

Final Terms

(No. 3)

dated 25 May 2010

in connection with the Base Prospectus dated 26 April 2010

of

UBS AG, Jersey Branch
(the Jersey branch of UBS AG)



for the issue of

Capital Protected SEK Notes

(ISIN SE0003332600)

linked to the **UBS Target Volatility Strategy on the East Capital Balkan Fund**

These final terms (the "**Final Terms**") provide additional information to the base prospectus (the "**Base Prospectus**") that was prepared in accordance with § 6 of the German Securities Prospectus Act ("**WpPG**").

Placeholders contained in the Base Prospectus were replaced in these Final Terms by concrete data, figures and characteristics of the Security upon their determination in the context of the specific security issue.

For each issue based on the Base Prospectus the Final Terms are published in a separate document that repeats certain information contained in the Base Prospectus in addition to the specific data, figures and characteristics of the specific security issue.

Complete information about the Issuer and the specific security issue require review of the Base Prospectus (as amended by possible supplements) in conjunction with the respective Final Terms and the current Registration Document.

TABLE OF CONTENTS

Page:

RISK FACTORS	3
I. Issuer specific Risks	3
II. Security specific Risks	9
III. Underlying specific Risks	14
RESPONSIBILITY STATEMENT	17
DESCRIPTION OF THE SECURITIES	17
TERMS AND CONDITIONS OF THE SECURITIES	18
Terms and Conditions of the Securities Part 1: Key Terms and Definitions of the Securities	19
Terms and Conditions of the Securities Part 2: Special Conditions of the Securities	27
Terms and Conditions of the Securities Part 3: General Conditions of the Securities	29
INFORMATION ABOUT THE UNDERLYING	44
ISSUE, SALE AND OFFERING	48
I. Issue and Sale	48
II. Offering for Sale and Issue Price	50
III. Subscription and Delivery of the Securities	50
GENERAL INFORMATION	52
I. General Note on the Prospectus	52
II. Form and Status	52
III. Admission to Trading	52
IV. Authorisation	52
V. EEA-Passport	52
VI. Use of Proceeds	52
VII. Availability of the Prospectus and Other Documents	52
SIGNATORIES	54

RISK FACTORS

The different risk factors that are material to the Issuer, the Securities being offered, and the fund units (the “**Fund Units**” or the “**Underlying**”) in the East Capital Balkan Fund (the “**Reference Fund**”) (if any), are outlined below. Which of these are relevant to the Securities issued under this Base Prospectus depends upon a number of interrelated factors, especially the type of Securities and the Reference Fund. Investments in the Securities should not be made until all the factors relevant to the Securities have been acknowledged and carefully considered. Terminology and expressions defined in the Conditions of the Securities shall have the same meaning when used herein. When making decisions relating to investments in the Securities, potential investors should consider all information contained in the Prospectus and, **if necessary, consult their legal, tax, financial or other advisor.**

I. Issuer specific Risks

As a global financial services provider, the business activities of UBS are affected by the prevailing market situation. Different risk factors can impair the company’s ability to carry out its business strategies and directly affect its business activities, financial condition, results of operations and prospects. Accordingly, UBS AG’s revenues and earnings are and have been subject to fluctuations. The revenues and earnings figures from a specific period, thus, are not evidence of sustainable results. They can change from one year to the next and affect UBS AG’s ability to achieve its strategic objectives.

General insolvency risk

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

Potentially significant litigation risks

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

Negative effect of downgrading of the Issuer’s rating

The general assessment of the Issuer’s creditworthiness may affect the value of the Securities. This assessment generally depends on the ratings assigned to the Issuer or its affiliated companies by rating agencies such as Moody’s, Fitch and Standard & Poor’s.

UBS’ reputation is key to the success of its business

UBS’ reputation has been severely damaged by its very large losses during the financial crisis and by the US cross-border matter. This has resulted in client attrition in different parts of UBS’ business and has negatively affected UBS’ financial performance. Restoring UBS’ reputation is essential to maintaining UBS’ relationships with clients, investors, regulators and the general public, as well as with UBS’ employees. Accordingly, it is critical to the success of UBS’ strategic plans. Reputational damage is difficult to reverse. The process is slow and success can be difficult to measure. UBS has taken what it believes are very important steps to restore its reputation, but it is possible that it will take longer to repair than UBS expects, particularly if further events were to occur that cause additional damage to its reputation. Any failure to restore or further damage to UBS’ reputation could have a material adverse effect on its operational results and financial condition. Even if UBS’ reputation is restored, UBS may not progress quickly enough to achieve its medium-term goals.

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

In the wake of the recent financial crisis, regulators and legislators are actively considering a wide range of measures designed to address the perceived causes of the crisis and to limit the systemic risks posed by major financial institutions.

Potential changes include:

- significantly higher regulatory capital requirements
- changes in the capital treatment of certain capital instruments issued by UBS and other banks
- changes in the calculation of risk-weighted assets
- new or significantly enhanced liquidity requirements
- requirements to maintain liquidity and capital in multiple jurisdictions where activities are conducted
- Limitations on principal trading activities
- taxes and government fees that would effectively limit balance sheet growth
- a variety of measures constraining, taxing or imposing additional requirements relating to compensation
- requirements to adopt structural and other changes designed to make major financial institutions easier to wind down or disassemble
- outright size limitations

Notwithstanding attempts by regulators to coordinate their efforts, the proposals differ by jurisdiction, and enhanced regulation may be imposed in a manner that makes it more difficult to manage global institutions. Swiss authorities have expressed concern about the systemic risks posed by its two largest banks, particularly in relation to the size of the Swiss economy and governmental resources. This may lead to more stringent regulations applicable to major banks headquartered in Switzerland in comparison with those based elsewhere. The potential regulatory and legislative developments in Switzerland and in other jurisdictions in which UBS has operations may have a material adverse effect on UBS' ability to execute its strategic plans, on the profitability or viability of certain business lines globally or in particular locations, and on UBS' ability to compete with other financial institutions. They could also have an impact on UBS' legal structure or UBS' business model.

UBS is exposed to possible further reduction in client assets in its wealth management and asset management businesses

In 2008 and 2009, UBS experienced substantial net outflows of client assets in its wealth management and asset management businesses. This resulted from a number of different factors, including UBS' substantial losses, the damage to its reputation, the loss of client advisors and developments concerning UBS' cross-border private banking business. As some of these factors can only be addressed over an extended period of time, UBS may continue to experience net outflows of client assets. This may adversely affect the results of UBS' wealth management and asset management businesses.

UBS holds proprietary risk positions that may be adversely affected by conditions in the financial markets

UBS AG, like many other financial market participants, was severely affected by the financial crisis that began in 2007. The deterioration of financial markets since the beginning of the crisis was extremely severe by historical standards, and UBS recorded substantial losses on fixed income trading positions, particularly in 2008 and to a lesser extent in 2009. UBS has drastically reduced its risk exposures, in part due to transfers to a fund controlled by the SNB. UBS does, however, continue to hold sizeable legacy risk positions that are exposed to the general systemic and counterparty risks that were exacerbated by the financial crisis. The illiquidity of most of these legacy risk positions is likely to make it increasingly difficult to reduce UBS' exposures to them.

During the market crisis, UBS incurred large losses (realized and mark to market) on its holdings of securities related to the US residential mortgage market. Although UBS' exposure to that market was reduced dramatically in 2008 and 2009, UBS remains exposed to a smaller degree to such losses, most notably through monoline-insured positions. Monoline insurers have been adversely affected by their exposure to US residential mortgage-linked products, and UBS has recorded large credit valuation adjustments on its claims against them. If the financial condition of monoline insurers or their perceived creditworthiness deteriorates further, UBS would have to record further material credit valuation adjustments on the CDSs bought from them.

The market dislocation also affected other asset classes. In 2008 and 2009, UBS recorded markdowns on other assets carried at fair value, including auction rate securities (ARS), leveraged finance commitments, commercial mortgages in the US and non-US mortgage-backed and asset-backed securities (ABSs). UBS has a very large inventory of ARS, which is likely to increase as a result of its partially satisfied commitment to repurchase client-owned ARS. UBS holds positions related to real estate in countries other than the US, including a very substantial Swiss mortgage portfolio, and UBS could suffer losses on these positions. In addition, further market dislocation or continued weak financial conditions could result in further writedowns on UBS' assets carried at fair value or in the impairment of assets classified as or reclassified to loans or receivables. UBS is also exposed to risk in its prime brokerage, reverse repo and lombard lending activities, as the value or liquidity of the assets against which UBS provides financing may decline rapidly.

Performance in the financial services industry depends on the economic climate

The financial services industry prospers in conditions of economic growth, stable geopolitical conditions, capital markets that are transparent, liquid and buoyant and positive investor sentiment. An economic downturn, inflation or a severe financial crisis (as seen in 2008 and to a lesser extent in 2009) can negatively affect UBS' revenues and ultimately UBS' capital base.

A market downturn can be precipitated by a number of factors, including geopolitical events, changes in monetary or fiscal policy, trade imbalances, natural disasters, pandemics, civil unrest, war or terrorism. Because financial markets are global and highly interconnected, even local and regional events can have widespread impact well beyond the countries in which they occur. A crisis could develop, regionally or globally, as a result of disruptions in emerging markets which are susceptible to macroeconomic and geopolitical developments, or as a result of the failure of a major market participant. As UBS' presence and business in emerging markets increases, UBS becomes more exposed to these risks. Adverse developments of this kind have affected UBS' businesses in a number of ways, and may continue to have further adverse effects on UBS' businesses as follows:

- a general reduction in business activity and market volumes would affect fees, commissions and margins from market-making and customer-driven transactions and activities;
- a market downturn is likely to reduce the volume and valuations of assets UBS manages on behalf of clients, reducing UBS' asset- and performance-based fees;
- reduced market liquidity limits trading and arbitrage opportunities and impedes UBS' ability to manage risks, impacting both trading income and performance-based fees;
- assets UBS owns and accounts for as investments or trading positions could continue to fall in value;
- impairments and defaults on credit exposures and on trading and investment positions could increase, and losses may be exacerbated by falling collateral values; and
- if individual countries impose restrictions on cross-border payments or other exchange or capital controls, UBS could suffer losses from enforced default by counterparties, be unable to access its own assets, or be impeded in – or prevented from – managing its risks.

The developments mentioned above can affect the performance of both UBS' business units and of UBS as a whole. There is also a risk that the carrying value of goodwill of a business unit might suffer impairments and deferred tax assets levels may need to be adjusted.

In addition, interest rate increases triggered by central banks may adversely affect the economy and UBS' business and funding costs.

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

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

As seen during the recent market crisis, UBS is not always able to prevent serious losses arising from extreme or sudden market events that are not anticipated by its risk measures and systems. Value-at-Risk ("**VaR**"), a statistical measure for market risk, is derived from historical market data, and thus by definition could not have predicted the losses seen in the stressed conditions in the past few years. Moreover, stress loss and concentration controls and the dimensions in which UBS aggregates risk to identify potentially highly correlated exposures proved to be inadequate. Notwithstanding the steps UBS has taken to strengthen its risk management and control framework, UBS could suffer further losses in the future if, for example:

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

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

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

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

Valuations of certain assets rely on models. For some of the inputs to these models there is no observable source

Where possible, UBS marks its trading book assets at their quoted market price in an active market. In the current environment, such price information is not available for certain instruments and UBS applies valuation

techniques to measure such instruments. Valuation techniques use “market observable inputs” where available, derived from similar assets in similar and active markets, from recent transaction prices for comparable items or from other observable market data. For positions of which some or all of the reference data are not observable or have limited observability, UBS uses valuation models with nonmarket observable inputs. There is no single market standard for valuation models in this area. Such models have inherent limitations; different assumptions and inputs would generate different results, and these differences could have a significant impact on UBS’ financial results. UBS regularly reviews and updates its valuation models to incorporate all factors that market participants would consider in setting a price, including factoring in current market conditions. Judgment is an important component of this process. Changes in model inputs or in the models themselves could have a material adverse effect on UBS’ financial results.

Credit ratings and liquidity and funding management are critical to UBS’ ongoing performance

Moody’s Investors Service, Fitch Ratings and Standard & Poor’s lowered UBS’ long-term credit rating several times in 2008 and 2009. Further reductions in UBS’ credit rating could increase its funding costs, in particular with regard to funding from wholesale unsecured sources. Some of these downgrades have required UBS to make additional cash payments or post additional collateral, and additional reductions in the credit ratings could have similar effects. UBS’ credit ratings also have an impact on the performance of its businesses. Along with UBS’ capital strength and reputation, UBS’ credit ratings contribute to maintaining client and counterparty confidence in UBS.

A substantial part of UBS’ liquidity and funding requirements is met using short-term unsecured funding sources, including wholesale and retail deposits and the regular issuance of money market securities. The volume of these funding sources has generally been stable, but may change in the future due, among other things, to general market strategy, performance and responsibility disruptions. Any such change could occur quickly and without notice. UBS may be required to maintain substantially higher levels of liquidity than has been UBS’ usual practice due to possible changes in regulatory requirements. This could have an adverse impact on the attractiveness of certain lines of business, particularly in the Investment Bank, and may reduce UBS’ overall ability to generate profits.

UBS’ capital strength is important in supporting its client franchise

UBS’ capital position, as measured by the BIS tier 1 and total capital ratios, is determined by (i) risk-weighted assets (“**RWAs**”) (balance sheet, off-balance sheet and other market and operational risk positions, measured and risk-weighted according to regulatory criteria) and (ii) eligible capital. Both RWAs and eligible capital are subject to change. Eligible capital, for example, could experience a reduction resulting from financial losses, acquired goodwill or as a result of foreign exchange movements. RWAs, on the other hand, will be driven by UBS’ business activities and by changes in the risk profile of these assets. They could furthermore be subject to a change in regulatory requirements or the interpretation thereof. For instance, substantial market volatility, a widening of credit spreads (the major driver of UBS’ VaR), a change in regulatory treatment of certain positions, stronger foreign currencies, increased counterparty risk or a deterioration in the economic environment could result in a rise in RWAs or a change in capital requirements, thereby potentially reducing UBS’ capital ratios. UBS is subject to regulatory capital requirements imposed by the Swiss Financial Market Supervisory Authority (“**FINMA**”), under which UBS has higher RWA than would be the case under BIS guidelines. Forthcoming changes in the calculation of RWAs under FINMA requirements are expected to increase the level of UBS’ RWAs and therefore have an adverse effect on UBS’ capital ratios. In addition, FINMA has introduced a minimum leverage ratio which is being progressively implemented and will be fully applicable in 2013. Changes by FINMA in the tier 1 and total capital requirements or in the leverage ratio requirement, whether pertaining to the minimum levels required for large Swiss banks or to the calculation thereof (including changes made to implement the proposed Basel III standards), could have a material adverse effect on UBS’ business and ability to execute its strategic plans or pay dividends in the future.

Operational risks may affect UBS’ business

All of UBS’ businesses are dependent on its ability to process a large number of complex transactions across multiple and diverse markets in different currencies, and to comply with the requirements of the many different legal and regulatory regimes. UBS’ operational risk management and control systems and processes are designed to help ensure that the risks associated with its activities, including those arising from process error, failed execution, unauthorized trading, fraud, systems failure and failure of security and physical protection, are

appropriately controlled. If UBS' internal controls fail or prove ineffective in identifying and remedying such risks, UBS could suffer operational failures that might result in material losses.

Legal claims and regulatory risks and restrictions arise in the conduct of UBS' business

In the ordinary course of UBS' business, UBS are subject to regulatory oversight and liability risk. UBS is involved in a variety of claims, disputes, legal proceedings and government investigations in jurisdictions where UBS is active. These types of proceedings expose UBS to substantial monetary damages and legal defense costs, injunctive relief and criminal and civil penalties, in addition to potential regulatory restrictions on UBS' businesses. The outcome of these matters cannot be predicted and they could adversely affect UBS' future business. UBS continues to be subject to government inquiries and investigations, and is involved in a number of litigations and disputes related to the financial crisis. These matters concern, among other things, UBS' valuations, accounting classifications, disclosures, investment suitability, writedowns, underwriting and contractual obligations, as well as UBS' role as an underwriter in securities offerings for other issuers.

UBS has been in active dialogue with its regulators concerning remedial actions that UBS is taking to address deficiencies in its risk management and control, funding and certain other processes and systems. UBS will for some time be subject to increased scrutiny by FINMA and UBS' other major regulators, and accordingly will be subject to regulatory measures that might affect the implementation of its strategic plans.

In February 2009, UBS entered into a Deferred Prosecution Agreement (DPA) with the US Department of Justice (DOJ) and a Consent Order with the US Securities and Exchange Commission in connection with UBS' cross-border private banking services provided to US private clients. In addition, a petition for enforcement of a civil summons issued by the US Internal Revenue Service (IRS), seeking information concerning UBS' cross-border business, including records located in Switzerland, was filed by the civil division of the DOJ. In August 2009, UBS entered into a settlement agreement with the IRS and the DOJ. Pursuant to this agreement and a related agreement between the US and Switzerland, the summons enforcement proceeding will be dismissed if certain requirements are satisfied. It is not yet clear what effect, if any, the recent Swiss court decision prohibiting the provision of certain UBS client data to the IRS may have on UBS' 2009 settlements with US authorities and UBS' businesses.

Tax and regulatory authorities in a number of other jurisdictions have also requested information relating to the cross-border wealth management services provided by UBS and other financial institutions. These governmental actions, and UBS' responses to them, could adversely affect the future profitability of UBS' international wealth management businesses.

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

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

UBS' competitive strength and market position could be eroded if UBS is unable to identify market trends and developments, do not respond to them by devising and implementing adequate business strategies or are unable to attract or retain the qualified people needed to carry them out. The changes recently introduced in UBS' balance sheet management, funding framework and risk management and control, as well as possible new or enhanced regulatory requirements, may constrain the revenue contribution of certain lines of business. For example, parts of the Investment Bank's fixed income, currencies and commodities (FICC) business may be affected as they require substantial funding and are capital-intensive.

Following the losses incurred in 2008, UBS significantly reduced the variable compensation granted to its employees for that year. This and other factors adversely affected UBS' ability to retain and attract key employees, which in turn negatively affected UBS' revenues in a number of business lines in 2009. The amount of variable compensation granted for 2009 was higher than in 2008, but the portion of variable compensation granted in the form of deferred shares was much higher than in the past, and the percentage of compensation deferred was higher than that of most of UBS' competitors. UBS continues to be subject to the risk that key employees will be attracted by competitors and decide to leave UBS, or that UBS may be less successful than UBS' competitors in attracting qualified employees. This risk also arises in connection with the increasing

legislation, regulation and regulatory pressure relating to remuneration in general and variable compensation in particular. Although this affects many if not all of the major banks, the constraints are likely to differ by jurisdiction and therefore less regulated competitors may tend to have an advantage.

UBS' global presence exposes UBS to risks arising from being subject to different regulatory, legal and tax regimes, as well as from currency fluctuation

UBS operates in more than 50 countries, earn income and hold assets and liabilities in many different currencies and are subject to many different legal, tax and regulatory regimes.

