ADDENDUM DATED 6 March 2013

If you are in any doubt about any of the contents of this addendum, you should obtain independent professional advice.

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Addendum to the Base Listing Document dated 10 April 2012
relating to Non-collateralised Structured Products
to be issued by

UBS

UBS AG
(incorporated with limited liability in Switzerland)
acting through its London Branch

Sponsor
UBS SECURITIES ASIA LIMITED

This addendum includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") for the purpose of giving further information with regard to us. You must read this addendum in conjunction with our base listing document dated 10 April 2012 (our "**base listing document**").

We accept full responsibility for the accuracy of the information contained in this addendum and/or our base listing document and confirm, having made all reasonable enquiries, that to the best of our knowledge and belief there are no other facts the omission of which would make any statement in this addendum and/or our base listing document misleading.

The Structured Products involve derivatives. Investors should not invest in the Structured Products unless they fully understand and are willing to assume the risks associated with them.

Investors are warned that the price of the Structured Products may fall in value as rapidly as it may rise and holders may sustain a total loss of their investment. Prospective purchasers should therefore ensure that they understand the nature of the Structured Products and carefully study the risk factors set out in our base listing document and the relevant supplemental listing document, where necessary, seek professional advice, before they invest in the Structured Products.

The Structured Products constitute our general unsecured contractual obligations and of no other person and will rank equally among themselves and with all our other unsecured obligations (save for those obligations preferred by law) upon liquidation. If you purchase the Structured Products, you are relying upon our creditworthiness and have no rights under the Structured Products against (a) the company which has issued the underlying securities; (b) the trustee or the manager of the underlying unit trust; or (c) the index compiler of any underlying index. If we become insolvent or default on our obligations under the Structured Products, you may not be able to recover all or even part of the amount due under the Structured Products (if any).

IMPORTANT INFORMATION

What is this addendum about?
This addendum contains supplemental general information on us, our unaudited fourth quarter 2012 financial statements for the quarterly period ended 31 December 2012 and our risk management and control extracted from our fourth quarter 2012 financial report. This addendum is a supplement to our base listing document and supersedes the addendum dated 21 November 2012.

You should read this addendum together with our base listing document (including any other addendum to our base listing document to be issued by us from time to time) and the relevant supplemental listing document (including any addendum to such supplemental listing document to be issued by us from time to time) (together, the "**Listing Documents**") before investing in any Structured Product.

Where can you inspect the relevant documents?
Copies of this addendum, our base listing document and the relevant supplemental listing document and other documents set out in the relevant supplemental listing document may be inspected during usual business hours on any weekday (Saturdays, Sundays and holidays excepted) at the offices of UBS Securities Asia Limited.
本增編、我們的基礎上市文件連同相關補充上市文件及於相關補充上市文件內所列的其他文件，可於平日(星期六、日及假期除外)的一般辦公時間於瑞銀証券亞洲有限公司 (UBS Securities Asia Limited) 辦事處查閱。

Are we subject to any litigation?
Save as disclosed in the Listing Documents, we and our subsidiaries are not aware of any litigation or claims of material importance pending or threatened against us or them.

Has our financial position changed since last financial year-end?
There has been no material adverse change in our financial or trading position since 31 December 2011.

What are our credit ratings?
Our long term credit ratings are:

Rating agency	*Rating as of the date of this addendum*
Moody's Investors Service, Inc., New York	A2
Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies Inc.	A

Rating agencies usually receive a fee from the companies that they rate. When evaluating our creditworthiness, you should not solely rely on our credit ratings because:

- a credit rating is not a recommendation to buy, sell or hold the Structured Products;
- ratings of companies may involve difficult-to-quantify factors such as market competition, the success or failure of new products and markets and managerial competence; and
- a high credit rating is not necessarily indicative of low risk. Our credit ratings as of the date of this addendum are for reference only. Any downgrading of our credit ratings could result in a reduction in the value of the Structured Products.

The Structured Products are not rated.
Our credit ratings are subject to change or withdrawal at any time within each rating agency's sole discretion. You should conduct your own research using publicly available sources to obtain the latest information with respect to our ratings from time to time.

How can you get further information about us or the Structured Products?
You may visit *http://warrants.ubs.com/en/home_e.cgi* to obtain further information about us and/or the Structured Products.

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INFORMATION IN RELATION TO US

Updated "Information in relation to us"

The following pages under this section shall replace the information in the section headed "Information in relation to us" on pages 13 to 24 of our base listing document in its entirety.

1. Overview

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

2. Corporate Information

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

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

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

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

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

3. Board of Directors

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

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

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

3.1 Members of the Board of Directors

Members	Title	Term of office	Current positions outside UBS AG
Axel A. Weber	Chairman	2013	Member of the Group of Thirty, Washington, D.C.; research fellow at the Center for Economic Policy Research, London, and the Center for Financial Research, Cologne; member of the board of the International Institute of Finance and senior research fellow at the Center for Financial Studies, Frankfurt/Main; member of the Monetary Economics and International Economics Councils of the *Verein für Social politik*; member of the Advisory Board of the German Market Economy Foundation; member of the Advisory Council of the Goethe University, Frankfurt/Main.
Michel Demaré	Independent Vice Chairman	2013	Member of the board of Syngenta, of the IMD Foundation, Lausanne, and of SwissHoldings, Berne.
David Sidwell	Senior Independent Director	2013	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.
Rainer-Marc Frey	Member	2013	Founder of Horizon21 AG; Chairman of Horizon21 AG, its holding company and related entities and subsidiaries; member of the board of DKSH Group, Zurich, and of the Frey Charitable Foundation, Freienbach.
Ann F. Godbehere	Member	2013	Board member and Chairperson of the Audit Committee of Prudential plc, Rio Tinto plc, Rio Tinto Limited, Atrium Underwriters Ltd., Atrium Underwriting Group Ltd., London, and of Arden Holdings Ltd., Bermuda. Member of the board of British American Tobacco plc.
Axel P. Lehmann	Member	2013	Member of the Group Executive Committee, Group Chief Risk Officer and Regional Chairman Europe of Zurich Insurance Group; Chairman of the board of Farmers Group, Inc.; Chairman of the board of the Institute of Insurance Economics at the University of St. Gallen; member of the Chief Risk Officer Forum, member of the board of Economiesuisse.

Members	Title	Term of office	Current positions outside UBS AG
Wolfgang Mayrhuber	Member	2013	Chairman of the Supervisory Board and Chairperson of the Mediation, the Nomination and the Executive Committees of Infineon Technologies AG, as well as member of the supervisory boards of Munich Re Group, BMW Group, Lufthansa Technik AG and Austrian Airlines AG; member of the board of HEICO Corporation, Hollywood, FL; member of the executive board of Acatech (*Deutsche Akademie der Technikwissenschaften*).
Helmut Panke	Member	2013	Member of the board and Chairperson of the Regulatory and Public Policy Committee of Microsoft Corporation; member of the board and Chairperson of the Board Safety & Risk Committee of Singapore Airlines Ltd.; member of the Supervisory Board of Bayer AG.
William G. Parrett	Member	2013	Independent Director and Chairperson of the Audit Committee of the Eastman Kodak Company, the Blackstone Group LP and Thermo Fisher Scientific Inc.; Past Chairman of the board of the United States Council for International Business and of United Way Worldwide; member of the Carnegie Hall Board of Trustees.
Isabelle Romy	Member	2013	Partner at Froriep Renggli, Zurich; associate professor at the University of Fribourg and at the Federal Institute of Technology, Lausanne; member and Vice Chairman of the Sanction Commission of the SIX Swiss Exchange.
Beatrice Weder di Mauro	Member	2013	Professor at the Johannes Gutenberg University, Mainz; research fellow at the Centre for Economic Policy Research, London; member of the board of Roche Holding Ltd., Basel; member of the Supervisory Board of ThyssenKrupp AG, Essen, and of the *Deutsche Investitions- und Entwicklungsgesellschaft*, Cologne.
Joseph Yam	Member	2013	Executive Vice President of the China Society for Finance and Banking; member of the international advisory councils of a number of government and academic institutions. Board member and Chairperson of the Risk Committee of China Construction Bank. Member of the board of Johnson Electric Holdings Limited and of UnionPay International Co., Ltd.

OUR UNAUDITED FINANCIAL STATEMENTS FOR THE QUARTERLY PERIOD ENDED 31 DECEMBER 2012 - EXTRACTED FROM OUR FOURTH QUARTER 2012 FINANCIAL REPORT

The information set out below in this section has been extracted without adjustment from our unaudited fourth quarter 2012 financial report for the quarterly period ended 31 December 2012 released on 5 February 2013. The page numbers of our fourth quarter 2012 financial report appear on the bottom left or right hand side of the pages in this addendum.

The fourth quarter 2012 financial report is available for inspection at the office of the Sponsor specified on the back page. You may also visit our website at *http://www.ubs.com/global/en/about_ubs/investor_relations/quarterly_reporting/2012.html* to access such report.

Interim consolidated financial statements (unaudited)

Income statement

		For the quarter ended			% change from		Year ended	
CHF million, except per share data	Note	**31.12.12**	30.9.12	31.12.11	3Q12	4Q11	31.12.12	31.12.11
Interest income	3	**3,550**	3,891	4,139	(9)	(14)	15,968	17,969
Interest expense	3	**(2,071)**	(2,360)	(2,395)	(12)	(14)	(9,974)	(11,143)
Net interest income	3	**1,478**	1,531	1,745	(3)	(15)	5,994	6,826
Credit loss (expense) / recovery		**(24)**	(129)	(14)	(81)	71	(118)	(84)
Net interest income after credit loss expense		**1,454**	1,401	1,731	4	(16)	5,875	6,742
Net fee and commission income	4	**3,994**	3,919	3,560	2	12	15,405	15,236
Net trading income	3	**371**	779	443	(52)	(16)	3,480	4,343
Other income	5	**402**	188	128	114	214	682	1,467
Total operating income		**6,222**	6,287	5,862	(1)	6	25,443	27,788
Personnel expenses	6	**4,014**	3,802	3,502	6	15	14,737	15,634
General and administrative expenses	7	**3,843**	1,761	1,652	118	133	8,653	5,959
Depreciation and impairment of property and equipment	8	**169**	184	198	(8)	(15)	689	761
Impairment of goodwill	8	**0**	3,030	0	(100)		3,030	0
Amortization and impairment of intangible assets	8	**19**	39	29	(51)	(34)	106	127
Total operating expenses		**8,044**	8,816	5,381	(9)	49	27,216	22,482
Operating profit before tax		**(1,823)**	(2,529)	481	(28)		(1,774)	5,307
Tax expense / (benefit)	10	**66**	(394)	156		(58)	461	901
Net profit		**(1,889)**	(2,135)	324	(12)		(2,235)	4,406
Net profit attributable to non-controlling interests		**1**	1	2	0	(50)	276	268
Net profit attributable to UBS shareholders		**(1,890)**	(2,137)	323	(12)		(2,511)	4,138
Earnings per share (CHF)								
Basic earnings per share	9	**(0.50)**	(0.57)	0.09	(12)		(0.67)	1.10
Diluted earnings per share	9	**(0.50)**	(0.57)	0.08	(12)		(0.67)	1.08

Statement of comprehensive income[1]

	For the quarter ended					Year ended	
CHF million	31.12.12			30.9.12	31.12.11	31.12.12	31.12.11
	Total	**UBS share-holders**	**Non-control-ling interests**	Total	Total	Total	Total
Net profit	**(1,889)**	**(1,890)**	**1**	(2,135)	324	(2,235)	4,406
Other comprehensive income							
Foreign currency translation							
Foreign currency translation movements, before tax	**(565)**	**(536)**	**(29)**	(93)	744	(395)	985
Foreign exchange amounts reclassified to the income statement from equity	**(7)**	**(7)**		(54)	(3)	(58)	8
Income tax relating to foreign currency translation movements	**(0)**	**(0)**		(61)	(99)	(91)	20
Subtotal foreign currency translation movements, net of tax[2]	**(572)**	**(543)**	**(29)**	(208)	641	(544)	1,014
Financial investments available-for-sale							
Net unrealized gains / (losses) on financial investments available-for-sale, before tax	**19**	**19**		175	17	323	1,458
Impairment charges reclassified to the income statement from equity	**11**	**11**		17	3	85	39
Realized gains reclassified to the income statement from equity	**(208)**	**(208)**		(86)	(62)	(433)	(950)
Realized losses reclassified to the income statement from equity	**0**	**0**		0	2	19	24
Income tax relating to net unrealized gains / (losses) on financial investments available-for-sale	**60**	**60**		(23)	(3)	20	(76)
Subtotal net unrealized gains / (losses) on financial investments available-for-sale, net of tax[2]	**(118)**	**(118)**		83	(43)	14	495
Cash flow hedges							
Effective portion of changes in fair value of derivative instruments designated as cash flow hedges, before tax	**53**	**53**		534	670	1,714	3,093
Net (gains) / losses reclassified to the income statement from equity	**(373)**	**(373)**		(303)	(307)	(1,235)	(1,140)
Income tax relating to cash flow hedges	**64**	**64**		(35)	(78)	(95)	(417)
Subtotal changes in fair value of derivative instruments designated as cash flow hedges, net of tax[2]	**(256)**	**(256)**		196	285	384	1,537
Defined benefit plans							
Gains / (losses) on defined benefit plans, before tax	**489**	**489**		25	(570)	1,023	(2,141)
Income tax relating to gains / losses on defined benefit plans	**(98)**	**(98)**		(220)	108	(413)	321
Subtotal changes in gains / (losses) on defined benefit plans, net of tax[2]	**391**	**391**		(194)	(462)	609	(1,820)
Property revaluation surplus							
Gains on property revaluation, before tax	**0**	**0**		8		8	
Income tax relating to gains on property revaluation	**0**	**0**		(2)		(2)	
Subtotal changes in property revaluation surplus, net of tax[2]	**0**	**0**		6		6	
Total other comprehensive income	**(555)**	**(526)**	**(29)**	(116)	421	469	1,226
Total comprehensive income	**(2,444)**	**(2,416)**	**(28)**	(2,252)	745	(1,766)	5,632
Total comprehensive income attributable to non-controlling interests	**(28)**			9	(15)	243	560
Total comprehensive income attributable to UBS shareholders	**(2,416)**			(2,261)	760	(2,009)	5,071

1 Refer to "Note 1 Basis of accounting" for more information with regards to the adoption of IAS 19R. 2 Other comprehensive income attributable to UBS shareholders related to foreign currency translations was negative CHF 215 million in the third quarter of 2012 and positive CHF 658 million in the fourth quarter of 2011. Other comprehensive income related to financial investments available-for-sale, cash flow hedges, defined benefit plans and property revaluation surplus was wholly attributable to UBS shareholders for all periods presented.

