Supplement No. 2 pursuant to § 16 (1) of the German Securities Prospectus Act

dated 2 June 2014 to the approved Base Prospectus dated 30 December 2013 for the issuance of UBS ETC Notes linked to the various UBS Bloomberg Constant Maturity Commodity Index ("CMCI") Indices.

This supplement serves as update to the Base Prospectus mentioned above in connection to the following occurrence:

Publication of the first quarter report of UBS AG as per 31 March 2014 on 6 May 2014.

In the course of supplementing the Base Prospectus as mentioned above, UBS AG has also taken the occasion to update in this Supplement certain issuer information that has become available after the date of the Base Prospectus, as mentioned above.

The following table shows the updated information that has become available after the date of the Base Prospectus, as mentioned above.

Updated information	Revisions
Certain information regarding the Issuer has been updated.	The information in Elements B.4b and B.12 of the Summary has been updated pursuant to the first quarterly report.
The holding of the shareholders registered in UBS AG's share register with more than 3% has changed over time.	The information in Element B.16 of the Summary as well as in the section "Major Shareholders of the Issuer" of the Base Prospectus has been updated accordingly.

The attention of the investors is in particular drawn to the following: Investors who have already agreed to purchase or subscribe for the Notes before this supplement is published have, pursuant to § 16 (3) of the German Securities Prospectus Act, the right, exercisable within a time limit of two working days after the publication of this supplement, to withdraw their acceptances, provided that the new circumstances or the incorrectness causing the supplement occurred before the final closing of the public offering and before the delivery of the Notes. In order to meet the above-mentioned deadline, the timely dispatch of the withdrawal notice is sufficient. A withdrawal, if any, of an order must be communicated in textform to the Issuer at its registered office specified in the address list hereof.

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1) In relation to the Base Prospectus as listed introductory the following adjustments have been made:

In the section headed "Section B – Issuer" (page 5 of the Base Prospectus) the elements B.4b and B.12 are completely replaced as follows:

Element	**Section B – Issuer**	
B.4b	Trends.	**Trend Information** As stated in UBS AG's first quarter 2014 report issued on 6 May 2014 (including UBS Group unaudited consolidated financial statements), at the start of the second quarter of 2014, many of the underlying challenges and geopolitical issues that UBS has previously highlighted remain. The continued absence of sustained and credible improvements to unresolved issues in Europe, continuing US fiscal and monetary policy issues, geopolitical instability and the mixed outlook for global growth would make improvements in prevailing market conditions unlikely. Despite these challenges, UBS will continue to execute on its strategy in order to ensure the firm's long-term success and to deliver sustainable returns for shareholders.
B.5	The Issuers Group and the Issuers Position within the group:	UBS AG is the parent company of the Group. Neither the business divisions of UBS nor the Corporate Center are separate legal entities. Currently, they primarily operate out of UBS AG, through its branches worldwide. Businesses also operate through local subsidiaries where necessary or desirable. UBS has announced that it intends to establish a group holding company through a share for share exchange offer, which will commence later this year, subject to regulatory approvals. UBS has also announced that it intends to establish a banking subsidiary in Switzerland in mid-2015. The scope of this future subsidiary's business is expected to include the Retail & Corporate business and the Swiss-booked Wealth Management business. In the UK, and in consultation with the UK and Swiss regulators, UBS expects to commence the implementation of a revised business and operating model for UBS Limited in the second quarter of 2014. This will result in UBS Limited bearing and retaining a greater degree of the risk and reward of its business activities. UBS AG expects to increase the capitalization of UBS Limited accordingly. In the US, UBS will comply with new rules for banks under the Dodd-Frank Wall Street Reform and Consumer Protection Act that will require an intermediate holding company to own all of its operations other than US branches of UBS AG by 1 July 2016. As a result, UBS will designate an intermediate holding company to hold all US subsidiaries of UBS. UBS AG is the parent company of the UBS Group. As such, to a certain extent, it is dependent on certain of its subsidiaries.
B.12	Selected historical key financial information.	UBS AG derived the following selected consolidated financial data from (i) its annual report 2013, containing the audited consolidated financial statements of UBS Group, as well as additional unaudited consolidated financial data for the year ended 31 December 2013 (including comparative figures for

		the years ended 31 December 2012 and 2011) and (ii) its report for the first quarter 2014, containing the unaudited consolidated financial statements of UBS Group, as well as additional unaudited consolidated financial data as of or for the quarter ended 31 March 2014 (from which comparative figures as of or for the quarter ended 31 March 2013 have been derived). The consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and stated in Swiss francs (CHF).

	As of or for the quarter ended		As of or for the year ended		
CHF million, except where indicated	31.3.14	31.3.13	31.12.13	31.12.12	31.12.11
	unaudited		*audited, except where indicated*		
Group results					
Operating income	7,258	7,775	27,732	25,423	27,788
Operating expenses	5,865	6,327	24,461	27,216	22,482
Operating profit / (loss) before tax	1,393	1,447	3,272	(1,794)	5,307
Net profit / (loss) attributable to UBS shareholders	1,054	988	3,172	(2,480)	4,138
Diluted earnings per share (CHF)	0.27	0.26	0.83	(0.66)	1.08
Key performance indicators					
Profitability					
Return on equity (RoE) (%) [1]	8.7	8.5	6.7*	(5.1)*	9.1*
Return on assets, gross (%) [2]	2.9	2.5	2.5*	1.9*	2.1*
Cost / income ratio (%) [3]	81.1	81.2	88.0*	106.6*	80.7*
Growth					
Net profit growth (%) [4]	14.9				(44.5)*
Net new money growth for combined wealth management businesses (%) [5]	2.9	5.9	3.4*	3.2*	2.4*
Resources					
Common equity tier 1 capital ratio (fully applied, %) [6, 7]	13.2	10.1	12.8*	9.8*	
Swiss SRB leverage ratio (phase-in, %) [8]	5.0	3.8	4.7*	3.6*	
Additional information					
Profitability					
Return on tangible equity (%) [9]	10.2	10.1	8.0*	1.6*	11.9*
Return on risk-weighted assets, gross (%) [10]	12.6	11.9	11.4*	12.0*	13.7*
Resources					
Total assets	982,530	1,213,844	1,018,374* [11]	1,259,797	1,416,962
Equity attributable to UBS shareholders	49,023	47,239	48,002	45,949	48,530
Common equity tier 1 capital (fully applied) [7]	29,937	26,176	28,908	25,182*	
Common equity tier 1 capital (phase-in) [7]	41,187	40,235	42,179	40,032*	
Risk-weighted assets (fully applied) [7]	226,805	258,701	225,153	258,113*	
Risk-weighted assets (phase-in) [7]	229,879	262,454	228,557	261,800*	
Common equity tier 1 capital ratio (phase-in, %) [6, 7]	17.9	15.3	18.5*	15.3*	
Total capital ratio (fully applied, %) [7]	16.8	11.8	15.4*	11.4*	
Total capital ratio (phase-in, %) [7]	22.7	18.9	22.2*	18.9*	
Other					
Invested assets (CHF billion) [12]	2,424	2,373	2,390	2,230	2,088
Personnel (full-time equivalents)	60,326	61,782	60,205*	62,628*	64,820*
Market capitalization	70,180	55,827	65,007*	54,729*	42,843*
Total book value per share (CHF)	13.07	12.57	12.74*	12.26*	12.95*
Tangible book value per share (CHF)	11.41	10.79	11.07*	10.54*	10.36*

* unaudited

1 Net profit / loss attributable to UBS shareholders (annualized as applicable) / average equity attributable to UBS shareholders. **2** Operating income before credit loss (expense) or recovery (annualized as applicable) / average total assets. **3** Operating expenses / operating income before credit loss (expense) or recovery. **4** Change in net profit attributable to UBS shareholders from continuing operations between current and comparison periods / net profit attributable to UBS shareholders from continuing operations of comparison period. Not meaningful and not included if either the reporting period or the comparison period is a loss period. **5** Combined Wealth Management's and Wealth Management Americas' net new money for the period (annualized as applicable) / invested assets at the beginning of the period. **6** Common equity tier 1 capital / risk-weighted assets. **7** Based on the Basel III framework as applicable to Swiss systemically relevant banks (SRB), which became effective in Switzerland on 1 January 2013. The information provided on a fully applied basis entirely reflects the effects of the new capital deductions and the phase out of ineligible capital instruments. The information provided on a phase-in basis gradually reflects those effects during the transition period. Numbers for 31 December 2012 are on a pro-forma basis. [8] Swiss SRB Basel III common equity tier 1 capital and loss-absorbing capital / total adjusted exposure (leverage ratio denominator). The Swiss SRB leverage ratio came into force on 1 January 2013. Numbers for 31 December 2012 are on a pro-forma basis. [9] Net profit / loss attributable to UBS shareholders before amortization and impairment of goodwill and intangible assets (annualized as applicable) / average equity attributable to UBS shareholders less average goodwill and intangible assets. [10] Operating income before credit loss (expense) or recovery (annualized as applicable) / average risk-weighted assets. Based on Basel III risk-weighted assets (phase-in) for 2014 and 2013, on Basel 2.5 risk-weighted assets for 2012 and on Basel II risk-weighted assets for 2011. [11] On 1 January 2014, UBS Group adopted Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32, Financial Instruments: Presentation). The prior period balance sheet as of 31 December 2013 was restated to reflect the effects of adopting these amendments to IAS 32.[12] Group invested assets includes invested assets for Retail & Corporate.

	Material adverse change statement.	There has been no material adverse change in the prospects of UBS AG or UBS Group since 31 December 2013.
	Significant changes statement.	There has been no significant change in the financial or trading position of UBS Group or of UBS AG since 31 March 2014.

In the section headed "Section B - Issuer" (page 5 of the Base Prospectus) the second paragraph of element B.16 is replaced as follows:

"**B.16**	Controlling persons.	As of 31 March 2014, the following shareholders (acting in their own name or in their capacity as nominees for other investors or beneficial owners) were registered in the share register with 3% or more of the total share capital of UBS AG: Chase Nominees Ltd., London (11.98%); GIC Private Limited, Singapore (6.39%); the US securities clearing organization DTC (Cede & Co.) New York, "The Depository Trust Company" (6.28%); and Nortrust Nominees Ltd., London (3.51%)."