UBS' ability to execute its global strategy depends on obtaining and maintaining local regulatory approvals. This includes the approval of acquisitions or other transactions and the ability to obtain and maintain the necessary licenses to operate in local markets. Changes in local tax laws or regulations and their enforcement may affect the ability or the willingness of UBS' clients to do business with the bank, or the viability of UBS' strategies and business model. In UBS' financial accounts UBS accrues taxes, but the final effect of taxes on earnings is only determined after the completion of tax audits (which generally takes a number of years) or the expiration of statutes of limitations. In addition, changes in tax laws, judicial interpretation of tax laws or policies and practices of tax authorities could cause the amount of taxes ultimately paid by UBS to differ materially from the amount accrued.

Because UBS prepares its accounts in Swiss francs and a substantial portion of our assets, liabilities, assets under management, revenues and expenses are denominated in other currencies, changes in foreign exchange rates, particularly between the Swiss franc and the US dollar and to a much lesser extent between the Swiss franc and the Euro and UK sterling (US dollar income represents the major part of UBS' non-Swiss-franc income), have an effect on UBS' reported income and shareholders' equity.

Potential conflicts of interest

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

Furthermore, the Issuer and its affiliates may issue other derivative instruments relating to the *Underlying*; introduction of such competing products may affect the value of the Securities. The Issuer and its affiliated companies may receive non-public information relating to the *Underlying*, and neither the Issuer nor any of its affiliates undertakes to make this information available to *Securityholders*. In addition, one or more of the Issuer's affiliated companies may publish research reports on the *Underlying*. Such activities could present conflicts of interest and may affect the value of the Securities.

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

II. Security specific Risks

Investing in the Securities involves certain risks. Among others, these risks may take the form of equity market, commodity market, bond market, foreign exchange, interest rate, market volatility and economic and political risks and any combination of these and other risks. The important risks are presented briefly below. Prospective investors should be experienced with regard to transactions in instruments such as the Securities and in the *Underlying*. **Prospective investors should understand the risks associated with an investment in the Securities and shall only reach an investment decision, after careful considerations with their legal,**

tax, financial and other advisors of (i) the suitability of an investment in the Securities in the light of their own particular financial, fiscal and other circumstances; (ii) the information set out in this document and (iii) the *Underlying*. An investment in the Securities should only be made after assessing the direction, timing and magnitude of potential future changes in the value of the *Underlying* respectively, as the return of any such investment will be dependent, *inter alia*, upon such changes. More than one risk factor may have simultaneous effects with regard to the Securities, so that the effect of a particular risk factor is not predictable. In addition, more than one risk factor may have a compounding effect which may not be predictable. No assurance can be given with regard to the effect that any combination of risk factors may have on the value of the Securities.

Prospective investors of the Securities should recognise that the Securities **constitute a risk investment** which can lead to a **total loss** of their investment in the Securities. Even when the Securities are capital protected at maturity to the extent of the *Minimum Repayment Amount* and, hence, the risk of a loss is initially limited, the investor bears the risk of the Issuer's financial situation worsening. Potential investors must therefore be prepared and able to sustain a partial or even a **total loss** of the invested capital. Any investors interested in purchasing the Securities should assess their financial situation, to ensure that they are in a position to bear the **risks of loss** connected with the Securities.

None of the Securities vests a right to payment of fixed or variable interest or dividends and, as such, they **generate no regular income**. Therefore, potential reductions in the value of the Securities cannot be offset by any other income from the Securities.

It is expressly recommended that potential investors familiarise themselves with the specific risk profile of the product type described in this Prospectus and seek the advice of a professional, if necessary.

1. Entitlement under the Securities

With the purchase of each (1) Security, the investor acquires the right, under certain conditions and as provided for in the Conditions of the Securities, to demand from the Issuer the payment of a *Redemption Amount* in the *Settlement Currency* depending on the performance of the UBS Target Volatility Strategy on the price of the units (the "**Fund Units**" or the "**Underlying**") in the East Capital Balkan Fund (the "**Reference Fund**") (such amount the "**Settlement Amount**") (the "**Security Right**").

The *Redemption Amount* is, in any case, equal to the capital protected *Minimum Repayment Amount*.

The *Securityholders* shall not be entitled to any interim payments. None of the Securities vests a right to payment of fixed or variable interest or dividends and, as such, they **generate no regular income**. Therefore, potential reductions in the value of the Securities cannot be offset by any other income from the Securities.

2. Further features of the Security structure

Prior to investing in the Securities, prospective investors should note that the following special features of the Securities may have an impact on the value of the Securities or, as the case may be, on any amount, if any, payable according to the Conditions of the Securities and that the Securities accordingly have special risk profiles:

Extent of participation in the performance of the Underlying

The application of the *Participation Factor* within the determination of the Security Right results in the Securities being in economic terms similar to a direct investment in the *Underlying*, but being nonetheless not fully comparable with such a direct investment, in particular because the *Securityholders* may not participate in the relevant performance by a 1:1 ratio, but by the proportion of the *Participation Factor*.

The capital protection only applies at the end of the term of the Securities

The Securities are as at the end of their term capital protected to the extent of the Minimum Repayment Amount, i.e. the investor receives at the end of the term disregarding the actual

performance of the *Underlying* in any case the relevant Minimum Repayment Amount. If an investor acquires the Securities after the issue at a price, which is higher than the *Minimum Repayment Amount*, the prospective investor should be aware that the capital protection only refers to the lower Minimum Repayment Amount. In this context, it has to be considered that the capital protection only applies at the end of the term, *i.e.* provided that the Securities have not been terminated.

The cash amount to be paid in case of an early redemption of the Securities can be considerably below the amount, which would be payable as a minimum at the end of the term of the Securities, where the capital protection applies to the extent of the Minimum Repayment Amount.

Potential investors of the Securities should furthermore recognise that despite the capital protection to the extent of the Minimum Repayment Amount, the investor bears the risk of the Issuer's financial ability. Prospective investors must therefore be prepared and able to sustain a partial or even a total loss of the capital invested. Purchasers of the Securities should in any case assess their financial situation, to ensure that they are in a position to bear the risks of loss connected with the Securities.

3. **Termination and Early Redemption at the option of the Issuer**

Potential investors in the Securities should furthermore be aware that the Issuer is in case of the occurrence of a *Termination Event*, pursuant to the Conditions of the Securities, entitled to terminate and redeem the Securities in total prior to *Expiration Date*. In case the Issuer terminates and redeems the Securities prior to *Expiration Date*, the *Securityholder* is entitled to demand the payment of an amount in relation to this early redemption. However, the *Securityholder* is not entitled to request any further payments on the Securities after the *Termination Date* or the *Tax Termination Date*, as the case may be.

The *Securityholder*, therefore, bears the risk of not participating in the performance of the *Underlying* to the expected extent and during the expected period and, therefore, receives less than its capital invested.

In case of a termination the Issuer shall pay to each *Securityholder* an amount in the *Settlement Currency* with respect to each Security held by it, which is determined by the Calculation Agent at its reasonable discretion pursuant to § 317 of the BGB as the fair market price of a Security **less** any reasonable costs and expenses, if any, incurred in connection with the *Issuer's Hedging Activities*. When determining a fair market price of a Security, the Issuer is entitled to consider all factors, including any adjustments of option contracts on the *Underlying*, without being bound to any third party measures or assessments, in particular any measures or assessments of any futures or options exchange. Due to the fact that the Calculation Agent may take into consideration the market factors it considers to be relevant at its reasonable discretion pursuant to § 317 of the BGB without being bound to third party measures or assessments, it cannot be excluded that the amount determined by the Issuer at its reasonable discretion as the fair market price of the Security at the occurrence of the termination – and, hence, the *Termination Amount* or, as the case may be, the *Tax Termination Amount* - can differ from the market price of comparable Securities relating to the *Underlying* as determined by a third party.

In case of a termination of the Securities by the Issuer, the *Securityholder* bears the risk of a reinvestment, *i.e.* the investor bears the risk that it will have to re-invest the *Termination Amount* or, as the case may be, the *Tax Termination Amount*. if any, paid by the Issuer in case of termination at market conditions, which are less favourable than those existing prevailing at the time of the acquisition of the Securities.

4. **No termination right of the Securityholders**

The *Securityholders* do not have a termination right and the Securities may, hence, not be terminated by the *Securityholders* during their term. Prior to the maturity of the Securities the realisation of the economic value of the Securities (or parts thereof), if any, is, consequently and except for the Issuer's termination and early redemption of the Securities, only possible by way of selling the Securities.

The selling of the Securities requires that market participants are willing to acquire the Securities at a certain price. In case that no market participants are readily available, the value of the Securities may not be realised. The Issuer is not obligated under the issuance of these Securities towards the *Securityholders* to compensate for or to repurchase the Securities.

5. Possible decline in the Price of the Underlying after termination of the Securities

In the event that the term of the Securities is terminated early by the Issuer pursuant to the Conditions of the Securities, potential investors of the Securities should note that any negative performance of the *Price of the Underlying* between the announcement of the termination by the Issuer and the determination of the *Price of the Underlying* relevant for calculation of the then payable *Termination Amount* or the *Tax Termination Amount*, as the case may be, are borne by the *Securityholders*.

6. Adverse Impact of adjustments of the Security Right

In case of the occurrence of a potential adjustment event, the Issuer shall be entitled to effect adjustments according to the Conditions of the Securities. These adjustments might have a negative impact on the value of the Securities.

7. Other factors affecting the value

The value of a Security is determined not only by changes in the price of the *Underlying*, but also by a number of other factors. Since several risk factors may have simultaneous effects on the Securities, the effect of a particular risk factor cannot be predicted. In addition, several risk factors may have a compounding effect which may not be predictable. No assurance can be given with regard to the effect that any combination of risk factors may have on the value of the Securities.

These factors include the term of the Securities, the frequency and intensity of price fluctuations (volatility), as well as the prevailing interest rate and dividend levels. A decline in the value of the Security may therefore occur even if the price of the *Underlying* remains constant.

Prospective investors of the Securities should be aware that an investment in the Securities involves a valuation risk with regard to the *Underlying* respectively. They should have experience with transactions in securities with a value derived from the *Underlying*. The value of the *Underlying* may vary over time and may increase or decrease by reference to a variety of factors which may include UBS corporate action, macro economic factors and speculation. In addition, the historical performance of the *Underlying* is not an indication of its future performance. Changes in the market price of the *Underlying* will affect the trading price of the Securities, and it is impossible to predict whether the market price of the *Underlying* will rise or fall.

8. Effect of ancillary costs

Commissions and other transaction costs incurred in connection with the purchase or sale of Securities may result in charges, particularly in combination with a low order value, **which can substantially reduce any settlement amount, if any, to be paid under the Securities.** Before acquiring a Security, prospective investors should therefore inform themselves of all costs incurred through the purchase or sale of the Security, including any costs charged by their custodian banks upon purchase and maturity of the Securities.

9. Transactions to offset or limit risk

Prospective investors of the Securities should not rely on the ability to conclude transactions at any time during the term of the Securities that will allow them to offset or limit relevant risks. This depends on the market situation and the prevailing conditions. Transactions designed to offset or limit risks might only be possible at an unfavourable market price that will entail a loss for investors.

10. Trading in the Securities / Illiquidity

It is not possible to predict if and to what extent a secondary market may develop in the Securities or at what price the Securities will trade in the secondary market or whether such market will be liquid or illiquid.

If so specified in this Prospectus, applications will be or have been made to the *Security Exchange* specified for admission or listing of the Securities. If the Securities are admitted or listed, no assurance is given that any such admission or listing will be maintained. The fact that the Securities are admitted to trading or listed does not necessarily denote greater liquidity than if this were not the case. If the Securities are not listed or traded on any exchange, pricing information for the Securities may be more difficult to obtain and the liquidity of the Securities may be adversely affected. The liquidity of the Securities may also be affected by restrictions on the purchase and sale of the Securities in some jurisdictions. Additionally, the Issuer has the right (but no obligation) to purchase Securities at any time and at any price in the open market or by tender or private agreement. Any Securities so purchased may be held or resold or surrendered for cancellation.

In addition, it cannot be excluded that the number of subscribed Securities is less than the *Aggregate Nominal Amount* of the Securities. There is the risk that due to the low volume of subscriptions in the Securities the liquidity of the Securities is lower than if all Securities were subscribed by investors.

The *Manager* intend, under normal market conditions, to provide bid and offer prices for the Securities of an issue on a regular basis. However, the *Manager* make no firm commitment to the Issuer to provide liquidity by means of bid and offer prices for the Securities, and assumes no legal obligation to quote any such prices or with respect to the level or determination of such prices. **Potential investors therefore should not rely on the ability to sell Securities at a specific time or at a specific price.**

11. **Representation and Custody of the Securities**

The Securities are issued in uncertificated and dematerialised book-entry form, and registered at the *Clearing Agent* for clearance and settlement. No physical notes, such as global temporary or permanent notes or definitive securities will be issued in respect of the Securities. The Securities are transferable in accordance with the relevant *CA Rules* and may be transferred in the *Minimum Trading Size* only. Such transfer becoming effective upon registration of the transfer in the records of the *Clearing Agent*. *Securityholders* will have to rely on the procedures of the *Clearing Agent* for transfer, payment and communication with the Issuer. *Securityholders* are not entitled to request the delivery of definitive securities. The Issuer shall be entitled to obtain from the *Clearing Agent* information based on the *Clearing Agent's* register regarding the Securities for the purpose of performing its obligations pursuant to the Securities.

The Issuer shall not be held liable under any circumstances for any acts and omissions of any Clearing Agent or any other relevant clearing system as well as for any losses which might occur to a *Securityholder* out of such acts and omissions and for the records relating to, or payments made in respect of, beneficial interests in the Securities in book-entry form in particular

12. **Pricing of Securities**

Unlike most other securities the pricing of these Securities is regularly not based on the principle of offer and demand in relation to Securities, since the secondary market traders might quote independent bid and offer prices. This price calculation is based on price calculation models prevailing in the market, whereas the theoretical value of the Securities is, in principle, determined on the basis of the value of the *Underlying*, and the value of other features attached to the Securities, each of which features may, in economic terms, be represented by another derivative financial instrument.

The potentially quoted prices do not necessarily correspond to the Securities' intrinsic value as determined by a trader.

13. **Expansion of the spread between bid and offer prices**

In special market situations, where the Issuer is completely unable to conclude hedging transactions, or where such transactions are very difficult to conclude, the spread between the bid and offer prices may be temporarily expanded, in order to limit the economic risks to the Issuer. Therefore, *Securityholders* who wish to sell their Securities via a stock exchange or in the over-the-counter trading might sell at a price considerably lower than the actual price of the Securities at the time of their sale.

14. Borrowed funds

If the purchase of Securities is financed by borrowed funds and investors' expectations are not met, they not only suffer the loss incurred under the Securities, but in addition also have to pay interest on and repay the loan. This produces a substantial increase in investors' risk of loss. Investors of Securities should never rely on being able to redeem and pay interest on the loan through gains from a Securities transaction. Rather, before financing the purchase of a Security with borrowed funds, the investors' financial situations should be assessed, as to their ability to pay interest on or redeem the loan immediately, even if they incur losses instead of the expected gains.

15. The effect on the Securities of hedging transactions by the Issuer

The Issuer may use all or some of the proceeds received from the sale of the Securities to enter into hedging transactions relating to the risks incurred in issuing the Securities. In such a case, the Issuer or one of its affiliated companies may conclude transactions that correspond to the Issuer's obligations arising from the Securities. Generally speaking, this type of transaction will be concluded before or on the *Issue Date* of the Securities, although these transactions can also be concluded after the Securities have been issued. The Issuer or one of its affiliated companies may take the necessary steps for the closing out of any hedging transactions, on or prior to the *Valuation Averaging Dates*, respectively. It cannot be excluded that the *Price of the Underlying* might, in certain cases, be affected by these transactions.

16. Changes in Taxation in relation to the Securities

The considerations concerning the taxation of the Securities set forth in this Prospectus reflect the opinion of the Issuer on the basis of the legal situation identifiable as of the date hereof. However, a different tax treatment by the fiscal authorities and tax courts cannot be precluded. In addition, the tax considerations set forth in this Prospectus cannot be the sole basis for the assessment of an investment in the Securities from a tax point of view, as the individual circumstances of each investor also have to be taken into account. Therefore, the tax considerations set forth in this Prospectus are not to be deemed any form of definitive information or tax advice or any form of assurance or guarantee with respect to the occurrence of certain tax consequences. Each investor should seek the advice of his or her personal tax consultant before deciding whether to purchase the Securities.

Neither the Issuer nor the *Manager* assumes any responsibility vis-à-vis the *Securityholders* for the tax consequences of an investment in the Securities.

III. Underlying specific Risks

The different risk factors associated with the Fund Units and the Reference Fund used as Underlying are outlined below. Investments in the Securities should not be made until all the factors relevant to the Securities have been acknowledged and carefully considered. Terminology and expressions defined in the Terms and Conditions of the Securities shall have the same meaning when used herein. **When making decisions relating to investments in the Securities, potential investors should consider all information contained in the Prospectus and, if necessary, consult their legal, tax, financial or other advisor.**

1. Risks related to the Reference Fund

The following different risk factors are typically associated with the activities of the *Reference Fund*. **The information on the *Reference Fund* is solely intended for the description of the Securities and for the use of investors in the Securities and does not constitute an offer of shares in the**

Reference Fund. Potential investors should be aware that any realisation of the following risks may have a negative impact on the value of the Securities:

Investments in the Balkan stock market entail significantly higher risks than those in established Western European markets. The primary risks are political, company, liquidity, legal and administrative.

Political Risks: The Balkan countries have undergone dramatic changes – particularly due to the transition from planned to market economies – in a short period of time. Democratisation is still in its early stages. There are no guarantees that economic liberalisation will continue. Military, social, religious or ethnic conflicts could reverse the process, leading to major detrimental consequences for unit-holders.

Currency Risks: Currency risks refer to the risk of fluctuations in the exchange rates of underlying currencies of the financial instruments in which the Manager trades on behalf of the fund. The fund managed by the Manager consist primarily of securities listed in currencies other than the base currency of the fund. The Manager does not normally take any measures designed to protect the assets of the fund against currency risks.

Company Risks: Many of the local companies still follow accounting policies that differ from those of the Western countries. Reliability, accessibility and quality are often poorer thus, Balkan companies are less transparent, as well as more difficult to analyse and value, than their Western counterparts.

Liquidity Risks: Because the Balkan stock market is still relatively new, they have low liquidity. As a result, the ability to effectively complete purchases and redemptions is considerably impeded.

Legal Risks: The Balkan legal system is relatively underdeveloped. Legislation is inadequate when it comes to both tangible and intangible property rights. The courts may interpret the law inconsistently and arbitrarily. There is less respect for the law than in the West, while judicial rulings are often ignored.

Administrative Risks: As opposed to Western stock markets, there are no guarantees that shares of the *Reference Fund* will be entered in the *Reference Fund's* name shortly after the transaction date or that transactions can be securely settled. The countries have no comprehensive legislation to protect the interests of shareholders. han for Western companies.

Fees and Expenses: Whether or not the *Reference Fund* is profitable, it is required to meet certain fixed costs, including organisational expenses, ongoing direct and indirect administrative and operating expenses and advisory fees.

Operating History: The past investment performance of the *Reference Fund* may not be construed as an indication of the future results of an investment in the *Reference Fund*. There can be no assurance that the *Reference Fund* will achieve its investment objective.