Balance sheet

CHF million	Note	31.12.12	30.9.12	31.12.11	% change from 30.9.12	% change from 31.12.11
Assets						
Cash and balances with central banks		**66,383**	88,473	40,638	(25)	63
Due from banks		**21,230**	24,859	23,218	(15)	(9)
Cash collateral on securities borrowed		**37,372**	57,368	58,763	(35)	(36)
Reverse repurchase agreements		**130,941**	135,917	213,501	(4)	(39)
Trading portfolio assets	11	**160,861**	181,869	181,525	(12)	(11)
of which: assets pledged as collateral which may be sold or repledged by counterparties		***44,698***	*48,034*	*39,936*	*(7)*	*12*
Positive replacement values		**418,029**	449,241	486,584	(7)	(14)
Cash collateral receivables on derivative instruments		**30,413**	32,662	41,322	(7)	(26)
Financial assets designated at fair value		**9,106**	9,371	10,336	(3)	(12)
Loans		**279,901**	278,441	266,604	1	5
Financial investments available-for-sale	12	**66,383**	69,152	53,174	(4)	25
Accrued income and prepaid expenses		**6,093**	6,576	6,327	(7)	(4)
Investments in associates		**858**	857	795	0	8
Property and equipment		**6,004**	5,909	5,688	2	6
Goodwill and intangible assets		**6,461**	6,632	9,695	(3)	(33)
Deferred tax assets		**8,143**	8,279	9,627	(2)	(15)
Other assets	15	**11,055**	10,530	9,165	5	21
Total assets		**1,259,232**	1,366,136	1,416,962	(8)	(11)
Liabilities						
Due to banks		**23,024**	33,281	30,201	(31)	(24)
Cash collateral on securities lent		**9,203**	10,362	8,136	(11)	13
Repurchase agreements		**37,639**	68,187	102,429	(45)	(63)
Trading portfolio liabilities	11	**34,154**	50,402	39,480	(32)	(13)
Negative replacement values		**395,070**	427,509	473,400	(8)	(17)
Cash collateral payables on derivative instruments		**71,148**	72,388	67,114	(2)	6
Financial liabilities designated at fair value		**92,878**	94,328	88,982	(2)	4
Due to customers		**371,892**	369,047	342,409	1	9
Accrued expenses and deferred income		**6,881**	7,053	6,850	(2)	0
Debt issued		**104,656**	117,815	140,617	(11)	(26)
Other liabilities	15, 16	**62,438**	63,308	64,410	(1)	(3)
Total liabilities		**1,208,983**	1,313,680	1,364,027	(8)	(11)
Equity						
Share capital		**384**	383	383	0	0
Share premium		**33,898**	33,619	34,614	1	(2)
Treasury shares		**(1,071)**	(1,036)	(1,160)	3	(8)
Equity classified as obligation to purchase own shares		**(37)**	(40)	(39)	(8)	(5)
Retained earnings		**21,231**	23,121	23,742	(8)	(11)
Cumulative net income recognized directly in equity, net of tax		**(8,509)**	(7,983)	(9,011)	7	(6)
Equity attributable to UBS shareholders		**45,895**	48,065	48,530	(5)	(5)
Equity attributable to non-controlling interests		**4,353**	4,392	4,406	(1)	(1)
Total equity		**50,249**	52,456	52,935	(4)	(5)
Total liabilities and equity		**1,259,232**	1,366,136	1,416,962	(8)	(11)

Statement of changes in equity

CHF million	Share capital	Share premium	Treasury shares	Equity classified as obligation to purchase own shares	Retained earnings
Balance as of 1 January 2011 before the adoption of IAS 19R	**383**	**34,393**	**(654)**	**(54)**	**19,444**
Effect of adoption of IAS 19R[1]					159
Balance as of 1 January 2011 after the adoption of IAS 19R	**383**	**34,393**	**(654)**	**(54)**	**19,604**
Issuance of share capital					
Acquisition of treasury shares			(2,455)		
Disposition of treasury shares			1,949		
Treasury share gains / (losses) and net premium / (discount) on own equity derivative activity[2]		(83)			
Premium on shares issued and warrants exercised		10			
Employee share and share option plans		19			
Tax (expense) / benefit recognized in share premium[2]		280			
Dividends					
Equity classified as obligation to purchase own shares – movements				15	
Preferred securities					
New consolidations and other increases / (decreases)		(5)			
Deconsolidations and other decreases					
Total comprehensive income for the period recognized in equity					4,138
Balance as of 31 December 2011	**383**	**34,614**	**(1,160)**	**(39)**	**23,742**
Issuance of share capital	**0**				
Acquisition of treasury shares			**(1,398)**		
Disposition of treasury shares			**1,486**		
Treasury share gains / (losses) and net premium / (discount) on own equity derivative activity		**(9)**			
Premium on shares issued and warrants exercised		**4**			
Employee share and share option plans		**126**			
Tax (expense) / benefit recognized in share premium		**(457)**			
Dividends		**(379)**[4]			
Equity classified as obligation to purchase own shares – movements				**2**	
Preferred securities					
New consolidations and other increases / (decreases)		**(1)**			
Deconsolidations and other decreases					
Total comprehensive income for the period recognized in equity					**(2,511)**
Balance as of 31 December 2012	**384**	**33,898**	**(1,071)**	**(37)**	**21,231**

1 Refer to "Note 1 Basis of accounting" for more information with regards to the adoption of IAS 19R. 2 Presentational changes have been made in 2012. The line Treasury share gains / (losses) and net premium / (discount) on own equity derivative activity is now shown gross of tax. Previously, this line was shown net of tax. All income tax related to share premium is reported on the line Tax (expense) / benefit recognized in share premium. 3 Includes reclassifications from equity attributable to non-controlling interests to liabilities for preferred securities dividend payment obligations which were accrued in the period. 4 Reflects a payment out of capital contribution reserves of UBS AG (Parent Bank).

Equity attributable to non-controlling interests

	For the year ended	
CHF million	**31.12.12**	31.12.11
Preferred securities[1]		
Balance at the beginning of the period	**4,359**	4,907
Redemptions		(882)
Foreign currency translation	**(48)**	334
Balance at the end of the period	**4,311**	4,359
Other non-controlling interests at the end of the period	**42**	47
Total equity attributable to non-controlling interests	**4,353**	4,406

1 Increases and offsetting decreases due to dividend payment obligations are excluded from this table.

Foreign currency translation	Financial investments available-for-sale	Cash flow hedges	Defined benefit plans	Property revaluation surplus	Total equity attributable to UBS shareholders	Non-controlling interests	Total equity
(7,513)	**(243)**	**1,063**		**0**	**46,820**	**5,043**	**51,863**
344			(3,596)		(3,092)		(3,092)
(7,169)	**(243)**	**1,063**	**(3,596)**	**0**	**43,728**	**5,043**	**48,770**
					0		0
					(2,455)		(2,455)
					1,949		1,949
					(83)		(83)
					10		10
					19		19
					280		280
					0	(269)[3]	(269)
					15		15
					0	(882)	(882)
					(5)	1	(4)
					0	(47)	(47)
722	495	1,537	(1,820)		5,071	560	5,632
(6,447)	**252**	**2,600**	**(5,415)**	**0**	**48,530**	**4,406**	**52,935**
					0		0
					(1,398)		(1,398)
					1,486		1,486
					(9)		(9)
					4		4
					126		126
					(457)		(457)
					(379)	(277)[3]	(656)
					2		2
					0		0
					(1)	(10)	(11)
					0	(9)	(9)
(511)	14	384	609	6	(2,009)	243	(1,766)
(6,958)	267	2,983	(4,806)	6	45,895	4,353	50,249

Notes to the interim consolidated financial statements

Note 1 Basis of accounting

Our consolidated financial information (Financial information) is prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and stated in Swiss francs (CHF).
In preparing the interim Financial information, the same accounting principles and methods of computation have been applied as in the financial statements on 31 December 2011 and for the year then ended, except for the changes set out below and in "Note 1 Basis of accounting" in the "Financial information" section of our first, second and third quarter 2012 reports.

This interim Financial information is not fully in accordance with IAS 34 *Interim Financial Reporting*, as it does not include a statement of cash flows and certain explanatory notes, including the disclosure of the effects of implementation of accounting standards not yet adopted. These disclosures will be included in the annual financial statements for 2012. The interim Financial information is unaudited. In the opinion of management, all adjustments necessary for a fair presentation of the financial position and results of operations for the interim periods have been made.

This interim Financial information should be read in conjunction with the audited financial statements included in UBS's Annual Report 2011.

IAS 19 (revised) *Employee Benefits*

In June 2011, the IASB issued revisions to IAS 19 *Employee Benefits* ("IAS 19R" or "the revised standard"). During the fourth quarter of 2012, UBS adopted IAS 19R retrospectively in accordance with the transitional provisions set out in the standard. The revised standard introduces changes to the recognition, measurement, presentation and disclosure of post-employment benefits. IAS 19R eliminates the "corridor method", under which the recognition of actuarial gains and losses was deferred. Instead, the full defined benefit obligation net of plan assets is now recorded on the bal-

Effect on total comprehensive income

	Effect on the income statement			Effect on other comprehensive income						
CHF million	Personnel expenses	Tax expense / (benefit)	**Net profit**	Gains / (losses) on defined benefit plans, before tax	Income tax relating to gains / losses on defined benefit plans	Foreign currency translation movements, before tax	Income tax relating to foreign currency translation movements	Income tax relating to net unrealized gains / (losses) on financial investments available-for-sale	**Other comprehensive income**	**Total comprehensive income**
Amount previously reported for the year 2011	15,591	923	**4,427**	0	0	995	(6)	(76)	**3,030**	**7,457**
Change in reported figures for the year	43	(22)	**(21)**	(2,141)	321	(10)	26	0	**(1,804)**	**(1,825)**
of which: relates to the fourth quarter 2011	*0*	*(4)*	***3***	*(570)*	*108*	*(40)*	*5*	*0*	***(497)***	***(494)***
Restated amount for the year 2011	15,634	901	**4,406**	(2,141)	321	985	20	(76)	**1,226**	**5,632**
Amount previously reported for the first quarter 2012	3,643	476	**828**	0	0	(873)	68	(2)	**(998)**	**(170)**
Change in reported figures for the period	(265)	55	**211**	252	(6)	32	(9)	0	**269**	**480**
Restated amount for the first quarter 2012	3,378	531	**1,038**	252	(6)	(841)	59	(2)	**(729)**	**309**
Amount previously reported for the second quarter 2012	3,601	253	**698**	0	0	1,155	(97)	(15)	**1,746**	**2,445**
Change in reported figures for the period	(57)	4	**53**	256	(90)	(51)	9	0	**123**	**176**
Restated amount for the second quarter 2012	3,544	257	**751**	256	(90)	1,104	(89)	(15)	**1,870**	**2,621**
Amount previously reported for the third quarter 2012	3,789	(345)	**(2,170)**	0	0	(81)	(91)	(41)	**42**	**(2,129)**
Change in reported figures for the period	13	(48)	**35**	25	(220)	(11)	29	18	**(158)**	**(123)**
Restated amount for the third quarter 2012	3,802	(394)	**(2,135)**	25	(220)	(93)	(61)	(23)	**(116)**	**(2,252)**

ance sheet, with changes resulting from remeasurements recognized immediately in other comprehensive income (OCI). The measurement of the defined benefit obligation takes into account risk sharing features, such as those within our Swiss pension plan. In addition, IAS 19R requires net interest expense/income to be calculated as the product of the net defined benefit liability/asset and the discount rate as determined at the beginning of the year. The effect of this is to remove the previous concept of recognizing an expected return on plan assets. The revised standard also enhances the disclosure requirements for defined benefit plans, requiring more information about the characteristics of such plans and the risks to which entities are exposed through participation in those plans. These disclosures are required on an annual basis and will be included for the first time in our Annual Report 2012.