In the section headed "Documents Incorporated by Reference" (page 39 of the Base Prospectus) reference to the document listed at number seven is deleted and replaced by the following text:

"7. the published reports and accounts of the Issuer in the English language for the quarter ended 31 March 2014, which are available on the Issuer's website at: http://www.ubs.com/global/en/about_ubs/investor_relations/quarterly_reporting/2014.html (filed with BaFin as appendix to the Registration Document dated 19 May 2014).

8. the risks regarding the Issuer set out in section III on pages 4 - 18 of the Registration Document dated 19 May 2014 which is available on http://keyinvest-de.ubs.com/basisprospekte"

In the section headed "1 Overview" (page 67 of the Base Prospectus) the second and third paragraphs are replaced by the following text:

"On 31 March 2014 UBS's common equity tier 1 capital ratio[1] was 13.2% on a fully applied basis and 17.9% on a phase-in basis, invested assets stood at CHF 2,424 billion, equity attributable to UBS shareholders was CHF 49,023 million and market capitalization was CHF 70,180 million. On the same date, UBS employed 60,326 people[2]"

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

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

Section headed "3.1 Organisational Structure of the Issuer" (page 69 of the Base Prospectus) is replaced by the following text:

"3.1 Organisational Structure of the Issuer

UBS AG is the parent company of the UBS Group. UBS Group legal entity structure is designed to support its businesses with an efficient legal, tax and funding framework considering regulatory restrictions in the countries where UBS operates. UBS operates as a group with five business divisions and a Corporate Center. Neither the business divisions nor the Corporate Center are

[1] Based on the Basel III framework, as applicable to Swiss systemically relevant banks. The common equity tier 1 capital ratio is the ratio of common equity tier 1 capital to risk-weighted assets. The information provided on a fully applied basis entirely reflects the effects of the new capital deductions and the phase out of ineligible capital instruments. The information provided on a phase-in basis gradually reflects those effects during the transition period. For information as to how common equity tier 1 capital is calculated, refer to the "Capital management" section of UBS AG's first quarter 2014 report.

[2] Full time equivalents

separate legal entities. Currently, they primarily operate out of UBS AG, through its branches worldwide. Businesses also operate through local subsidiaries where necessary or desirable.

UBS has announced that it intends to establish a group holding company through a share for share exchange offer, which will commence later this year, subject to regulatory approvals. UBS has also announced that it intends to establish a banking subsidiary in Switzerland in mid-2015. The scope of this future subsidiary's business is expected to include the Retail & Corporate business and the Swiss-booked Wealth Management business.

In the UK, and in consultation with the UK and Swiss regulators, UBS expects to commence the implementation of a revised business and operating model for UBS Limited in the second quarter of 2014. This will result in UBS Limited bearing and retaining a greater degree of the risk and reward of its business activities. UBS AG expects to increase the capitalization of UBS Limited accordingly.

In the US, UBS will comply with new rules for banks under the Dodd-Frank Wall Street Reform and Consumer Protection Act that will require an intermediate holding company to own all of its operations other than US branches of UBS AG by 1 July 2016. As a result, UBS will designate an intermediate holding company to hold all US subsidiaries of UBS.

These structural changes have been discussed with the Swiss Financial Market Supervisory Authority FINMA and other regulatory authorities. The dialogue with regulators will continue and the changes remain subject to some uncertainties that may affect their feasibility, scope or timing.

UBS AG's significant subsidiaries as of 31 December 2013 are listed in its annual report as of 31 December 2013 published on 14 March 2014 (the "Annual Report 2013"), on pages 481-482 (inclusive) of the English version.

In the section headed "3. Business Overview" (page 69 of the Base Prospectus) subparagraph 3.4.1 (page 70 -73) is replaced by the following text:

"3.4.1 UBS's results as of and for the quarter ended 31 March 2014, as presented in UBS AG's first quarter 2014 report (including unaudited consolidated financial statements of UBS Group).

UBS Group: Net profit attributable to UBS shareholders for the first quarter of 2014 was CHF 1,054 million compared with CHF 917 million in the fourth quarter of 2013. Operating profit before tax was CHF 1,393 million compared with CHF 449 million in the prior quarter. Operating income increased by CHF 951 million, mainly due to an increase in net interest and trading income as well as due to higher other income. Operating expenses were virtually unchanged. On an adjusted basis, profit before tax was CHF 1,486 million compared with CHF 755 million in the prior quarter. Adjusted operating income increased by CHF 732 million to CHF 7,147 million, reflecting an increase of CHF 597 million in adjusted net interest and trading income as well as CHF 77 million higher adjusted other income. Adjusted operating expenses were virtually unchanged at CHF 5,661 million, reflecting an increase of CHF 214 million in personnel expenses and CHF 114 million higher charges for provisions for litigation, regulatory and similar matters, offset by a reduction of CHF 328 million in other non-personnel expenses. UBS recorded a net tax expense of CHF 339 million compared with a net tax benefit of CHF 470 million.

Wealth Management: Profit before tax was CHF 619 million in the first quarter of 2014, an increase of CHF 148 million compared with the fourth quarter of 2013. Adjusted[3] for restructuring charges, profit before tax increased by CHF 147 million to CHF 659 million. This reflects CHF 84

[3] Unless otherwise indicated, first-quarter 2014 "adjusted" figures exclude each of the following items, to the extent applicable, on a Group and business division level: own credit gain of CHF 88 million, gains on sales of real estate of CHF 23 million and net restructuring charges of CHF 204 million. For the fourth quarter of 2013, the items excluded were an own credit loss of CHF 94 million, gains on sales of real estate of CHF 61 million, a loss related to the buyback of debt in a public tender offer of CHF 75 million and net restructuring charges of CHF 198 million.

million higher operating income, largely as a result of higher transaction-based income, and a CHF 63 million decline in adjusted operating expenses, mainly as CHF 86 million higher charges for provisions for litigation, regulatory and similar matters were more than offset by lower other general and administrative expenses and lower variable compensation expenses. The gross margin on invested assets increased 2 basis points to 87 basis points. Net new money was CHF 10.9 billion compared with CHF 5.8 billion in the prior quarter.

Wealth Management Americas: Profit before tax was USD 272 million in the first quarter of 2014 compared with USD 254 million in the fourth quarter of 2013. Adjusted[3] for restructuring charges, profit before tax increased slightly to USD 284 million. Total operating income increased to USD 1,865 million from USD 1,851 million, as continued growth in managed account fees was partly offset by lower net interest income and lower other income as the prior quarter included a USD 15 million insurance reimbursement. The first quarter included credit loss recoveries of USD 19 million compared with credit loss expenses of USD 9 million in the prior quarter. Total operating expenses decreased by USD 2 million to USD 1,594 million. The first quarter included USD 12 million of restructuring charges compared with USD 29 million in the prior quarter. Net new money inflows decreased to USD 2.1 billion from USD 4.9 billion in the prior quarter.

Retail & Corporate: Profit before tax was CHF 386 million in the first quarter of 2014 compared with CHF 332 million in the fourth quarter of 2013. Adjusted[3] for restructuring charges, profit before tax increased by CHF 57 million to CHF 401 million, mainly as adjusted operating expenses decreased by CHF 55 million, primarily as a result of lower charges for provisions for litigation, regulatory and similar matters. Operating income was virtually unchanged. The annualized net new business volume growth rate for the retail business was 4.3% compared with negative 0.3% in the prior quarter.

Global Asset Management: Profit before tax was CHF 122 million in the first quarter of 2014 compared with CHF 130 million in the fourth quarter of 2013. Adjusted[3] for restructuring charges, profit before tax was CHF 126 million compared with CHF 143 million due to lower operating income partly offset by lower operating expenses. Excluding money market flows, net new money inflows were CHF 13.0 billion compared with net outflows of CHF 4.6 billion in the prior quarter.

Investment Bank: Profit before tax was CHF 425 million in the first quarter of 2014 compared with CHF 297 million in the fourth quarter of 2013. Adjusted[3] for restructuring charges, profit before tax was CHF 549 million compared with CHF 386 million. This increase was mainly due to higher revenues in both Investor Client Services and Corporate Client Solutions, partly offset by an increase in operating expenses. Fully applied risk-weighted assets were unchanged at CHF 62 billion.

Corporate Center – Core Functions recorded a loss before tax of CHF 176 million in the first quarter of 2014 compared with a loss of CHF 565 million in the prior quarter. The first quarter included operating expenses remaining in Corporate Center – Core Functions, after service allocations, of CHF 227 million and treasury income remaining in Corporate Center – Core Functions of negative CHF 46 million, partly offset by an own credit gain of CHF 88 million.

Corporate Center – Non-core and Legacy Portfolio recorded a loss before tax of CHF 225 million in the first quarter of 2014 compared with a loss of CHF 446 million in the prior quarter, mainly due to an improvement of CHF 49 million in debit valuation adjustments, revaluation gains in UBS's credit business and lower losses from unwind and novation activities. Furthermore, the fourth quarter of 2013 included a charge of CHF 68 million for the annual UK bank levy. The first quarter included total operating expenses of CHF 254 million compared with CHF 317 million in the prior quarter. Fully applied risk-weighted assets decreased by CHF 3 billion to CHF 60 billion.

Balance sheet: As of 31 March 2014, UBS's balance sheet assets stood at CHF 983 billion, a decrease of CHF 36 billion from 31 December 2013, primarily due to a continued reduction in positive replacement values in both Corporate Center – Non-core and Legacy Portfolio and the Investment Bank. Funded assets, which represent total assets excluding positive replacement values and collateral delivered against over-the-counter derivatives, increased by CHF 3 billion to CHF 742 billion. This increase mainly reflected client-driven increases in trading portfolio assets in the Investment Bank and lending activity in Wealth Management, partly offset by reduced collateral trading assets in Corporate Center – Core Functions. Excluding currency effects, funded assets increased by approximately CHF 6 billion.

