus issue of new shares. This is expected to increase Tier 1 capital by CHF 4.4 billion, of which approximately CHF 3.3 billion is a reversal of accrued dividend for the first nine months of the year and the balance is dividend that will now not accrue. This was approved at the EGM on 27 February 2008.
- On 1 April 2008 UBS pre-announced an estimated net loss attributable to shareholders of approximately CHF 12 billion after losses and writedowns of approximately USD 19 billion on US real estate and related structured credit positions for the first quarter 2008. In order to further strengthen Tier 1 capital the Board of Directors will propose to the Annual General Meeting on 23 April 2008 a rights issue, fully underwritten by four leading international banks, to raise approximately CHF 15 billion. At the same time UBS also announces the formation of a new unit to hold certain currently illiquid US real estate assets.

After giving effect to the receipt of the proceeds of the rights issue, the total capital ratio on a pro-forma basis would have been approximately 14.0 per cent. and the Tier 1 ratio would have been approximately 10.6 per cent.

Apart from the above-mentioned, there has been no material adverse change in UBS's financial or trading position since 31 December 2007.

#### **5.4 Documents on Display**

The Annual Report of UBS AG as at 31 December 2006, comprising (i) the Annual Review 2006, (ii) the Handbook 2006/2007 and (iii) the Financial Report 2006 (including the "Report of the Group Auditors" and the "Report of the Statutory Auditors"), the Annual Report of UBS AG as at 31 December 2007, comprising (i) the Review 2007, (ii) 1 Strategy, Performance and Responsibility, (iii) 2 Risk, Treasury and Capital Management, (iv) 3 Corporate Governance and Compensation Report, (v) 4 Financial Statements (including the "Report of the Group Auditors" and the "Report of the Statutory Auditors") and the Articles of Association of UBS AG Zurich/Basel, as the Issuer, shall be maintained in printed format, for free distribution, at the offices of the Issuer as well as at UBS Deutschland AG, Stephanstrasse 14 — 16, 60313 Frankfurt am Main, Federal Republic of Germany, for a period of twelve months after the publication of this document. In addition, the annual and quarterly reports of UBS AG are published on the UBS website, at [www.ubs.com/investors](http://www.ubs.com/investors) or a successor address.

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## Taxation

### GENERAL

Prospective investors should inform themselves as to the tax consequences within the countries of their residence and domicile of the acquisition, holding or disposal of Preferred Securities. The comments below are of a general nature based on law and practice as at the date hereof in each jurisdiction referred to and do not constitute tax or legal advice. They relate only to the position of persons who are the absolute beneficial owners of their Preferred Securities and may not apply to certain classes of persons such as the Managers. Any Holders who are in doubt as to their personal tax position should consult their professional advisers. In assessing their tax position investors should note that the Issuer is a Jersey company.

### JERSEY TAXATION

The Issuer has been granted “exempt company” status within the meaning of Article 123A of the Income Tax (Jersey) Law 1961, as amended, for the calendar year ending 31 December 2008. The effect of such status is that the Issuer is treated as not resident in Jersey for Jersey tax purposes. As an “exempt company”, the Issuer is exempt from Jersey income tax on income arising outside of Jersey and, by concession, bank interest arising in Jersey, including interest received in respect of the Notes, but is otherwise liable to Jersey income tax on income arising in Jersey and is liable to Jersey income tax on the profits of any trade carried on through an established place of business in Jersey. For so long as the Issuer is an “exempt company”, it is not required to deduct Jersey income tax from payments of dividends (if any) in respect of the Preferred Securities and no withholding in respect of taxation will be required on any such payments. The Issuer is not required to deduct Jersey income tax from payments of redemption amounts in respect of the Preferred Securities. Application for exempt company status must be made to the Comptroller of Income Tax on an annual basis. The application must be accompanied by the payment of an annual charge, currently £600. The retention of exempt company status is conditional upon and subject to, amongst other things, the Comptroller of Income Tax in Jersey being satisfied that no Jersey resident has any beneficial interest in the Issuer, except as permitted by the Comptroller of Income Tax. “Beneficial interest” includes any equitable, legal or contractual interest. It is the Issuer’s intention to maintain such status. Should the Issuer cease to be an exempt company it will be liable to Jersey income tax at the rate (currently) of 20 per cent.