Under the Basel III framework, the regulatory capital effect of the adoption of IAS 19R, together with related changes in future periods, will be phased in annually from 1 January 2014 such that it becomes fully adjusted on 1 January 2018. If UBS was on a fully applied basis, adoption of IAS 19R would have had an incremental negative effect on Basel III common equity tier 1 capital of approximately CHF 0.9 billion as of 31 December 2012.

The Group has adjusted the opening balance of the earliest period presented and the comparative figures have been presented as if IAS 19R had always been applied. The effect of adoption on prior periods is shown in the tables below. Had UBS not adopted IAS 19R, for the fourth quarter 2012, total equity would have been higher by CHF 3,948 million, the amounts in OCI would not have been recognized, the operating profit before tax would have been CHF 11 million lower and both basic and diluted earnings per share would have been CHF 0.01 lower. For the full year, operating profit before tax would have been CHF 320 million lower.

Effect on earnings per share

	Basic earnings per share			Diluted earnings per share		
CHF	As originally reported	Effect on basic earnings per share	Restated basic earnings per share	As originally reported	Effect on diluted earnings per share	Restated diluted earnings per share
For the year ended 31 December 2011	1.10	0.00	1.10	1.08	0.00	1.08
of which: relates to the fourth quarter 2011	*0.09*	*0.00*	*0.09*	*0.08*	*0.00*	*0.08*
For the nine months ended 30 September 2012	(0.24)	0.07	(0.17)	(0.25)	0.08	(0.17)
of which: relates to the first quarter 2012	*0.22*	*0.06*	*0.28*	*0.22*	*0.05*	*0.27*
of which: relates to the second quarter 2012	*0.11*	*0.02*	*0.13*	*0.11*	*0.01*	*0.12*
of which: relates to the third quarter 2012	*(0.58)*	*0.01*	*(0.57)*	*(0.58)*	*0.01*	*(0.57)*

Effect on the balance sheet

CHF million	Other assets	Deferred tax assets	Other liabilities	Total equity
Balance previously reported as of 31 December 2010/1 January 2011	22,681	9,522	63,719	51,863
Cumulative effect for prior periods	(3,174)	740	658	(3,092)
Restated balance as of 31 December 2010/1 January 2011	19,506	10,262	64,378	48,770
Balance previously reported as of 31 December 2011	12,465	8,526	61,692	57,852
Cumulative effect for prior periods	(3,174)	740	658	(3,092)
Change in reported figures for the year	(126)	361	2,060	(1,825)
of which: relates to the fourth quarter 2011	*(21)*	*116*	*589*	*(494)*
Restated balance as of 31 December 2011	9,165	9,627	64,410	52,935
Balance previously reported as of 30 September 2012	14,308	7,440	61,863	56,840
Cumulative effect for prior periods	(3,300)	1,101	2,718	(4,917)
Change in reported figures for the nine months ended 30 September 2012	(478)	(262)	(1,273)	533
of which: relates to the first quarter 2012	*(480)*	*(72)*	*(1,031)*	*480*
of which: relates to the second quarter 2012	*(3)*	*(68)*	*(248)*	*176*
of which: relates to the third quarter 2012	*5*	*(122)*	*6*	*(123)*
Restated balance as of 30 September 2012	10,530	8,279	63,308	52,456

Effect on personnel expenses by business division and Corporate Center[1]

CHF million	Wealth Management	Wealth Management Americas	Investment Bank	Global Asset Management	Retail & Corporate	Corporate Center	UBS Group
Amount previously reported for the year 2011	3,258	3,840	5,740	955	1,666	132	15,591
Change in reported figures for the year	43	(10)	(24)	(2)	35	0	43
of which: relates to the fourth quarter 2011	*11*	*(3)*	*(15)*	*(2)*	*9*	*0*	*0*
Restated amount for the year 2011	3,300	3,830	5,716	954	1,702	132	15,634
Amount previously reported for the first quarter 2012	559	1,021	1,503	220	253	88	3,643
Change in reported figures for the period	(120)	(2)	(34)	(13)	(96)	0	(265)
of which: relates to changes to the Swiss pension plan	*(120)*	*0*	*(19)*	*(10)*	*(96)*	0	*(245)*
Restated amount for the first quarter 2012	439	1,019	1,469	206	156	88	3,378
Amount previously reported for the second quarter 2012	747	1,060	1,093	216	421	65	3,601
Change in reported figures for the period	(1)	(2)	(46)	(8)	0	0	(57)
of which: relates to changes to the US retiree medical and life-insurance benefit plan	*0*	*0*	*(27)*	*(4)*	*0*	*0*	*(32)*
Restated amount for the second quarter 2012	746	1,057	1,047	208	421	65	3,544
Amount previously reported for the third quarter 2012	799	1,093	1,251	236	342	67	3,789
Change in reported figures for the period	18	(2)	(15)	(2)	14	0	13
Restated amount for the third quarter 2012	817	1,092	1,236	234	356	67	3,802

1 "Amounts previously reported" may differ from those originally published in quarterly and annual reports (for example due to organizational changes).

Note 2 Segment reporting

Transactions between the reportable segments are carried out at internally agreed rates or at arm's length and are reflected in the performance of each segment. Revenue-sharing agreements are used to allocate external client revenues to a segment and cost-allocation agreements are used to allocate shared costs between the segments.

	Wealth Management	Wealth Management Americas	Investment Bank[1]	Global Asset Management	Retail & Corporate	Corporate Center		UBS
CHF million						Core Functions[2]	Legacy Portfolio[1]	
For the year ended 31 December 2012								
Net interest income	1,951	792	1,141	(21)	2,186	(171)	116	5,994
Non-interest income[3]	5,089	5,319	7,422	1,905	1,569	(2,003)	265	19,567
Income[4]	7,040	6,110	8,564	1,884	3,756	(2,173)	381	25,561
Credit loss (expense) / recovery	1	(14)	34	0	(27)	0	(112)	(118)
Total operating income	7,041	6,097	8,598	1,884	3,728	(2,173)	268	25,443
Personnel expenses[5]	2,865	4,252	5,141	885	1,287	240	68	14,737
General and administrative expenses	1,360	893	2,730	395	857	1,648	771	8,653
Services (to) / from other business divisions	243	(15)	132	(10)	(370)	2	19	0
Depreciation and impairment of property and equipment	159	100	257	37	128	6	2	689
Impairment of goodwill	0	0	3,030	0	0	0	0	3,030
Amortization and impairment of intangible assets	7	51	41	8	0	0	0	106
Total operating expenses[5]	4,634	5,281	11,331	1,314	1,901	1,895	861	27,216
Performance before tax	**2,407**	**816**	**(2,734)**	**570**	**1,827**	**(4,068)**	**(592)**	**(1,774)**
Tax expense / (benefit)								461
Net profit								**(2,235)**
As of 31 December 2012								
Total assets[5, 6]	**104,666**	**63,511**	**672,329**	**13,322**	**145,320**	**222,500**	**37,584**	**1,259,232**

1 In the second quarter of 2012, we transferred the provision for US mortgage loan repurchase demands from the Investment Bank to the Corporate Center – Legacy Portfolio. Expenses related to this provision incurred in periods prior to the second quarter of 2012 are presented within the Investment Bank. Refer to "Note 16b Litigation, regulatory and similar matters" for more information on this provision. 2 Certain cost allocations to the business divisions are based on periodically agreed standard rates charged to the business divisions on a monthly basis. This could lead to a difference between actually incurred Corporate Center costs and charges to the business divisions. 3 The measurement of the performance of the business divisions excludes own credit gains and losses on financial liabilities designated at fair value. Refer to "Note 1 Basis of accounting" in our financial report for the second quarter of 2012 for more information. 4 The total inter-segment revenues for the Group are immaterial as the majority of the revenues are allocated across the business divisions by means of revenue-sharing agreements. 5 Refer to "Note 1 Basis of accounting" for more information on the adoption of IAS 19R. 6 The segment assets are based on a third-party view and this basis is in line with the internal reporting to management, i.e. the amounts do not include inter-company balances. Certain assets managed centrally by the Corporate Center (including property and equipment and certain financial assets) are allocated to the segments on a basis different to which the corresponding costs are allocated. Specifically, certain assets are reported in the Corporate Center whereas the corresponding costs are entirely or partially allocated to the segments based on various internally determined allocations.

Note 2 Segment reporting (continued)

CHF million	Wealth Management	Wealth Management Americas	Investment Bank[1]	Global Asset Management	Retail & Corporate	Corporate Center – Core Functions[2]	Corporate Center – Legacy Portfolio[1]	UBS
For the year ended 31 December 2011								
Net interest income	1,968	729	1,460	(15)	2,328	(118)	474	6,826
Non-interest income[3]	5,666	4,571	6,521	1,817	1,858	1,702	(1,090)	21,046
Income[4]	7,634	5,300	7,981	1,803	4,186	1,584	(616)	27,872
Credit loss (expense) / recovery	11	(6)	(13)	0	(101)	(1)	25	(84)
Total operating income	7,645	5,295	7,968	1,803	4,085	1,583	(591)	27,788
Personnel expenses[5]	3,300	3,830	5,716	954	1,702	64	68	15,634
General and administrative expenses	1,192	783	2,490	375	834	137	148	5,959
Services (to) / from other business divisions	318	(9)	108	(1)	(470)	(1)	56	0
Depreciation and impairment of property and equipment	165	99	251	38	136	70	3	761
Amortization and impairment of intangible assets	37	48	34	8	0	0	0	127
Total operating expenses[5]	5,012	4,750	8,599	1,373	2,201	271	276	22,482
Performance before tax	**2,633**	**544**	**(631)**	**430**	**1,884**	**1,313**	**(866)**	**5,307**
Tax expense / (benefit)								901
Net profit								**4,406**
As of 31 December 2011								
Total assets[5, 6, 7]	**100,352**	**53,870**	**896,160**	**15,239**	**147,117**	**148,129**	**56,096**	**1,416,962**

1 In the second quarter of 2012, we transferred the provision for US mortgage loan repurchase demands from the Investment Bank to the Corporate Center – Legacy Portfolio. Expenses related to this provision incurred in periods prior to the second quarter of 2012 are presented within the Investment Bank. Refer to "Note 16b Litigation, regulatory and similar matters" for more information on this provision. 2 Certain cost allocations to the business divisions are based on periodically agreed flat fees charged to the business divisions on a monthly basis. This could lead to a difference between actually incurred Corporate Center costs and charges to the business divisions. 3 The measurement of the performance of the business divisions excludes own credit gains and losses on financial liabilities designated at fair value. Refer to "Note 1 Basis of accounting" in our financial report for the second quarter of 2012 for more information. 4 The total inter-segment revenues for the Group are immaterial as the majority of the revenues are allocated across the business divisions by means of revenue-sharing agreements. 5 Refer to "Note 1 Basis of accounting" for more information on the adoption of IAS 19R. 6 The segment assets are based on a third-party view and this basis is in line with the internal reporting to management, i.e. the amounts do not include inter-company balances. 7 In the fourth quarter of 2012, the Asset Liability Management unit was transferred from the Investment Bank to Corporate Center – Core Functions. Prior period balance sheet assets were restated to reflect this transfer. As a result, total assets as of 31 December 2011 for the Investment Bank were reduced by CHF 122,769 million, with a corresponding increase in Corporate Center – Core Functions. This transfer did not affect the prior period segment income statements.