Capital management: UBS's fully applied common equity tier 1 ("CET1") capital ratio improved 0.4 percentage points to 13.2% as of 31 March 2014. Fully applied CET1 capital increased by CHF 1.0 billion to CHF 29.9 billion, mainly due to the first quarter net profit. On a phase-in basis, CET1 capital ratio declined 0.6 percentage points to 17.9%, mainly due to the CHF 1.0 billion decrease in phase-in CET1 capital to CHF 41.2 billion, mostly arising from the effect of capital deductions related to transitional effects applicable from 1 January 2014, partly offset by the first quarter net profit. Risk-weighted assets increased by CHF 2 billion to CHF 227 billion on a fully applied basis and by CHF 1 billion to CHF 230 billion on a phase-in basis. UBS's Swiss SRB leverage ratio improved 0.3 percentage points to 5.0% on a phase-in basis due to the reduction of the leverage ratio denominator as well as through the issuance of low-trigger, loss-absorbing, Basel III-compliant subordinated notes."

The paragraph headed "3.4.2 Regulatory developements" (on page 73 of the Base Prospectus) is replaced by the following text:

"3.4.2 UBS announces further plans to modify legal structure

As stated by means of a news release issued on 6 May 2014, UBS has already announced a series of measures to improve the resolvability of the Group. As a substantial step on this path, UBS intends to establish a group holding company through a share for share exchange offer, which will commence later this year, subject to regulatory approvals. UBS anticipates that the measures to improve resolvability will allow the firm to qualify for a capital rebate under the Swiss "too-big-to-fail" requirements. This rebate would result in lower overall capital requirements for UBS.

Following completion of the transaction, UBS expects to propose a supplementary capital return of at least CHF 0.25 per share to shareholders of the new group holding company.

As reported in 2013, UBS also intends to establish a banking subsidiary in Switzerland in mid-2015. The scope of this future subsidiary's business is expected to include the Retail & Corporate business and the Swiss-booked Wealth Management business.

In the UK, and in consultation with the UK and Swiss regulators, UBS expects to commence the implementation of a revised business and operating model for UBS Limited in the second quarter of 2014. This will result in UBS Limited bearing and retaining a greater degree of the risk and reward of its business activities. UBS AG expects to increase the capitalization of UBS Limited accordingly.

In the US, UBS will comply with new rules for foreign banks under the Dodd-Frank Wall Street Reform and Consumer Protection Act that will require an intermediate holding company to own all of its operations other than US branches of UBS AG by 1 July 2016. As a result, UBS will designate an intermediate holding company to hold all US subsidiaries of UBS.

The announced plans do not require UBS to raise additional equity capital, and are not expected to materially affect the firm's capital-generating capability.

These structural changes have been discussed with FINMA and other regulatory authorities. The dialogue with regulators will continue and the changes remain subject to some uncertainties that may affect their feasibility, scope or timing."

The paragraph headed "3.4.3 Repurchase of outstanding bonds in public tender offer" (on page 74 of the Base Prospectus) is replaced by the following text:

"3.4.3 UBS's Investor Update

This section discusses targets developed for UBS Group, and each of its business divisions and its Corporate Center, by UBS's management. These targets represent goals and do not represent forecasts or estimates. While these targets represent UBS's judgments concerning the matters described, a number of risks, uncertainties and other important factors could cause actual developments and results to differ materially from UBS's targets. For a discussion of these risks, see the "Risk Factors" section of UBS's Annual Report 2013.

On 6 May 2014, UBS provided an update on the execution of its strategy and steps to further unlock the bank's potential.

UBS aims to sustain its position as the world's pre-eminent (in UBS's own opinion) wealth manager by providing clients with a broad scope of products and services, cutting-edge capabilities and superior investment and wealth management advice. Its wealth management businesses will strive to achieve growth of 10-15% in their combined adjusted annual pre-tax profit by investing for growth and delivering the entire bank to clients.

UBS seeks to maintain its position as the leading (in UBS's own opinion) universal bank in Switzerland and sustain its strong momentum in its home market. Retail & Corporate is a leading innovator in online and mobile banking services and differentiates itself through the high degree of integration it has with the other UBS businesses.

Global Asset Management seeks to strengthen its role as a trusted partner for its clients and, drawing on the full breadth of the firm's capabilities, deliver high-quality solutions. Through a combination of favorable industry fundamentals and strategic initiatives, it targets an adjusted annual pre-tax profit of CHF 1 billion in the medium term.

The Investment Bank aims to strengthen its position in the target segments advisory, research, equities, foreign exchange and precious metals, and to continue to deliver focused, high-quality rates and credit capabilities. Operating within its limits including CHF 70 billion in Basel III fully applied risk-weighted assets ("RWA") and CHF 200 billion in funded assets, the Investment Bank will continue to target an adjusted annual pre-tax return on attributed equity of greater than 15%.

Having achieved its 2014 fully applied CET1 ratio target of 13%, UBS is committed to also achieving its post-stress fully applied CET1 ratio target of 10% this year. On achievement of these goals, UBS intends to pay out at least 50% of net profits in capital returns to shareholders while still investing for growth.

UBS aims to further increase cost efficiency and has strengthened cost management and transparency. Compared with 2013, the bank is targeting a CHF 1.4 billion reduction in Corporate Center operating expenses by year-end 2015. After that, UBS expects further cost reductions of CHF 0.7 billion in Non-Core and Legacy Portfolio as it fully exits the portfolio. The cost/income ratio target ranges for Wealth Management, Wealth Management Americas and the Investment Bank have been adjusted to reflect the intent to reduce Corporate Center allocated costs and enhance front-office efficiency. This will allow for continued investments in profitable growth while maximizing cost efficiency. The Group's adjusted cost/income ratio target from 2015 remains unchanged at 60–70%.

UBS is targeting a Swiss SRB leverage ratio denominator of CHF 900 billion by 2016 (based on the rules applicable today). UBS achieved its 13% fully applied CET1 ratio target in the first quarter of 2014 and will maintain this ratio as the core measure of its capital strength – the foundation of its overall strategy. Capital and balance sheet will continue to be managed in a three-pronged approach which balances CET1, CET1 post-stress and the Swiss SRB leverage ratio.

UBS continues to make strong progress in the reduction of its Non-core and Legacy Portfolio. RWA excluding operational risk have been reduced by nearly 60% over the last 5 quarters, well ahead of plan. While this process will incur some costs during the run-down, and does consume capital, its risks are well understood. The 2015 Basel III RWA target for Non-core and Legacy Portfolio has been reduced to ~CHF 40 billion from ~CHF 55 billion, reflecting progress to date and expected future reductions.

Annual performance targets

Complete list of UBS Group and business division annual external performance targets, which supersedes previous targets. Performance targets assume constant FX rates.

The following are targets developed for UBS Group, and each of its business divisions and its Corporate Center, by UBS's management. These targets represent goals and do not represent forecasts or estimates. While these targets represent UBS's judgments concerning the matters described, a number of risks, uncertainties and other important factors could cause actual developments and results to differ materially from UBS's targets. For a discussion of these risks, see the “Risk Factors” section of UBS’s Annual Report 2013.

Group:

• Basel III fully applied CET1 ratio: 13%
• Basel III RWA: <CHF 215 billion by 31.12.15 (previously <CHF 225 billion)
• Basel III RWA: <CHF 200 billion by 31.12.17
• Swiss SRB leverage ratio denominator of CHF 900 billion by 2016 (based on the rules applicable today) (new target)
• Adjusted cost/income ratio: 60–70% from 2015
• Adjusted return on equity: >15% from 2015 (while UBS continues to target a Group return on equity of greater than 15% in 2015, given elevated operational risk RWA, it may not achieve that until 2016.)

Wealth Management:

• Net new money growth rate: 3–5%
• Gross margin: 95–105 bps
• Adjusted cost/income ratio: 55–65% from 2015 (remains 60–70% for 2014)

Wealth Management Americas:

• Net new money growth rate: 2–4%
• Gross margin: 75–85 bps
• Adjusted cost/income ratio: 75–85% from 2015 (remains 80-90% for 2014)

Retail & Corporate:

• Net new business volume growth for retail business: 1-4%
• Net interest margin: 140–180 bps
• Adjusted cost/income ratio: 50–60%

Global Asset Management:

• Net new money growth rate: 3–5% excluding money market (previously including money market)
• Gross margin: 32–38 bps
• Adjusted cost/income ratio: 60–70%
• Adjusted annual profit before tax: CHF 1 billion in the medium term (new target)

Investment Bank:

• Adjusted annual pre-tax return on attributed equity: >15%
• Adjusted cost/income ratio: 70–80% from 2015 (remains 65–85% for 2014)
• Basel III RWA limit of CHF 70 billion
• Funded assets limit of CHF 200 billion

Corporate Center – Core Functions:

• CHF 1.0 billion annual net cost reduction by year-end 2015 (measured by 2015 year-end exit rate versus FY13 adjusted operating expenses, net of changes in charges for provisions for litigation, regulatory and similar matters; measured net of FX movements and changes in regulatory demand of temporary nature.)

Corporate Center – Non-core and Legacy Portfolio:

• Basel III RWA: ~CHF 40 billion by 31.12.15 (previously ~CHF 55 billion)
• Basel III RWA: ~CHF 25 billion by 31.12.17
• CHF 0.4 billion annual net cost reduction by year-end 2015 (measured by 2015 year-end exit rate versus FY13 adjusted operating expenses, net of changes in charges for provisions for litigation, regulatory and similar matters.)
• CHF 0.7 billion additional annual net cost reduction after 2015 (reduction in annual adjusted operating expenses versus FY13.)"

The paragraph headed "3.4.4 Changes to Group Executive Board and Corporate Center" (on page 74 – 75 of the Base Prospectus) is replaced by the following text:

"3.4.4 Results of the Annual General Meeting of UBS AG

At the Annual General Meeting held on 7 May 2014 UBS AG shareholders approved the Annual Report and Consolidated Financial Statements for 2013 and confirmed Ernst & Young AG, Basel, as auditors and the Independent Proxy (ADB Altorfer Duss & Beilstein AG, Zurich). They also approved the distribution of a dividend of CHF 0.25 per share from capital contribution reserves.

Compensation Report approved
In an advisory vote, a majority of shareholders (85.93%) approved the Compensation Report for 2013.

Discharge approved
Shareholders approved the discharge of the members of the Board of Directors and the Group Executive Board for the 2013 financial year (87.30%).

Amended Articles of Association approved
Shareholders approved the amended Articles of Association of UBS AG to implement the new Ordinance Against Excessive Compensation in Listed Stock Corporations (73.38%).