2. Risks related to potential Conflicts of Interest

The Relationship between UBS and the Reference Fund. UBS may, among others, provide prime brokerage services to the *Reference Fund*. Such services may include the extension of loans by UBS to one or more such *Reference Fund*. In connection with any such provision of services or extensions of credit, UBS will receive fees for its prime brokerage services and/or payments in respect of such extensions of credit, which may affect the value of the *Reference Fund*. To the extent that UBS provides prime brokerage services and/or extensions of credit, UBS will also have custody of the *Reference Fund's* underlying assets and will possess a lien on and security interest in such assets to secure the *Reference Fund's* obligations to UBS. Often these assets will not be registered in the *Reference Fund's* names, but rather directly in the name of UBS. In the event of an insolvency of or other event of default with respect to the *Reference Fund*, UBS as secured creditor will be entitled to, and holders of the Securities should assume that it will, take action to realize upon and liquidate such assets in its capacity as secured creditor without taking into consideration the interests of the

shareholders of the *Reference Fund*. This may adversely affect the value of the *Reference Fund* and, consequently, the value of the Securities.

UBS does not make any warranty or representation or guarantee whatsoever, express or implied, either as to the results to be obtained as to the use of the *Reference Fund* or the figures or levels at which the *Reference Fund* stands at any particular day or otherwise. In addition, UBS gives no assurance regarding any modification or change in any methodology used in calculating the *Net Asset Value* of the *Reference Fund* and is under no obligation to continue the calculation, publication and dissemination of the *Net Asset Value* of the *Reference Fund*.

Furthermore, UBS does not warrant or represent or guarantee to any person the accuracy or completeness of the *Net Asset Value* of the *Reference Fund* and its computation or any information related thereto and no warranty or representation or guarantee of any kind whatsoever relating to the *Reference Fund* is given or may be implied.

RESPONSIBILITY STATEMENT

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

The Issuer is liable for the Summary including any translation thereof contained in this Prospectus, but only if the Summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus.

The Issuer accents that following the date of publication of this Prospectus, events and changes may occur, which render the information contained in this Prospectus incorrect or incomplete. Supplemental information will only be published as required by and in a manner stipulated in section 16 of the German Securities Prospectus Act (*Wertpapierprospektgesetz* - "**WpPG**") and, in case of a listing of Securities at SIX Swiss Exchange ("**SIX**"), as required by and in a manner stipulated in the rules and regulations of SIX.

DESCRIPTION OF THE SECURITIES

The object of this Prospectus are the Capital Protected SEK Notes linked to the UBS Target Volatility Strategy on the East Capital Balkan Fund with the *International Security Identification Number* (as defined in the section entitled "Key Terms and Definitions of the Securities") and with the Swiss security number (*Valorenummer*) (as defined in the section entitled "Key Terms and Definitions of the Securities"), issued by UBS AG, acting through its Jersey Branch, in accordance with German law, and issued in the *Aggregate Nominal Amount* (as defined in the section entitled "Key Terms and Definitions of the Securities").

All payments relating to the Securities are made in the *Settlement Currency* (as defined in the section entitled "Key Terms and Definitions of the Securities").

The Securities are each based on the UBS Target Volatility Strategy on the fund units (the "**Fund Units**" or the "**Underlying**") in the East Capital Balkan Fund (the "**Reference Fund**"), as described in the sections "Key Terms and Definitions of the Securities" and "Information about the Underlying".

The Securities expire – provided that the Securities are not terminated or expired early in accordance with the Conditions of the Securities – on the *Expiration Date* (as defined in the section entitled "Key Terms and Definitions of the Securities").

TERMS AND CONDITIONS OF THE SECURITIES

Wertpapierbedingungen

*Diese nachfolgenden Bedingungen der Wertpapiere, bestehend aus den produktspezifischen Besonderen Wertpapierbedingungen und den Allgemeinen Wertpapierbedingungen, sind in Zusammenhang mit und nach Massgabe der „Ausstattungsmerkmale und Definitionen der Wertpapiere“ (die „**Bedingungen**“) zu lesen.*

Die Bedingungen der Wertpapiere sind gegliedert in

Teil 1: Ausstattungsmerkmale und Definitionen der Wertpapiere

Teil 2: Besondere Wertpapierbedingungen (für die einzelnen Arten von Wertpapieren)

Teil 3: Allgemeine Wertpapierbedingungen (für alle Arten von Wertpapieren)

Terms and Conditions of the Securities

*The following terms and conditions of the Securities, comprising the Special Conditions of the Securities and the General Conditions of the Securities, shall be read in conjunction with, and are subject to, the “Key Terms and Definitions of the Securities” (the “**Conditions**”).*

The Conditions of the Securities are composed of

Part 1: Key Terms and Definitions of the Securities

Part 2: Special Conditions of the Securities (for the individual types of Securities)

Part 3: General Conditions of the Securities (for all types of Securities)

Wertpapierbedingungen Teil 1: Ausstattungsmerkmale und Definitionen der Wertpapiere /

Terms and Conditions of the Securities Part 1: Key Terms and Definitions of the Securities

Die Wertpapiere weisen folgende Definitionen bzw., vorbehaltlich einer Anpassung in Übereinstimmung mit den Bedingungen der Wertpapiere, folgende Ausstattungsmerkmale, jeweils in alphabetischer Reihenfolge (bezogen auf die deutsche Sprachfassung) dargestellt, auf. Diese Übersicht stellt keine vollständige Beschreibung der Wertpapiere dar, unterliegt den Bedingungen der Wertpapiere, den allgemeinen Emissionsbedingungen sowie allen anderen Abschnitten dieses Prospekts und ist in Verbindung mit diesen zu lesen. Die nachfolgende Verwendung des Symbols „*“ in den Ausstattungsmerkmalen und Definitionen der Wertpapiere gibt an, dass die entsprechende Festlegung von der Berechnungsstelle bzw. der Emittentin getroffen und danach unverzüglich gemäss den jeweiligen rechtlichen Anforderungen der massgeblichen Rechtsordnung bekannt gemacht wird. /

The Securities use the following definitions and have, subject to an adjustment according to the Conditions of the Securities, the following key terms, both as described below in alphabetical order (in relation to the German language version). The following does not represent a comprehensive description of the Securities, and is subject to and should be read in conjunction with the Conditions of the Securities, the general offering terms of the Securities and all other sections of this Prospectus. The following use of the symbol "" in the Key Terms and Definitions of the Securities indicates that the relevant determination will be made by the Calculation Agent or the Issuer, as the case may be, and will be published without undue delay thereafter in accordance with the applicable legal requirements of the relevant jurisdiction.*

A.

Anwendbares Recht / Governing Law:

Deutsches Recht /

German Law

Ausgabepreis / Issue Price:

Der Emissionspreis entspricht 113 % des Nennbetrags je Wertpapier. /

The Issue Price equals 113 % of the Nominal Amount per Security.

Ausgabetag / Issue Date:

Der Ausgabetag bezeichnet den 9. Juli 2010 / Die Ausgabe der Wertpapiere steht unter der Bedingung der Festlegung einer Partizipationsrate von mindestens 75%.

Bei Verkürzung oder Verlängerung der Zeichnungsfrist kann sich der Ausgabetag entsprechend verschieben. /

The Issue Date means the 9 July 2010. The issuance of the Securities is subject to fixing of a Participation Rate of at least 75%.

In case of abbreviation or extension of the Subscription Period the Issue Date may be changed accordingly.

Auszahlungswährung / Settlement Currency:

Die Auszahlungswährung entspricht der Schwedischen Krone („**SEK**“). /

The Settlement Currency means Swedish Krona ("SEK").

B.

Basiswert / Underlying:

Der Basiswert entspricht Anteilen (die „**Fondsanteile**“) an dem East Capital Balkan Fund (Bloomberg Code: EACBALK SS) (der „**Referenz-Fonds**“), deren Gewichtung für die Zwecke der Berechnung von Beträgen unter den Bedingungen durch die virtuelle SEK denominierte UBS Target Volatility Strategie (die „**UBS Target Volatility Strategie**“) kontinuierlich angepasst wird.

Der Referenz-Fonds und die UBS Target Volatility Strategie sind

weitergehend in dem Abschnitt „Beschreibung des Basiswerts“, der einen Bestandteil der Bedingungen der Wertpapiere bildet, beschrieben. /

The Underlying means units (the “Fund Units”) in the East Capital Balkan Fund (Bloomberg Code: EACBALK SS) (the “Reference Fund”), the weight of which is for the purposes of calculating amounts under the Conditions adjusted on a continuous basis in accordance with a notional SEK denominated UBS Target Volatility Strategy (the “UBS Target Volatility Strategy”).

The Reference Fund and the UBS Target Volatility Strategy are further described in the section “Information about the Underlying”, which forms part of the Conditions of the Securities.

Berechnungsstelle / Calculation Agent:

Die Berechnungsstelle bezeichnet die UBS AG, Bahnhofstrasse 45, 8001 Zürich, Schweiz, und Aeschenvorstadt 1, 4051 Basel, Schweiz, handelnd durch ihre Niederlassung London, 1 Finsbury Avenue, London EC2M 2PP, Vereinigtes Königreich. /

The Calculation Agent means UBS AG, Bahnhofstrasse 45, 8001 Zurich, Switzerland, and Aeschenvorstadt 1, 4051 Basle, Switzerland, acting through its London Branch, 1 Finsbury Avenue, London EC2M 2PP, United Kingdom.

Bewertungsdurchschnittstag(e) / Valuation Averaging Date(s):

Bewertungsdurchschnittstag(e) steht für jeweils für den

- (1) 23. Juni 2014,
- (2) 21. Juli 2014,
- (3) 21. August 2014,
- (4) 22. September 2014,
- (5) 21. Oktober 2014,
- (6) 21. November 2014,
- (7) 22. Dezember 2014,
- (8) 21. Januar 2015,
- (9) 23. Februar 2015,
- (10) 23. März 2015,
- (11) 21. April 2015,
- (12) 21. Mai 2015, und den
- (13) 22. Juni 2015.

Der Begriff „Bewertungsdurchschnittstag“ umfasst sämtliche Bewertungsdurchschnittstage_(i=1) bis _(i=13).

Falls einer dieser Tag kein Fondsgeschäftstag ist, dann gilt der unmittelbar darauf folgende kein Fondsgeschäftstag als jeweiliger Bewertungsdurchschnittstag. /

Valuation Averaging Date(s) means each of

- (1) 23 June 2014,*
- (2) 21 July 2014,*
- (3) 21 August 2014,*
- (4) 22 September 2014,*
- (5) 21 October 2014,*
- (6) 21 November 2014,*
- (7) 22 December 2014,*
- (8) 21 January 2015,*
- (9) 23 February 2015,*
- (10) 23 March 2015,*
- (11) 21 April 2015,*
- (12) 21 May 2015, and*
- (13) 22 June 2015.*

The term "Valuation Averaging Date" shall also refer to all Valuation Averaging Dates_(i=1) to _(i=13).

If one of these days is not a Fund Business Day, the immediately succeeding Fund Business Day is deemed to be the relevant Valuation Averaging Date.

C.

Clearingstelle / Clearing Agent:

Clearingstelle steht für Euroclear Sweden AB, PO Box 7822, Regeringsgatan 65, 103 97 Stockholm, Schweden, in ihrer Funktion als Zentralverwahrer gemäß dem schwedischen Financial Instruments Accounts Act (Schwed. lag (1998:1479) om kontoföring av finansiella instrument), oder jeden Nachfolger in dieser Funktion. /

Clearing Agent means Euroclear Sweden AB, PO Box 7822, Regeringsgatan 65, 103 97 Stockholm, Sweden, in its capacity as central securities depository under the Swedish Financial Instruments Accounts Act (Sw. lag (1998:1479) om kontoföring av finansiella instrument), or any successor in this capacity.

CS-Regeln / CA Rules:

CS-Regeln steht für den schwedischen Financial Instruments Accounts Act (Schwed. lag (1998:1479) om kontoföring av finansiella instrument) sowie Vorschriften und Verfahren, die auf die Clearingstelle Anwendung finden und/oder von dieser herausgegeben werden. /

CA Rules means the Swedish Financial Instruments Accounts Act (Sw. lag (1998:1479) om kontoföring av finansiella instrument), regulations and operating procedures applicable to and/or issued by the Clearing Agent.

E.**Emissionsbegleiter / Issuing Agent:**

Der Emissionsbegleiter bezeichnet SEB Merchant Banking, Securities Services, S-106 40 Stockholm, Schweden, oder jeden Nachfolger in dieser Funktion. Solange ein in Schweden begebenes Wertpapier ausstehend ist, wird es zu jeder Zeit einen Emissionsbegleiter geben, der unter schwedischen CS-Regeln als solcher autorisiert ist. /

The Issuing Agent means SEB Merchant Banking, Securities Services, S-106 40 Stockholm, Sweden, or any successor in this capacity. As long as there is any Swedish Security outstanding, there will at all times be an Issuing Agent duly authorised as such under the Swedish CA Rules, in respect of the relevant Swedish Securities.

Emittentin / Issuer:

Die Emittentin bezeichnet die UBS AG, Bahnhofstrasse 45, 8001 Zürich, Schweiz, und Aeschenvorstadt 1, 4051 Basel, Schweiz, handelnd durch ihre Niederlassung Jersey, 24 Union Street, Saint Helier, Jersey JE4 8UJ. /

The Issuer means UBS AG, Bahnhofstrasse 45, 8001 Zurich, Switzerland, and Aeschenvorstadt 1, 4051 Basel, Switzerland, acting through its Jersey Branch, 24 Union Street, Saint Helier, Jersey JE4 8UJ.

F.**Festlegungstag / Fixing Date:**

Der Festlegungstag bezeichnet den 21. Juni 2010. Falls dieser Tag kein Fondsgeschäftstag ist, dann gilt der unmittelbar darauf folgende Fondsgeschäftstag als Festlegungstag.

Bei Verkürzung oder Verlängerung der Zeichnungsfrist kann sich der Festlegungstag entsprechend verschieben. /

The Fixing Date means 21 June 2010. If such day is not a Fund Business Day, the immediately succeeding Fund Business Day is deemed to be the Fixing Date.

In case of abbreviation or extension of the Subscription Period the Fixing Date may be changed accordingly.

Fondsgeschäftstag / Fund Business Day:

Der Fondsgeschäftstag steht für jeden Tag, an dem (i) der Administrator des Referenz-Fonds in Übereinstimmung mit den Gründungsdokumenten und dem Verkaufsprospekt des Referenz-Fonds den Nettoinventarwert für den Referenz-Fonds berechnet und veröffentlicht und (ii) ein Hypothetischer Investor Anteile an dem Referenz-Fonds zeichnen und zurückgeben kann. /

The Fund Business Day means any day in respect of which (i) the administrator of the Reference Fund calculates and publishes the Reference Fund's Net Asset Value in accordance with the relevant Reference Fund's prospectus and constitutional documents and (ii) a Notional Investor could subscribe and redeem the Reference Fund shares.

G.**Gesamtnennbetrag / Aggregate Nominal Amount:**

Der Gesamtnennbetrag beträgt SEK 75.000.000 (indikativ, der Maximalbetrag beträgt SEK 75,000,000). Der Gesamtnennbetrag wird am Ende der Zeichnungsfrist in Abhängigkeit von der konkreten Nachfrage nach den Wertpapieren während der Zeichnungsfrist festgelegt.* /

*The Aggregate Nominal Amount means SEK 75,000,000 (indicative, subject to a maximum SEK 75,000,000). The Aggregate Nominal Amount will be fixed on the End of the Subscription Period depending on the demand for the Securities during the Subscription Period.***

Geschäftstag / Business Day:

Der Geschäftstag steht für jeden Tag, an dem die Banken in London, Vereinigtes Königreich, Stockholm, Schweden, Frankfurt am Main, Deutschland und New York, USA, für den Geschäftsverkehr geöffnet sind, das Trans-European Automated Real-time Gross settlement Express Transfer System („**TARGET-System**“) geöffnet ist und die Clearingstelle Wertpapiergeschäfte abwickelt. /

*The Business Day means each day on which the banks in London, United Kingdom, Stockholm, Sweden Frankfurt am Main., Germany and New York, USA,, are open for business, the Trans-European Automated Real-time Gross settlement Express Transfer System (“**TARGET System**”) is open and the Clearing Agent settles securities dealings.*

**H.
Hypothetischer Investor / Notional Investor:**

Der Hypothetischen Investor bezeichnet einen hypothetischen Investor in die Fondsanteile an dem Referenz-Fonds. /

The Notional Investor means a hypothetical investor in the Fund Units of the Reference Fund.

**K.
Kleinste handelbare Einheit / Minimum Trading Size:**

Die Kleinste handelbare Einheit entspricht 1 Wertpapier bzw. einem ganzzahligen Vielfachen davon. /

The Minimum Trading Size equals 1 Security or an integral multiple thereof.

Kurs des Basiswerts / Price of the Underlying:

Der Kurs des Basiswerts entspricht dem Nettoinventarwert („**NAV**“) des Referenz-Fonds, wie er von dem maßgeblichen Administrator des Referenz-Fonds in Übereinstimmung mit dem Verkaufsprospekt und den Gründungsdokumenten des Referenz-Fonds berechnet und veröffentlicht wird. /

*The Price of the Underlying means the Reference Fund's net asset value (“**NAV**”) as calculated and published by the Reference Fund's administrator in accordance with the relevant Reference Fund's prospectus and constitutional documents.*

**M.
Manager / Manager:**

Manager bezeichnet UBS Limited, 1 Finsbury Avenue, London EC2M 2PP, Vereinigtes Königreich. /

The Manager means UBS Limited, 1 Finsbury Avenue, London EC2M 2PP, United Kingdom.

Mindestrückzahlungsbetrag / Minimum Repayment Amount:

Der Mindestrückzahlungsbetrag entspricht dem Nennbetrag. /

The Minimum Repayment Amount equals the Nominal Amount.

- N.**
Nennbetrag (Stückelung) /
Nominal Amount (Denomination):
- Der Nennbetrag je Wertpapier entspricht SEK 10.000. /
The Nominal Amount per Security equals SEK 10,000.
- P.**
Partizipationsrate / Participation
Rate:
- Die Partizipationsrate entspricht 100 % (indikativ, Mindestbeteiligung 75%). Die Partizipationsrate wird am Festlegungstag festgelegt. * /
*The Participation Rate equals 100 % (indicative, subject to minimum 75%). The Participation Rate will be fixed on the Fixing Date. ***
- R.**
Rückzahlungstag / Settlement
Date:
- Der Rückzahlungstag entspricht
- (i) zehnten Geschäftstag nach dem Tag, an dem ein Hypothetischer Investor den vollständigen Liquidationserlös im Zusammenhang mit dem Referenz-Fonds erhalten hätte, wenn dieser Hypothetische Investor durch Abgabe der entsprechenden vorherigen Mitteilung die Rücknahme zum Verfalltag verlangt hätte (dies ist voraussichtlich der 8. Juli 2015. Falles sich jedoch der Erhalt des vollständigen Liquidationserlöses im Zusammenhang mit dem Referenz-Fonds durch den Hypothetischen Investor verzögert, wird dieser Tag entsprechend verschoben),
- (ii) im Fall einer Kündigung durch die Emittentin nach § 7 a der Bedingungen der Wertpapiere, dem fünften Geschäftstag nach dem Kündigungstag bzw.
- (iii) im Fall einer Steuer-Kündigung durch die Emittentin nach § 7 b der Bedingungen der Wertpapiere, dem fünften Geschäftstag nach dem Steuer-Kündigungstag. /
- The Settlement Date means*
- (i) *the tenth Business Day after the day on which a Notional Investor would have received full liquidation proceeds for the Reference Fund, if that Notional Investor had, by giving the appropriate prior notice, requested redemption as at the Expiration Date (expected to be 8 July 2015. If, however, there is a delay in the receipt of the full liquidation proceeds for the Reference Fund by the Notional Investor, such date will be postponed accordingly),*
- (ii) *in case of a termination by the Issuer in accordance with § 7 a of the Conditions of the Securities, the fifth Business Day after the Termination Date; or, as the case may be,*
- (iii) *in case of a termination for tax reasons by the Issuer in accordance with § 7 b of the Conditions of the Securities, the fifth Business Day after the Tax Termination Date.*
- V.**
Verfalltag / Expiration Date:
- Der Verfalltag entspricht 22 Juni 2015. Falls dieser Tag kein Fondsgeschäftstag ist, dann gilt der unmittelbar darauf folgende Fondsgeschäftstag als der Verfalltag. /

The Expiration Date means 22 June 2015. If this day is not a Fund Business Day, the immediately succeeding Fund Business Day is deemed to be the Expiration Date.