Note 3 Net interest and trading income

	For the quarter ended			% change from		Year ended	
CHF million	**31.12.12**	30.9.12	31.12.11	3Q12	4Q11	31.12.12	31.12.11
Net interest and trading income							
Net interest income	**1,478**	1,531	1,745	(3)	(15)	5,994	6,826
Net trading income	**371**	779	443	(52)	(16)	3,480	4,343
Total net interest and trading income	**1,850**	2,309	2,188	(20)	(15)	9,474	11,169
Wealth Management	**669**	689	703	(3)	(5)	2,728	2,846
Wealth Management Americas	**328**	304	321	8	2	1,265	1,179
Investment Bank	**663**	1,336	1,161	(50)	(43)	4,872	4,010
of which: investment banking	***(7)***	*(12)*	*47*	*(42)*		*16*	*44*
of which: equities	***263***	*440*	*341*	*(40)*	*(23)*	*1,263*	*149*
of which: fixed income, currencies and commodities	***407***	*908*	*774*	*(55)*	*(47)*	*3,593*	*3,817*
Global Asset Management	**7**	(3)	12		(42)	12	8
Retail & Corporate	**634**	620	638	2	(1)	2,467	2,661
Corporate Center	**(450)**	(636)	(647)	(29)	(30)	(1,870)	465
of which: own credit on financial liabilities designated at fair value[1]	***(414)***	*(863)*	*(71)*	*(52)*	*483*	*(2,202)*	*1,537*
Total net interest and trading income	**1,850**	2,309	2,188	(20)	(15)	9,474	11,169
Net interest income							
Interest income							
Interest earned on loans and advances[2]	**2,189**	2,351	2,549	(7)	(14)	9,323	9,925
Interest earned on securities borrowed and reverse repurchase agreements	**288**	333	416	(14)	(31)	1,413	1,716
Interest and dividend income from trading portfolio	**888**	1,030	990	(14)	(10)	4,482	5,466
Interest income on financial assets designated at fair value	**92**	92	91	0	1	369	248
Interest and dividend income from financial investments available-for-sale	**93**	85	93	9	0	381	615
Total	**3,550**	3,891	4,139	(9)	(14)	15,968	17,969
Interest expense							
Interest on amounts due to banks and customers[3]	**187**	377	533	(50)	(65)	1,413	2,040
Interest on securities lent and repurchase agreements	**231**	271	317	(15)	(27)	1,206	1,352
Interest expense from trading portfolio[4]	**379**	508	291	(25)	30	2,391	2,851
Interest on financial liabilities designated at fair value	**374**	445	501	(16)	(25)	1,762	1,993
Interest on debt issued	**899**	760	752	18	20	3,202	2,907
Total	**2,071**	2,360	2,395	(12)	(14)	9,974	11,143
Net interest income	**1,478**	1,531	1,745	(3)	(15)	5,994	6,826
Net trading income							
Investment Bank investment banking	**12**	0	51		(76)	69	61
Investment Bank equities	**159**	401	348	(60)	(54)	1,032	173
Investment Bank fixed income, currencies and commodities	**229**	629	292	(64)	(22)	2,629	2,316
Other business divisions and Corporate Center	**(29)**	(251)	(249)	(88)	(88)	(250)	1,793
Net trading income	**371**	779	443	(52)	(16)	3,480	4,343
of which: net gains/(losses) from financial liabilities designated at fair value[1, 5]	***(1,441)***	*(3,030)*	*(1,198)*	*(52)*	*20*	*(6,492)*	*7,437*

1 For more information on own credit refer to "Note 13b Valuation information". 2 Includes interest income on Cash collateral receivables on derivative instruments. 3 Includes interest expense on Cash collateral payables on derivative instruments. 4 Includes expense related to dividend payment obligations on trading liabilities. 5 Fair value changes of hedges related to financial liabilities designated at fair value are also reported in Net trading income.

Note 3 Net interest and trading income (continued)

Net trading income in the fourth quarter of 2012 included a loss of CHF 9 million from credit valuation adjustments for monoline credit protection (of which CHF 23 million loss related to negative basis trades and CHF 14 million gain related to other trades) reflected in Other business divisions and Corporate Center. This compares with a CHF 88 million gain in the third quarter of 2012 (of which CHF 64 million related to negative basis trades and CHF 25 million related to other trades) and a CHF 66 million loss in the fourth quarter of 2011 (of which CHF 81 million loss related to negative basis trades and CHF 15 gain million related to other trades).

➔ **Refer to the "Risk management and control" section of this report for more information on exposure to monolines**

Net trading income in the fourth quarter of 2012 also included a gain of CHF 91 million from the valuation of our option to acquire the SNB StabFund's equity, also reflected in Other business divisions and Corporate Center, compared with a CHF 263 million gain in the third quarter of 2012 and a CHF 129 million loss in the fourth quarter of 2011.

➔ **Refer to the "Risk management and control" section of this report for more information on the valuation of our option to acquire the SNB StabFund's equity**

Note 4 Net fee and commission income

	For the quarter ended			% change from		Year ended	
CHF million	**31.12.12**	30.9.12	31.12.11	3Q12	4Q11	31.12.12	31.12.11
Equity underwriting fees	**223**	205	129	9	73	807	626
Debt underwriting fees	**182**	230	117	(21)	56	732	554
Total underwriting fees	**405**	436	247	(7)	64	1,539	1,180
M&A and corporate finance fees	**197**	172	262	15	(25)	679	992
Brokerage fees	**937**	928	837	1	12	3,836	4,169
Investment fund fees	**954**	907	870	5	10	3,626	3,577
Portfolio management and advisory fees	**1,530**	1,509	1,372	1	12	5,892	5,551
Insurance-related and other fees	**130**	113	85	15	53	451	368
Total securities trading and investment activity fees	**4,153**	4,065	3,672	2	13	16,023	15,837
Credit-related fees and commissions	**111**	96	118	16	(6)	414	438
Commission income from other services	**200**	215	219	(7)	(9)	833	827
Total fee and commission income	**4,464**	4,375	4,009	2	11	17,270	17,102
Brokerage fees paid	**217**	206	202	5	7	871	933
Other	**252**	251	247	0	2	994	933
Total fee and commission expense	**469**	456	449	3	4	1,865	1,866
Net fee and commission income	**3,994**	3,919	3,560	2	12	15,405	15,236
of which: net brokerage fees	*720*	*722*	*635*	*0*	*13*	*2,965*	*3,236*

Note 5 Other income

	For the quarter ended			% change from		Year ended	
CHF million	**31.12.12**	30.9.12	31.12.11	3Q12	4Q11	31.12.12	31.12.11
Associates and subsidiaries							
Net gains / (losses) from disposals of subsidiaries[1]	**7**	9	3	(22)	133	(7)	(18)
Net gains / (losses) from disposals of investments in associates	**0**	0	7		(100)	0	20
Share of net profits of associates	**15**	37	12	(59)	25	88	42
Total	**22**	45	22	(51)	0	81	44
Financial investments available-for-sale							
Net gains / (losses) from disposals	**208**	86	60	142	247	414	926
Impairment charges	**(11)**	(17)	(3)	(35)	267	(85)	(39)
Total	**196**	69	58	184	238	329	887
Net income from properties[2]	**9**	9	8	0	13	35	38
Net gains / (losses) from investment properties[3]	**0**	1	3	(100)	(100)	4	9
Other[4]	**175**	64	37	173	373	234	490
Total other income	**402**	188	128	114	214	682	1,467

1 Includes foreign exchange gains / losses reclassified from other comprehensive income related to disposed or dormant subsidiaries. 2 Includes net rent received from third parties and net operating expenses. 3 Includes unrealized and realized gains / losses from investment properties at fair value and foreclosed assets. 4 Includes mainly net gains / losses from disposals of loans and receivables and own-used property.

Note 6 Personnel expenses

In the fourth quarter of 2012, IAS 19R was adopted. Prior period information for the expense line Pension and other post-employment benefit plans has been restated accordingly. Refer to "Note 1 Basis of accounting" for more information.

In the first quarter of 2012, UBS announced certain changes to its Swiss pension plan. The main changes, being the reduction in conversion rate on retirement and an increase to the regular retirement age, serve in part to offset the impact of the increased life expectancy reflected in the defined benefit obligation. These changes to the pension plan resulted in a credit of CHF 730 million to the expense line Pension and other post-employment benefit plans in the first quarter of 2012.

In the second quarter of 2012, UBS announced changes to its retiree medical and life insurance benefit plan in the US. These changes resulted in a credit of CHF 116 million to the expense line Pension and other post-employment benefit plans.

For both of the abovementioned changes, net credits of CHF 485 million and CHF 84 million were reported under IAS 19, for the first and second quarter of 2012, respectively. The credits to the expense line were higher under IAS 19R because under IAS 19 related unrecognized actuarial losses were recognized concurrently in the income statement, whereas under IAS 19R, all actuarial gains and losses are already recognized in equity.

	For the quarter ended			% change from		Year ended	
CHF million	**31.12.12**	30.9.12	31.12.11	3Q12	4Q11	31.12.12	31.12.11
Salaries and variable compensation	**2,628**	2,388	2,234	10	18	10,182	10,567
Contractors	**56**	59	48	(5)	17	214	217
Social security	**221**	183	163	21	36	768	743
Pension and other post-employment benefit plans	**205**	247	209	(17)	(2)	18	831
Wealth Management Americas: Financial advisor compensation[1]	**739**	741	666	0	11	2,873	2,518
Other personnel expenses	**164**	184	181	(11)	(9)	682	758
Total personnel expenses[2]	**4,014**	3,802	3,502	6	15	14,737	15,634

1 Financial advisor compensation consists of grid-based compensation based directly on compensable revenues generated by financial advisors and supplemental compensation calculated based on financial advisor productivity, firm tenure, assets and other variables. It also includes costs related to compensation commitments and advances granted to financial advisors at the time of recruitment, which are subject to vesting requirements. 2 The fourth quarter of 2012 includes net restructuring charges of CHF 257 million (3Q12: net release of CHF 18 million). Refer to "Note 17 Changes in organization" for more information.

Note 7 General and administrative expenses

	For the quarter ended			% change from		Year ended	
CHF million	**31.12.12**	30.9.12	31.12.11	3Q12	4Q11	31.12.12	31.12.11
Occupancy	**277**	270	267	3	4	1,074	1,059
Rent and maintenance of IT and other equipment	**123**	111	111	11	11	473	429
Communication and market data services	**154**	162	161	(5)	(4)	632	616
Administration	**264**	132	244	100	8	636	621
Marketing and public relations	**165**	127	124	30	33	528	393
Travel and entertainment	**124**	102	127	22	(2)	450	470
Professional fees	**278**	261	264	7	5	908	822
Outsourcing of IT and other services	**370**	353	298	5	24	1,357	1,151
Provisions for litigation, regulatory and similar matters[1, 2]	**2,081**	239	38	771		2,549	276
Other	**9**	4	18	125	(50)	47	122
Total general and administrative expenses	**3,843**	1,761	1,652	118	133	8,653	5,959

1 Reflects the net increase / release of provisions for litigation, regulatory and similar matters recognized in the income statement. In addition, it includes recoveries from third parties of CHF 4 million, CHF 1 million and CHF 21 million for the quarters ended 31 December 2012, 30 September 2012 and 31 December 2011, respectively, and of CHF 12 million and CHF 33 million for the years ended 31 December 2012 and 31 December 2011, respectively. The fourth quarter of 2012 includes charges for provisions arising from fines and disgorgement resulting from regulatory investigations concerning LIBOR and other benchmark rates. A portion of the net increase / release recognized in the income statement for provisions for certain litigation, regulatory and similar matters for the third quarter of 2012 as presented in "Note 16a Provisions" was recorded as negative other income rather than as general and administrative expenses. 2 Refer to "Note 16 Provisions and contingent liabilities" for more information.

Note 8 Impairment of goodwill and other non-financial assets

UBS performs an impairment test on its goodwill assets on an annual basis, or when indicators of impairment exist. UBS considers the segments as reported in "Note 2 Segment reporting" as separate cash-generating units. The impairment test is performed for each segment for which goodwill is allocated by comparing the recoverable amount with the carrying amount of the respective segment. An impairment charge is recognized if the carrying amount exceeds the recoverable amount.

As of 31 December 2012, the following three segments carried goodwill: Wealth Management (CHF 1.3 billion), Wealth Management Americas (CHF 3.2 billion) and Global Asset Management (CHF 1.4 billion). Based on the impairment methodology described in more detail in the Annual Report 2011, UBS concluded that the goodwill balances as of 31 December 2012 allocated to these segments remain recoverable.

➔ **Refer to the "Note 16 Goodwill and intangible assets" in the Annual Report 2011 for more information on the methodology for goodwill impairment testing and related assumptions**

Impairment of Investment Bank goodwill and other non-financial assets in the third quarter of 2012

An impairment test was performed as of 30 September 2012 with respect to the Investment Bank because indicators of impairment were present for that cash-generating unit. These indicators included negative variances from planned performance, preliminary discussions regarding changes in strategy for the Investment Bank and revised business plan information taking account of changes in market conditions and the global economic outlook. The impairment test was based on the business plan approved by the Board of Directors on 29 October 2012. As a result of that impairment test, losses were recognized in the income statement relating to a full impairment of CHF 3,030 million for goodwill. Additional assets were examined to determine whether their carrying values exceeded their recoverable amounts. Impairment losses of CHF 15 million were recognized in the income statement for other intangible assets and CHF 19 million for property and equipment. These impairment losses were recognized in the Investment Bank's third quarter 2012 operating results as "Impairment of goodwill", "Amortization and impairment of intangible assets", and "Depreciation and impairment of property and equipment".