EU Capital Requirements Directive of 2013 (CRD IV) approved
In an advisory vote, a majority of shareholders (98.34%) approved the EU Capital Requirements Directive of 2013 (CRD IV).

Elections to the Board of Directors
The Annual General Meeting confirmed in office the Chairman of the Board of Directors, Axel A. Weber (96.09%) and fellow Board members Michel Demaré (98.13%), David Sidwell (98.04%), Reto Francioni (98.87%), Ann F. Godbehere (97.81%), Axel P. Lehmann (98.31%), Helmut Panke (97.91%), William G. Parrett (94.24%), Isabelle Romy (98.69%), Beatrice Weder di Mauro (98.70%) and Joseph Yam (98.26%). Detailed CVs of all the members of the Board of Directors are available at www.ubs.com/bod.

Elections to the Human Resources and Compensation Committee
Shareholders elected Ann F. Godbehere (97.35%), Michel Demaré (97.45%), Helmut Panke (97.40%), and Reto Francioni (98.54%) to the Human Resources and Compensation Committee.

1,666 shareholders attended the Annual General Meeting, representing 1,994,794,917 votes."

The paragraph headed "3.5 Trend Information" (page 75 of the Base Prospectus) is replaced by the following text:

"3.5 Trend Information

As stated in the outlook statement presented in UBS AG's first quarter 2014 report, including unaudited consolidated financial statements of UBS Group and issued on 6 May 2014, at the start of the second quarter of 2014, many of the underlying challenges and geopolitical issues that UBS has previously highlighted remain. The continued absence of sustained and credible improvements to unresolved issues in Europe, continuing US fiscal and monetary policy issues, geopolitical instability and the mixed outlook for global growth would make improvements in prevailing market conditions unlikely. Despite these challenges, UBS will continue to execute on its strategy in order to ensure the firm’s long-term success and to deliver sustainable returns for shareholders."

In the section headed "4.1 Board of Directors" (page 75 of the Base Prospectus) in the table headed "4.1.1 Members of the Board of Directors" (page 76-78) the table has been replaced by the following:

"4.1.1 *Members of the Board of Directors*

Member and business address	Title	Term of office	Current principal positions outside UBS AG
Axel A. Weber UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Chairman	2015	Member of the board of the Institute of International Finance and the International Monetary Conference; member of the European Banking Group, the European Financial Services Roundtable and the Group of Thirty, Washington, D.C.; research fellow at the Center for Economic Policy Research, London, and the Center for Financial Research, Cologne; senior research fellow at the Center for Financial Studies, Frankfurt/Main; member of the Monetary Economics and International Economics Councils of the leading association of German-speaking economists, the *Verein für Socialpolitik*; member of the Advisory Board of the German Market Economy Foundation and of the Advisory Board of the Department of Economics at the University of Zurich; member of the IMD Foundation, Lausanne and of the International Advisory Panel of the Monetary Authority of Singapore
Michel Demaré Syngenta International AG, Schwarzwaldallee 215, CH-4058 Basel	Independe nt Vice Chairman	2015	Chairman of the board of Syngenta, a member of the IMD Supervisory Board, Lausanne, and Chairman of SwissHoldings, Berne. Chairman of the Syngenta Foundation for Sustainable Agriculture. Member of the advisory board of the Department of Banking and Finance, University of Zurich. Member of the board of Louis-Dreyfus Commodities Holdings BV
David Sidwell UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Senior Independe nt Director	2015	Director and Chairperson of the Risk Policy and Capital Committee of Fannie Mae, Washington D.C.; Senior Advisor at Oliver Wyman, New York; Chairman of the board of Village Care, New York; Director of the National Council on Aging, Washington D.C.
Reto Francioni Deutsche Börse AG, D-60485 Frankfurt am Main	Member	2015	CEO of Deutsche Börse AG and holding various mandates on the boards of Deutsche Börse Group subsidiaries; professor at the University of Basel. Member of the Shanghai International Financial Advisory Committee, the Advisory Board of Moscow International Financial Center, the International Advisory Board of Instituto de Empresa, the Board of Trustees of the Goethe Business School; the Steering Committee of the Project "Role of Financial Services in Society", World Economic Forum, the Franco-German Roundtable, the Strategic Advisory Group of VHV Insurance
Ann F. Godbehere UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Member	2015	Board member and Chairperson of the Audit Committee of Prudential plc, Rio Tinto plc, Rio Tinto Limited, London. Member of the board of Arden Holdings Ltd., Bermuda, and British American Tobacco plc.
Axel P. Lehmann Zurich Insurance	Member	2015	Member of the Group Executive Committee, Group Chief Risk Officer and Regional Chairman Europe of Zurich Insurance Group, Zurich; Chairman of the board

Group, Mythenquai 2, CH-8002 Zurich			of Farmers Group, Inc.; Chairman of the board of the Institute of Insurance Economics at the University of St. Gallen; former Chairman and member of the Chief Risk Officer Forum; member of the board of Economiesuisse; member of the board of Zurich Insurance plc., Dublin; member of the supervisory board of Zurich Beteiligungs AG, Frankfurt a.M.
Helmut Panke UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Member	2015	Member of the board and Chairperson of the Regulatory and Public Policy Committee of Microsoft Corporation; member of the board and Chairperson of the Safety & Risk Committee of Singapore Airlines Ltd.; member of the Supervisory Board of Bayer AG
William G. Parrett UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Member	2015	Member of the board and Chairperson of the Audit Committee of the Eastman Kodak Company, the Blackstone Group LP and Thermo Fisher Scientific Inc.; member of the board of iGATE. Past Chairman of the board of the United States Council for International Business and of United Way Worldwide; member of the Carnegie Hall Board of Trustees; member of the Committee on Capital Markets Regulation
Isabelle Romy Froriep, Bellerivestrasse 201, CH-8034 Zurich	Member	2015	Partner at Froriep, Zurich; associate professor at the University of Fribourg and at the Federal Institute of Technology, Lausanne; member and Vice Chairman of the Sanction Commission of the SIX Swiss Exchange
Beatrice Weder di Mauro Johannes Gutenberg-University Mainz, Jakob Welder-Weg 4, D-55099 Mainz	Member	2015	Professor at the Johannes Gutenberg University, Mainz; research fellow at the Center for Economic Policy Research, London; member of the board of Roche Holding Ltd., Basel, and Robert Bosch GmbH, Stuttgart. Member of the Corporate Governance Commission of the German Government; member of the Committee on International Economic Policy Reform, Washington; member of the senate of Max Planck Gesellschaft; Vice-Chair Global Agenda Council "Fiscal Issues" of the World Economic Forum
Joseph Yam UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Member	2015	Executive Vice President of the China Society for Finance and Banking. Distinguished research fellow of the Institute of Global Economics and Finance; member of the board of Community Chest of Hong Kong; member of the International Advisory Council of China Investment Corporation. Member of the board of Johnson Electric Holdings Limited and of UnionPay International Co., Ltd.

In the section headed "5 Auditors" (page 80 of the Base Prospectus) is completely replaced by the following text:

"5 Auditors

Based on section 39 of the Articles of Association, UBS AG shareholders elect the auditors for a term of office of one year. At the Annual General Meeting of Shareholders of 28 April 2011, 3 May 2012 and 2 May 2013, Ernst & Young Ltd., Aeschengraben 9, CH-4002 Basel ("Ernst & Young") were elected as auditors for the financial statements of UBS AG and the consolidated financial statements of the UBS Group for a one-year term, respectively.

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

In the section headed "6. Major Shareholders of the Issuer" the fourth and the fifth paragraph (page 81 of the Base Prospectus) is replaced by the following text:

"As of 31 March 2014, the following shareholders (acting in their own name or in their capacity as nominees for other investors or beneficial owners) were registered in the share register with 3% or more of the total share capital of UBS AG: Chase Nominees Ltd., London (11.98%); GIC Private Limited, Singapore (6.39%); the US securities clearing organization DTC (Cede & Co.) New York, "The Depository Trust Company" (6.28%); and Nortrust Nominees Ltd., London (3.51%).

UBS holds UBS AG shares primarily to hedge employee share and option participation plans. In addition, the Investment Bank holds a limited number of UBS AG shares in its capacity as a liquidity provider to the equity index futures market and as a market-maker in UBS AG shares and derivatives on UBS AG shares. Furthermore, to meet client demand, UBS has issued structured debt instruments linked to UBS AG shares, which are economically hedged by cash-settled derivatives and, to a limited extent, own shares held by the Investment Bank. As of 31 March 2014, UBS held 92,241,706 UBS AG shares, corresponding to 2.4% of the total share capital of UBS AG. As 31 December 2013, UBS had disposal positions relating to 284,975,843 voting rights of UBS AG, corresponding to 7.4% of the total voting rights of UBS AG. 7.0% of this consisted of voting rights on shares deliverable in respect of employee awards."

In the section headed "7. Financial Information concerning the Issuer's Assets and Liabilities, Financial Position and Profits and Losses" (page 81 of the Base Prospectus) the subparagraph headed "7.2 Auditing of Historical Financial Information" (page 82 of the Base Prospectus) the second paragraph is replaced by the following text:

There are no qualifications in the auditors' reports on the audited consolidated financial statements of UBS Group and the financial statements of UBS AG (Parent Bank) for the years ended on 31 December 2012 and 31 December 2013, which are incorporated by reference into this document."

In the section headed "7.3 Interim Financial Information" (page 82 of the Base Prospectus) is completely replaced by the following text:

"7.3 Interim Financial Information

Reference is also made to UBS AG's first quarter 2014 report, which contains information on the financial condition and the results of operation of the UBS Group as of and for the quarter ended on 31 March 2014. The interim financial statements are not audited."

The section headed "7.4 Incorporation by Reference" (page 82 of the Base Prospectus) is completely replaced by the following text:

"**7.4 Incorporation by reference**

UBS AG's Annual Report 2012, Annual Report 2013 and the first quarter 2014 report are fully incorporated in, and form an integral part of, this document.