W.

Wertpapiere / Securities:

Wertpapiere (jeweils auch eine „**Anleihe**“ oder die „**Anleihen**“) bezeichnet die von der Emittentin im Umfang des Gesamtnennbetrags und in der Stückelung des Nennbetrags begebenen Capital Protected SEK Notes. /

Die Wertpapiere werden als nicht verurkundete und dematerialisierte, zur Registrierung in Form von Bucheinträgen bei der Clearingstelle vorgesehene Rechte ausgegeben; die Ausstellung effektiver Wertpapiere ist ausgeschlossen. /

*Securities (also a “**Note**” or the “**Notes**”) means the Capital Protected SEK Notes issued by the Issuer in the Aggregate Nominal Amount and with the denomination of the Nominal Amount.*

The Securities are being issued in uncertificated and dematerialised form to be registered in book-entry form at the Clearing Agent and will not be represented by definitive securities.

Wertpapier-Börse / Security Exchange:

Wertpapier-Börse bezeichnet die Nordic Derivatives Exchange (NDX).

Security Exchange means the Nordic Derivatives Exchange (NDX).

Wertpapiergläubiger / Securityholder:

Wertpapiergläubiger steht für die Person, auf deren Namen ein Wertpapier bei der Clearingstelle eingetragen ist (einschließlich eines ordnungsgemäß bevollmächtigten Stellvertreters, der als solcher für das jeweilige Wertpapier eingetragen ist), oder eine andere Person, die gemäß den CS-Regeln als Wertpapiergläubiger anerkannt ist; werden die jeweiligen Wertpapiere von einem ordnungsgemäß bevollmächtigten Stellvertreter gehalten, gilt der Stellvertreter als Wertpapiergläubiger.

Der Wertpapiergläubiger wird in jeder Hinsicht seitens (i) der Emittentin, (ii) der Berechnungsstelle, (iii) der Zahlstelle, (iv) des Emissionsbegleiters und (v) aller sonstigen Personen als Berechtigter und Begünstigter bezüglich der in den Wertpapieren repräsentierten Rechte behandelt. /

Securityholder means the person in whose name a Security is registered with the Clearing Agent (including a person duly authorised to act as a nominee and who is registered as such for the relevant Security) or any other person acknowledged as the holder of the Security pursuant to the CA Rules and, accordingly, where the relevant Securities are held through a duly authorised nominee, the nominee shall be the Securityholder.

The Securityholder shall, for all purposes, be treated by (i) the Issuer, (ii) the Calculation Agent, (iii) the Paying Agent, (iv) the Issuing Agent and (v) all other persons as the person entitled to such Securities and the person entitled to receive the benefits of the rights represented by such Securities.

Wertpapier-Kenn-Nummern / Security Identification Codes:

ISIN: SE0003332600, Valor: 11320550 /

ISIN: SE0003332600, Valor: 11320550

Z.**Zahlstelle / *Paying Agent*:**

Die Zahlstelle bezeichnet die UBS Limited c/o UBS Deutschland AG, Bockenheimer Landstraße 2–4, 60306 Frankfurt am Main, Bundesrepublik Deutschland, und Skandinaviska Enskilda Banken, Stockholm (SEB), Rissneleden 110, S-106 40 Stockholm, Schweden. Der Begriff „Zahlstelle“ umfasst sämtliche Zahlstellen, einschließlich der Hauptzahlstelle. /

The Paying Agent means UBS Limited c/o UBS Deutschland AG, Bockenheimer Landstrasse 2–4, 60306 Frankfurt am Main, Federal Republic of Germany, and Skandinaviska Enskilda Banken, Stockholm (SEB), Rissneleden 100, S-106 40 Stockholm, Sweden. The term “Paying Agent” shall also refer to all Paying Agents including the Fiscal Agent.

Zahltag bei Ausgabe / *Initial Payment Date*:

Der Zahltag bei Ausgabe bezeichnet den 9. Juli 2010. Falls dieser Tag kein Geschäftstag ist, dann gilt der unmittelbar darauf folgende Geschäftstag als Zahltag bei Ausgabe.

Bei Verkürzung oder Verlängerung der Zeichnungsfrist kann sich der Zahltag bei Ausgabe entsprechend verschieben. /

The Initial Payment Date means 9 July 2010. If such day is not a Business Day, the immediately succeeding Business Day is deemed to be the Initial Payment Date.

In case of abbreviation or extension of the Subscription Period the Initial Payment Date may be changed accordingly.

Zeichnungsfrist / *Subscription Period*:

Die Zeichnungsfrist bezeichnet den Zeitraum beginnend am Werktag der Veröffentlichung dieses Prospekts (einschließlich) und endend voraussichtlich am 15. Juni 2010 (einschließlich). Die Emittentin behält sich vor, die Zeichnungsfrist bei entsprechender Marktlage zu verkürzen oder zu verlängern. /

The Subscription Period means the period beginning on the business day of the publication of this Prospectus (including) and presumably ending on 15 June 2010 (including). The Issuer reserves the right to earlier close or to extend the Subscription Period if market conditions so require.

**Wertpapierbedingungen
Wertpapierbedingungen**

Teil 2: Besondere

**Terms and Conditions of the Securities Part 2:
Special Conditions of the Securities**

**§ 1
Wertpapierrecht**

- (1) Die Emittentin gewährt hiermit dem Wertpapiergläubiger von je einem (1) Wertpapier bezogen auf die Wertentwicklung der UBS Target Volatility Strategie auf den Kurs des Basiswerts nach Maßgabe dieser Bedingungen das Recht (das „**Wertpapierrecht**“), am Rückzahlungstag den gegebenenfalls auf zwei Dezimalstellen kaufmännisch gerundeten Abrechnungsbetrag (§ 1 (2)) in der Auszahlungswährung (der „**Auszahlungsbetrag**“), zu beziehen.
- (2) Der „**Abrechnungsbetrag**“ wird in Übereinstimmung mit folgender Formel berechnet:

Mindestrückzahlungsbetrag + Performance

dabei entspricht „**Performance**“ einem Betrag in der Auszahlungswährung, der in Übereinstimmung mit folgender Formel berechnet wird:

Nennbetrag x Max (0, PRate x Strategie Ertrag)

wobei

„**Nennbetrag**“ den Nennbetrag je Wertpapier bezeichnet, „**PRate**“ die Partizipationsrate bezeichnet, und „**Strategie Ertrag**“ den Ertrag der UBS Target Volatility Strategie auf den Kurs des Basiswerts bezeichnet, der in Übereinstimmung mit folgender Formel berechnet wird:

$$\frac{\text{Strategiewert}_{(\text{Final})} - \text{Strategiewert}_{(\text{Anfang})}}{\text{Strategiewert}_{(\text{Anfang})}}$$

Dabei gilt:

Der „**Strategiewert_(Final)**“ der UBS Target Volatility Strategie bezeichnet, vorbehaltlich einer Marktstörung (§ 8 dieser Bedingungen), den arithmetischen Durchschnitt der virtuellen Liquidationserlöse der Fondsanteile an dem Referenz-Fonds, die an den maßgeblichen Bewertungsdurchschnittstagen durch die UBS Target Volatility Strategie abgebildet werden.

Die Berechnungsstelle wird den Wert nach billigem Ermessen (gemäß § 317 BGB) auf Grundlage der Liquidationserlöse festlegen, die ein Hypothetischer Investor erhalten würde, wenn dieser Hypothetische Investor durch Abgabe der entsprechenden vorherigen Mitteilung die Rücknahme der Fondsanteile an dem Referenz-Fonds zu jedem der

**§ 1
Security Right**

- (1) The Issuer hereby warrants the Securityholder of each (1) Security relating to the performance of the UBS Target Volatility Strategy on the Price of the Underlying under these Conditions the right (the „**Security Right**“) to receive the Redemption Amount (§ 1 (2)) in the Settlement Currency, if applicable, commercially rounded to two decimal points (the „**Settlement Amount**“).
- (2) The „**Redemption Amount**“ is calculated in accordance with the following formula:

Minimum Repayment Amount + Performance

where „**Performance**“ equals an amount in the Settlement Currency calculated in accordance with the following formula:

Nom.Amount. x Max (0, PRate x Strategy Return)

with

„**Nom.Amount**“ means the Nominal Amount per Security, „**PRate**“ means the Participation Rate, and „**Strategy Return**“ means the return of the UBS Target Volatility Strategy on the Price of the Underlying, which is calculated in accordance with the following formula:

$$\frac{\text{Strategy Value}_{(\text{final})} - \text{Strategy Value}_{(\text{initial})}}{\text{Strategy Value}_{(\text{initial})}}$$

with:

The „**Strategy Value_(final)**“ of the UBS Target Volatility Strategy is, subject to a Market Disruption (§ 8 of these Conditions), is taken as the arithmetic average of the notional liquidation value of the Fund Units represented by the UBS Target Volatility Strategie on the Valuation Averaging Dates:

The Calculation Agent, acting in its reasonable discretion (pursuant to § 315 of the BGB), shall determine such value based on the liquidation proceeds that a Notional Investor would have received, if that Notional Investor had, for the Reference Fund, subject to it giving the appropriate prior notice, requested redemption of the Fund Units in the Reference Fund as at each

Bewertungsdurchschnittstage verlangt hätte.
Zur Klarstellung: Dieser Wert wird abzüglich sämtlicher Gebühren berechnet.

Der „**Strategiewert**_(Anfang)“ der UBS Target Volatility Strategie entspricht 100 %.

- (3) Sämtliche im Zusammenhang mit dem Wertpapierrecht vorzunehmenden Berechnungen, insbesondere die Berechnung des Auszahlungsbetrags, erfolgen durch die Berechnungsstelle (§ 9). Die insoweit von der Berechnungsstelle getroffenen Berechnungen sind, außer in Fällen offensichtlichen Irrtums, abschließend und für alle Beteiligten bindend.

§ 2

Absichtlich freigelassen

§ 3

Absichtlich freigelassen

of the Valuation Averaging Dates.

For the avoidance of doubt, such value is calculated net of all fees.

The “**Strategy Value**_(initial)” of the UBS Target Volatility Strategie is equal to 100 %.

- (3) Any calculation in connection with the Security Right, in particular the calculation of the Settlement Amount, will be made by the Calculation Agent (§ 9). Calculations made in this respect by the Calculation Agent are final and binding for all participants except in the event of manifest error.

§ 2

Intentionally left blank

§ 3

Intentionally left blank

Wertpapierbedingungen Teil 3: Allgemeine Wertpapierbedingungen Terms and Conditions of the Securities Part 3: General Conditions of the Securities

§ 4

Form der Wertpapiere; Verzinsung und Dividenden; Übertragbarkeit; Status

- (1) Die Wertpapiere werden unverbrieft und dematerialisiert in Form von Bucheinträgen und registriert bei der Clearingstelle gemäß den maßgeblichen CS-Regeln begeben. In Bezug auf die Wertpapiere werden keine effektiven Stücke wie vorläufige Globalurkunden, Dauerglobalurkunden oder Einzelurkunden ausgegeben. Die Emittentin ist berechtigt, von der Clearingstelle auf Basis des Registers der Clearingstelle Informationen in Bezug auf die Wertpapiere zu erhalten, um ihren Verpflichtungen gemäß den Bedingungen nachzukommen.

Auf die Wertpapiere werden weder Zinsen noch Dividenden gezahlt.

- (2) Das Recht an den Wertpapieren wird durch eine gemäß den maßgeblichen CS-Regeln ausgeführte Übertragung zwischen den Kontoinhabern bei der Clearingstelle übertragen.
- (3) Die Wertpapiere begründen unmittelbare, unbesicherte und nicht nachrangige Verbindlichkeiten der Emittentin, die untereinander und mit allen sonstigen gegenwärtigen und künftigen unbesicherten und nicht nachrangigen Verbindlichkeiten der Emittentin gleichrangig sind, ausgenommen solche Verbindlichkeiten, denen aufgrund zwingender gesetzlicher Vorschriften Vorrang zukommt.

§ 5

Tilgung; Vorlegungsfrist

- (1) Die Emittentin wird, vorbehaltlich einer Marktstörung (§ 8), die Zahlung des Auszahlungsbetrags bzw. des Kündigungsbetrags (§ 7 a (2)) oder des Steuer-Kündigungsbetrags (§ 7 b (3)) in der Auszahlungswährung zum Rückzahlungstag gemäß den CS-Regeln veranlassen. Zahlung des Auszahlungsbetrags, des Kündigungsbetrags bzw. des Steuer-Kündigungsbetrags und/oder sonstige Zahlungen gemäß den Bedingungen erfolgen an die Wertpapiergläubiger, die am fünften Geschäftstag (wie in den zu diesem Zeitpunkt geltenden CS-Regeln definiert) vor dem Fälligkeitstermin einer solchen Zahlung oder an einem anderen Geschäftstag, der näher an dem Fälligkeitstermin liegt als der in den genannten Regeln vorgesehene Termin, als solche eingetragen sind. Dieser Tag ist der Stichtag in Bezug auf die Wertpapiere. Dieser Tag wird

§ 4

Form of Securities; Interest and Dividends; Transfer; Status

- (1) The Securities are issued in uncertificated and dematerialised book-entry form, and registered at the Clearing Agent in accordance with the relevant CA Rules. No physical notes, such as global temporary or permanent notes or definitive notes will be issued in respect of the Securities. The Issuer shall be entitled to obtain from the Clearing Agent information based on the Clearing Agent's register regarding the Securities for the purpose of performing its obligations pursuant to the Conditions.

No interest and no dividends are payable on the Securities.

- (2) Title to the Securities will pass by transfer between accountholders at the Clearing Agent perfected in accordance with the relevant CA Rules.
- (3) The Securities constitute direct, unsecured and unsubordinated obligations of the Issuer, ranking *pari passu* among themselves and with all other present and future unsecured and unsubordinated obligations of the Issuer, other than obligations preferred by mandatory provisions of law.

§ 5

Settlement; Period of Presentation

- (1) The Issuer will, subject to a Market Disruption (§ 8), procure that the payment of the Settlement Amount or, as the case may be, of the Termination Amount (§ 7 a (2)) or of the Tax Termination Amount (§ 7 b (3)) in the Settlement Currency occurs on the Settlement Date in accordance with the CA Rules. Payments of the Settlement Amount, the Termination Amount or the Tax Termination Amount and/or any other amount payable under the Conditions, as the case may be, shall be made to the Securityholders recorded as such on the fifth Business Day (as defined by the then applicable CA Rules) before the due date for such payment, or on such other Banking Day falling closer to the due date as may then be stipulated in said CA Rules. Such day shall be the record date in respect of the Securities. Such day shall be regarded as the date of payment in respect of the relevant CA Rules.

gemäß den CS-Regeln als Rückzahlungstag betrachtet.

- | | |
|---|--|
| <p>(2) Die Emittentin wird von ihrer Verpflichtung unter diesen Wertpapieren durch Zahlung des Auszahlungsbetrags bzw. des Kündigungsbetrags oder des Steuer-Kündigungsbetrags oder der sonstigen Zahlungsbeträge unter diesen Bedingungen in der vorstehend beschriebenen Weise befreit.</p> <p>(3) Alle im Zusammenhang mit der Zahlung des Auszahlungsbetrags bzw. des Kündigungsbetrags oder des Steuer-Kündigungsbetrags oder der sonstigen Zahlungsbeträge unter diesen Bedingungen anfallenden Steuern, Abgaben und/oder Kosten sind von dem jeweiligen Wertpapiergläubiger zu tragen und zu zahlen. Die Emittentin und die Zahlstelle sind berechtigt, jedoch nicht verpflichtet, von den an den Wertpapiergläubiger zahlbaren Beträgen zur Begleichung von Steuern, Abgaben, Gebühren, Abzügen oder sonstigen Zahlungen den erforderlichen Betrag einzubehalten oder abzuziehen. Jeder Wertpapiergläubiger hat die Emittentin bzw. die Zahlstelle von Verlusten, Kosten oder sonstigen Verbindlichkeiten, die ihr in Verbindung mit derartigen Steuern, Abgaben, Gebühren, Abzügen oder sonstigen Zahlungen im Hinblick auf die Wertpapiere des jeweiligen Wertpapiergläubigers entstehen, freizustellen.</p> <p>(4) Die Vorlegungsfrist gemäß § 801 Absatz 1 Satz 1 BGB wird auf zehn Jahre verkürzt.</p> <p>(5) Die Emittentin kann zur Deckung ihrer Verpflichtungen aus den Wertpapieren einen Deckungsbestand unterhalten. Der Deckungsbestand kann dabei nach der Wahl und dem freien Ermessen der Emittentin insbesondere aus den Fondsanteilen an dem Referenzfonds bestehen. Den Wertpapiergläubigern stehen jedoch keine Rechte oder Ansprüche in Bezug auf einen etwaigen Deckungsbestand zu.</p> | <p>(2) The Issuer will be discharged from its obligations under these Securities by payment of the Settlement Amount or, as the case may be, the Termination Amount or of the Tax Termination Amount or of any other amount payable under these Conditions, as the case may be, in the manner described above.</p> <p>(3) All taxes, charges and/or expenses incurred in connection with the payment of the Settlement Amount or, as the case may be, of the Termination Amount or of the Tax Termination Amount or of any other amount payable under these Conditions, as the case may be, shall be borne and paid by the relevant Securityholder. The Issuer and the Paying Agent, as the case may be, are entitled, but not obliged, to withhold or deduct, as the case may be, from any amount payable to the Securityholder such amount required for the purpose of settlement of taxes, charges, expenses, deductions or other payments. Each Securityholder shall reimburse the Issuer or the Paying Agent, as the case may be, from any losses, costs or other debts incurred in connection with these taxes, charges, expenses, deductions or other payments related to the Securities of the relevant Securityholder.</p> <p>(4) The period of presentation as established in § 801 section 1 sentence 1 of the German Civil Code ("BGB") is reduced to ten years.</p> <p>(5) The Issuer may hold a coverage portfolio to cover its obligations under the Securities. The coverage portfolio may comprise the Fund Units in the Reference Fund, at the Issuer's option and free discretion. However, the Securityholders are not entitled to any rights or claims with respect to any coverage portfolio.</p> |
|---|--|