Under current Jersey law there are no death or estate duties, capital gains, gift, wealth, inheritance or capital transfer taxes. No stamp duty is levied in Jersey on the issue, redemption, sale or transfer of Preferred Securities. Probate or Letters of Administration normally will be required to be obtained in Jersey on the death of an individual holder of Preferred Securities. Stamp duty is payable in Jersey on the registration of such Probate or Letters of Administration calculated on the value of the holder’s estate in Jersey.

On 3 June 2003, the European Union (“EU”) Council of Economic and Finance Ministers reached political agreement on the adoption of a Code of Conduct on Business Taxation. Jersey is not a member of the EU. However, in keeping with Jersey’s policy of constructive international engagement, the States of Jersey have proposed legislation to replace the Jersey exempt company regime with a general zero rate of corporate tax. The new regime is expected to be in place by 2009.

It is intended that the regime will preserve tax neutrality (and so retain the existing benefit of the exempt company regime through a revised fiscal structure). Unlike the exempt company regime, the new regime will not require an annual application/election or the payment of any sum by the relevant company.

### SWISS TAXATION

#### 1. Income Taxation

##### 1.1 General

The following summary does not purport to address all tax consequences of the acquisition, ownership and disposal of Preferred Securities, and does not take into account the specific circumstances of any particular investor. This summary is based on the tax laws, regulations and regulatory practices of Switzerland as in effect on the date hereof, which are subject to change (or subject to changes in interpretation), possibly with retroactive effect, and a tax ruling with the Swiss federal tax administration, and assumes, as confirmed in such tax ruling in reliance on respective information given by the Issuer and UBS, residence and place of effective management of the Issuer outside Switzerland, the status of a bank, and a permanent establishment situated and effectively managed outside Switzerland, of the Jersey branch of UBS AG, and the booking and

use of proceeds from the sale of the Preferred Securities and the Notes (on a non-consolidated basis) outside Switzerland.

Holder, or prospective Holder, of Preferred Securities, are advised to consult their own tax advisers in light of their particular circumstances as to the Swiss tax laws, regulations and regulatory practices that could be relevant for them in connection with acquiring, owning and disposing of Preferred Securities and receiving Distributions, Liquidation Preference or other payments on the Preferred Securities and the consequences of such events under the tax laws, regulations and regulatory practices of Switzerland.

### 1.2 Classification

Preferred Securities are classified by the Swiss Federal Tax Administration for purposes of Swiss federal taxes as debt instruments. Cantonal and communal taxation authorities generally will apply the classification by the Swiss Federal Tax Administration.

### 1.3 Income Taxation

#### (a) Non-resident holders

Distributions, Liquidation Preference and other payments on Preferred Securities to, or capital gains realized on the disposal of Preferred Securities by, a Holder who is a non-resident of Switzerland and who, during the respective taxation year, has not engaged in trade or business through a permanent establishment or fixed place of business within Switzerland for tax purposes and who is not subject to income taxation in Switzerland for any other reason will not be subject to any Swiss federal, cantonal or communal income tax.

#### (b) Resident Holders/Holder with a Trade or Business in Switzerland

Holder who hold Preferred Securities as part of a trade or business within Switzerland for tax purposes, in the case of residents abroad carried on through a permanent establishment or a fixed place of business in Switzerland, are required to recognize Distributions, Liquidation Preference and other payments on the Preferred Securities and capital gains or losses realized on the disposal of Preferred Securities in their financial statements for the respective taxation year and are subject to Swiss federal, cantonal and communal corporate or individual income tax, as the case may be, on any net taxable income or profit (including Distributions, Liquidation Preference and other payments on the Preferred Securities and capital gains or losses realized on the disposal of Preferred Securities) for such taxation year. The same taxation treatment also applies to Swiss-resident private individuals who, for income tax purposes, are classified as “professional securities dealers” for reasons of, *inter alia*, frequent dealing in, or leveraged acquisitions of, securities.