➔ **Refer to "Note 8 Impairment of goodwill and other non-financial assets" in the financial report for the third quarter of 2012 for more information**

Note 9 Earnings per share (EPS) and shares outstanding

	As of or for the quarter ended			% change from		As of or for the year ended	
	31.12.12	30.9.12	31.12.11	3Q12	4Q11	31.12.12	31.12.11
Basic earnings (CHF million)							
Net profit attributable to UBS shareholders	**(1,890)**	(2,137)	323	(12)		(2,511)	4,138
Diluted earnings (CHF million)							
Net profit attributable to UBS shareholders	**(1,890)**	(2,137)	323	(12)		(2,511)	4,138
Less: (profit)/loss on UBS equity derivative contracts	**(1)**	(1)	(1)	0	0	(1)	(3)
Net profit attributable to UBS shareholders for diluted EPS	**(1,891)**	(2,138)	322	(12)		(2,512)	4,135
Weighted average shares outstanding							
Weighted average shares outstanding for basic EPS	**3,748,149,482**	3,746,938,472	3,746,558,486	0	0	3,754,112,403	3,774,036,437
Effect of dilutive potential shares resulting from notional shares, in-the-money options and warrants outstanding[1]	**258,743**	385,983	53,577,481	(33)	(100)	126,261	61,259,378
Weighted average shares outstanding for diluted EPS	**3,748,408,225**	3,747,324,455	3,800,135,967	0	(1)	3,754,238,664	3,835,295,815
Earnings per share (CHF)							
Basic	**(0.50)**	(0.57)	0.09	(12)		(0.67)	1.10
Diluted	**(0.50)**	(0.57)	0.08	(12)		(0.67)	1.08
Shares outstanding							
Shares issued	**3,835,250,233**	3,833,580,057	3,832,121,899	0	0	3,835,250,233	3,832,121,899
Treasury shares	**87,879,601**	87,731,484	84,955,551	0	3	87,879,601	84,955,551
Shares outstanding	**3,747,370,632**	3,745,848,573	3,747,166,348	0	0	3,747,370,632	3,747,166,348
Exchangeable shares	**418,526**	422,413	509,243	(1)	(18)	418,526	509,243
Shares outstanding for EPS	**3,747,789,158**	3,746,270,986	3,747,675,591	0	0	3,747,789,158	3,747,675,591

1 Potential shares which could potentially dilute basic earnings per share in the future, but were not dilutive for the periods presented have been excluded for those periods. These shares mainly relate to employee share-based compensation awards, totaling 233,256,208, 218,850,433 and 219,744,203 shares for the quarters ended 31 December 2012, 30 September 2012, 31 December 2011, respectively, and 233,256,208 and 219,744,203 shares for the years ended 31 December 2012 and 31 December 2011, respectively. Potentially dilutive shares related to other instruments, totaling 15,456,289, 26,380,574 and 32,772,286 shares for the quarters ended 31 December 2012, 30 September 2012, 31 December 2011, respectively, and 15,386,605 and 24,407,443 shares for the years ended 31 December 2012 and 31 December 2011, respectively, have also been excluded. Further, an additional 100 million shares ("contingent share issue") related to the SNB transaction were also not dilutive for any periods presented, but could potentially dilute earnings per share in the future.

Note 10 Income taxes

We recognized a net income tax expense of CHF 66 million in the fourth quarter of 2012. This includes tax expenses of CHF 106 million in respect of the taxable profits of Group entities. These expenses were partly offset by a tax benefit of CHF 36 million from the release of provisions in respect of tax positions that had previously been uncertain and a net tax benefit of CHF 4 million in respect of a further net increase in deferred tax assets following the third quarter re-measurement made for interim reporting purposes.

Note 11 Trading portfolio

CHF million	31.12.12	30.9.12	31.12.11
Trading portfolio assets by product type			
Debt instruments			
Government bills / bonds	**28,737**	37,794	45,297
Corporate bonds, municipal bonds, including bonds issued by financial institutions	**24,000**	31,170	32,765
Loans	**6,129**	5,704	4,088
Investment fund units[1]	**13,629**	13,495	11,963
Asset-backed securities	**8,556**	16,918	17,035
of which: mortgage-backed securities	***5,873***	*13,840*	*13,868*
Total debt instruments	**81,052**	105,082	111,148
Equity instruments[1]	**47,438**	39,257	35,296
Financial assets for unit-linked investment contracts	**15,277**	16,287	16,376
Financial assets held for trading	**143,767**	160,626	162,821
Precious metals and other physical commodities	**17,093**	21,242	18,704
Total trading portfolio assets	**160,861**	181,869	181,525
Trading portfolio liabilities by product type			
Debt instruments			
Government bills / bonds	**14,741**	27,372	17,026
Corporate bonds, municipal bonds, including bonds issued by financial institutions	**5,386**	7,381	7,122
Investment fund units	**383**	817	1,083
Asset-backed securities	**22**	11	312
of which: mortgage-backed securities	***22***	*7*	*287*
Total debt instruments	**20,533**	35,582	25,542
Equity instruments	**13,621**	14,820	13,937
Total trading portfolio liabilities	**34,154**	50,402	39,480

1 In the fourth quarter of 2012, we corrected the classification of certain investment fund units which were previously classified as equity instruments rather than debt instruments. As a result, equity instruments were reduced by CHF 2,702 million and CHF 2,104 million as of 30 September 2012 and 31 December 2011, respectively, and investment fund units within debt instruments were increased by CHF 2,702 million and CHF 2,104 million as of 30 September 2012 and 31 December 2011, respectively.

Note 12 Financial investments available-for-sale

CHF million	31.12.12	30.9.12	31.12.11
Financial investments available-for-sale by product type			
Debt instruments			
Government bills / bonds	**47,031**	48,264	34,899
Corporate bonds, municipal bonds, including bonds issued by financial institutions	**10,940**	10,304	8,590
Investment fund units	**375**	409	445
Mortgage-backed securities	**7,313**	9,361	8,541
Total debt instruments	**65,659**	68,338	52,475
Equity instruments	**725**	814	699
Total financial investments available-for-sale	**66,383**	69,152	53,174

Note 13 Fair value of financial instruments

a) Fair value hierarchy

All financial instruments at fair value are categorized into one of three fair value hierarchy levels at quarter end, based upon the lowest level input that is significant to the product's fair value measurement in its entirety:

– Level 1 – quoted prices (unadjusted) in active markets for identical assets and liabilities;
– Level 2 – valuation techniques for which all significant inputs are market observable, either directly or indirectly; and
– Level 3 – valuation techniques which include significant inputs that are not based on observable market data.

Determination of fair values from quoted market prices or valuation techniques[1]

CHF billion	Level 1	Level 2	Level 3	Total
As of 31 December 2012				
Financial assets held for trading[2]	**91.3**	**46.8**	**5.7**	**143.8**
of which: pledged as collateral which may be sold or repledged by counterparties	***38.7***	***5.8***	***0.2***	***44.7***
Positive replacement values	**2.9**	**407.0**	**8.1**	**418.0**
Financial assets designated at fair value	**0.1**	**4.1**	**4.9**	**9.1**
Financial investments available-for-sale	**48.5**	**16.9**	**0.9**	**66.4**
Total assets	**142.8**	**474.9**	**19.7**	**637.3**
Trading portfolio liabilities	**28.6**	**5.4**	**0.2**	**34.2**
Negative replacement values	**2.9**	**385.7**	**6.5**	**395.1**
Financial liabilities designated at fair value	**0.0**	**78.2**	**14.7**	**92.9**
Other liabilities – amounts due under unit-linked investment contracts		**15.3**		**15.3**
Total liabilities	**31.4**	**484.7**	**21.4**	**537.4**
As of 30 September 2012				
Financial assets held for trading[2]	108.0	45.6	7.0	160.6
of which: pledged as collateral which may be sold or repledged by counterparties	*41.9*	*5.5*	*0.7*	*48.0*
Positive replacement values	4.8	434.4	10.1	449.2
Financial assets designated at fair value	0.0	4.7	4.6	9.4
Financial investments available-for-sale	51.2	17.0	1.0	69.2
Total assets	164.0	501.7	22.7	688.4
Trading portfolio liabilities	44.1	6.1	0.2	50.4
Negative replacement values	4.7	414.9	7.9	427.5
Financial liabilities designated at fair value	0.0	80.8	13.5	94.3
Other liabilities – amounts due under unit-linked investment contracts		16.3		16.3
Total liabilities	48.8	518.1	21.6	588.5
As of 31 December 2011				
Financial assets held for trading[2]	99.4	55.7	7.8	162.8
of which: pledged as collateral which may be sold or repledged by counterparties	*33.2*	*6.2*	*0.5*	*39.9*
Positive replacement values	3.4	469.2	13.9	486.6
Financial assets designated at fair value	0.7	6.9	2.7	10.3
Financial investments available-for-sale	34.8	17.7	0.6	53.2
Total assets	138.4	549.5	25.0	712.9
Trading portfolio liabilities	30.4	8.4	0.6	39.5
Negative replacement values	3.5	459.1	10.8	473.4
Financial liabilities designated at fair value	0.0	76.9	12.1	89.0
Other liabilities – amounts due under unit-linked investment contracts		16.4		16.4
Total liabilities	34.0	560.8	23.5	618.2

1 Bifurcated embedded derivatives, which are presented on the same balance sheet lines as their host contracts, are excluded from this table. As of 31 December 2012, net bifurcated embedded derivative assets held at fair value, totaling CHF 0.2 billion (of which CHF 0.4 billion were net level 3 assets and CHF 0.1 billion net level 2 liabilities) were recognized on the balance sheet within Debt issued. As of 30 September 2012, net bifurcated embedded derivative assets held at fair value, totaling CHF 0.4 billion (of which CHF 0.5 billion were net level 3 assets and CHF 0.1 billion net level 2 liabilities) were recognized on the balance sheet within Debt issued. As of 31 December 2011, net bifurcated embedded derivative assets held at fair value, totaling CHF 1.0 billion (of which CHF 0.8 billion were net level 3 assets and CHF 0.2 billion net level 2 assets) were recognized on the balance sheet within Debt issued. 2 Financial assets held for trading do not include precious metals and commodities.

Note 13 Fair value of financial instruments (continued)

b) Valuation information

Own credit on financial liabilities designated at fair value

Own credit changes are calculated based on a funds transfer price (FTP) curve, which provides a single level of discounting for uncollateralized funded instruments within UBS. The FTP curve is used to value uncollateralized and partially uncollateralized funding transactions designated at fair value, and for relevant tenors is set by reference to the level at which UBS medium term notes (MTN) are priced. The FTP curve spread is considered to be representative of the credit risk which reflects the premium that market participants require to purchase UBS MTN.

Amounts for the quarter represent the change during the quarter, and life-to-date amounts reflect the cumulative change since initial recognition. The change in own credit for the period can be analyzed in two components: (i) changes in fair value that are attributable to the change in our credit spreads during the period, and (ii) the effect of "volume changes", which is the change in fair values attributable to factors other than credit spreads, such as redemptions, effects from time decay, changes in the interest rates and changes in the value of reference instruments issued by third parties. The own credit amounts are also impacted by foreign currency movements.

An own credit loss on financial liabilities designated at fair value of CHF 414 million was recorded in the fourth quarter.

Own credit on financial liabilities designated at fair value

	As of or for the quarter ended			Year ended	
CHF million	**31.12.12**	30.9.12	31.12.11	31.12.12	31.12.11
Total gain / (loss) for the period ended	**(414)**	(863)	(71)	(2,202)	1,537
of which: credit spread related only	***(454)***	*(884)*	*24*	*(2,338)*	*1,526*
Life-to-date gain / (loss)	**(292)**	132	1,934		

c) Deferred day 1 profit or loss

The table reflects the activity in deferred profit or loss for financial instruments for which fair value is determined using valuation models for which not all significant inputs are market observable. Such financial instruments are initially recognized at their transaction price, even if the values obtained from the relevant valuation model on day 1 differ. Day 1 reserves are released and profit is recorded in net trading income as either the underlying parameters become observable, the transaction is closed out or through an appropriate amortization methodology. The table shows the aggregate difference yet to be recognized in profit or loss at the beginning and end of the period and a reconciliation of changes in the balance (movement of deferred day 1 profit or loss).

Deferred day 1 profit or loss

	For the quarter ended		
CHF million	**31.12.12**	30.9.12	31.12.11
Balance at the beginning of the period	**434**	508	464
Deferred profit / (loss) on new transactions	**159**	34	31
Recognized (profit) / loss in the income statement	**(103)**	(103)	(81)
Foreign currency translation	**(16)**	(5)	19
Balance at the end of the period	**474**	434	433

Note 14 Reclassification of financial assets

In the fourth quarter of 2008 and the first quarter of 2009, financial assets were reclassified out of held-for-trading to loans and receivables. On their reclassification date these assets had fair values of CHF 26 billion and CHF 0.6 billion, respectively.

The table below provides notional values, fair values and carrying values by product category for the remaining reclassified financial assets.

Held-for-trading assets reclassified to loans and receivables

	31.12.12			
CHF billion	Notional value	Fair value	Carrying value	Ratio of carrying to notional value (%)
US student loan and municipal auction rate securities	2.0	1.7	1.9	94
Monoline-protected assets	0.6	0.6	0.5	91
Leveraged finance	0.3	0.3	0.3	85
US reference-linked notes	0.1	0.1	0.1	73
Other assets	0.5	0.5	0.4	83
Total	**3.6**	**3.1**	**3.2**	**90**

Held-for-trading assets reclassified to loans and receivables

CHF billion	**31.12.12**	30.9.12	31.12.11
Carrying value	**3.2**	4.3	5.3
Fair value	**3.1**	4.2	4.9
Pro-forma fair value gain / (loss)	**(0.1)**	(0.1)	(0.4)

In the fourth quarter of 2012, the carrying value of the remaining reclassified financial assets decreased by CHF 1.1 billion, mainly due to sales of US student loan auction rate securities with a carrying value of CHF 0.9 billion at the time of the sale. The net impact on operating profit before tax from the reclassified assets was a gain of CHF 0.1 billion (see table below). If these financial assets had not been reclassified, the impact on fourth quarter 2012 operating profit before tax would also have been a gain of approximately CHF 0.1 billion.