§ 6 a

Anpassungen; Nachfolge-Referenz-Fonds

- (1) Bei Eintritt oder dem wahrscheinlichen Eintritt eines Außerordentlichen Ereignisses (§ 6 a (4)) in Bezug auf die Fondsanteile an dem Referenz-Fonds kann die Berechnungsstelle, wenn sie nach billigem Ermessen (gemäß § 317 BGB) der Ansicht ist, dass dieses Ereignis wesentlich ist und sich nachteilig auf die Fondsanteile bzw. den Referenz-Fonds als Basiswert oder die Berechnung des NAV des Fondsanteils auswirkt,
- (a) Anpassungen an Berechnungsmethoden, Werten oder Regelungen in Bezug auf die Wertpapiere vornehmen, die nach Ausübung billigen Ermessens (gemäß

§ 6 a

Adjustments; Replacement Reference Fund

- (1) If an Extraordinary Event (§ 6 a (4)) in respect of the Fund Units in the Reference Fund occurs or is likely to occur, the Calculation Agent may, if it determines at its reasonable discretion (pursuant to § 317 of the BGB), that such event is material and adversely affects the Fund Units or, as the case may be, the Reference Fund as the Underlying or the calculation of the NAV of the Fund Unit,
- (a) make any adjustments to any calculation methods, values or terms in respect of the Securities that they determine at their reasonable discretion (pursuant to § 317 of

- § 317 BGB) durch das Außerordentliche Ereignis erforderlich werden, und/oder
- (b) unter Verwendung zumutbaren Aufwands innerhalb von fünf (5) Geschäftstagen unter Verwendung zumutbaren Aufwands einen oder mehrere passenden alternative Fonds, die einen ähnlichen Anlagemandat haben – vorbehaltlich der folgenden Anforderungen – auswählen (jeweils ein „**Nachfolge-Referenz-Fonds**“) und den Referenz-Fonds durch den/diese Fonds austauschen

Ein Austausch des Referenz-Fonds durch einen oder mehrere alternative Fonds ist nur zulässig, wenn die folgenden Voraussetzungen kumulativ erfüllt sind:

- (i) Die massgebliche Fondsverwaltungsgesellschaft und die Fondsmanager sind grundsätzlich bereit, dass die Wertpapiere an den Fonds gebunden werden.
- (ii) Die Emittentin kann zu dem Nettoinventarwert oder Rücknahmepreis in dem Fonds handeln, ohne dass unmittelbar bzw. mittelbar Gebühren, Abgaben oder sonstige Kosten anfallen, einschliesslich von Zeichnungsaufschlägen oder Rückgabeabschlägen, die im Zusammenhang mit diesem Handel oder hierbei erzielten Zinserträgen anwendbar bzw. möglicherweise anwendbar sein könnten.
- (iii) Der Fonds ist ein offener Investmentfonds, der in einem OECD Land gegründet worden ist.
- (iv) Der Fonds (oder ein massgeblicher Manager) veröffentlicht den Nettoinventarwert oder den Rücknahmepreis in Bezug auf den Fonds auf täglicher Basis.
- (v) Die Emittentin ist in der Lage, ihre Position im Zusammenhang mit dem Nachfolge-Referenz-Fonds in vollem Umfang zum Nachfolgefonds-Auswahltag abzusichern.

In diesem Zusammenhang bezeichnet der „**Nachfolgefonds-Auswahltag**“ den Tag, an dem die Berechnungsstelle den Nachfolge-Referenz-Fonds auswählt.

- (2) Die Berechnungsstelle informiert die Wertpapiergläubiger innerhalb von fünf (5) Geschäftstagen nach dem Nachfolgefonds-Auswahltag gemäß § 11 dieser Bedingungen, dass ein Außerordentliches Ereignis eingetreten ist bzw. wahrscheinlich eintreten wird, und dass die Berechnungsstelle einen oder mehrere Nachfolge-Referenz-Fonds ausgewählt hat. Unbeschadet des vorstehenden Absatzes beeinträchtigt ein Unterlassen der

- the BGB) to be necessary to account for such Extraordinary Event, and /or
- (b) select, by using reasonable efforts for a period of no longer than five (5) Business Days, one or more suitable alternative funds with reasonably similar investment mandates – subject to the following suitability criteria – (each a “**Replacement Reference Fund**”) and replace the Reference Fund by such fund(s).

The replacement of the Reference Fund by one or more alternative funds is only possible provided that all of the following suitability criteria are met:

- (i) The relevant fund management company and fund manager(s) are willing to allow the fund to be referenced in the Securities.
- (ii) the Issuer can trade at net asset value or at bid price in the fund with no direct or indirect fee, levy or other charge whatsoever, including subscription of redemption penalties applicable, or potentially applicable, to any such trading or any interest so acquired.
- (iii) The fund is constituted as an open-ended investment company incorporated in an OECD country.
- (iv) The fund (or a relevant manager) publishes the fund’s net asset value or bid price on a daily basis.
- (v) The Issuer is able to fully hedge its position with respect to the Replacement Reference Fund as at the Replacement Fund(s) Selection Date.

In such context, the day the Calculation Agent selects the Replacement Reference Fund(s) is the “**Replacement Fund(s) Selection Date**”.

- (2) The Calculation Agent shall notify the Securityholder within five (5) Business Days after the Replacement Fund(s) Selection Date in accordance with § 5 of these Conditions that an Extraordinary Event has occurred, or is likely to occur, and the Calculation Agent has selected Replacement Reference Fund(s). Notwithstanding the foregoing in this paragraph, any failure by the Calculation Agent to notify the Securityholder shall not invalidate any selection

Berechnungsstelle die Wertpapiergläubiger zu benachrichtigen nicht die Auswahl des/der Nachfolge-Referenz-Fonds und den anschliessenden Austausch des Referenz-Fonds durch den/die Nachfolge-Referenz-Fonds.

- (3) Innerhalb eines angemessenen Zeitraums nach dem Nachfolgefonds-Auswahltag hat die Berechnungsstelle die Regelungen in Bezug auf die Wertpapiere so anzupassen, wie sie dies für angemessen hält, um dem Austausch Rechnung zu tragen (einschliesslich der angemessenen Kosten und Auslagen, soweit angefallen, die der Emittentin durch den Aufbau und die Schliessung von Absicherungspositionen, die sie in im Zusammenhang mit den Wertpapieren hält, entstanden sind

Von dem Tag dieser Anpassungen an, gilt jede in diesen Bedingungen enthaltene Bezugnahme auf den Referenz-Fonds, sofern es der Zusammenhang erlaubt, als Bezugnahme auf den Nachfolge- Referenz-Fonds.

- (4) „**Außerordentliches Ereignis**“ bezeichnet jeden der folgenden Umstände:

(a) Ein Verstoß gegen bzw. eine inhaltliche Änderung wesentlicher Bestimmungen des Verkaufsprospekts oder anderer im Zusammenhang mit der Vermarktung des Referenz-Fonds erstellten Dokumente bzw. der Gründungsdokumente des Referenz-Fonds (zusammen die „**Referenz-Fonstdokumente**“), der bzw. die nach Auffassung der Berechnungsstelle (gemäß § 317 BGB) wesentlich ist.

(b) Die Anlagestrategie, das Anlageziel oder das Risiko/Ertragsprofil des Referenz-Fonds (das „**Anlageziel**“) weicht wesentlich von dem Anlageziel am Festlegungstag bzw. an dem Tag, zu dem die Fondsanteile an dem Referenz-Fonds nach diesen Bestimmungen angepasst wurden, oder von dem Anlageziel, das in den Referenz-Fonstdokumenten beschrieben wird, ab.

(c) Die Währung, in der der NAV des Referenz-Fonds veröffentlicht wird, (die „**Währungseinheit**“) wird geändert und weicht nun von der Währung am Festlegungstag bzw. an dem Tag, zu dem die Fondsanteile an dem Referenz-Fonds nach diesen Bestimmungen angepasst wurden, oder von der Währungseinheit, die in den Referenz-Fonstdokumenten beschrieben wird, ab.

(d) Der Administrator des Referenz-Fonds versäumt es, den NAV an einem vorgesehen Fondsgeschäftstag innerhalb eines Zeitraums, innerhalb dessen die Berechnungsstelle üblicherweise davon

of the Replacement Reference Fund(s) and the subsequent replacement of the Reference Fund by such Replacement Reference Fund(s).

- (3) Within a reasonable period after the Replacement Fund(s) Selection Date, the Calculation Agent must adjust the terms of the Securities as it considers appropriate to account for the replacement, including the cost to the Issuer of making the replacement, which includes the reasonable costs and expenses, if any, incurred by the Issuer in opening and closing any hedge it may hold in relation to its exposure under this Securities.

From the date of the adjustments, any reference in these Conditions to the Reference Fund shall, to the extent appropriate, be deemed to refer to the Replacement Reference Fund.

- (4) „**Extraordinary Event**“ means any of the following:

(a) A violation or change of any material terms of the offer documents or other documents prepared in connection with the marketing of the Reference Fund or the Reference Fund's constitutional documents (together the „**Reference Fund Documents**“), which, in the opinion of the Calculation Agent at its reasonable discretion (pursuant to § 317 of the BGB), is material.

(b) The investment strategy, the investment objective or the risk/return profile of the Reference Fund (the „**Investment Objective**“) differs substantially from the Investment Objective at the Fixing Date or the date on which the Fund Units in the Reference Fund were adjusted in accordance with these Conditions, as the case may be, or from the Investment Objective outlined in the Reference Fund Documents.

(c) The currency denomination in which the NAV of the Reference Fund is published (the „**Currency Denomination**“) is changed and now differs from the Currency Denomination at the Fixing Date or the date on which the Fund Units in the Reference Fund were adjusted in accordance with these Conditions, as the case may be, or from the Currency Denomination outlined in the Reference Fund Documents.

(d) The Reference Fund's administrator fails to calculate or publish the NAV for any scheduled Fund Business Day within the time period when the Calculation Agent would ordinarily expect such NAV to be

- ausgeht, dass der NAV erhältlich ist, zu berechnen oder zu veröffentlichen.
- (e) Der Referenz-Fonds führt Gebühren oder Kosten, die dem Vermögen des Referenz-Fonds belastet werden, ein oder erhöht diese bzw. führt einen Ausgabeaufschlag oder eine Rücknahmegebühr ein.
- (f) Die Anzahl von Anteilen oder Aktien den Referenz-Fonds, seiner Teilfonds oder Anteilklassen, die ein Investor halten darf, wird aufgrund Gesetzes oder behördlicher Massnahmen beschränkt.
- (g) Der Referenz-Fonds verlangt, dass ein (beliebiger) Investor seine Anteile ganz oder teilweise zurückgibt.
- (h) Jede Aussetzung, Verschiebung, Beschränkung oder Einschränkung des Handels in bzw. der Rückgabe und Zeichnung von dem Fondsanteil (wegen Liquiditätsbeschränkungen oder aus anderen Gründen, insbesondere einschliesslich der Einführung einer Ausgabe- bzw. Rücknahmegebühr oder einer sonstigen damit im Zusammenhang stehenden Gebühr bzw. entsprechender Kosten oder Auslagen, der Einführung oder dem Gebrauchmachen von sog. Gates oder Side Pockets oder jeder Umstrukturierung, Neuorganisation oder sonstigen Massnahme, die eine mit einem sog. Gate oder Side Pocket vergleichbare Wirkung hat), was Auswirkungen auf die Absicherungsgeschäfte der Emittentin (wie nachstehend in lit. (n) definiert), soweit diese nicht bereits zuvor an dem Festlegungstag bzw. zu dem Tag, zu dem die Fondsanteile in dem Referenz-Fonds nach diesen Bestimmungen angepasst wurden, bestanden.
- (i) Die aufsichtsrechtliche oder steuerliche Behandlung in Bezug auf die Emittentin, den Referenz-Fonds bzw. seinen Manager, seinen Investment Manager oder einen seiner Investmentberater (jeweils ein „**Manager**“) ändert sich.
- (j) Der Referenz-Fonds oder sein Investment Manager oder Angestellte von diesen unterfallen der Überwachung oder Untersuchung einer Aufsichts- oder sonstigen Behörde oder werden unter Anklage oder Strafverfolgung gestellt.
- (k) Der Referenz-Fonds oder sein Investment Manager wird Partei einer gerichtlichen oder aussergerichtlichen Auseinandersetzung.
- (l) Der Referenz-Fonds oder sein Investment Manager unterliegt der Liquidation, Auflösung, Einstellung oder Zwangsvollstreckung, oder der Investment
- available.
- (e) The Reference Fund introduces or increases charges or fees payable out of the assets of the Reference Fund or charges a subscription fee or redemption fee.
- (f) The introduction of any restriction by law or regulatory measures of the holding of units or shares of the Reference Fund, its sub-funds and/or its share classes, if any, that may be held by an investor in the Reference Fund.
- (g) The Reference Fund requires a partial or whole redemption of units or shares from any of the investors in the Reference Fund.
- (h) Any suspension or deferral of or limitation or restrictions imposed on trading in, redemption of or subscriptions in the Fund Unit (by reason of liquidity restrictions or otherwise, including, but not limited to, the introduction of a subscription or redemption fee or of any associated fee, cost or expense, the introduction or use of gates or side pockets, or any restructure, reorganisation or action that has a similar impact to a gate or side pocket) affecting the Issuer's Hedging Activities (as defined in lit. (n) below) other than those existing on the Fixing Date or the date on which the Fund Units in the Reference Fund were adjusted in accordance with these Conditions, as the case may be.
- (i) The regulatory or tax treatment applicable with respect to the Issuer, the Reference Fund, its manager, investment manager or to any of its investment advisors (each a “**Manager**”) is changed.
- (j) The Reference Fund or its investment manager or any of their employees are placed under review or investigation by any regulatory or other authority or are subject to any charges or prosecution.
- (k) The Reference Fund or its investment manager becomes party to any litigation or dispute.
- (l) The Reference Fund or its investment manager is or becomes subject to liquidation, dissolution, discontinuance or execution, or the investment manager

Manager deutet an, dass die Strategie nicht eingehalten werden wird oder beabsichtigt, empfiehlt oder initiiert die Liquidation, Auflösung oder Einstellung des Referenz-Fonds.

- (m) Die Beteiligung der Emittentin an Anteilen oder Aktien des Referenz-Fonds, seiner Teilfonds oder Anteilklassen, überschreitet 25 % der Anteile oder Aktien des Referenz-Fonds, seiner Teilfonds oder Anteilklassen.
- (n) Der Eintritt eines sonstigen Ereignisses, das nach Ansicht der Emittentin und der Berechnungsstelle nach Ausübung billigen Ermessens (gemäss § 315 BGB bzw. § 317 BGB) die Möglichkeit der Emittentin verhindert, behindert oder wesentlich beeinträchtigt, Absicherungsgeschäfte in Bezug auf die Verpflichtungen aus den Wertpapieren durchzuführen (die **„Absicherungsgeschäfte der Emittentin“**).

Auf andere als die vorstehend bezeichneten Ereignisse oder Umstände, die dazu führen, dass die Bedingungen der Wertpapiere nicht mehr die ursprünglichen, zwischen der Emittentin und den Wertpapiergläubigern vereinbarten, wirtschaftlichen Gegebenheiten reflektieren oder sonst die wirtschaftliche Basis, auf deren Grundlage die Emittentin die Wertpapiere begeben hat, nachteilig beeinflussen, sind die beschriebenen Regeln entsprechend anzuwenden.

- (5) Anpassungen und Festlegungen nach den vorstehenden Absätzen werden durch die Emittentin nach billigem Ermessen (gemäss § 315 BGB) bzw. von der Berechnungsstelle nach billigem Ermessen (gemäss § 317 BGB), vorgenommen und von der Emittentin nach § 11 dieser Bedingungen bekannt gemacht. Anpassungen und Festlegungen sind (sofern nicht ein offensichtlicher Fehler vorliegt) für alle Beteiligten endgültig und bindend.
- (6) Das Recht der Emittentin zur Kündigung gemäss § 7 b dieser Bedingungen bleibt hiervon unberührt.

§ 6 b

Anpassungen aufgrund der Europäischen Wirtschafts- und Währungsunion

- (1) Nimmt ein Land, unabhängig davon, ob ab 1999 oder später, an der dritten Stufe der Europäischen Wirtschafts- und Währungsunion teil, sind die Emittentin und die Berechnungsstelle berechtigt, nach billigem Ermessen (gemäß § 315 BGB bzw. § 317 BGB) folgende Anpassungen dieser Bedingungen vorzunehmen:
 - (i) Ist die Auszahlungswährung unter diesen

indicates that the Strategy will not be met or proposes, recommends or initiates the liquidation, dissolution or discontinuance of the Reference Fund.

- (m) The Issuer's holding of units or shares of the Reference Fund, its sub-funds and/or its share classes, if any, exceeds 25 % of the Reference Fund, its sub-funds and/or its share classes.
- (n) The occurrence of any event that, in the opinion of the Issuer and the Calculation Agent at their reasonable discretion (pursuant to § 315 of the BGB or, as the case may be, § 317 of the BGB), prevents, hinders or materially impairs the Issuer's ability to conduct its hedging activities in relation to its exposure under the Securities (the **“Issuer's Hedging Activities”**).

The provisions set out above shall apply *mutatis mutandis* to any other event or circumstance, which causes the terms of the Securities to no longer reflect the original commercial terms agreed by the Issuer and the Securityholders or adversely affects the economic basis on which the Issuer issued the Securities.

- (5) The adjustments and determinations of the Issuer pursuant to the paragraphs above shall be effected by the Issuer at its reasonable discretion (pursuant to § 315 of the BGB) or, as the case may be, by the Calculation Agent (pursuant to § 317 of the BGB) and shall be published by the Issuer in accordance with § 11 of these Conditions. Any adjustment and determination shall be final, conclusive and binding on all parties, except where there is a manifest error.
- (6) The Issuer's right of termination in accordance with § 7 b of these Conditions remains unaffected.

§ 6 b

Adjustments due to the European Economic and Monetary Union

- (1) Where a country participates in the third stage of the European Economic and Monetary Union, whether as from 1999 or after such date, the Issuer and the Calculation Agent at their reasonable discretion (pursuant to § 315 of the BGB or, as the case may be, § 317 of the BGB), shall be entitled to effect the following adjustments to these Conditions:
 - (i) Where the Settlement Currency under these

Bedingungen eine von Euro abweichende nationale Währungseinheit eines Landes, das an der dritten Stufe der Europäischen Wirtschafts- und Währungsunion beteiligt ist, unabhängig davon, ob ab 1999 oder später, dann gilt die Auszahlungswährung als ein Betrag in Euro, der aus der ursprünglichen Auszahlungswährung zum rechtlich festgesetzten Wechselkurs und unter Anwendung der rechtlich festgesetzten Rundungsregeln in Euro umgetauscht wurde.

Nach der Anpassung erfolgen sämtliche Zahlungen hinsichtlich der Wertpapiere in Euro, als ob in ihnen der Euro als Auszahlungswährung genannt wäre.