Private individuals resident in Switzerland and holding Preferred Securities as part of their private fortune, are required to include Distributions and other payments on the Preferred Securities (but not payment of Liquidation Preference) on the Preferred Securities in their personal income tax return and are subject to Swiss federal, cantonal and communal income tax on any net taxable income (including Distributions and other payments (but not payment of Liquidation Preference) on the Preferred Securities) for the relevant taxation year. For private individuals capital gains resulting from the disposal of Preferred Securities are not subject to Swiss federal, cantonal and communal income tax; this is also the case for accrued Distributions. Capital losses are not tax-deductible. Swiss resident private individuals who hold the Preferred Securities as part of their private fortune are required to report their Preferred Securities as part of their taxable fortune and will be subject to cantonal and communal fortune tax, provided that their net taxable fortune (including the Preferred Securities) exceeds applicable tax allowances or net fortune amounts.

## 2. SWISS WITHHOLDING TAX

Distributions, Liquidation Preference and other payments on the Preferred Securities by the Issuer and by UBS AG under the guarantee are not subject to the Swiss withholding tax (*Verrechnungssteuer*).

## 3. SWISS ISSUANCE STAMP TAX

The issuance of the Preferred Securities will not be subject to the Swiss issuance stamp tax (*Emissionsabgabe*).

**4. SWISS SECURITIES TURNOVER TAX**

The issuance of the Preferred Securities to the original Holders at the original offering price will not be subject to the Swiss securities turnover tax (Umsatzabgabe). Subsequent dealings in Preferred Securities where a bank or another securities dealer (as defined in the Swiss Stamp Tax Act) in Switzerland or Liechtenstein acts as an intermediary, or is a party, to the transaction, are subject to the Swiss securities turnover tax at an aggregate rate of 0.3 per cent. of the purchase price, provided that an exemption applies neither to the seller nor the purchaser.

**5. EUROPEAN SAVINGS DIRECTIVE**

On the basis of the agreement of 26 October 2004 between the EU and Switzerland pursuant to which Switzerland agreed to adopt measures equivalent to those of the European Savings Directive, Switzerland introduced a withholding tax on interest payments and other similar income paid by a paying agent within Switzerland to an individual resident in an EU member state. The withholding tax is set at a rate of 15 per cent. until 30 June 2008 and will increase to 20 per cent. on 1 July 2008, and to 35 per cent. on 1 July 2011. Holders of Preferred Securities who are individuals should be aware that the Issuer will not pay Additional Amounts, and the Guarantor will not pay Guarantor Additional Amounts, in respect of any withholding tax imposed as a result of such withholding tax.

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## Subscription and Sale

Pursuant to a Subscription Agreement (the “Subscription Agreement”) expected to be dated on or about the date of publication of the Final Terms, UBS Limited of 1 Finsbury Avenue, London EC2M 2PF (the “Lead Manager”) Banca Akros S.p.A., Bank of America Securities Limited, Barclays Bank PLC, Deutsche Bank AG, London Branch, Fortis Bank NV-SA, HSBC Bank plc, ING Belgium SA/NV, Lloyds TSB Bank plc, Merrill Lynch International, Morgan Stanley & Co. International plc, Natixis, Royal Bank of Canada Europe Limited, The Royal Bank of Scotland plc, Standard Chartered Bank and Wachovia Securities International Limited (together with the Lead Manager, the “Managers”) will jointly and severally agree to subscribe, subject to the satisfaction of certain conditions, for the Preferred Securities at a price per Preferred Security specified in the Final Terms, less a combined management, underwriting and selling commission to be set out in the Final Terms. In addition, the Managers shall be reimbursed for certain of their expenses in connection with the issue of the Preferred Securities. The Managers are entitled to terminate the Subscription Agreement in certain circumstances before the issue of the Preferred Securities.