Contribution of the reclassified assets to the income statement

	For the quarter ended		Year-to-date
CHF million	**31.12.12**	30.9.12	31.12.12
Net interest income	**14**	36	116
Credit loss (expense) / recovery	**15**	(93)	(73)
Other income[1]	**28**	26	7
Impact on operating profit before tax	**56**	(31)	49

1 Includes net gains / losses on the disposal of reclassified financial assets.

Note 15 Other assets and liabilities

CHF million	**31.12.12**	30.9.12	31.12.11
Other assets			
Prime brokerage receivables	**8,072**	7,265	6,103
Settlement and clearing accounts	**589**	611	482
Other	**2,394**	2,654	2,580
Total other assets	**11,055**	10,530	9,165
Other liabilities			
Prime brokerage payables	**35,620**	37,357	36,746
Amounts due under unit-linked investment contracts	**15,346**	16,367	16,481
Provisions	**2,536**	1,876	1,626
Accrued pension and post-employment benefit liability[1]	**1,284**	1,790	3,135
Settlement and clearing accounts	**991**	1,167	874
Current and deferred tax liabilities	**586**	529	573
Other	**6,076**[2]	4,223	4,976
Total other liabilities	**62,438**	63,308	64,410

1 Refer to "Note 1 Basis of accounting" for more information with regards to the adoption of IAS 19R. 2 Includes liabilities arising from fines and disgorgement resulting from regulatory investigations concerning LIBOR and other benchmark rates. Refer to "Note 16 Provisions and contingent liabilities" for more information.

Note 16 Provisions and contingent liabilities

a) Provisions

CHF million	Operational risks[1]	Litigation, regulatory and similar matters[2]	Restructuring	Loan commitments and guarantees	Other[3]	Total provisions
Balance as of 31 December 2011	58	482	467	93	525	**1,626**
Increase in provisions recognized in the income statement	8	70	139	0	21	**239**
Release of provisions recognized in the income statement	(3)	(18)	(7)	(3)	(3)	**(34)**
Provisions used in conformity with designated purpose	(14)	(66)	(72)	0	(30)	**(181)**
Reclassifications	0	0	(37)[4]	3	0	**(34)**
Foreign currency translation / unwind of discount	(1)	(15)	(8)	(2)	(6)	**(32)**
Balance as of 31 March 2012	49	454	484	92	506	**1,584**
Increase in provisions recognized in the income statement	9	210	32	1	23	**275**
Release of provisions recognized in the income statement	0	(27)	(26)	(1)	(3)	**(58)**
Provisions used in conformity with designated purpose	(6)	(75)	(88)	0	(23)	**(192)**
Reclassifications	0	0	(2)[4]	(15)	0	**(17)**
Foreign currency translation / unwind of discount	0	22	22	2	9	**55**
Balance as of 30 June 2012	52	584	422	78	513	**1,648**
Increase in provisions recognized in the income statement	10	285	4	0	113	**413**
Release of provisions recognized in the income statement	(1)	0	(14)	(16)	(63)[5]	**(93)**
Provisions used in conformity with designated purpose	(8)	(13)	(55)	0	(19)	**(95)**
Reclassifications	0	44	0	(2)	(44)	**(2)**
Foreign currency translation / unwind of discount	(1)	(2)	5	1	2	**5**
Balance as of 30 September 2012	52	897	363	61	503	**1,876**
Increase in provisions recognized in the income statement	14	2,120	256	3	24	**2,417**
Release of provisions recognized in the income statement	(5)	(35)	(38)	0	(9)	**(87)**
Provisions used in conformity with designated purpose	(9)	(1,532)[6]	(61)	0	(33)	**(1,635)**
Capitalized reinstatement costs	0	0	0	0	(4)	**(4)**
Reclassifications	0	0	3	2	3	**7**
Foreign currency translation / unwind of discount	1	(19)	(12)	(1)	(8)	**(38)**
Balance as of 31 December 2012	53	1,432	511	64	476	**2,536**

1 Includes provisions for litigation resulting from security risks and transaction processing risks. 2 Includes litigation resulting from legal, liability and compliance risks. 3 Includes reinstatement costs for leasehold improvements of CHF 97 million as of 31 December 2012 (31 December 2011: CHF 109 million), provisions for onerous lease contracts of CHF 81 million as of 31 December 2012 (31 December 2011: CHF 106 million), provisions for employee benefits (including service anniversaries and sabbatical leave) of CHF 244 million as of 31 December 2012 (31 December 2011: CHF 227 million) and other items. 4 Reflects a reclassification to share premium of restructuring provisions related to share-based compensation. 5 Includes the release of provisions for Swiss long-service and sabbatical awards. 6 Represents amounts paid out for the intended purpose and amounts transferred to Other liabilities – Other, presented in "Note 15 Other assets and liabilities" for liabilities, which are no longer uncertain in timing or amount.

Note 16 Provisions and contingent liabilities (continued)

b) Litigation, regulatory and similar matters

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

The aggregate amount provisioned for litigation, regulatory and similar matters as a class is disclosed in Note 16a) above. It is not practicable to provide an aggregate estimate of liability for our litigation, regulatory and similar matters as a class of contingent liabilities. Doing so would require us 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.

1. Municipal bonds

In 2011, UBS announced a USD 140.3 million settlement with the US Securities and Exchange Commission (SEC), the Antitrust Division of the US Department of Justice (DOJ), the Internal Revenue Service (IRS) and a group of state attorneys general relating to the investment of proceeds of municipal bond issuances and associated derivative transactions. The settlement resolves the investigations by those regulators which had commenced in November 2006. Several related putative class actions, which were filed in Federal District Courts against UBS and numerous other firms, remain pending. Approximately USD 63 million of the regulatory settlement was made available to potential claimants through a settlement fund, the majority of which has been claimed, thereby reducing the total monetary amount at issue in the class actions for UBS.

2. Auction rate securities

In 2008, UBS entered into settlements with the SEC, the New York Attorney General (NYAG) and the Massachusetts Securities Division whereby UBS agreed to offer to buy back Auction Rate Securities (ARS) from eligible customers, and to pay penalties of USD 150 million. UBS has since finalized settlements with all of the states. The settlements resolved investigations following the industry-wide disruption in the markets for ARS and related auction failures beginning in early 2008. The SEC continues to investigate individuals affiliated with UBS regarding the trading in ARS and disclosures. UBS was also named in (i) several putative class actions, which were thereafter dismissed by the court and/or settled, except for one antitrust class action which was dismissed by the court and remains pending on appeal; (ii) arbitration and litigation claims asserted by investors relating to ARS; and (iii) arbitration and litigation claims asserted by ARS issuers, including a pending litigation under state common law and a state racketeering statute seeking at least USD 40 million in compensatory damages, plus exemplary and treble damages, and several pending arbitration claims filed in 2012 and 2013 alleging violations of state and federal securities law that seek compensatory and punitive damages, among other relief. In November 2012, UBS settled a consequential damages claim brought by a former customer for USD 45 million.

Note 16 Provisions and contingent liabilities (continued)

3. Inquiries regarding cross-border wealth management businesses

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

4. Matters related to the financial crisis

UBS is responding to a number of governmental inquiries and investigations and is involved in a number of litigations, arbitrations and disputes related to the financial crisis of 2007 to 2009 and in particular mortgage-related securities and other structured transactions and derivatives. In particular, the SEC is investigating UBS's valuation of super senior tranches of collateralized debt obligations (CDO) during the third quarter of 2007, and UBS's structuring and underwriting of certain CDOs during the first and second quarters of 2007. UBS has provided documents and testimony to the SEC and is continuing to cooperate with the SEC in its investigations. UBS has also communicated with and has responded to other inquiries by various governmental and regulatory authorities concerning various matters related to the financial crisis. These matters concern, among other things, UBS's (i) disclosures and writedowns, (ii) interactions with rating agencies, (iii) risk control, valuation, structuring and marketing of mortgage-related instruments, and (iv) role as underwriter in securities offerings for other issuers.

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

Our balance sheet at 31 December 2012 reflected a provision with respect to matters described in this item 4 in an amount that UBS believes to be appropriate under the applicable accounting standard. As in the case of other matters for which we have 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 we have recognized.

5. Lehman principal protection notes

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

6. 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.

We were 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.

Note 16 Provisions and contingent liabilities (continued)

Securities Lawsuits Concerning Disclosures in RMBS Offering Documents: UBS has been named as a defendant relating to its role as underwriter and issuer of RMBS in a large number of lawsuits relating to approximately USD 44 billion in original face amount of RMBS underwritten or issued by UBS. Some of the lawsuits are in their early stages, and have not advanced beyond the motion to dismiss phase; others are in varying stages of discovery. Of the original face amount of RMBS at issue in these cases, approximately USD 11 billion was issued in offerings in which a UBS subsidiary transferred underlying loans (the majority of which were purchased from third-party originators) into a securitization trust and made representations and warranties about those loans (UBS-sponsored RMBS). The remaining USD 33 billion of RMBS to which these cases relate was issued by third parties in securitizations in which UBS acted as underwriter (third-party RMBS). In connection with certain of these lawsuits, UBS has indemnification rights against surviving third-party issuers or originators for losses or liabilities incurred by UBS, but UBS cannot predict the extent to which it will succeed in enforcing those rights.

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

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

Loan repurchase demands related to sales of mortgages and RMBS: When UBS acted as an RMBS sponsor or mortgage seller, we generally made certain representations relating to the characteristics of the underlying loans. In the event of a material breach of these representations, we were 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. We have been notified by certain institutional purchasers and insurers of mortgage loans and RMBS, including Freddie Mac, of their contention that possible breaches of representations may entitle the purchasers to require that UBS repurchase the loans or to other relief. The table below summarizes repurchase demands received by UBS and UBS's repurchase activity from 2006 through 29 January 2013. In the table, repurchase demands characterized as Demands resolved in litigation and Demands rescinded by counterparty are considered to be finally resolved. Repurchase demands in all other categories are not finally resolved.

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

Payments that UBS has made or agreed to make to date to resolve repurchase demands equate to approximately 62% of the original principal balance of the related loans. Most of the payments that UBS has made or agreed to make to date have related to so-called "Option ARM" loans; severity rates may vary for other types of loans or for Option ARMs with different characteristics.

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

USD million	2006–2008	2009	2010	2011	2012	through 29 January 2013	Total
Actual or agreed loan repurchases / make whole payments by UBS	11.7	1.4	0.1				**13.2**
Demands resolved or expected to be resolved through enforcement of UBS's indemnification rights against third-party originators		77.4	1.8	45.0	141.7		**265.9**
Demands resolved in litigation	0.6	20.7					**21.3**
Demands in litigation			345.6	731.7	1,041.1		**2,118.5**
Demands rebutted by UBS but not yet rescinded by counterparty		3.2	1.8	290.0	243.8		**538.7**
Demands rescinded by counterparty	110.2	100.4	18.8	8.3			**237.7**
Demands in review by UBS		2.1	0.1	9.1	11.7	0.6	**23.5**
Total	**122.5**	**205.1**	**368.2**	**1,084.1**	**1,438.3**	**0.6**	**3,218.8**

1 Loans submitted by multiple counterparties are counted only once.

Note 16 Provisions and contingent liabilities (continued)

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 we would be required to repurchase loans due to misrepresentations, we 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. We estimate 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. Only a small number of our demands have been resolved, and we have not recognized any asset on our balance sheet in respect of the unresolved demands. 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.

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

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

In October 2012, following the Court's holding that only the trustee may assert claims seeking to enforce UBS RESI's repurchase obligations, the RMBS trusts at issue in the Assured Guaranty litigation filed a related action in the Southern District of New York seeking to enforce UBS RESI's obligation to repurchase loans with an original principal balance of approximately USD 2 billion for which Assured Guaranty had previously demanded repurchase. UBS's motion to dismiss the suit filed by the trusts is pending. With respect to the portion of the loans subject to the suits filed by Assured Guaranty and the trusts that were originated by institutions still in existence, UBS will seek to enforce its indemnity rights against those institutions.

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

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

Our balance sheet at 31 December 2012 reflected a provision of USD 658 million with respect to matters described in this item 6. As in the case of other matters for which we have 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 we have recognized.