- (ii) Ist in diesen Bedingungen ein Währungsumrechnungskurs angegeben oder gibt eine Bedingung eine Währung eines Landes an, das an der dritten Stufe der Europäischen Wirtschafts- und Währungsunion beteiligt ist, unabhängig davon, ob ab 1999 oder später, gelten der angegebene Währungsumrechnungskurs und/oder sonstige Währungsangaben in diesen Bedingungen als Angabe in Euro, oder, soweit ein Währungsumrechnungskurs angegeben ist, als Kurs für den Umtausch in oder aus Euro unter Zugrundelegung des rechtlich festgesetzten Wechselkurses.
- (iii) Die Emittentin und die Berechnungsstelle können weitere Änderungen an diesen Bedingungen vornehmen, um diese ihrer Auffassung nach den dann gültigen Gepflogenheiten anzupassen, die für Instrumente mit Währungsangaben in Euro gelten.
- (iv) Die Emittentin und die Berechnungsstelle können ferner solche Anpassungen dieser Bedingungen vornehmen, die sie nach billigem Ermessen (gemäß § 315 BGB bzw. § 317 BGB) für angebracht halten, um den Auswirkungen der dritten Stufe der Europäischen Wirtschafts- und Währungsunion gemäß dem Vertrag zur Gründung der Europäischen Gemeinschaft auf diese Bedingungen Rechnung zu tragen.
- (2) Die Emittentin und die Wertpapierstellen (§ 9) haften weder gegenüber den Wertpapiergläubigern noch gegenüber sonstigen Personen für Provisionen, Kosten, Verluste oder Ausgaben, die aus oder in Verbindung mit der Überweisung von Euro oder einer damit zusammenhängenden Währungsumrechnung oder Rundung von Beträgen entstehen.
- (3) Anpassungen und Festlegungen nach den vorstehenden Absätzen werden durch die
- Conditions is the national currency unit other than Euro of a country which is participating in the third stage of the European Economic and Monetary Union, whether as from 1999 or after such date, such Settlement Currency shall be deemed to be an amount of Euro converted from the original Settlement Currency into Euro at the statutory applicable exchange rate and subject to such statutory applicable rounding provisions.
- After the adjustment, all payments in respect of the Securities will be made solely in Euro as though references in the Securities to the Settlement Currency were to Euro.
- (ii) Where these Conditions contain a currency conversion rate or any of these Conditions are expressed in a currency of a country which is participating in the third stage of the European Economic and Monetary Union, whether as from 1999 or after such date, such currency conversion rate and/or any other terms of these Conditions shall be deemed to be expressed in or, in the case of a currency conversion rate, converted for or, as the case may be into, Euro at the statutory applicable exchange rate.
- (iii) The Issuer and the Calculation Agent are entitled to effect adjustments to these Conditions as they may decide to conform them to conventions then applicable to instruments expressed in Euro.
- (iv) The Issuer and the Calculation Agent at their reasonable discretion (pursuant to § 315 of the BGB or, as the case may be, § 317 of the BGB) shall be entitled to effect such adjustments to these Conditions as they may determine to be appropriate to account for the effect of the third stage of the European Economic and Monetary Union pursuant to the Treaty establishing the European Community on these Conditions.
- (2) The Issuer and the Security Agents (§ 9) shall not be liable to any Securityholder or other person for any commissions, costs, losses or expenses in relation to or resulting from the transfer of Euro or any currency conversion or rounding effected in connection therewith.
- (3) The adjustments and determinations of the Issuer pursuant to the paragraphs above shall be

Emittentin nach billigem Ermessen (gemäß § 315 BGB) bzw. von der Berechnungsstelle nach billigem Ermessen (gemäß § 317 BGB), vorgenommen und von der Emittentin nach § 11 dieser Bedingungen bekannt gemacht. Anpassungen und Festlegungen sind (sofern nicht ein offensichtlicher Fehler vorliegt) für alle Beteiligten endgültig und bindend.

§ 7 a Kündigung

- (1) Bei Vorliegen eines der nachstehend beispielhaft beschriebenen Kündigungsereignisse ist die Emittentin berechtigt, aber nicht verpflichtet, die Wertpapiere durch Bekanntmachung gemäss § 11 dieser Bedingungen unter Angabe des Kündigungsereignisses zu kündigen:

Ein „**Kündigungsereignis**“ in Bezug auf die Fondsanteile an dem Referenz-Fonds als Basiswert bezeichnet jedes der folgenden Ereignisse:

- (i) Die Ermittlung und/oder Veröffentlichung des Kurses des Fondsanteils an dem Referenz-Fonds wird endgültig eingestellt, oder der Emittentin oder der Berechnungsstelle wird eine entsprechende Absicht bekannt.
 - (ii) Die Berechnungsstelle ist nach Ausübung billigen Ermessens (gemäss § 317 BGB) der Ansicht, dass eine Anpassung dieser Bedingungen oder die Festlegung eines Nachfolge-Referenz-Fonds, aus welchen Gründen auch immer, nicht möglich sei.
 - (iii) Die Emittentin und die Berechnungsstelle sind nach Ausübung billigen Ermessens (gemäss § 315 BGB bzw. § 317 BGB) der Ansicht, dass eine sonstige erhebliche Änderung der Marktbedingungen eingetreten ist.
 - (iv) Die Emittentin und die Berechnungsstelle sind nach Ausübung billigen Ermessens (gemäss § 315 BGB bzw. § 317 BGB) der Ansicht, dass ein Ereignis, das ein Außerordentliches Ereignis (§ 6 a (4)) begründen würde, eingetreten ist oder eintreten wird.
- (2) Die Kündigung hat innerhalb von einem Kalendermonat nach dem Vorliegen des Kündigungsereignisses und unter Angabe des Kalendertags, zu dem die Kündigung wirksam wird (der „**Kündigungstag**“), zu erfolgen. In Zweifelsfällen über das Vorliegen des Kündigungsereignisses entscheidet die Emittentin gemäss § 315 BGB nach billigem Ermessen.
- (3) Im Fall der Kündigung zahlt die Emittentin an jeden Wertpapiergläubiger bezüglich jedes von

effected by the Issuer at its reasonable discretion (pursuant to § 315 of the BGB) or, as the case may be, by the Calculation Agent at its reasonable discretion (pursuant to § 317 of the BGB) and shall be published by the Issuer in accordance with § 11 of these Conditions. Any adjustment and determination shall be final, conclusive and binding on all parties, except where there is a manifest error.

§ 7 a Termination

- (1) If any of the following Termination Events, as exemplary described below, occurs at any time, the Issuer shall be entitled, but not obliged, to terminate the Securities by way of publication pursuant to § 11 of these Conditions, specifying the Termination Event:

A “**Termination Event**” in respect of the Fund Units in the Reference Fund used as the Underlying means any of the following events:

- (i) The determination and/or publication of the price of the Fund Unit in the Reference Fund is discontinued permanently, or the Issuer or the Calculation Agent obtains knowledge about the intention to do so.
 - (ii) It is, in the opinion of the Calculation Agent at its reasonable discretion (pursuant to § 317 of the BGB), not possible, for whatever reason, to make adjustments to these Conditions or to select a Replacement Reference Fund.
 - (iii) In the opinion of the Issuer and the Calculation Agent at their reasonable discretion (pursuant to § 315 of the BGB or, as the case may be, § 317 of the BGB), another material change in the market conditions occurred.
 - (iv) In the opinion of the Issuer and the Calculation Agent at their reasonable discretion (pursuant to § 315 of the BGB or, as the case may be, § 317 of the BGB), an event, which qualifies as Extraordinary Event (§ 6 a (4)), has occurred or will occur.
- (2) The termination shall be effected within one calendar month following the occurrence of the Termination Event and shall specify the calendar day, on which the termination becomes effective (the “**Termination Date**”). In cases of doubt, the Issuer reserves the right to determine at its reasonable discretion pursuant to § 315 of the BGB the occurrence of a Termination Event.
- (3) In case of termination the Issuer shall pay to each Securityholder an amount in the Settlement

ihm gehaltenen Wertpapiers einen Geldbetrag in der Auszahlungswährung, der von der Berechnungsstelle nach billigem Ermessen gemäss § 317 BGB als angemessener Marktpreis eines Wertpapiers bei Kündigung abzüglich angemessenen Kosten und Auslagen, soweit angefallen, im Zusammenhang mit den Absicherungsgeschäften der Emittentin festgelegt wird (der „**Kündigungsbetrag**“).

§ 7 b Steuern; Steuer-Kündigung

- (1) Alle von der Emittentin nach diesen Bedingungen zahlbaren Beträge sind ohne Einbehalt oder Abzug an der Quelle von gegenwärtigen oder irgendwelchen zukünftigen Steuern, Gebühren oder Abgaben, die von oder in Jersey oder von oder in Schweden oder einer ihrer Gebietskörperschaften oder Behörden mit Steuerhoheit erhoben werden („**Quellensteuern**“) zu zahlen, es sei denn, ein solcher Einbehalt oder Abzug von Quellensteuern ist gesetzlich vorgeschrieben. In diesem Fall zahlt die Emittentin, vorbehaltlich der nachfolgenden Regelungen, diejenigen zusätzlichen Beträge, die erforderlich sind, damit die Wertpapiergläubiger die Beträge erhalten, die sie ohne Quellensteuern erhalten hätten.
- (2) Die Emittentin ist jedoch nicht verpflichtet, solche zusätzlichen Beträge zu zahlen:
 - wenn ein Wertpapiergläubiger solchen Steuern, Gebühren oder Abgaben auf die Wertpapiere wegen irgendeiner anderen Verbindung zu Jersey oder Schweden als allein der Tatsache unterliegt, dass er Wertpapiergläubiger ist;
 - wenn solche Quellensteuern auf Zahlungen an einen Wertpapiergläubiger auf die Wertpapiere selbst oder jede Zahlung darauf auf der EU-Richtlinie über die Besteuerung von Kapitaleinkünften (2003/48/EG) vom 3. Juni 2003 („**EU-Zinsrichtlinie**“) beruhen. Gleiches gilt auch für jedes Gesetz oder jede andere rechtliche Massnahme, welche die EU-Zinsrichtlinie umsetzt oder mit dieser übereinstimmt oder eingeführt wurde, um der EU-Zinsrichtlinie zu entsprechen;
 - wenn Quellensteuern von dem Wertpapiergläubiger dadurch hätten vermieden werden können, dass er die Zahlungen auf die Wertpapiere, über eine andere Zahlstelle in einem EU-Mitgliedstaat zur Zahlung abgefordert hätte;
 - die aufgrund einer Rechtsänderung zu zahlen sind, welche später als 30 Tage nach Fälligkeit der betreffenden Zahlung von Kapital, oder, wenn dies später erfolgt, ordnungsgemäßer Bereitstellung aller fälligen Beträge gemäß § 1 dieser Bedingungen wirksam wird.

Currency with respect to each Security it holds, which is determined by the Calculation Agent at its reasonable discretion pursuant to § 315 of the BGB as being the fair market price of a Security at the occurrence of termination **less** any reasonable costs and expenses, if any, incurred in connection with the Issuer's Hedging Activities (the „**Termination Amount**“).

§ 7 b Taxes; Termination for Tax Reasons

- (1) All amounts payable by the Issuer under these Conditions are payable without any withholding or deduction at source of any present or future taxes, charges or duties imposed by or in Jersey or Sweden or by any political subdivision or any authority thereof having power to tax („**Withholding Taxes**“), unless such withholding or deduction of Withholding Taxes is required by law. In this latter case, the Issuer will, subject to the following provisions, pay such additional amounts as are necessary in order that the amounts received by the Securityholders equal the amounts they would have received in the absence of any Withholding Taxes.
 - if a Securityholder is subject to such taxes, charges or duties on the Securities due to any other relationship with Jersey or Sweden than the mere holding of the Securities;
 - if such Withholding Taxes on payments to any Securityholder with respect to the Securities themselves or any payout thereon are based on the EU Directive on the taxation of savings income (2003/48/EC) of 3 June 2003 („**EU Savings Directive**“). The same also applies to any law or any other legal measure which implements or is in conformity with or has been adopted to comply with the EU Savings Directive;
 - if the Securityholders may have avoided any Withholding Taxes by claiming payments on the Securities via another paying agent in a EU member state;
 - that are payable as a result of any change in law that becomes effective more than 30 days after the relevant payment of principal becomes due or is duly provided for pursuant to § 1 of these Conditions, whichever occurs later.
- (2) However, the Issuer will be not obliged to pay any such additional amounts:

- (3) Die Emittentin ist jederzeit berechtigt, sämtliche Wertpapiere, jedoch nicht nur teilweise, mit einer Frist von nicht weniger als 30 Tagen und nicht mehr als 45 Tagen durch Mitteilung gemäß § 11 dieser Bedingungen und unter Angabe des Kalendertags, zu dem die Kündigung wirksam wird (der „**Steuer-Kündigungstag**“), zu einem Betrag in Höhe des Kündigungsbetrags (§ 7 a (3)) (der „**Steuer-Kündigungsbetrag**“), zu kündigen, falls:
- die Emittentin bei der nächsten Zahlung nach diesen Bedingungen verpflichtet ist oder verpflichtet sein wird, als Ergebnis einer Änderung oder Ergänzung in den Gesetzen oder Vorschriften in Jersey oder Schweden oder irgendeiner ihrer Gebietskörperschaften oder Behörden mit Steuerhoheit oder einer Änderung in der Anwendung oder Auslegung solcher Gesetze oder Vorschriften, die am oder nach dem Ausgabetag dieser Wertpapiere in Kraft tritt bzw. angewendet wird, zusätzliche Beträge nach diesem § 7 b dieser Bedingungen zu zahlen; und
 - die Emittentin das Erfordernis, solche zusätzlichen Beträge zahlen zu müssen, nicht durch nach eigenem Ermessen zumutbare Massnahmen (nicht aber eine Ersetzung der Emittentin gemäß § 10 dieser Bedingungen) vermeiden kann.
- Eine solche Kündigung darf nicht früher als 90 Tage vor dem Datum erfolgen, an dem die Emittentin erstmals zusätzliche Beträge nach diesem § 7 b zu zahlen hätte.
- (3) The Issuer is entitled at any time to redeem all, but not only some, of the Securities on giving no less than 30 and no more than 45 days notice pursuant to § 11 of these Conditions, specifying the calendar day, on which the Termination becomes effective (the “**Tax Termination Date**”), at an amount equal to the Termination Amount (§ 7 a (3)) (the “**Tax Termination Amount**”) if:
- the Issuer, on the occasion of the next payment is or will be required under these Conditions to pay additional amounts under this § 7 b of these Conditions on account of any change or amendment to the laws or regulations of Jersey or Sweden or any political subdivision or authority thereof with power to tax or any change in application or interpretation of such laws or regulations which change becomes effective or applicable on or after the Issue Date of these Securities; and
 - the Issuer cannot avoid the requirement to pay such additional amounts by any steps reasonably available to the Issuer at its own discretion (but not by any substitution of the Issuer pursuant to § 10 of these Conditions).
- Any such notice of redemption must not be given any earlier than 90 days prior to the date on which the Issuer would initially be required to pay additional amounts pursuant to this § 7 b.

§ 8 Marktstörungen

- (1) Sind die Emittentin und die Berechnungsstelle nach Ausübung billigen Ermessens (gemäß § 315 BGB bzw. § 317 BGB) der Ansicht, dass an einem für die Berechnung eines nach diesen Bedingungen zahlbaren Betrags massgeblichen Fondsgeschäftstag_(t) eine Marktstörung (§ 8 (3)) vorliegt, dann wird der Fondsgeschäftstag_(t) auf den unmittelbar darauf folgenden Fondsgeschäftstag, an dem keine Marktstörung mehr vorliegt, verschoben. Die Emittentin wird sich bemühen, den Beteiligten unverzüglich gemäß § 11 dieser Bedingungen mitzuteilen, dass eine Marktstörung eingetreten ist. Ein Pflicht zur Mitteilung besteht jedoch nicht.
- (2) Wenn der Fondsgeschäftstag_(t) aufgrund der Bestimmungen des § 8 (1) dieser Bedingungen um 8 (acht) Fondsgeschäftstage nach dem ursprünglichen Fondsgeschäftstag_(t) verschoben worden ist und auch an diesem Tag die Marktstörung fortbesteht, dann gilt dieser Tag als der Fondsgeschäftstag; eine weitere Verschiebung des Fondsgeschäftstags findet

§ 8 Market Disruptions

- (1) If, in the opinion of the Issuer and of the Calculation Agent in their reasonable discretion (pursuant to § 315 of the BGB or, as the case may be, § 317 of the BGB), a Market Disruption (§ 8 (3)) prevails on any Fund Business Day_(t) relevant for determining any amount payable under these Conditions, the Fund Business Day_(t) shall be postponed to the next succeeding Fund Business Day on which no Market Disruption prevails. The Issuer shall endeavour to notify the parties pursuant to § 11 of these Conditions without delay of the occurrence of a Market Disruption. However, there is no notification obligation.
- (2) If the Fund Business Day_(t) has been postponed, due to the provisions of § 8 (1) of these Conditions, by 8 (eight) Fund Business Days following the scheduled Fund Business Day_(t) and if the Market Disruption continues to prevail on this day, this day shall be deemed the Fund Business Day and the Fund Business Day shall not be further postponed.

nicht statt.

Die Emittentin und die Berechnungsstelle werden dann nach Ausübung billigen Ermessens (gemäss § 315 BGB bzw. § 317 BGB) sowie unter Berücksichtigung (i) der dann herrschenden Marktgegebenheiten, (ii) eines geschätzten Nettoinventarwerts des zugrunde liegenden Referenz-Fonds, ermittelt auf Grundlage der zuletzt erhältlichen Bewertungen und der gegebenenfalls vom Administrator des Referenz-Fonds abgegebenen Schätzungen, und (iii) sämtlicher sonstiger Konditionen bzw. Faktoren, die die Emittentin und die Berechnungsstelle angemessenerweise für bedeutsam halten, einen Nettoinventarwert des Referenz-Fonds in Bezug auf den verschobenen Fondsgeschäftstag schätzen. (Zur Klarstellung: Dieser Kurs kann auch Null (0) betragen.)

Sind die Emittentin und die Berechnungsstelle nach Ausübung billigen Ermessens (gemäss § 315 BGB bzw. § 317 BGB) der Ansicht, dass eine Schätzung aus welchen Gründen auch immer nicht möglich ist, dann werden die Emittentin und die Berechnungsstelle nach Ausübung billigen Ermessens (gemäss § 315 BGB bzw. § 317 BGB) sowie unter Berücksichtigung (i) der dann herrschenden Marktgegebenheiten, (ii) sämtlicher sonstigen Konditionen bzw. Faktoren, die die Emittentin und die Berechnungsstelle angemessenerweise für bedeutsam halten und (iii) gegebenenfalls unter Berücksichtigung der durch die Marktstörung bei der Emittentin angefallenen Kosten, bestimmen, ob, und gegebenenfalls in welcher Höhe, die Emittentin einen Geldbetrag in der Auszahlungswährung zahlen wird. Auf diesen Geldbetrag finden die in diesen Bedingungen enthaltenen Bestimmungen über den Auszahlungsbetrag entsprechende Anwendung.