The section headed "7.5. Litigation, Regulatory and Similar Matters" (page 83–95 of the Base Prospectus) is completely replaced by the following text:

"7.5 Litigation, Regulatory and Similar Matters[5]

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

Such matters are subject to many uncertainties and the outcome is often difficult to predict, particularly in the earlier stages of a case. There are also situations where the Group may enter into a settlement agreement. This may occur in order to avoid the expense, management distraction or reputational implications of continuing to contest liability, even for those matters for which the Group believes it should be exonerated. The uncertainties inherent in all such matters affect the amount and timing of any potential outflows for both matters with respect to which provisions have been established and other contingent liabilities. The Group makes provisions for such matters brought against it when, in the opinion of management after seeking legal advice, it is more likely than not that the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required, and the amount can be reliably estimated. If any of those conditions is not met, such matters result in contingent liabilities.

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

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

With respect to certain litigation, regulatory and similar matters as to which UBS has established provisions, UBS is able to estimate the expected timing of outflows. However, the aggregate amount of the expected outflows for those matters for which it is able to estimate expected timing is immaterial relative to its current and expected levels of liquidity over the relevant time periods.

[5] Text and tables in this section are extracted from the unaudited consolidated financial statements of UBS's first quarter 2014 report

The aggregate amount provisioned for litigation, regulatory and similar matters as a class is disclosed in Note 14a to the unaudited consolidated financial statements included in UBS AG's first quarter 2014 report. It is not practicable to provide an aggregate estimate of liability for UBS's litigation, regulatory and similar matters as a class of contingent liabilities. Doing so would require UBS to provide speculative legal assessments as to claims and proceedings that involve unique fact patterns or novel legal theories, which have not yet been initiated or are at early stages of adjudication, or as to which alleged damages have not been quantified by the claimants. Although UBS therefore cannot provide a numerical estimate of the future losses that could arise from the class of litigation, regulatory and similar matters, it can confirm that it believes that the aggregate amount of possible future losses from this class that are more than remote substantially exceeds the level of current provisions.

The risk of loss associated with litigation, regulatory and similar matters is a component of operational risk for purposes of determining UBS's capital requirements. Information concerning UBS's capital requirements and the calculation of operational risk for this purpose is included in the "Capital management" and "Risk management and control" sections of UBS AG's first quarter 2014 report.

Provisions for litigation, regulatory and similar matters by segment [1, 2]

CHF million	WM	WMA	R&C	GI AM	IB	CC – CF	CC – NcLP	**UBS**
Balance as of 31 December 2013	165	56	82	3	22	488	808	**1,622**
Increase in provisions recognized in the income statement	89	47	11	0	0	0	55	**203**
Release of provisions recognized in the income statement	(3)	(5)	0	0	(1)	(6)	(1)	**(15)**
Provisions used in conformity with designated purpose	(12)	(5)	(3)	0	(1)	0	(4)	**(24)**
Reclassifications	0	0	0	0	(2)	0	2	**0**
Foreign currency translation / unwind of discount	0	(1)	0	0	0	1	(7)	**(7)**
Balance as of 31 March 2014	239	92	90	3	19	483	853	**1,778**

1 WM = Wealth Management; WMA = Wealth Management Americas; R&C = Retail & Corporate; GI AM = Global Asset Management; IB = Investment Bank; CC–CF = Corporate Center – Core Functions; CC-NcLP = Corporate Center - Non-core and Legacy Portfolio. 2 Provisions, if any, for the matters described in (a) item 4 of this section are recorded in Wealth Management, (b) item 7 of this section are recorded in Wealth Management Americas, (c) item 11 of this section are recorded in the Investment Bank, (d) items 3 and 10 of this section are recorded in Corporate Center – Core Functions and (e) items 2 and 6 of this section are recorded in Corporate Center – Non-core and Legacy Portfolio. Provisions for the matters described in items 1 and 9 of this section are allocated between Wealth Management and Retail & Corporate, provisions for the matter described in item 5 of this section are allocated between the Investment Bank and Corporate Center – Non-core and Legacy Portfolio, and provisions for the matter described in item 8 of this section are allocated between the Investment Bank and Corporate Center – Core Functions.

1. Inquiries regarding cross-border wealth management businesses

Following the disclosure and the settlement of the US cross-border matter, tax and regulatory authorities in a number of countries have made inquiries and served requests for information located in their respective jurisdictions relating to the cross-border wealth management services provided by UBS and other financial institutions. As a result of investigations in France, in May and June 2013, respectively, UBS (France) S.A. and UBS AG were put under formal examination ("mise en examen") for complicity in having illicitly solicited clients on French territory, and were declared witness with legal assistance ("témoin assisté") regarding the laundering of proceeds of tax fraud and of banking and financial solicitation by unauthorized persons. Separately, in June 2013, the French banking supervisory authority's disciplinary commission reprimanded UBS (France) S.A. for having had insufficiencies in its control and compliance framework around its cross-border activities and "know your customer" obligations. It imposed a penalty of EUR 10 million, and a provision in that amount is reflected on UBS's balance sheet at 31 March 2014. In Germany, several authorities have been conducting investigations against UBS Deutschland AG, UBS AG, and against certain employees of these entities concerning certain matters relating to the cross-border business. UBS is cooperating with these authorities within the limits of financial privacy obligations under Swiss and other applicable laws. Settlement discussions are ongoing with respect to the German investigations.

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

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

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

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

Securities lawsuits concerning disclosures in RMBS offering documents: UBS is named as a defendant relating to its role as underwriter and issuer of RMBS in a large number of lawsuits related to approximately USD 13 billion in original face amount of RMBS underwritten or issued by UBS. Some of the lawsuits are in their early stages and have not advanced beyond the motion to dismiss phase; others are in varying stages of discovery. Of the USD 13 billion in original face amount of RMBS that remains at issue in these cases, approximately USD 3 billion was issued in offerings in which a UBS subsidiary transferred underlying loans (the majority of which were purchased from third-party originators) into a securitization trust and made representations and warranties about those loans ("UBS-sponsored RMBS"). The remaining USD 10 billion of RMBS to which these cases relate was issued by third parties in securitizations in which UBS acted as underwriter ("third-party RMBS").

In connection with certain of these lawsuits, UBS has indemnification rights against surviving third-party issuers or originators for losses or liabilities incurred by UBS, but UBS cannot predict the extent to which it will succeed in enforcing those rights. A class action settlement by a third-party issuer received final approval by the district court in 2013. The settlement reduced the original face amount of RMBS at issue in these cases from USD 37 billion to USD 13 billion, and the original face amount of RMBS at issue in cases involving third-party issuers from USD 34 billion to USD 10 billion, as noted above. The third-party issuer will fund the settlement at no cost to UBS. In January 2014, certain objectors to the settlement filed a notice of appeal from the district court's approval of the settlement.

Loan repurchase demands related to sales of mortgages and RMBS: When UBS acted as an RMBS sponsor or mortgage seller, it generally made certain representations relating to the characteristics of the underlying loans. In the event of a material breach of these representations, UBS was in certain circumstances contractually obligated to repurchase the loans to which they related or to indemnify certain parties against losses. UBS has received demands to repurchase US residential mortgage loans as to which UBS made certain representations at the time the loans were transferred to the securitization trust. UBS has been notified by certain institutional purchasers and insurers of mortgage loans and RMBS of their contention that possible breaches of representations may entitle the purchasers to require that UBS repurchase the loans or to other relief. The table "Loan repurchase demands by year received – original principal balance of loans" summarizes repurchase demands received by UBS and UBS's repurchase activity from 2006 through 29 April 2014. In the table, repurchase demands characterized as Demands resolved in litigation and Demands rescinded by counterparty are considered to be finally resolved. Repurchase demands in all other categories are not finally resolved.

Loan repurchase demands by year received – original principal balance of loans [1]

USD million	2006-2008	2009	2010	2011	2012	2013	2014, through 29 April	**Total**
Resolved demands								
Actual or agreed loan repurchases / make whole payments by UBS	12	1						**13**
Demands rescinded by counterparty	110	104	19	303	237			**773**
Demands resolved in litigation	1	21						**21**
Demands expected to be resolved by third parties								
Demands resolved or expected to be resolved through enforcement of indemnification rights against third-party originators		77	2	45	124	99	30	**377**
Demands in dispute								
Demands in litigation			346	732	1,041			**2,118**
Demands in review by UBS				2	2	3		**8**
Demands rebutted by UBS but not yet rescinded by counterparty		1	2	1	17	515	115	**651**
Total	122	205	368	1,084	1,421	618	145	**3,962**

[1] Loans submitted by multiple counterparties are counted only once.

Payments that UBS has made or agreed to make to date to resolve repurchase demands equate to approximately 62% of the original principal balance of the related loans. Most of the payments that UBS has made or agreed to make to date have related to so-called "Option ARM" loans;

severity rates may vary for other types of loans or for Option ARMs with different characteristics. Actual losses upon repurchase will reflect the estimated value of the loans in question at the time of repurchase as well as, in some cases, partial repayment by the borrowers or advances by servicers prior to repurchase. It is not possible to predict future losses upon repurchase for reasons including timing and market uncertainties.

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

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

Lawsuits related to contractual representations and warranties concerning mortgages and RMBS: In 2012, certain RMBS trusts filed an action in the Southern District of New York ("Trustee Suit") seeking to enforce UBS RESI's obligation to repurchase loans in the collateral pools for three RMBS securitizations ("Transactions") with an original principal balance of approximately USD 2 billion for which Assured Guaranty Municipal Corp. ("Assured Guaranty"), a financial guaranty insurance company, had previously demanded repurchase. Plaintiffs in the Trustee Suit have recently indicated that they intend to seek damages beyond the loan repurchase demands identified in the complaint, specifically for all loans purportedly in breach of any of the three Transactions. Discovery is ongoing. With respect to the loans subject to the Trustee Suit that were originated by institutions still in existence, UBS intends to enforce its indemnity rights against those institutions. Related litigation brought by Assured Guaranty was resolved in 2013.

In 2012, the FHFA, on behalf of Freddie Mac, filed a notice and summons in New York Supreme Court initiating suit against UBS RESI for breach of contract and declaratory relief arising from alleged breaches of representations and warranties in connection with certain mortgage loans and UBS RESI's alleged failure to repurchase such mortgage loans. The lawsuit seeks, among other relief, specific performance of UBS RESI's alleged loan repurchase obligations for at least USD 94 million in original principal balance of loans for which Freddie Mac had previously demanded repurchase; no damages are specified. In 2013, the Court dismissed the complaint for lack of standing, on the basis that only the RMBS trustee could assert the claims in the complaint, and the complaint was unclear as to whether the trustee was the plaintiff and had proper authority to bring suit. The trustee subsequently filed an amended complaint, which UBS moved to dismiss. The motion remains pending.