7. Claims related to UBS disclosure

A putative consolidated class action has been filed in the United States District Court for the Southern District of New York against UBS, a number of current and former directors and senior officers and certain banks that underwrote UBS's May 2008 Rights Offering (including UBS Securities LLC) alleging violation of the US securities laws in connection with UBS's disclosures relating to UBS's positions and losses in mortgage-related securities, UBS's positions and losses in auction rate securities, and UBS's US cross-border business. In 2011, the court dismissed all claims based on purchases or sales of UBS ordinary shares made outside the US, and, on 28 September 2012, the court dismissed with prejudice the remaining claims based on purchases or sales of UBS ordinary shares made in the US for failure to state a claim. Plaintiffs have appealed the court's decision. UBS, a number of senior officers and employees and various UBS committees have also been sued in a putative consolidated class action for breach of fiduciary duties brought on behalf of current and former participants in two UBS Employee Retirement Income Security Act (ERISA) retirement plans in which there were purchases of UBS stock. In 2011, the court dismissed the ERISA complaint. In March 2012, the court denied plaintiffs' motion for leave to file an amended complaint. Plaintiffs have appealed.

8. Madoff

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

9. 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 2009, the City of Milan filed civil proceedings against UBS Limited, UBS Italia SIM Spa and three other international banks in relation to a 2005 bond issue and associated derivatives transactions entered into with Milan between 2005 and 2007. In addition, in 2010 a criminal trial began against two current UBS employees and one former employee, together with employees from the three other banks, a former officer of Milan and a former adviser to Milan, for alleged fraud against a public entity in relation to the same bond issue and the execution, and subsequent restructuring, of the related derivative transactions. UBS Limited was also the subject (as were the three other banks) of an administrative charge, brought in the context of the criminal trial of the individuals, of failing to have in place a business organizational model to avoid the alleged misconduct by employees. In March 2012, UBS Limited and UBS Italia SIM Spa finalized a civil damages settlement agreement with Milan without any admission of liability. The settlement did not dispose of the ongoing criminal or administrative proceedings, nor did it dispose of a civil consumer group claim lodged in the criminal proceeding. On 19 December 2012 the Milan criminal court found UBS Limited liable for the administrative offense and convicted the three UBS employees (two current and one former) of fraud against a public entity. The sanctions against UBS Limited, which are not effective until appeals are exhausted, are confiscation of the alleged level of profit flowing from the criminal findings (EUR 16.6 million), a fine in respect of the finding of the administrative offense (EUR 1 million) and payment of legal fees. UBS has previously provided for this potential exposure in the amount of EUR 18.5 million. Convictions have also been issued against some of the employees of the three other international banks and the banks themselves.

Derivative transactions with the Regions of Calabria, Tuscany, Lombardy and Lazio 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. Florence and Tuscany

Note 16 Provisions and contingent liabilities (continued)

have also attempted to invoke Italian administrative law remedies which purport to allow a public entity to challenge its own decision to enter into the relevant contracts and avoid their obligations thereunder. In April 2012, UBS AG and UBS Limited settled the existing disputes with the Region of Tuscany without any admission of liability. In January 2013, the Tuscany criminal court dismissed without further consequence a related criminal investigation. In November 2012, UBS reached civil settlements with, respectively, the Regions of Lombardy and Lazio (the latter settlement is conditional upon Lazio making certain amendments to its pleading in ongoing litigation against third parties), again without any admission of liability. An in-principle agreement has also been reached with the City of Florence and is expected to be formalized shortly. Provisions have been booked in respect of these agreed or prospective settlements.

10. HSH Nordbank AG (HSH)

HSH has filed an action against UBS in New York State court relating to USD 500 million of notes acquired by HSH in a synthetic CDO transaction known as North Street Referenced Linked Notes, 2002-4 Limited (NS4). The notes were linked through a credit default swap between the NS4 issuer and UBS to a reference pool of corporate bonds and asset-backed securities. HSH alleges that UBS knowingly misrepresented the risk in the transaction, sold HSH notes with "embedded losses", and improperly profited at HSH's expense by misusing its right to substitute assets in the reference pool within specified parameters. HSH is seeking USD 500 million in compensatory damages plus pre-judgment interest. The case was initially filed in 2008. In March 2012, a New York state appellate court dismissed HSH's fraud claim and affirmed the trial court's dismissal of its negligent misrepresentation claim and punitive damages demand. As a result, the claims remaining in the case were for breach of contract and breach of the implied covenant of good faith and fair dealing. HSH has sought permission to appeal the appellate court's decision to the New York Court of Appeals.

11. Kommunale Wasserwerke Leipzig GmbH (KWL)

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

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

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

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

In 2011, the SEC commenced an inquiry regarding the KWL transactions and UBS is providing information to the SEC relating to those transactions.

12. Puerto Rico

In 2011, UBS Financial Services Inc. of Puerto Rico (UBS PR) and a large number of unrelated parties were named as defendants in a purported civil derivative action filed in Puerto Rico Superior Court. That case, in which the plaintiffs seek to bring claims on behalf of the Employee Retirement System of Puerto Rico, involves an allegation that defendants violated Puerto Rico law in connection with the issuance of billions of dollars of bonds underwritten by UBS PR and the investment of the proceeds of those bond issuances. UBS PR's motion to dismiss that action is pending. Separately, in late 2012, an SEC administrative hearing on securities law violation charges against two UBS PR executives concluded, with a decision expected in the second quarter of 2013. The charges stemmed from the SEC's investigation of UBS PR's sale of closed-end funds in 2008 and 2009, which UBS PR settled in April 2012.

13. LIBOR and other benchmark rates

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

In December 2012, UBS reached settlements with the FSA, the CFTC and the Criminal Division of the DOJ in connection with their investigations of benchmark interest rates. At the same time FINMA issued an order concluding its formal proceedings with respect to UBS relating to benchmark interest rates. UBS will pay a total of approximately CHF 1.4 billion in fines and disgorgement – including GBP 160 million in fines to the FSA, USD 700 million in fines to the CFTC, and CHF 59 million in disgorgement to FINMA. Under a non-prosecution agreement that UBS entered into with the DOJ (NPA) UBS has agreed to pay a fine of USD 500 million. Pursuant to a separate plea agreement between the DOJ and UBS Securities Japan Co. Ltd. (UBSSJ), UBSSJ has entered a plea to one count of wire fraud relating to the manipulation of certain benchmark interest rates, including Yen LIBOR, and the DOJ and UBSSJ have agreed to a sentence to be imposed on UBSSJ that would include a fine of USD 100 million, which is subject to the discretion of the sentencing court. The NPA requires UBS to pay the USD 500 million fine to DOJ within 10 days of the sentencing of UBSSJ, and provides that any criminal penalties imposed on UBSSJ at sentencing, which currently is scheduled for 15 March 2013, will be deducted from the USD 500 million fine. The conduct described in the various settlements and the FINMA order includes certain UBS personnel: engaging in efforts to manipulate submissions for certain benchmark rates to benefit trading positions; colluding with employees at other banks and cash brokers to influence certain benchmark rates to benefit their trading positions; and giving inappropriate directions to UBS submitters that were in part motivated by a desire to avoid unfair and negative market and media perceptions during the financial crisis. The benchmark interest rates encompassed by these resolutions include Yen LIBOR, GBP LIBOR, CHF LIBOR, Euro LIBOR, USD LIBOR, EURIBOR (Euro Interbank Offered Rate) and Euroyen TIBOR. We have ongoing obligations to cooperate with authorities with which we have reached resolutions and to undertake certain remediation with respect benchmark interest rate submissions. Investigations by other government authorities remain ongoing notwithstanding these resolutions.

UBS has been granted conditional leniency or conditional immunity from authorities in certain jurisdictions, including the Antitrust Division of the DOJ and WEKO, in connection with potential antitrust or competition law violations related to submissions for Yen LIBOR and Euroyen TIBOR. WEKO has also granted UBS conditional immunity in connection with potential competition law violations related to submissions for Swiss franc LIBOR and certain transactions related to Swiss franc LIBOR. The Canadian Competition Bureau has granted UBS conditional immunity in connection with potential competition law violations related to submissions for Yen LIBOR. As a result of these conditional grants, we will not be subject to prosecutions, fines or other sanctions for antitrust or competition law violations in the jurisdictions where we have conditional immunity or leniency in connection with the matters covered by the conditional grants, subject to our continuing cooperation. However, the conditional leniency and conditional immunity grants we have received do not bar government agencies from asserting other claims and imposing sanctions against us, as evidenced by the settlements and ongoing investigations referred to above. In addition, as a result of the conditional leniency agreement with the DOJ, we are 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 our satisfying the DOJ and the court presiding over the civil litigation of our cooperation. The conditional leniency and conditional immunity grants do not otherwise affect the ability of private parties to assert civil claims against us.

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.

Note 16 Provisions and contingent liabilities (continued)

A number of putative class actions and other actions are pending in federal courts in New York and California against UBS and numerous other banks on behalf of certain parties who transacted in LIBOR-based derivatives linked directly or indirectly to US dollar LIBOR, Yen LIBOR and Euroyen TIBOR. As to US dollar LIBOR, there is a pending motion to dismiss consolidated amended complaints which were filed by certain parties. Several complaints pending in New York federal court are brought on behalf of consumers whose mortgage loans were linked to US dollar LIBOR. All of the complaints allege manipulation, through various means, of LIBOR rates and seek unspecified compensatory and other damages, including treble and punitive damages, under varying legal theories that include violations of the US Commodity Exchange Act, federal and state antitrust laws and the federal racketeering statute.

With respect to additional matters and jurisdictions not encompassed by the settlements and order referred to above, our balance sheet at 31 December 2012 reflected a provision in an amount that UBS believes to be appropriate under the applicable accounting standard. As in the case of other matters for which we have 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 we have recognized.

14. SinoTech Energy Limited

Since 2011, multiple putative class action complaints have been filed and consolidated in federal court in Manhattan, against SinoTech Energy Limited (SinoTech), its officers and directors, its auditor at the time of its initial public offering (IPO), and its underwriters, including UBS. The second amended complaint filed in June 2012 alleges, with respect to the underwriters, that the registration statement and prospectus filed in connection with SinoTech's 2010 USD 168 million IPO of American Depositary Shares, of which UBS underwrote 70%, contained materially misleading statements and omissions, including allegations regarding the authenticity and accuracy of certain asset purchase contracts purportedly entered into between SinoTech and its vendors. Plaintiff asserts violations of the US federal securities laws and seeks unspecified compensatory damages, among other relief. UBS and several other defendants have reached an agreement to settle the lawsuit, which is subject to court approval.

15. Swiss retrocessions

The Zurich High Court decided in January 2012, in a test case, that fees received by a bank for the distribution of financial products issued by third parties should be considered to be "retrocessions" unless they are received by the bank for genuine distribution services. Fees considered to be retrocessions would have to be disclosed to the affected clients and, absent specific client consent, surrendered to them. On appeal, the Swiss Supreme Court ruled on 30 October 2012 that distribution fees paid to UBS 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.

On 26 November 2012, FINMA issued a supervisory note to all Swiss banks in response to the Supreme Court decision. The note sets forth the measures Swiss banks are to adopt, which include informing all affected clients about the Supreme Court decision and directing them to an internal bank contact for further details. UBS has met the FINMA requirements and has notified all potentially affected clients in the context of the mailing of the year-end account statements.

It is expected that the Supreme Court decision will result in a significant number of client requests for UBS to disclose and potentially surrender retrocessions. Client requests will be 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.

Our balance sheet at 31 December 2012 reflected a provision with respect to matters described in this item 15 in an amount that UBS believes to be appropriate under the applicable accounting standard. The ultimate exposure will depend on client requests and the resolution thereof, factors that are difficult to predict and assess, particularly in view of the limited experience to date. Hence, as in the case of other matters for which we have 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 we have recognized.

16. Unauthorized trading incident

The trial in connection with the unauthorized trading incident that occurred in the Investment Bank and was announced in September 2011 concluded on 20 November 2012. The defendant was found guilty on two counts of fraud and not guilty on four counts of false accounting. On 26 November 2012, FINMA and the FSA announced the findings of their joint investigation. They also announced the actions they have taken, and the FSA imposed a fine of GBP 29.7 million on UBS.

In October 2012, a consolidated complaint was filed in a putative securities fraud class action pending in federal court in Manhattan against UBS AG and certain of its current and former officers relating to the unauthorized trading incident. 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. The complaint alleges that UBS misrepresented, through its public statements and financial disclosures, that its risk controls and procedures were effective, and that the falsity of these representations became apparent when UBS disclosed the unauthorized trading incident in September 2011, a disclosure that purportedly caused UBS's stock price to drop 10% in one day. The plaintiff seeks unspecified damages and interest, among other relief. UBS's motion to dismiss the complaint is pending.

17. Banco UBS Pactual tax indemnity

Pursuant to the 2009 sale of Banco UBS Pactual S.A. (Pactual) by UBS to BTG Investments, LP (BTG), BTG has submitted contractual indemnification claims that UBS estimates amount to approximately USD 1.2 billion, including interest and penalties. The claims pertain principally to several tax assessments issued by the Brazilian tax authorities against Pactual relating to the period from December 2006 through March 2009, when UBS owned Pactual. These assessments are being or will be challenged in administrative proceedings. BTG has also provided notice to UBS of several additional Pactual-related inquiries by the Brazilian tax authorities that relate to the period of UBS's ownership of Pactual, but involving substantially smaller amounts.