- (3) Eine „**Marktstörung**“ bedeutet“ in Bezug auf die Fondsanteile an dem Referenz-Fonds als Basiswert
- (a) die Suspendierung oder das Ausbleiben der Bekanntgabe des Nettoinventarwerts des Referenz-Fonds oder
 - (b) der Eintritt eines sonstigen Ereignisses, das nach Ansicht der Berechnungsstelle nach Ausübung billigen Ermessens (gemäss § 317 BGB) die allgemeine Möglichkeit von Marktteilnehmern beeinträchtigt oder behindert, Transaktionen in den Fondsanteilen an dem Referenz-Fonds durchzuführen oder diesbezügliche Marktbewertungen zu erhalten.

§ 9

Berechnungsstelle; Zahlstelle

- (1) Die Berechnungsstelle und die Zahlstelle (die

The Issuer and the Calculation Agent will then, in their reasonable discretion (pursuant to § 315 of the BGB or, as the case may be, § 317 of the BGB) and taking into account (i) the market conditions then prevailing, (ii) a net asset value of the Reference Fund estimated on the basis of last announced valuations and of any estimate, if any, given by the administrator of the Reference Fund, and (iii) such other conditions or factors as the Issuer and the Calculation Agent reasonably consider to be relevant, estimate the Net Asset Value of the Reference Fund in relation to the postponed Fund Business Day (which for the avoidance of doubt could be zero (0)).

If, in the opinion of the Issuer and the Calculation Agent at their reasonable discretion (pursuant to § 315 of the BGB or, as the case may be, § 317 of the BGB), an estimate is, for whatsoever reason, not possible, the Issuer and the Calculation Agent will, at their reasonable discretion (pursuant to § 315 of the BGB or, as the case may be, § 317 of the BGB) and taking into account (i) the market conditions then prevailing, (ii) such other conditions or factors as the Issuer and the Calculation Agent reasonably consider to be relevant and (iii) the expenses of the Issuer, if any, caused by the Market Disruption, determine whether and in which amount, if applicable, the Issuer will make payment of an amount in the Settlement Currency. The provisions of these Conditions relating to the Settlement Amount shall apply *mutatis mutandis* to such payment.

- (3) A “**Market Disruption**” shall mean in respect of the Fund Units in the Reference Fund used as the Underlying
- (a) a suspension or a failure of the announcement of the Net Asset Value of the Reference Fund or
 - (b) the occurrence of any other event that, in the opinion of the Issuer and the Calculation Agent at their reasonable discretion (pursuant to § 317 of the BGB), disrupts or impairs the ability of market participants in general to effect transactions in, or obtain market values for the Fund Units in the Reference Fund.

§ 9

Calculation Agent; Paying Agent

- (1) The Calculation Agent and the Paying Agent (the

„Wertpapierstellen“) übernehmen diese Funktion jeweils in Übereinstimmung mit diesen Bedingungen. Jede der Wertpapierstellen haftet dafür, dass sie im Zusammenhang mit den Wertpapieren Handlungen bzw. Berechnungen vornimmt, nicht vornimmt oder nicht richtig vornimmt oder sonstige Massnahmen trifft oder unterlässt nur, wenn und soweit sie jeweils die Sorgfalt eines ordentlichen Kaufmanns verletzt hat.

- (2) Jede der Wertpapierstellen handelt ausschließlich als Erfüllungsgehilfin der Emittentin und hat keinerlei Pflichten gegenüber dem Wertpapiergläubiger. Die Wertpapierstellen sind jeweils von den Beschränkungen des § 181 BGB befreit.
- (3) Die Emittentin ist berechtigt, jederzeit jede oder alle der Wertpapierstellen durch eine andere Gesellschaft zu ersetzen, eine oder mehrere zusätzliche Wertpapierstellen zu bestellen und deren Bestellung zu widerrufen. Ersetzung, Bestellung und Widerruf werden gemäß § 11 dieser Bedingungen bekannt gemacht.
- (4) Jede der Wertpapierstellen ist berechtigt, durch schriftliche Anzeige gegenüber der Emittentin jederzeit ihr Amt niederzulegen. Die Niederlegung wird nur wirksam mit der Bestellung einer anderen Gesellschaft als Berechnungsstelle bzw. als Zahlstelle durch die Emittentin. Niederlegung und Bestellung werden gemäß § 11 dieser Bedingungen bekannt gemacht.

§ 10

Ersetzung der Emittentin

- (1) Die Emittentin ist jederzeit berechtigt, ohne Zustimmung der Wertpapiergläubiger eine andere Gesellschaft der UBS Gruppe als Emittentin (die „**Neue Emittentin**“) hinsichtlich aller Verpflichtungen aus oder in Verbindung mit den Wertpapieren an die Stelle der Emittentin zu setzen, sofern
 - (i) die Neue Emittentin alle Verpflichtungen der Emittentin aus oder in Verbindung mit den Wertpapieren übernimmt,
 - (ii) die Neue Emittentin alle etwa notwendigen Genehmigungen von den zuständigen Behörden erhalten hat, wonach die Neue Emittentin alle sich aus oder in Verbindung mit den Wertpapieren ergebenden Verpflichtungen erfüllen kann und Zahlungen ohne Einbehalt oder Abzug von irgendwelchen Steuern, Abgaben oder Gebühren an die Zahlstelle transferieren darf, und
 - (iii) die Emittentin unbeding und unwiderruflich die Verpflichtungen der Neuen Emittentin garantiert.
- (2) Im Falle einer solchen Ersetzung der Emittentin

„**Security Agents**“) shall assume such role in accordance with these Conditions. Each of the Security Agents shall be liable for making, failing to make or incorrectly making any measure or calculations, as the case may be, or for taking or failing to take any other measures only if and insofar as they fail to exercise the due diligence of a prudent businessman.

- (2) Each of the Security Agents acts exclusively as vicarious agent of the Issuer and has no obligations to the Securityholder. Each of the Security Agents is exempt from the restrictions under § 181 of the BGB.
- (3) The Issuer is entitled at any time to replace any or all of the Security Agents by another company, to appoint one or several additional Security Agents, and to revoke their appointments. Such replacement, appointment and revocation shall be notified in accordance with § 11 of these Conditions.
- (4) Each of the Security Agents is entitled to resign at any time from its function upon prior written notice to the Issuer. Such resignation shall only become effective if another company is appointed by the Issuer as Calculation Agent or as Paying Agent, as the case may be. Resignation and appointment are notified in accordance with § 11 of these Conditions.

§ 10

Substitution of the Issuer

- (1) The Issuer is entitled at any time, without the consent of the Securityholders, to substitute another company within the UBS Group as issuer (the „**New Issuer**“) with respect to all obligations under or in connection with the Securities, if
 - (i) the New Issuer assumes all obligations of the Issuer under or in connection with the Securities,
 - (ii) the New Issuer has obtained all necessary authorisations, if any, by the competent authorities, under which the New Issuer may perform all obligations arising under or in connection with the Securities and transfer payments to the Paying Agent without withholding or deduction of any taxes, charges or expenses, and
 - (iii) the Issuer unconditionally and irrevocably guarantees the obligations of the New Issuer.
- (2) In case of such a substitution of the Issuer any

gilt jede in diesen Bedingungen enthaltene Bezugnahme auf die Emittentin fortan als auf die Neue Emittentin bezogen.

- (3) Die Ersetzung der Emittentin ist für die Wertpapiergläubiger endgültig und bindend und wird den Wertpapiergläubigern unverzüglich gemäß § 11 dieser Bedingungen bekannt gemacht.

§ 11 Bekanntmachungen

- (1) Bekanntmachungen, die die Wertpapiere betreffen, werden in einer der jeweils maßgeblichen Rechtsordnung entsprechenden Form veröffentlicht. Soweit rechtlich zulässig, werden die Bekanntmachungen den Wertpapiergläubigern ausschließlich durch Mitteilung der Emittentin an die Clearingstelle zur Benachrichtigung der Wertpapiergläubiger übermittelt. Jede Mitteilung wird am Tag ihrer Veröffentlichung wirksam (oder im Fall von mehreren Veröffentlichungen am Tag der ersten solchen Veröffentlichung).
- (2) Soweit rechtlich zulässig ist die Emittentin berechtigt, Bekanntmachungen ausschließlich durch Mitteilung an die Clearingstelle zur Weiterleitung an die Wertpapiergläubiger (wie in den anwendbaren Vorschriften der Regelwerke der maßgeblichen Clearingstelle vorgesehen) zu bewirken, vorausgesetzt, dass in den Fällen, in denen die Wertpapiere an einer Wertpapier-Börse notiert sind, die anwendbaren Regeln dieser Wertpapier-Börse diese Form der Mitteilung zulassen. Bekanntmachungen durch Mitteilung an die Clearingstelle gelten am siebten Tag nach dem Tag der Mitteilung an die Clearingstelle als bewirkt.

§ 12 Begebung weiterer Wertpapiere; Ankauf; Einziehung; Entwertung

- (1) Die Emittentin ist berechtigt, ohne Zustimmung der Wertpapiergläubiger, jederzeit weitere Wertpapiere mit gleicher Ausstattung in der Weise zu begeben, dass sie mit diesen Wertpapieren eine einheitliche Serie bilden, wobei in diesem Fall der Begriff „Wertpapier“ entsprechend auszulegen ist.
- (2) Die Emittentin ist berechtigt, ohne Zustimmung der Wertpapiergläubiger, jederzeit Wertpapiere zu jedem beliebigen Preis zu kaufen. Die von der Emittentin erworbenen Wertpapiere können nach Wahl der Emittentin von ihr gehalten, erneut begeben, weiterverkauft oder entwertet werden.
- (3) Die Emittentin ist berechtigt, ohne Zustimmung der Wertpapiergläubiger, jederzeit ausstehende

reference in these Conditions to the Issuer shall forthwith be deemed to refer to the New Issuer.

- (3) The substitution of the Issuer shall be final, binding and conclusive on the Securityholders and will be published to the Securityholders without undue delay in accordance with § 11 of these Conditions.

§ 11 Publications

- (1) Publications relating to the Securities will be published in the way required by the relevant jurisdiction, respectively. To the extent legally possible, the publications will be published by way of Issuer's notification to the Clearing Agent for the purposes of notifying the Securityholders.

Any such notice shall be effective as of the publishing date (or, in the case of several publications as of the date of the first such publication).

- (2) The Issuer shall, to the extent legally possible, be entitled to effect publications by way of notification to the Clearing Agent for the purpose of notifying the Securityholders (as set forth in the applicable rules and regulations of the Clearing Agent), provided that in cases, in which the Securities are listed on a Security Exchange, the regulations of such Security Exchange permit this type of notice. Any such notice shall be deemed as having been effect as of the seventh day after the date of the notification to the Clearing Agent.

§ 12 Issue of further Securities; Purchase; Call; Cancellation

- (1) The Issuer is entitled at any time to issue, without the consent of the Securityholders, further securities having the same terms and conditions as the Securities so that the same shall be consolidated and form a single series with such Securities, and references to "Security" shall be construed accordingly.
- (2) The Issuer is entitled at any time to purchase, without the consent of the Securityholders, Securities at any price. Such Securities may be held, reissued, resold or cancelled, all at the option of the Issuer.
- (3) The Issuer is entitled at any time to call, without the consent of the Securityholders, outstanding

Wertpapiere einzuziehen und damit ihre Anzahl zu reduzieren.

- (4) Aufstockung bzw. Reduzierung der Wertpapiere werden unverzüglich gemäß § 11 dieser Bedingungen bekannt gemacht.
- (5) Sämtliche vollständig zurückgezahlten Wertpapiere sind unverzüglich zu entwerten und können nicht wiederbegeben oder wiederverkauft werden.

§ 13 Sprache

Diese Bedingungen sind in deutscher Sprache abgefasst. Eine Übersetzung in die englische Sprache ist beigefügt. Der deutsche Text ist bindend und maßgeblich. Die Übersetzung in die englische Sprache ist unverbindlich.

§ 14

Anwendbares Recht; Anwendbares Recht in Bezug auf die Clearingstelle; Erfüllungsort; Gerichtsstand; Zustellungsbevollmächtigte; Korrekturen; Teilunwirksamkeit

- (1) Form und Inhalt der Wertpapiere sowie alle Rechte und Pflichten aus den in diesen Bedingungen geregelten Angelegenheiten bestimmen sich in jeder Hinsicht nach dem Recht der Bundesrepublik Deutschland.
- (2) Die Rechtswirkungen, die aus der Registrierung der Wertpapiere bei der Clearingstelle gemäß § 4 dieser Bedingungen folgen, bestimmen sich nach schwedischem Recht.
- (3) Erfüllungsort und Gerichtsstand für alle Klagen oder sonstigen Verfahren aus oder im Zusammenhang mit den Wertpapieren ist, soweit rechtlich zulässig, Frankfurt am Main, Bundesrepublik Deutschland.
- (4) Die UBS AG, handelnd durch ihre Niederlassung Jersey, in ihrer Funktion als Emittentin ernennt hiermit die UBS Deutschland AG, Bockenheimer Landstraße 2 - 4, 60306 Frankfurt am Main, Bundesrepublik Deutschland, als deutsche Bevollmächtigte, an die innerhalb der Bundesrepublik Deutschland im Rahmen jedes Verfahrens aus oder im Zusammenhang mit den Wertpapieren die Zustellung bewirkt werden kann (die „**Zustellungsbevollmächtigte**“). Falls, aus welchem Grund auch immer, die Zustellungsbevollmächtigte diese Funktion nicht mehr ausübt oder keine Anschrift innerhalb der Bundesrepublik Deutschland mehr hat, verpflichten sich die UBS AG, handelnd durch ihre Niederlassung Jersey, eine Ersatz-Zustellungsbevollmächtigte in der Bundesrepublik Deutschland zu ernennen. Hiervon unberührt bleibt die Möglichkeit, die Zustellung

Securities and to reduce their number.

- (4) Increase or reduction of Securities shall be notified without undue delay in accordance with § 11 of these Conditions.
- (5) All Securities redeemed in full shall be cancelled forthwith and may not be reissued or resold.

§ 13 Language

These Conditions are written in the German language and provided with an English language translation. The German text shall be controlling and binding. The English language translation is provided for convenience only.

§ 14

Governing Law; Governing Law with respect to the Clearing Agent; Place of Performance; Place of Jurisdiction; Agent of Process; Corrections; Severability

- (1) The form and content of the Securities as well as all rights and duties arising from the matters provided for in these Conditions shall in every respect be governed by the laws of the Federal Republic of Germany.
- (2) The legal effects of registration of the Securities with the Clearing Agent pursuant to § 4 of these Conditions will be governed by Swedish law.
- (3) The place of performance and place of jurisdiction for all actions or other procedures under or in connection with the Securities shall, to the extent legally possible, be Frankfurt am Main, Federal Republic of Germany.
- (4) Die UBS AG, acting through its Jersey Branch, in its role as Issuer hereby appoints UBS Deutschland AG, Bockenheimer Landstrasse 2 - 4, 60306 Frankfurt am Main, Federal Republic of Germany, as its agent in the Federal Republic of Germany to receive service of process in any proceedings under or in connection with the Securities in the Federal Republic of Germany (the "**Agent of Process**"). If, for any reason, such Agent of Process ceases to act as such or no longer has an address in the Federal Republic of Germany, UBS AG, acting through its Jersey Branch agrees to appoint a substitute agent of process in the Federal Republic of Germany. Nothing herein shall affect the right to serve the process in any other manner permitted by law.

in jeder anderen gesetzlich zulässigen Weise zu bewirken.

- (5) Die Emittentin ist berechtigt, in diesen Bedingungen (i) offensichtliche Schreib- oder Rechenfehler oder ähnliche offenbare Unrichtigkeiten sowie (ii) widersprüchliche oder lückenhafte Bestimmungen ohne Zustimmung der Wertpapiergläubiger zu ändern bzw. zu ergänzen, wobei in den unter (ii) genannten Fällen nur solche Änderungen bzw. Ergänzungen zulässig sind, die unter Berücksichtigung der Interessen der Emittentin für die Wertpapiergläubiger zumutbar sind, das heißt die finanzielle Situation der Wertpapiergläubiger nicht wesentlich verschlechtern. Änderungen bzw. Ergänzungen dieser Bedingungen werden gemäß § 11 bekannt gemacht.
- (6) Sollte eine Bestimmung dieser Bedingungen ganz oder teilweise unwirksam sein oder werden, so bleiben die übrigen Bestimmungen wirksam. Die unwirksame Bestimmung ist durch eine wirksame Bestimmung zu ersetzen, die den wirtschaftlichen Zwecken der unwirksamen Bestimmung so weit wie rechtlich möglich entspricht. Entsprechendes gilt für etwaige Lücken in den Bedingungen.
- (5) The Issuer is entitled to change or amend, as the case may be, in these Conditions (i) any manifest writing or calculation errors or other manifest incorrectness as well as (ii) any conflicting or incomplete provisions without the consent of the Securityholders, provided that in the cases referred to under (ii) only such changes or amendments shall be permissible which are acceptable to the Securityholders taking into account the interests of the Issuer, *i.e.* which do not materially impair the financial situation of the Securityholders. Any changes or amendments of these Conditions shall be notified in accordance with § 11.
- (6) If any of the provisions of these Conditions is or becomes invalid in whole or in part, the remaining provisions shall remain valid. The invalid provision shall be replaced by a valid provision, which, to the extent legally possible, serves the economic purposes of the invalid provision. The same applies to gaps, if any, in these Conditions.

INFORMATION ABOUT THE UNDERLYING

I. Introduction

The Securities are each based on units (the “**Fund Units**”) in the East Capital – Balkan Fund (Bloomberg Code: EACBALK SS) (the “**Underlying**” or the “**Reference Fund**”), the Fund Weight of which is adjusted on a continuous basis in accordance with the UBS Target Volatility Strategy (the “**UBS Target Volatility Strategy**”), all as described below.

UBS AG, London Branch, created the UBS Target Volatility Strategy and is responsible for adjusting and managing the Fund Units in accordance with the Dynamic Allocation Rules (the “**Calculation Agent**”). The Calculation Agent is also responsible for calculating the value of the UBS Target Volatility Strategy.

Investors should note that the following description of the Reference Fund and the UBS Target Volatility Strategy is solely intended for the description of the Notes and for the use of investors in the Securities. There is no obligation on the Issuer to purchase or hold any Fund Units and Securityholders have no rights in, or to require delivery of, any of such Fund Units at any time. References to any balancing, rebalancing, disposal, acquisition or financing of a Fund Unit have to be understood as reference to a notional transaction and should not be construed as imposing any obligation on the Issuer or any of its affiliates or subsidiaries, the Calculation Agent or any person actually directly or indirectly, physically or synthetically to acquire, dispose of or effect or take delivery of, or effect transactions in, any funds, securities, investments or other assets.

The following use of the symbol “***” indicates that the relevant determination will be made by the Calculation Agent and will be published without undue delay thereafter in accordance with the applicable legal requirements of the relevant jurisdiction.

II. Description of the Reference Fund as Underlying

The following information on the *Reference Fund* is solely intended for the description of the Securities and for the use of investors in the Securities and does not constitute an offer of shares in the *Reference Fund*.

Nature of the Reference Fund

The Reference Fund is an equity fund oriented toward the Balkan countries. The Reference Fund entails medium to high risk.

The objectives of the Reference Fund are to generate financial exposure to the economic development of the Balkan countries and to maximise long-term yield.