### **PUBLIC OFFER SELLING RESTRICTION UNDER THE PROSPECTUS DIRECTIVE**

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each a “Relevant Member State”), each Manager will represent and agree that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “Relevant Implementation Date”) it has not made and will not make an offer of Preferred Securities which are the subject of the offering contemplated by this Base Prospectus to the public in that Relevant Member State other than:

- (a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000; and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;
- (c) to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the Lead Manager; or
- (d) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Preferred Securities shall require the Issuer, UBS or any Manager to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of Preferred Securities to the public” in relation to any Preferred Securities in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Preferred Securities to be offered so as to enable an investor to decide to purchase or subscribe the Preferred Securities, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression “Prospectus Directive” means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

### **SELLING RESTRICTIONS ADDRESSING ADDITIONAL UNITED KINGDOM SECURITIES LAWS**

Each Manager will further represent, warrant and undertake that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Preferred Securities in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or UBS; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Preferred Securities in, from or otherwise involving the United Kingdom.

**UNITED STATES**

The Preferred Securities have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Each Manager will agree that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Preferred Securities, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date, within the United States or to, or for the account or benefit of, U.S. persons and it will have sent to each dealer to which it sells any Preferred Security during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Preferred Securities within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering, an offer or sale of the Preferred Securities within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

**JERSEY**

The Preferred Securities may not be offered to, sold to or purchased by, persons resident for income tax purposes in Jersey (other than financial institutions in the normal course of business).

**GENERAL**

Each Manager will represent, warrant and agree that it has complied and will comply with all applicable laws and regulations in each country or jurisdiction in which it purchases, offers, sells or delivers Preferred Securities or possesses, distributes or publishes this Base Prospectus or any other offering material relating to the Preferred Securities. Persons into whose hands this Base Prospectus comes are required by the Issuer, UBS and the Managers to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Preferred Securities or possess, distribute or publish this Base Prospectus or any other offering material relating to the Preferred Securities, in all cases at their own expense.

Offers of the Preferred Securities are conditional upon their issue and it is anticipated the Preferred Securities will be issued on the Closing Date against payment to the Issuer of the net subscription moneys.

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## General Information

### **1. LISTING**

Application will be made for the Preferred Securities to be admitted to the Official List of Irish Stock Exchange. It is expected that admission of the Preferred Securities to the Official List and to trading on the regulated market of the Irish Stock Exchange will be granted on or around the Closing Date, subject only to the issue of the Global Certificate. If the Global Certificate is not issued as mentioned in this document, the issue of the Preferred Securities may be cancelled. The total expenses related to the admission to trading of the Preferred Securities will be set out in the Final Terms.

### **2. AUTHORISATIONS**

The creation and issue of the Preferred Securities was authorised by board resolutions of the Issuer passed on 5 March 2008 and 8 April 2008.

The entering into of the Guarantee by UBS was authorised by the Group Executive Board of UBS passed on 20 February 2008.

All consents, approvals, authorisations or other orders of all regulatory authorities required by the Issuer and/or UBS under the laws of Jersey and the Switzerland have been given for the issue of the Preferred Securities and for the Issuer and UBS, as the case may be, to undertake and perform their respective obligations as appropriate under the Subscription Agreement, the Agency Agreement, the Preferred Securities, the Notes and the Guarantee.

### **3. LEGAL STATUS**

The Issuer is incorporated under the laws of Jersey (registered number 99241) as a public company with limited liability and for an unlimited duration.

UBS operates under Swiss law and is registered with the Commercial Registers of Canton Zurich and Canton Basel-City with registration number CH-270.3.004.646-4.