In 2013, Residential Funding Company LLC ("RFC") filed a complaint in New York Supreme Court against UBS RESI asserting claims for breach of contract and indemnification in connection with loans purchased from UBS RESI with an original principal balance of at least USD 460 million that were securitized by an RFC affiliate. This is the first case filed against UBS seeking damages allegedly arising from the securitization of whole loans purchased from UBS. Damages are unspecified.

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

As reflected in the table "Provision for claims related to sales of residential mortgage-backed securities and mortgages", UBS's balance sheet at 31 March 2014 reflected a provision of USD 819 million with respect to matters described in this item 2. As in the case of other matters for which UBS has established provisions, the future outflow of resources in respect of this matter cannot be determined with certainty based on currently available information, and accordingly may ultimately prove to be substantially greater (or may be less) than the provision that UBS has recognized.

UBS has received requests from both the Special Inspector General for the Troubled Asset Relief Program ("SIGTARP") (who is working in conjunction with the US Attorney's Office for Connecticut and the US Department of Justice, Criminal Division, Fraud Section) and the SEC for information relating to its practices in connection with purchases and sales of mortgage-backed securities. UBS is cooperating with the authorities in these matters, which are in an early stage. Numerous other banks reportedly have received similar requests.

Provision for claims related to sales of residential mortgage-backed securities and mortgages

USD million	
Balance as of 31 December 2013	**807**
Increase in provision recognized in the income statement	**15**
Release of provision recognized in the income statement	**0**
Provision used in conformity with designated purpose	**(3)**
Balance as of 31 March 2014	**819**

3. Claims related to UBS disclosure

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

In 2012, a consolidated complaint was filed in a putative securities fraud class action pending in federal court in Manhattan against UBS AG and certain of its current and former officers relating to the unauthorized trading incident that occurred in the Investment Bank and was announced in September 2011. The lawsuit was filed on behalf of parties who purchased publicly traded UBS securities on any US exchange, or where title passed within the US, during the period 17 November 2009 through 15 September 2011. In 2013, the district court granted UBS's motion to dismiss the complaint in its entirety. Plaintiffs have filed a notice of appeal.

4. Madoff

In relation to the Bernard L. Madoff Investment Securities LLC ("BMIS") investment fraud, UBS AG, UBS (Luxembourg) SA and certain other UBS subsidiaries have been subject to inquiries by a number of regulators, including the Swiss Financial Market Supervisory Authority (FINMA) and the Luxembourg Commission de Surveillance du Secteur Financier ("CSSF"). Those inquiries concerned two third-party funds established under Luxembourg law, substantially all assets of which were with BMIS, as well as certain funds established in offshore jurisdictions with either direct or indirect exposure to BMIS. These funds now face severe losses, and the Luxembourg funds are in liquidation. The last reported net asset value of the two Luxembourg funds before revelation of the Madoff scheme was approximately USD 1.7 billion in the aggregate, although that figure likely includes fictitious profit reported by BMIS. The documentation establishing both funds identifies UBS entities in various roles including custodian, administrator, manager, distributor and promoter, and indicates that UBS employees serve as board members. UBS (Luxembourg) SA and certain other UBS subsidiaries are responding to inquiries by Luxembourg investigating authorities, without however being named as parties in those investigations. In 2009 and 2010, the liquidators of the two Luxembourg funds filed claims on behalf of the funds against UBS entities, non-UBS entities and certain individuals including current and former UBS employees. The amounts claimed are approximately EUR 890 million and EUR 305 million, respectively. The liquidators have filed supplementary claims for amounts that the funds may possibly be held liable to pay the BMIS Trustee. These amounts claimed by the liquidator are approximately EUR 564 million and EUR 370 million, respectively. In addition, a large number of alleged beneficiaries have filed claims against UBS entities (and non-UBS entities) for purported losses relating to the Madoff scheme. The majority of these cases are pending in Luxembourg, where appeals have been filed by the claimants against the 2010 decisions of the court in which the claims in a number of test cases were held to be inadmissible. In the US, the BMIS Trustee has filed claims against UBS entities, among others, in relation to the two Luxembourg funds and one of the offshore funds. A claim was filed in 2010 against 23 defendants, including UBS entities, the Luxembourg and offshore funds concerned and various individuals, including current and former UBS employees. The total amount claimed against all defendants in this action was not less than USD 2 billion. A second claim was filed in 2010 against 16 defendants including UBS entities and the Luxembourg fund concerned. The total amount claimed against all defendants was not less than USD 555 million. Following a motion by UBS, in 2011, the District Court dismissed all of the BMIS Trustee's claims other than claims for recovery of fraudulent conveyances and preference payments that were allegedly transferred to UBS on the ground that the BMIS Trustee lacks standing to bring such claims. In 2013, the Second Circuit Court of Appeals rejected the BMIS Trustee's appeal against that ruling and upheld the District Court's decision. The BMIS Trustee has sought leave to appeal to the US Supreme Court, which has invited the Solicitor General of the United States to file a brief expressing the views of the United States as to whether review should be granted. In Germany, certain clients of UBS are exposed to Madoff-managed positions through third-party funds and funds administered by UBS entities in Germany. A small number of claims have been filed with respect to such funds.

5. Transactions with Italian public sector entities

A number of transactions that UBS Limited and UBS AG respectively entered into with public sector entity counterparties in Italy have been called into question or become the subject of legal proceedings and claims for damages and other awards. In Milan, in 2012, civil claims brought by the City of Milan against UBS Limited, UBS Italia SIM Spa and three other international banks in relation to a 2005 bond issue and associated derivatives transactions entered into with Milan between 2005 and 2007 were settled without admission of liability. In 2012, the criminal court in Milan issued a judgment convicting two current UBS employees and one former employee, together with employees from the three other banks, of fraud against a public entity in relation to the same bond issue and the execution, and subsequent restructuring, of the related derivative transactions. In the same proceedings, the Milan criminal court also found UBS Limited and three other banks liable for the administrative offense of failing to have in place a business organizational model capable of preventing the criminal offenses of which its employees were convicted. The sanctions against UBS Limited, which are not effective until appeals are exhausted, are confiscation of the alleged level of profit flowing from the criminal findings (EUR 16.6 million), a fine in respect of the finding of the administrative offense (EUR 1 million) and payment of legal fees. UBS's balance sheet at 31 March 2014 reflected a provision in the amount of EUR 17.7 million for this potential exposure. UBS Limited and the individuals appealed that judgment, and in March 2014, the Milan Court of Appeal handed down its judgment in short form. It overturned all findings of liability against UBS Limited and convictions of the UBS individuals and acquitted them, stating that the conduct did not occur. The court indicated that it would issue a full judgment including the reasons for its rulings within 90 days. The appellate prosecutor has until July 21, 2014 to decide whether to pursue a further appeal to the Court of Cassation in Rome.

Derivative transactions with the Regions of Calabria, Tuscany, Lombardy, Lazio and Campania, and the City of Florence have also been called into question or become the subject of legal proceedings and claims for damages and other awards. In 2012, UBS AG and UBS Limited settled all civil disputes with the Regions of Tuscany, Lombardy and Lazio without any admission of liability. In 2013, a settlement of all civil and administrative disputes was reached with the City of Florence. An oral agreement in principle was reached with the Region of Calabria subject to conditions which have not yet occurred. UBS's balance sheet at 31 March 2014 reflected a provision in connection with that oral agreement.

6. Kommunale Wasserwerke Leipzig GmbH ("KWL")

In 2006 and 2007, KWL entered into a series of Credit Default Swap ("CDS") transactions with bank swap counterparties, including UBS. UBS also entered into back-to-back CDS transactions with the other counterparties, Depfa Bank plc ("Depfa") and Landesbank Baden-Württemberg ("LBBW"), in relation to their respective swaps with KWL. As a result of the KWL CDS transactions and the back-to-back CDS transactions with Depfa and LBBW, UBS is owed a total amount of approximately USD 319.8 million, plus interest, which remains unpaid. Specifically, under the CDS contracts between KWL and UBS, the last of which were terminated by UBS in 2010, a net sum of approximately USD 137.6 million, plus interest, has fallen due from KWL but not been paid.

In 2010, UBS issued proceedings in the English High Court against KWL seeking various declarations from the English court, in order to establish that the swap transactions between KWL and UBS are valid, binding and enforceable as against KWL and in respect of UBS's role as portfolio manager. UBS issued separate proceedings in the English High Court against Depfa and LBBW seeking declarations as to the parties' obligations under the back-to-back CDS transactions and monetary claims. UBS contends that it is owed USD 83.3 million, plus interest, by Depfa. UBS contends that it is owed EUR 75.5 million, plus interest, by LBBW. Depfa and LBBW are defending against the claims and have also issued counterclaims. Additionally, Depfa added a claim against KWL to the proceedings against it and KWL served a defense. The English court ruled in 2010 that it had jurisdiction and would hear the proceedings. UBS issued a further claim in the English proceeding seeking declarations concerning the validity of its early termination of the remaining CDS transactions with KWL and later added a monetary claim. Also, in 2010, KWL issued proceedings in Leipzig, Germany against UBS, Depfa and LBBW. The Leipzig court has also ruled that it is for the London court and not the Leipzig court to determine the validity and effect of a third party notice served by LBBW on UBS in the Leipzig proceedings.

In the English proceedings, KWL is defending against UBS's claims and has served a counterclaim which also joins UBS Limited and Depfa to the proceedings. As part of its assertions, KWL claims damages of at least USD 68 million in respect of UBS AG's termination of some of the CDS contracts, whilst disputing that any monies are owed to UBS AG pursuant to another CDS contract. UBS, UBS Limited and Depfa are defending against KWL's counterclaims, and Depfa has asserted additional claims against UBS and UBS Limited. Both KWL and Depfa have mutually exclusive claims for payment of USD 32.6 million which has previously been paid by Depfa to UBS. Trial in the English proceedings began in April 2014 and is expected to run through July 2014.