Focus of the Reference Fund's investments

The Reference Fund's investments

Subject to the restrictions below, the Reference Fund may invest in securities, money market instruments, fund units and on account with credit institutions.

Primary investment focus

The Reference Fund's assets may be invested in equity-related securities and fund units (“**Financial Assets**”). The Reference Fund's investment focus is tied to the economies of the Balkan countries, and the Reference Fund may invest in Financial Assets of issuers domiciled in Albania, Armenia, Austria, Azerbaijan, Bosnia-Herzegovina, Bulgaria, Croatia, Cyprus, the Czech Republic, Georgia, Greece, Hungary, Macedonia, Moldova, Montenegro, Romania, Russia, Serbia, Slovakia, Slovenia, Turkey and Ukraine (direct exposure to the Balkan countries). The Reference Fund may also invest in Financial Assets of issuers not domiciled in the above

countries if 20% of their profits, turnover or workforce comes from one or more of the countries (indirect exposure to the Balkan countries).

At least two-thirds of the Reference Fund's assets shall at all times be invested in the above countries by means of direct exposure.

In an effort to meet the Reference Fund's objectives as stated above, the Reference Fund's manager has great manoeuvrability when it comes to the choice of sectors, companies, Financial Assets and degree of diversification.

Financial Assets shall account for at least 75% of the Reference Fund's assets.

Other investment options

From time to time, the need arises to invest the Reference Fund's assets in financial instruments other than those specified by the main focus. That may be the case if the Reference Fund has an excessive inflow or an analysis of the Balkan market indicates that there are no current options for investing in Financial Assets.

The Reference Fund may invest up to one-fourth of its assets for the purpose of diversification and maintaining efficient liquidity management. Such investments may be in money market instruments and interest-bearing securities of issuers in countries specified by the primary investment focus. The Reference Fund may also invest on account with the credit institutions of those countries (insofar as Swedish and foreign legislation permits) and in all European Economic Area (EEA) member states. The Reference Fund may also invest in money market instruments, interest-bearing securities and deposits on account with credit institutions in Sweden.

Special investment focus

The Reference Fund's assets may be invested in unlisted securities and money market instruments.

The Reference Fund may trade in derivative instruments. Trading in OTC derivatives is permitted for purposes of currency hedging.

Derivative instruments are traded on a highly limited basis as an integrated tool for more efficiently managing the Reference Fund's assets, as well as protecting them from exchange rate losses and other risks.

Further information about the Reference Fund and the performance of Reference Fund's shares and its volatility can be found at www.eastcapital.com.

III. Description of the UBS Target Volatility Strategy

The UBS Target Volatility Strategy on the Reference Fund is a notional, Swedish Krona ("**SEK**") denominated strategy that reflects the performance of a notional exposure to the Fund Units based on observed market prices. The UBS Target Volatility Strategy is actively managed, using a formulaic allocation strategy specified in the Dynamic Allocation Rules below.

In pursuit of the UBS Target Volatility Strategy, the weight of the Fund Units, expressed as a percentage, (the "**Fund Weight**") is adjusted in accordance with the Dynamic Allocation Rules on an ongoing basis.

1. Rebalancing of the Fund Weight

On each Fund Business Day_(t) following the Fixing Date the Fund Weight_(t) (as defined below) is determined following the calculation of the Signal (as defined below) for each Fund Business Day.

The Signal is measured daily and compared with the Floor and Cap to determine if a Rebalancing needs to occur. On any Fund Business Day_(t) the "**Signal**" (the "**Signal_(t)**") will be calculated by the Calculation Agent using the following formula:

$$\text{Realised Volatility}_{(t)} \times \text{Fund Weight}_{(t)}$$

Where

“**Fund Weight_(t)**” means the weight of the Fund Units, expressed as a percentage, as of the Fund Business Day_(t), where the Fund Weight on the Fixing Date (“**Fund Weight₍₀₎**” or , as the case may be, the “**Initial Fund Weight**”) is expected to be 100.0 %*.

*Prior to the Fixing Date this percentage of the Initial Fund Weight is indicative only. The initial allocation of the Fund Units will be finalised by the Calculation Agent on the Fixing Date.

“**Realised Volatility_(t)**” is calculated as the annualised exponentially weighted standard deviation of the Fund over the last Volatility Observation Period. On any Fund Business Day_(t), the Realised Volatility_(t) will be calculated by the Calculation Agent using the following formula:

$$\sqrt{\text{AF}} \times \sqrt{\frac{\sum_{j=1}^{\text{VOP}} \left(\left(1 - \frac{1}{\text{VOP}} \right)^j \times \left(\frac{\text{Fund}_{(t-j+1)}}{\text{Fund}_{(t-j)}} - 1 \right)^2 \right)}{\sum_{j=1}^{\text{VOP}} \left(1 - \frac{1}{\text{VOP}} \right)^j}}$$

Where

“**AF**” means an annualising factor equal to 254.

“**VOP**” means an the volatility observation period equal to 90 Fund Business Days, immediately preceding but including the relevant Fund Business Day_(t).

“**Fund_(t)**” means respect of a Fund Business Day_(t), the NAV of the Fund on such Fund Business Day_(t), as determined by the Calculation Agent.

“**Cap**” means 22 % (Indicative, the Cap will, subject to minimum 19%, be fixed on the Fixing Date).**

“**Floor**” means 18 % (Indicative; the Floor will, subject to minimum 15%, be fixed on the Fixing Date).**

2. Ideal Fund Weight

If Signal_(t) is lower than the Floor (i.e. Signal_(t) < Floor) or higher than the Cap (i.e. Signal_(t) > Cap), the Fund Weight_(t) will be rebalanced towards the Ideal Fund Weight_(t) (the “**Rebalancing**”) in accordance with the following rules:

- If Signal_(t) is lower than the Floor, i.e. Signal_(t) < Floor, Fund Weight_(t) will be equal to the Ideal Fund Weight_(t-1);
- If Signal_(t) is higher than the Cap (i.e. Signal_(t) > Cap), the Fund Weight_(t) will be equal to the Ideal Fund Weight_(t-1);
- otherwise, the Fund Weight_(t) will be equal to the Fund Weight_(t-1).

In such context, “**Ideal Fund Weight_(t)**” means, in respect of any Fund Business Day_(t), a percentage calculated by the Calculation Agent using the following formula:

$$\min \left(\text{Maximum Fund Exposure}, \frac{\text{Target}}{\text{Realised Volatility}_{(t)}} \right)$$

with “**Maximum Fund Exposure**” means 130 % (indicative, the Maximum Fund Exposure will, subject to minimum 100%, be fixed on the Fixing Date)** and “**Target**” means 20 % (Indicative, Target will, subject to minimum 17%, be fixed on the Fixing Date)**.

IV. Calculation of value of the UBS Target Volatility Strategy

The initial value of the UBS Target Volatility Strategy on the Fixing Date is equal to 100 % (the "**Strategy Value₍₀₎**"). On any Fund Business Day_(t) (as defined below) thereafter, UBS AG, London Branch, as Calculation Agent calculates the value of the UBS Target Volatility Strategy on a Fund Business Day_(t) (the "**Strategy Value_(t)**") in accordance with the following formula:[^]

$$\text{Strategy Value}_{(t-1)} \times (1 + \text{Fund Weight}_{(t-1)} \times \text{Reference Fund Return}_{(t)})$$

Where

"**Fixing Date**" means the 21 June 2010, provided that if that day is not a Fund Business Day, the Fixing Date will be the next following day that is a Fund Business Day.

"**Fund Business Day**" means any day in respect of which (i) the administrator of the Reference Fund calculates and publishes the Reference Fund's net asset value in accordance with the relevant Reference Fund's prospectus and constitutional documents (the "**NAV**") and (ii) a hypothetical investor in the Fund Units (a "**Notional Investor**") could subscribe and redeem the Fund Units.

"**Fund Weight_(t)**" has the meaning as given above in the section "III.1 Rebalancing of the Fund Weight".

"**Reference Fund Return_(t)**" on any Fund Business Day_(t) is calculated in accordance with the following formula:

$$\frac{\text{Reference Fund NAV}_{(t)} - \text{Reference Fund NAV}_{(t-1)}}{\text{Reference Fund NAV}_{(t-1)}}$$

"**Reference Fund NAV_(t)**" means in respect of a Fund Business Day_(t), the NAV of the Reference Fund as of such Fund Business Day_(t), as determined by the Calculation Agent.

ISSUE, SALE AND OFFERING

I. Issue and Sale

It has been agreed that, on or after the respective *Issue Date* of the Securities (as defined in the section entitled "Key Terms and Definitions of the Securities") the Manager (as defined in the section entitled "Key Terms and Definitions of the Securities") shall underwrite the Securities by means of an underwriting agreement and shall place them for sale. The Securities will be offered on a continuous basis by the Issuer to the relevant Manager(s) and may be resold by the relevant Manager(s).

Selling Restrictions

General

The Manager has represented and agreed (and each additional Manager will be required to represent and agree) that it will comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Securities or possesses or distributes the Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Securities under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer nor any Manager shall have any responsibility therefor. Neither the Issuer nor the Manager has represented that Securities may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or has assumed any responsibility for facilitating such sale. The relevant Manager will be required to comply with such other additional restrictions as the relevant Issuer and the relevant Manager shall agree and as shall be set out in the applicable Final Terms.

United States of America

The Securities (or any rights thereunder) have not been registered and will not be registered under the United States Securities Act of 1933, as amended, (the "**Securities Act**"); trading in these Securities has not and will not be approved by the United States Commodity Futures Trading Commission pursuant to the United States Commodity Exchange Act, as amended. The Securities (or any rights thereunder) will be offered only outside of the United States and only to persons that are not U.S. persons as defined in Regulation S of the Securities Act.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Manager has represented and agreed, and each further Manager appointed will be required to 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 Securities which are the subject of the offering contemplated by this Prospectus as completed by the final terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Securities to the public in that Relevant Member State:

- a) if the final terms in relation to the Securities specify that an offer of those Securities may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a "**Non-exempt Offer**"), following the date of publication of a prospectus in relation to such Securities which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by the final terms contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable;
- b) at any time 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;
- c) at any time 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;
- d) at any time 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 relevant Manager or Managers nominated by the Issuer for any such offer; or

e) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Securities referred to in (b) to (e) above shall require the Issuer 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 Securities to the public in relation to any 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 Securities to be offered so as to enable an investor to decide to purchase or subscribe the 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.

United Kingdom

The Manager has represented and agreed (and each additional Manager will be required to represent and agree) that:

- a) in relation to any Securities which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Securities other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Securities would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;
- b) 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 any Securities in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Securities in, from or otherwise involving the United Kingdom.

Japan

The Securities have not been and will not be registered under the Financial Instruments and Exchange Law of Japan, as amended (the "**FIEL**") and, accordingly, each Manager has undertaken that it will not offer or sell any Securities, directly or indirectly, in Japan or to, or for the benefit of any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEL and any other applicable laws, regulations and ministerial guidelines of Japan. For purposes of this paragraph, "**resident of Japan**" shall have the meaning as defined under the FIEL.

Republic of Italy

This Base Prospectus has not been submitted for approval by Commissione Nazionale per le Società e la Borsa ("**CONSOB**", the Italian Securities Regulator) pursuant to the Italian securities legislation.

Accordingly, each Manager has represented and agreed, and each further Manager appointed under the Programme will be required to represent and agree, that it has not offered, sold or delivered, and will not offer, sell or deliver, and has not distributed and will not distribute and has not made and will not make available in the Republic of Italy any Securities or this Base Prospectus or any other offering material relating to Securities other than:

- a) to qualified investors (qualifying as clienti professionali and investitori qualificati), pursuant to Annex 3 to CONSOB Regulation No. 16190 of 29 October 2007 (the "**Intermediaries Regulation**") and pursuant to Article 100, paragraph 1, letter a) and Article 30, paragraph 2 of Legislative Decree No. 58

of 24 February 1998, as amended (the "**Italian Financial Laws Consolidation Act**") and Article 2.1 of the Prospectus Directive; or

- b) in any other circumstances where an express exemption from compliance with the restrictions to the offer to the public applies, as provided under the Italian Financial Laws Consolidation Act and CONSOB Regulation No. 11971 of 14 May 1999, as amended

provided that, in any case, the offer or sale of the Securities in Italy shall be effected in accordance with all relevant Italian securities, tax and exchange control and other applicable laws and regulations.

Moreover and subject to the foregoing, each Manager has represented and agreed and each further Manager appointed under the Programme will be required to represent and agree, that any such offer, sale or delivery of any Securities or distribution of this Base Prospectus or any other document relating to any Securities must be made by (i) a bank, investment firm or financial company enrolled in the special register provided for under Article 107 of the Legislative Decree No. 385 of 1 September 1993, as amended (the "**Italian Banking Act**"), to the extent duly authorised to engage in the placement and/or underwriting of financial instruments in Italy in accordance with the Italian Banking Act, the Italian Financial Laws Consolidation Act and the Intermediaries Regulation; (ii) to the extent applicable, in compliance with Article 129 of the Banking Act and the relevant regulations of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request post-offering information on the issue or the offer of securities in the Republic of Italy, save where an express exemption to the notification duties applies; and (iii) in compliance with any requirement or limitation which may be imposed from time to time, inter alia, by CONSOB or the Bank of Italy.

See also "Transfer Restrictions in Italy" below.

Transfer Restrictions in Italy

Article 100-bis, paragraph 2, of the Italian Financial Laws Consolidation Act affects the transferability of the Securities in Italy to the extent that any placing of Securities is made solely with qualified investors and such Securities are then systematically resold to non-qualified investors on the secondary market at any time in the 12 months following such placing. Where this occurs, purchasers of Securities who are acting outside of the course of their business or profession may in certain circumstances be entitled to declare such purchase void and to claim damages from any authorised person at whose premises the Securities were purchased, unless an exemption provided for under the Italian Financial Laws Consolidation Act applies.

II. Offering for Sale and Issue Price

It has been agreed that, on or after the respective *Issue Date* of the Securities (as defined in the section entitled "Key Terms and Definitions of the Securities"), the *Manager* (as defined in the section entitled "Key Terms and Definitions of the Securities") may purchase Securities and shall place the Securities for sale at the *Issue Price* (as defined in the section entitled "Key Terms and Definitions of the Securities") under terms subject to change. As of the *Fixing Date*, the selling price will then be adjusted on a continual basis to reflect the prevailing market situation.

The *Manager* (as defined in the section entitled "Key Terms and Definitions of the Securities") shall be responsible for coordinating the entire Securities offering.

III. Subscription and Delivery of the Securities

The Securities may be subscribed from the *Manager(s)* during normal banking hours within the *Subscription Period* (as defined in the section entitled "Key Terms and Definitions of the Securities"). The *Issue Price* per Security is payable on the *Initial Payment Date* (both as defined in the section entitled "Key Terms and Definitions of the Securities").

The Issuer reserves the right to earlier close or to extend the *Subscription Period* if market conditions so require.

After the *Initial Payment Date*, the appropriate number of Securities shall be credited to the investor's account in accordance with the rules of the corresponding *Clearing Agent* (as defined in the section entitled "Key Terms

and Definitions of the Securities"). If the *Subscription Period* is shortened or extended, the *Initial Payment Date* may also be brought forward or postponed.

GENERAL INFORMATION

I. General Note on the Prospectus

This Base Prospectus should be read and construed with any amendment or supplement hereto and with any other documents incorporated by reference and with the relevant Final Terms.

The Manager (excluding the Issuer) have not independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Managers as to the accuracy or completeness of the information contained in this Prospectus or any other information provided by the Issuer in connection with the Programme.

No person has been authorised by the Issuer to issue any statement which is not consistent with or not contained in this document, any other document entered into in relation to the Programme or any information supplied by the Issuer or any information as in the public domain and, if issued, such statement may not be relied upon as having been authorised by the Issuer or the Managers.

II. Form and Status

The Securities are issued in uncertificated and dematerialised book-entry form, and registered at the *Clearing Agent* (as defined in the section entitled "Key Terms and Definitions of the Securities") for clearance and settlement. No physical notes, such as global temporary or permanent notes or definitive notes will be issued in respect of the Securities.

III. Admission to Trading

The Issuer intends to apply for the listing of the Securities at Nordic Derivative Exchange (NDX).

IV. Authorisation

The Issuer does not need to obtain (individual) authorisation from its Management Board to issue the Securities. There exists a general resolution for the issue of the Securities.

V. EEA-Passport

For certain EEA States, the Issuer reserves the right to apply to the Federal Financial Services Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht* – "**BaFin**") for a certificate of the approval of this Prospectus pursuant to Section 18 WpPG, in order to be able to publicly offer the Securities also in those countries and/or have them admitted to trading at an organised market (within the meaning of Directive 93/22/EEC) (the "**EEA Passport**"). A special permit allowing for the Securities to be offered or the prospectus to be distributed in a jurisdiction outside of those countries for which an EEA Passport is possible and a permit required has not been obtained.

VI. Use of Proceeds

The net proceeds from the sale of the Securities will be used for funding purposes of the UBS Group. The Issuer shall not employ the net proceeds within Switzerland. The net proceeds from the issue shall be employed by the Issuer for general business purposes. A separate ("special purpose") fund will not be established.

If, in the normal course of business, the Issuer trades in the *Underlying* or in related options and futures contracts, or hedges the financial risks associated with the Securities by means of hedging transactions in the *Underlying* or in related options or futures contracts, the *Securityholders* have no rights to or interests in the *Underlying* or in related options or futures contracts.

VII. Availability of the Prospectus and Other Documents

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

- (a) the Articles of Association of UBS AG;

- (b) a copy of the Base Prospectus (together with any supplement including any Final Terms thereto);
- (c) a copy of the Annual Report of UBS AG as at 31 December 2009,
- (d) a copy of the restated Annual Report of UBS AG as at 31 December 2008;
- (e) a copy of the Review 2008 and 2009 and the Compensation Report 2008 and 2009; and
- (f) copies of the quarterly reports of UBS AG as at 31 March 2009, 30 June 2009, 30 September 2009 and 31 December 2009.

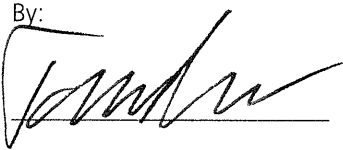
Copies of the documents referred to under (a) through (f) above and information which refers to sources such as Bloomberg shall also be maintained in printed format, for free distribution, at the registered offices of the Issuer as well as UBS Deutschland AG, Stephanstrasse 14 - 16, 60313 Frankfurt am Main, Federal Republic of Germany, for a period of twelve months after the publication of the Base Prospectus. In addition, any annual and quarterly reports of UBS AG are published on the UBS website, at www.ubs.com/investors or a successor address.

SIGNATORIES

Signed on behalf of the Issuer,
25 May 2010:

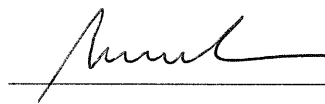
UBS AG, acting through its Jersey branch

By:

A handwritten signature in black ink, appearing to read 'Tamer Dürr', written over a horizontal line.

**Tamer Dürr
Legal Counsel**

By:

A handwritten signature in black ink, appearing to read 'Dirk Ellerkmann', written over a horizontal line.

**Dirk Ellerkmann
Legal Counsel**