### **4. SIGNIFICANT/MATERIAL CHANGE**

Save as described herein, there has been no material adverse change in the financial position or prospects of the UBS or the UBS Group since 31 December 2007 or, in the case of the Issuer, since the date of its establishment and no significant change in the financial or trading position of UBS or the UBS Group since 31 December 2007 or, in the case of the Issuer, since the date of its establishment.

### **5. LEGAL AND ARBITRATION PROCEEDINGS**

Save as described herein, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened, of which the Issuer or UBS is aware), which may have, or have had during the 12 months prior to the date of this Base Prospectus, a significant effect on the financial position or profitability of the Issuer or the UBS Group.

### **6. MATERIAL CONTRACTS**

There are no material contracts having been entered into outside the ordinary course of the Issuer's or UBS's business, and which could result in the Issuer or any member of the UBS Group being under an obligation or entitlement that is material to the Issuer's or UBS's ability to meet its obligations to Holders.

### **7. CLEARING**

The Preferred Securities have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The Common Code and the ISIN for the Preferred Securities shall be specified in the Final Terms.

### **8. YIELD**

The yield shall be specified in the Final Terms.

**9. AUDITORS**

For the years ended 31 December 2006 and 31 December 2007, the audited consolidated and unconsolidated financial statements of UBS were audited, without qualification, by Ernst & Young Ltd., Basel. Ernst & Young Ltd., Basel, is a member of the Swiss Chamber of Auditors based in Switzerland.

No accounts of the Issuer have yet been audited. Ernst & Young LLP, registered auditors, has been appointed as auditor of the Issuer in Jersey.

**10. DOCUMENTS ON DISPLAY**

Hard copies of the following documents (including English translations where relevant) may be inspected during normal business hours at the office of the Registrar in Jersey for the life of the Base Prospectus:

- (a) the constitutive documents of the Issuer;
- (b) the constitutive documents of UBS;
- (c) the Subscription Agreement;
- (d) the Final Terms;
- (e) drafts (subject to modification) of the Paying Agency Agreement and the Deed of Guarantee; and
- (f) the published audited consolidated accounts of the UBS Group for the financial years ended 31 December 2006 and 31 December 2007.

**11. LISTING AGENT**

Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in connection with the Preferred Securities and is not itself seeking admission of the Preferred Securities to the Official List of the Irish Stock Exchange or to trading on the Irish Stock Exchange for the purposes of the Prospectus Directive.

**12. CALCULATION AGENT**

The Principal Paying and Transfer Agent will act as calculation agent.

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**REGISTERED OFFICE OF THE ISSUER**

Durell House  
28 New Street  
St. Helier  
Jersey JE3 0XT  
Channel Islands

**REGISTERED OFFICES OF UBS**

Aeschenvorstadt 1  
4002 Basel  
Switzerland

Bahnhofstrasse 45  
8098 Zürich  
Switzerland

**PRINCIPAL PAYING AND TRANSFER AGENT**

HSBC Bank plc  
8 Canada Square  
London E14 5HQ  
United Kingdom

**REGISTRAR**

UBS Trustees (Jersey) Limited  
Durell House  
28 New Street  
St. Helier  
Jersey JE3 0XT  
Channel Islands

**LEGAL ADVISERS**

*To the Managers  
as to English law*

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10 Upper Bank Street  
London E14 5JJ  
United Kingdom

*To the Issuer  
and UBS as to Swiss law*

Homburger AG  
Weinbergstrasse 56/58  
CH-8006 Zürich  
Switzerland

*To the Issuer  
as to Jersey law*

Carey Olsen  
47 Esplanade  
St. Helier  
Jersey JE1 0BD  
Channel Islands

**AUDITORS**

*To the Issuer and UBS*

Ernst & Young Ltd.  
Aeschengraben 9  
PO Box 2149  
CH-4002 Basel  
Switzerland

**IRISH LISTING AGENT**

Arthur Cox Listing Services Limited  
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Earlsfort Terrace  
Dublin 2  
Ireland