In the proceedings brought by KWL against LBBW in Leipzig, in June 2013, the court ruled in LBBW's favor. KWL appealed against that ruling and the court is expected to make its first decision on the appeal by 30 May 2014.

UBS's balance sheet at 31 March 2014 reflected provisions with respect to matters described in this item 6 in an amount that UBS believes to be appropriate under the applicable accounting standard. As in the case of other matters for which UBS has established provisions, the future outflow of resources in respect of such matters cannot be determined with certainty based on currently available information, and accordingly may ultimately prove to be substantially greater (or may be less) than the provision that UBS has recognized.

In 2011, the former managing director of KWL and two financial advisers were convicted in Leipzig, Germany, on criminal charges related to certain KWL transactions, including swap transactions with UBS and other banks. Following further criminal proceedings brought against them in Dresden, Germany, relating to the same transactions, they were each convicted of embezzlement in 2013 and given longer sentences. All three have lodged appeals.

Since 2011, the SEC has been conducting an investigation focused on, among other things, the suitability of the KWL transactions, and information provided by UBS to KWL. UBS has provided documents and testimony to the SEC and is continuing to cooperate with the SEC.

7. Puerto Rico

Declines in Puerto Rico municipal bond and closed-end fund prices since August 2013 have led to multiple regulatory inquiries, as well as customer complaints and arbitrations with aggregate claimed damages exceeding USD 300 million filed by clients in Puerto Rico who own those securities. A shareholder derivative action also was filed in February 2014 against various UBS entities and current and certain former directors of the closed-end funds, alleging hundreds of millions in losses in the funds. An internal review also disclosed that certain clients, many of whom acted at the recommendation of one financial advisor, invested proceeds of non-purpose loans in closed-end fund securities in contravention of their loan agreements.

In 2011, a purported derivative action was filed on behalf of the Employee Retirement System of the Commonwealth of Puerto Rico ("System") against over 40 defendants, including UBS Financial

Services Inc. of Puerto Rico ("UBS PR") and other consultants and underwriters, trustees of the System, and the President and Board of the Government Development Bank of Puerto Rico. The plaintiffs alleged that defendants violated their purported fiduciary duties and contractual obligations in connection with the issuance and underwriting of approximately USD 3 billion of bonds by the System in 2008 and sought damages of over USD 800 million. UBS is named in connection with its underwriting and consulting services. In 2013, the case was dismissed by the Puerto Rico Court of First Instance on the grounds that plaintiffs did not have standing to bring the claim. That dismissal was subsequently overturned by the Puerto Rico Court of Appeals. In February 2014, UBS's petition for appeal was denied by the Supreme Court of Puerto Rico, and UBS filed motions for reconsideration. Also, in 2013, an SEC Administrative Law Judge dismissed a case brought by the SEC against two UBS executives, finding no violations. The charges had stemmed from the SEC's investigation of UBS's sale of closed-end funds in 2008 and 2009, which UBS settled in 2012.

UBS's balance sheet at 31 March 2014 reflected provisions with respect to matters described in this item 7 in amounts that UBS believes to be appropriate under the applicable accounting standard. As in the case of other matters for which UBS has established provisions, the future outflow of resources in respect of such matters cannot be determined with certainty based on currently available information, and accordingly may ultimately prove to be substantially greater (or may be less) than the provisions that UBS has recognized.

8. Foreign exchange, LIBOR, and benchmark rates

Foreign exchange-related regulatory matters: Following an initial media report in 2013 of widespread irregularities in the foreign exchange markets, UBS immediately commenced an internal review of its foreign exchange business, which includes UBS's precious metal business. Since then, various authorities reportedly have commenced investigations concerning possible manipulation of foreign exchange markets, including FINMA, the Swiss Competition Commission ("WEKO"), the US Department of Justice ("DOJ"), the US Commodity Futures Trading Commission ("CFTC"), the UK Financial Conduct Authority ("FCA") (to which certain responsibilities of the UK Financial Services Authority ("FSA") have passed) and the Hong Kong Monetary Authority ("HKMA"). WEKO stated in March 2014 that it had reason to believe that certain banks may have colluded to manipulate foreign exchange rates. A number of authorities also reportedly are investigating potential manipulation of precious metal prices. UBS and other financial institutions have received requests from various authorities relating to their foreign exchange businesses, and UBS is cooperating with the authorities. UBS has taken and will take appropriate action with respect to certain personnel as a result of its ongoing review.

Foreign exchange-related civil litigation: Several putative class actions have been filed since November 2013 in US federal courts against UBS and other banks. These actions are on behalf of putative classes of persons who engaged in foreign currency transactions. They allege collusion by the defendants and assert claims under the antitrust laws and for unjust enrichment. The defendants (including UBS) have not yet filed responsive pleadings.

LIBOR and other benchmark-related regulatory matters: Numerous government agencies, including the SEC, the CFTC, the DOJ, the FCA, the UK Serious Fraud Office ("SFO"), the Monetary Authority of Singapore ("MAS"), the HKMA, FINMA, the various state attorneys general in the US, and competition authorities in various jurisdictions have conducted or are continuing to conduct investigations regarding submissions with respect to British Bankers' Association LIBOR (London Interbank Offered Rate) and other benchmark rates, including HIBOR (Hong Kong Interbank Offered Rate) and ISDAFIX. These investigations focus on whether there were improper attempts by UBS (among others), either acting on its own or together with others, to manipulate LIBOR and other benchmark rates at certain times.

In 2012, UBS reached settlements with the FSA, the CFTC and the Criminal Division of the DOJ in connection with their investigations of benchmark interest rates. At the same time FINMA issued an order concluding its formal proceedings with respect to UBS relating to benchmark interest rates. UBS has paid a total of approximately CHF 1.4 billion in fines and disgorgement – including GBP 160 million in fines to the FSA, USD 700 million in fines to the CFTC, and CHF 59 million in disgorgement to FINMA. Under a non-prosecution agreement ("NPA") that UBS entered into with the DOJ, UBS agreed to pay a fine of USD 500 million. Pursuant to a separate plea agreement between the DOJ and UBS Securities Japan Co. Ltd. ("UBSSJ"), UBSSJ entered a plea to one count of wire fraud relating to the manipulation of certain benchmark interest rates, including Yen LIBOR. The NPA, which (along with the plea agreement) covered conduct beyond the scope of the conditional leniency / immunity grants described below, required UBS to pay the USD 500 million fine to DOJ after the sentencing of UBSSJ, and provided that any criminal penalties imposed on UBSSJ at sentencing be deducted from the USD 500 million fine. At the sentencing hearing held in 2013, the court approved the proposed plea agreement and imposed a USD 100 million fine against UBSSJ, as agreed to by the DOJ and UBSSJ under the plea agreement. Since the sentencing, UBS has paid a fine of USD 400 million to the DOJ, and UBSSJ has paid the USD 100 million fine imposed by the sentencing court. The conduct described in the various settlements and the FINMA order includes certain UBS personnel: engaging in efforts to manipulate submissions for certain benchmark rates to benefit trading positions; colluding with employees at other banks and cash brokers to influence certain benchmark rates to benefit their trading positions; and giving inappropriate directions to UBS submitters that were in part motivated by a desire to avoid unfair and negative market and media perceptions during the financial crisis. The benchmark interest rates encompassed by one or more of these resolutions include Yen LIBOR, GBP LIBOR, CHF LIBOR, Euro LIBOR, USD LIBOR, EURIBOR (Euro Interbank Offered Rate) and Euroyen TIBOR (Tokyo Interbank Offered Rate). UBS has ongoing obligations to cooperate with authorities with which it has reached resolutions and to undertake certain remediation with respect to benchmark interest rate submissions. In addition, under the NPA, UBS has agreed, among other things, that for two years from 18 December 2012 UBS will not commit any US crime, and it will advise DOJ of any potentially criminal conduct by UBS or any of its employees relating to violations of US laws concerning fraud or securities and commodities markets. Any failure to comply with these obligations could result in termination of the NPA and potential criminal prosecution in relation to the matters covered by the NPA. Investigations by the CFTC and other government authorities remain ongoing notwithstanding these resolutions.

UBS has been granted conditional leniency or conditional immunity from authorities in certain jurisdictions, including the Antitrust Division of the DOJ, and the Swiss Competition Commission ("WEKO"), in connection with potential antitrust or competition law violations related to submissions for Yen LIBOR and Euroyen TIBOR. WEKO has also granted UBS conditional immunity in connection with potential competition law violations related to submissions for Swiss franc LIBOR and certain transactions related to Swiss franc LIBOR. The Canadian Competition Bureau ("Bureau") had granted UBS conditional immunity in connection with potential competition law violations related to submissions for Yen LIBOR, but in January 2014, the Bureau announced the discontinuation of its investigation into Yen LIBOR for lack of sufficient evidence to justify prosecution under applicable laws. As a result of these conditional grants, UBS will not be subject to prosecutions, fines or other sanctions for antitrust or competition law violations in the jurisdictions where it has conditional immunity or leniency in connection with the matters covered by the conditional grants, subject to its continuing cooperation. However, the conditional leniency and conditional immunity grants UBS has received do not bar government agencies from asserting other claims and imposing sanctions against UBS, as evidenced by the settlements and ongoing investigations referred to above. In addition, as a result of the conditional leniency agreement with the DOJ, UBS is eligible for a limit on liability to actual rather than treble damages were damages to be awarded in any civil antitrust action under US law based on conduct covered by the agreement and for relief from potential joint and several liability in connection with such civil antitrust action, subject to UBS satisfying the DOJ and the court presiding over the civil litigation of its cooperation. The conditional leniency and conditional immunity grants do not otherwise affect the ability of private parties to assert civil claims against UBS.

In 2013, the European Commission ("EC") announced a decision adopted in the Commission's Yen Interest Rate Derivatives ("YIRD") investigation, under which UBS has received full immunity from fines for disclosing to the Commission the existence of infringements relating to YIRD.

In 2013, the MAS announced the results of its investigation of benchmark submissions by 20 banks, including UBS. The investigation related to various benchmark submissions, including the Singapore Interbank Offered Rates and the Swap Offered Rates, and covered the period from 2007 to 2011. The MAS found deficiencies in the governance, risk management, internal controls and surveillance systems for the banks' benchmark submission processes and directed the banks to correct the deficiencies and set aside additional statutory reserves with MAS at zero interest for one year. The MAS also announced proposed changes to its regulatory framework for financial benchmarks that are designed to enhance the integrity of the process for setting benchmarks.

In 2013, UBS entered into an enforceable undertaking in relation to an investigation by the Australian Securities and Investments Commission ("ASIC") into conduct relating to Australian Bank Bill Swap Rate ("BBSW") submissions. An independent expert engaged by UBS at ASIC's request concluded that, to the extent there may have been any impact of such conduct on the market as a whole, it would have been insignificant. The enforceable undertaking requires UBS to ensure that its participation in relation to the setting of Australian interest rate benchmarks upholds the integrity and reliability of those benchmarks and is in accordance with its obligations under the CFTC order. UBS also agreed to make a voluntary contribution of AUD 1 million to fund independent financial literacy projects in Australia. ASIC has the power to investigate, conduct further surveillance or pursue criminal prosecution of UBS or its representatives in relation to any contravention. ASIC acknowledged UBS's cooperation and the fact that it was the first bank to report this conduct to it. ASIC's inquiries in relation to the BBSW rate set are ongoing.

In March 2014, the HKMA announced the conclusion of its investigations into the fixing of HIBOR. The HKMA found that some UBS traders made change requests to the UBS HIBOR submitter between September 2006 and June 2009, but said they had "negligible impact" on the actual outcome of the HIBOR fixing. The HKMA found no evidence of collusion among the banks to rig the rate. The HKMA also found that UBS failed to report to the HKMA the misconduct of its staff in relation to HIBOR submissions and further found material weaknesses in UBS's internal controls and governance in managing the HIBOR submission process and in other areas. UBS ceased to be a HIBOR panel bank in 2010. The HKMA has required that UBS make improvements in its processes.

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

LIBOR and other benchmark-related civil litigation: A number of putative class actions and other actions are pending in, or expected to be transferred to, the federal courts in New York against UBS and numerous other banks on behalf of parties who transacted in certain interest rate benchmark-based derivatives linked directly or indirectly to US dollar LIBOR, Yen LIBOR, Euroyen TIBOR and EURIBOR. Also pending are actions asserting losses related to various products whose interest rate was linked to US dollar LIBOR, including adjustable rate mortgages, preferred and debt securities, bonds pledged as collateral, loans, depository accounts, investments and other interest bearing instruments. All of the complaints allege manipulation, through various means, of various benchmark interest rates, including LIBOR, Euroyen TIBOR or EURIBOR rates and seek unspecified compensatory and other damages, including treble and punitive damages, under varying legal theories that include violations of the US Commodity Exchange Act, the federal racketeering statute, federal and state antitrust and securities laws and other state laws. In 2013, a federal court in New York dismissed the federal antitrust and racketeering claims of certain US dollar LIBOR plaintiffs and a portion of their claims brought under the Commodity Exchange Act ("CEA") and state common law. The same court subsequently denied the parties' requests for reconsideration and plaintiffs' motion for interlocutory appeal and to amend the complaints to include additional antitrust and CEA allegations. It granted certain plaintiffs permission to assert claims for unjust enrichment and breach of contract. Motions to dismiss these unjust enrichment and breach of contract claims are pending, as is a renewed motion to dismiss by UBS and other defendants that seeks dismissal of further CEA claims. Certain plaintiffs have also appealed the dismissal of their antitrust claims, but the appellate court denied these appeals as premature, without prejudice to bringing the appeals again after final disposition of the LIBOR actions. UBS and other defendants in other lawsuits including the one related to Euroyen TIBOR have filed motions to dismiss. In March 2014, the court in the Euroyen TIBOR lawsuit dismissed the plaintiff's federal antitrust and state unfair enrichment claims, and dismissed a portion of the plaintiff's CEA claims.

With respect to additional matters and jurisdictions not encompassed by the settlements and order referred to above, UBS's balance sheet at 31 March 2014 reflected a provision of an amount that UBS believes to be appropriate under the applicable accounting standard. As in the case of other matters for which UBS has established provisions, the future outflow of resources in respect of such matters cannot be determined with certainty based on currently available information, and accordingly may ultimately prove to be substantially greater (or may be less) than the provision that UBS has recognized.

9. Swiss retrocessions

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

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

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

UBS's balance sheet at 31 March 2014 reflected a provision with respect to matters described in this item 9 in an amount that UBS believes to be appropriate under the applicable accounting standard. The ultimate exposure will depend on client requests and the resolution thereof, factors that are difficult to predict and assess. Hence as in the case of other matters for which UBS has established provisions, the future outflow of resources in respect of such matters cannot be determined with certainty based on currently available information, and accordingly may ultimately prove to be substantially greater (or may be less) than the provision that UBS has recognized.

10. Banco UBS Pactual tax indemnity

Pursuant to the 2009 sale of Banco UBS Pactual S.A. ("Pactual") by UBS to BTG Investments, LP ("BTG"), BTG has submitted contractual indemnification claims that UBS estimates amount to approximately BRL 2.5 billion, including interest and penalties, which is net of liabilities retained by BTG. The claims pertain principally to several tax assessments issued by the Brazilian tax authorities against Pactual relating to the period from December 2006 through March 2009, when UBS owned Pactual. These assessments are being or will be challenged in administrative proceedings. BTG has also provided notice to UBS of several additional Pactual-related inquiries by the Brazilian tax authorities that relate to the period of UBS's ownership of Pactual, but involving substantially smaller amounts. In 2013, approximately BRL 128 million in tax claims relating to the period for which UBS has indemnification obligations were submitted for settlement through amnesty programs announced by the Brazilian government in 2013.

UBS's balance sheet at 31 March 2014 reflected a provision with respect to matters described in this item 10 in an amount that UBS believes to be appropriate under the applicable accounting standard. As in the case of other matters for which UBS has established provisions, the future outflow of resources in respect of this matter cannot be determined with certainty based on currently available information, and accordingly may ultimately prove to be substantially greater (or may be less) than the provision that UBS has recognized.

11. Matters relating to the CDS market

In 2013 the EC issued a Statement of Objections against thirteen credit default swap ("CDS") dealers including UBS, as well as data service provider Markit and the International Swaps and Derivatives Association ("ISDA"). The Statement of Objections broadly alleges that the dealers infringed EU antitrust rules by colluding to prevent exchanges from entering the credit derivatives market between 2006 and 2009. UBS has submitted its response to the Statement of Objections. Since mid-2009, the Antitrust Division of the DOJ has also been investigating whether multiple dealers, including UBS, conspired with each other and with Markit to restrain competition in the markets for CDS trading, clearing and other services. In January and April 2014, putative class action plaintiffs filed consolidated amended complaints in the Southern District of New York against twelve dealers, including UBS, as well as Markit and ISDA, alleging violations of the US Sherman Antitrust Act and common law. Plaintiffs allege that the defendants unlawfully conspired to restrain competition in and / or monopolize the market for CDS trading in the US in order to protect the dealers' profits from trading CDS in the over-the-counter market. Plaintiffs assert claims on behalf of all purchasers and sellers of CDS that transacted directly with any of the dealer defendants since 1 January 2008, and seek unspecified trebled compensatory damages and other relief.

12. Lehman principal protection notes

From March 2007 through September 2008, UBS Financial Services Inc. ("UBSFS") sold approximately USD 1 billion face amount of structured notes issued by Lehman Brothers Holdings Inc. ("Lehman"), a majority of which were referred to as "principal protection notes," reflecting the fact that while the notes' return was in some manner linked to market indices or other measures, some or all of the investor's principal was an unconditional obligation of Lehman as issuer of the notes. Based on its role as an underwriter of Lehman structured notes, UBSFS was named as a defendant in a putative class action asserting violations of disclosure provisions of the federal securities laws. In August 2013, UBSFS agreed to a proposed USD 120 million settlement of the case, which was approved by the Court in December 2013. Previously, certain of the other underwriter defendants and the former officers and directors of Lehman reached separate settlements regarding the same case. UBSFS also has been named in numerous individual civil suits and customer arbitrations, a small number of which were pending as of 31 March 2014. The individual customer claims, some of which have resulted in awards payable by UBSFS, relate primarily to whether UBSFS adequately disclosed the risks of these notes to its customers.

Besides the proceedings specified above under (1) through (12) no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened, of which UBS AG is aware) which may have, or have had in the recent past, significant effects on UBS AG's and/or UBS Group's financial position or profitability, are or have been pending during the last twelve months until the date of this document."

The section headed "7.6 Material Contracts" (page 95 of the Base Prospectus) is completely replaced by the following text:

"7.6 Material Contracts

No material contracts have been entered into outside of the ordinary course of UBS AG's or UBS Group's business, which could result in any member of the UBS Group being under an obligation or entitlement that is material to UBS AG's ability to meet its obligations to the investors in relation to the issued securities.

The section headed "7.7 Significant Changes in the Financial or Trading Position; Material Adverse Change in Prospects" (page 95 of the Base Prospectus) is completely replaced by the following text:

"7.7 Significant Changes in the Financial or Trading Position; Material Adverse Change in Prospects

There has been no significant change in the financial or trading position of UBS Group or of UBS AG since 31 March 2014. There has been no material adverse change in the prospects of UBS AG or UBS Group since 31 December 2013."

In the section headed "General Information" (page 109 of the Base Prospectus), paragraph 3 "Statements of no significant change or material adverse change" is completely replaced by the following text:

"3. Statements of no significant change or material adverse change

There has been no significant change in the financial or trading position of the UBS Group since 31 March 2014.

There has been no material adverse change in the prospects of the UBS Group since 31 December 2013."

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The Base Prospectus dated 30 December 2013 and all supplements thereto, shall be maintained in printed format, for free distribution, at the offices of the Issuer for a period of twelve months after the publication of this document and are published on the website www.ubs.com/keyinvest, or a successor website.

In addition, the annual and quarterly reports of UBS AG are published on UBS' website, at www.ubs.com/investors or a successor address.

Zurich, 2 June 2014

UBS AG

By:	By:
(signed by Sebastian Rogge)	(signed by Stefanie Ganz)