18. Greater Southwestern Funding

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

Note 17 Changes in organization

Net restructuring charges by business division and Corporate Center

	For the quarter ended		Year ended	
CHF million	**31.12.12**	30.9.12	31.12.12	31.12.11
Wealth Management	**17**	(4)	26	82
Wealth Management Americas	**2**	1	(1)	10
Investment Bank	**224**	(16)	331	216
Global Asset Management	**15**	0	20	26
Retail & Corporate	**1**	0	3	32
Corporate Center	**0**	(3)	(8)	15
Total net restructuring charges	**258**	(22)	371	380
of which: personnel expenses	***257***	*(18)*	*358*	*261*
of which: general and administrative expenses	***1***	*(4)*	*0*	*93*
of which: depreciation and impairment of property and equipment	***0***	*0*	*14*	*26*

Net restructuring charges by personnel expense category

	For the quarter ended		Year ended	
CHF million	**31.12.12**	30.9.12	31.12.12	31.12.11
Salaries and variable compensation	**312**	(14)	425	207
Contractors	**0**	0	0	0
Social security	**(2)**	(2)	(10)	20
Pension and other post-employment benefit plans	**(52)**	0	(56)	30
Wealth Management Americas: Financial advisor compensation	**0**	0	0	(1)
Other personnel expenses	**(1)**	(1)	(1)	6
Total restructuring charges: personnel expenses	**257**	(18)	358	261

Note 18 Currency translation rates

The following table shows the rates of the main currencies used to translate the financial information of our foreign operations into Swiss francs:

	Spot rate			**Average rate**[1]				
	As of			For the quarter ended			Year-to-date	
	31.12.12	30.9.12	31.12.11	**31.12.12**	30.9.12	31.12.11	**31.12.12**	31.12.11
1 USD	**0.92**	0.94	0.94	**0.92**	0.95	0.91	**0.93**	0.88
1 EUR	**1.21**	1.21	1.21	**1.21**	1.20	1.22	**1.20**	1.23
1 GBP	**1.49**	1.52	1.46	**1.50**	1.53	1.45	**1.49**	1.45
100 JPY	**1.05**	1.21	1.22	**1.07**	1.22	1.18	**1.12**	1.11

1 Monthly income statement items of foreign operations with a functional currency other than Swiss franc are translated with month-end rates into Swiss francs. Disclosed average rates for a quarter represent an average of three month-end rates, weighted according to the income and expense volumes of all foreign operations of the Group with the same functional currency for each month. Weighted average rates for individual business divisions may deviate from the weighted average rates for the Group.

OUR RISK MANAGEMENT AND CONTROL - EXTRACTED FROM OUR FOURTH QUARTER 2012 FINANCIAL REPORT

The information set out below in this section has been extracted without adjustment from our fourth quarter 2012 financial report. The page numbers of our fourth quarter 2012 financial report appear on the bottom left or right hand side of the pages in this addendum.

The fourth quarter 2012 financial report is available for inspection at the office of the Sponsor specified on the back page. You may also visit our website at *http://www.ubs.com/global/en/about_ubs/investor_relations/quarterly_reporting/2012.html* to access such report.

Risk management and control

The overall level of market risk decreased over the quarter, reflecting active steps taken by the Investment Bank to reduce trading risks following the announcement in October 2012 regarding the accelerated implementation of our strategy.

Credit risk

The tables in this section provide an update of our credit risk exposures on 31 December 2012, including details of our banking products, allowances and provisions for credit losses and the composition and credit quality of our key loan portfolios in Wealth Management, Wealth Management Americas and Retail & Corporate. This section also includes an update on counterparty exposures from banking products and over-the-counter (OTC) derivative contracts booked within the Investment Bank and the Legacy Portfolio.

➔ Refer to the "Group results" section of this report for information on credit loss expense / recovery in the fourth quarter

Gross banking products and impairments

The credit risk exposures reported in the table "Allowances and provisions for credit losses" represent the International Financial Reporting Standards (IFRS) balance sheet view of our gross banking products portfolios. These comprise the balance sheet line items *Balances with central banks*, *Due from banks*, and *Loans* as well as the off-balance-sheet items *Guarantees* and *Loan commitments*. The table also shows the IFRS reported allowances and provisions for credit losses and impaired exposure.

Our gross loan exposure was largely unchanged at CHF 281 billion, of which CHF 1.6 billion was impaired. The CHF 1.0 billion decrease in impaired loans mainly related to positions within the Legacy Portfolio, in particular to certain student loan auction rate securities that were sold in the fourth quarter of 2012.

Allowances and provisions for credit losses [1]

CHF million, except where indicated	IFRS exposure, gross		Impaired exposure [2]		Specific allowances and provisions for credit losses [3]		Estimated liquidation proceeds of collateral		Impairment ratio (%)	
	31.12.12	30.9.12	**31.12.12**	30.9.12	**31.12.12**	30.9.12	**31.12.12**	30.9.12	**31.12.12**	30.9.12
Group										
Balances with central banks	**64,119**	86,910							**0.0**	0.0
Due from banks	**21,252**	24,882	**56**	56	**22**	23			**0.3**	0.2
Loans	**280,606**	279,300	**1,550**	2,546	**591**	725	**437**	1,366	**0.6**	0.9
of which: related to Legacy Portfolio [4]	***11,718***	*13,972*	***113***	*1,161*	***38***	*193*	***74***	*976*	***1.0***	*8.3*
of which: related to other loans	***268,888***	*265,328*	***1,437***	*1,385*	***553***	*532*	***363***	*389*	***0.5***	*0.5*
Guarantees	**20,058**	19,008	**76**	71	**56**	57	**6**	6	**0.4**	0.4
Loan commitments	**59,818**	64,773	**68**	51	**8**	5			**0.1**	0.1
Banking products	**445,852**	474,872	**1,749**	2,724	**677**	809	**443**	1,371	**0.4**	0.6
Wealth Management										
Balances with central banks	**413**	269							**0.0**	0.0
Due from banks	**1,039**	2,162							**0.0**	0.0
Loans	**86,581**	84,876	**55**	58	**38**	40	**20**	21	**0.1**	0.1
Guarantees	**2,326**	2,322							**0.0**	0.0
Loan commitments	**1,574**	1,471							**0.0**	0.0
Banking products	**91,932**	91,100	**55**	58	**38**	40	**20**	21	**0.1**	0.1
Wealth Management Americas										
Balances with central banks	**11,260**	5,174							**0.0**	0.0
Due from banks	**2,298**	1,806							**0.0**	0.0
Loans	**31,250**	30,405	**15**	1	**15**	1			**0.0**	0.0
Guarantees	**406**	402							**0.0**	0.0
Loan commitments	**1,214**	1,287							**0.0**	0.0
Banking products	**46,428**	39,074	**15**	1	**15**	1	**0**	0	**0.0**	0.0
Investment Bank										
Balances with central banks	**21,049**	32,038							**0.0**	0.0
Due from banks	**14,260**	16,713	**11**	11	**2**	3			**0.1**	0.1
Loans	**12,646**	13,120	**412**	482	**36**	44	**99**	158	**3.3**	3.7
Guarantees	**7,271**	6,820	**49**	49	**48**	47			**0.7**	0.7
Loan commitments	**50,206**	54,886	**61**	50					**0.1**	0.1
Banking products	**105,432**	123,577	**533**	592	**85**	93	**99**	158	**0.5**	0.5
Global Asset Management										
Balances with central banks										
Due from banks	**343**	332							**0.0**	0.0
Loans	**91**	80							**0.0**	0.0
Guarantees										
Loan commitments										
Banking products	**433**	411	**0**	0	**0**	0	**0**	0	**0.0**	0.0
Retail & Corporate										
Balances with central banks	**2,173**	1,961							**0.0**	0.0
Due from banks	**2,713**	3,296	**45**	45	**20**	21			**1.6**	1.4
Loans	**137,344**	136,819	**955**	845	**464**	448	**244**	211	**0.7**	0.6
Guarantees	**10,042**	9,332	**27**	23	**8**	10	**6**	6	**0.3**	0.2
Loan commitments	**6,787**	7,087	**7**	1	**8**	5			**0.1**	0.0
Banking products	**159,059**	158,494	**1,033**	913	**500**	483	**251**	216	**0.6**	0.6
Corporate Center										
Balances with central banks	**29,224**	47,468							**0.0**	0.0
Due from banks	**599**	574							**0.0**	0.0
Loans	**12,695**	14,001	**113**	1,161	**38**	193	**74**	976	**0.9**	8.3
of which: related to Legacy Portfolio [4]	***11,718***	*13,972*	***113***	*1,161*	***38***	*193*	***74***	*976*	***1.0***	*8.3*
Guarantees	**12**	132							**0.0**	0.0
Loan commitments	**37**	42							**0.0**	0.0
Banking products	**42,568**	62,216	**113**	1,161	**38**	193	**74**	976	**0.3**	1.9

1 Excludes allowances for securities borrowed. 2 Excludes reclassified securities that are not considered impaired. 3 Excludes CHF 114 million (30.9.12: CHF 134 million) in collective loan loss allowance. 4 Includes reclassified securities, see "Note 14 Reclassification of financial assets" in the "Financial information" section of this report for more information.

Wealth Management loan portfolio

Our Wealth Management loan portfolio is mainly secured by securities, residential property and cash (including certain fiduciary investments) as outlined in the table "Wealth Management and Retail & Corporate: composition of loan portfolio, gross".

Retail & Corporate loan portfolio

Our largest loan portfolio is our mortgage portfolio, which principally comprises mortgage loans within Switzerland.

The composition of the Retail & Corporate loan portfolio was largely unchanged over the quarter; 92% was secured by collateral and, based on our internal ratings, 54% of the unsecured amount was rated investment grade. Furthermore, 60% of the unsecured portfolio related to cash flow-based lending to corporate counterparties, and 22% to lending to public authorities.

Investment Bank

The table "Investment Bank: banking products and OTC derivatives exposure" shows the Investment Bank's banking products (loans, guarantees and loan commitments) and OTC derivatives portfolios, gross and net of allowances, provisions, credit valuation adjustments (CVA) and single-name credit hedges. Further breakdowns are provided within the table "Investment Bank: dis-

Wealth Management and Retail & Corporate: composition of loan portfolio, gross

	Wealth Management				Retail & Corporate			
	31.12.12[1]		30.9.12		31.12.12		30.9.12	
	CHF million	%	CHF million	%	CHF million	%	CHF million	%
Secured by residential property	30,829	35.6	30,845	36.3	98,681	71.8	97,932	71.6
Secured by commercial/industrial property	1,972	2.3	1,936	2.3	19,861	14.5	19,959	14.6
Secured by cash	12,235	14.1	12,266	14.5	173	0.1	234	0.2
Secured by securities	34,973	40.4	33,208	39.1	1,414	1.0	1,337	1.0
Secured by guarantees and other collateral	6,265	7.2	6,462	7.6	5,875	4.3	5,725	4.2
Unsecured loans	307	0.4	158	0.2	11,340	8.3	11,631	8.5
Total loans, gross	86,581	100.0	84,876	100.0	137,344	100.0	136,819	100.0
Total loans, net of allowances and credit hedges	86,540		84,833		136,770		136,242	

1 Exposures as of 31 December 2012 reflect a refined reporting process for allocating Wealth Management loans to the secured and unsecured categories and are therefore not directly comparable to the prior period exposures.

Investment Bank: banking products and OTC derivatives exposure[1]

	Banking products		OTC derivatives	
CHF million	31.12.12	30.9.12	31.12.12	30.9.12
Total exposure, before deduction of allowances and provisions, CVA and hedges	76,673	79,363	23,848	28,325
Less: allowances, provisions and CVA	(51)	(55)	(559)	(646)
Less: credit protection bought (credit default swaps, notional)	(20,619)	(18,455)	(2,005)	(2,723)
Net exposure after allowances and provisions, CVA and hedges	56,003	60,853	21,285	24,956

1 Banking products: risk view, excludes balances with central banks, due from banks and internal risk adjustments; OTC derivatives: net replacement value includes the impact of netting agreements (including cash collateral) in accordance with Swiss federal banking law.

Investment Bank: distribution of net banking products exposure, across internal UBS rating and loss given default (LGD) buckets

CHF million, except where indicated			31.12.12						30.9.12	
				LGD buckets						
Internal UBS rating	Moody's Investors Service mapping	Standard & Poor's mapping	Exposure	0–25%	26–50%	51–75%	76–100%	Weighted average LGD (%)	Exposure	Weighted average LGD (%)
Investment grade	Aaa to Baa3	AAA to BBB–	35,075	9,875	17,035	2,679	5,486	44	41,347	44
Sub-investment grade			20,928	12,017	6,632	1,573	705	25	19,505	25
of which: 6–9	*Ba1 to B1*	*BB+ to B+*	*14,139*	*9,104*	*3,937*	*847*	*251*	*22*	*12,966*	*24*
of which: 10–12	*B2 to Caa*	*B to CCC*	*6,590*	*2,805*	*2,621*	*710*	*454*	*32*	*6,226*	*27*
of which:13 and defaulted	*Ca and lower*	*CC and lower*	*199*	*108*	*75*	*16*	*0*	*21*	*313*	*23*
Net banking products exposure, after application of credit hedges[1]			56,003	21,892	23,667	4,252	6,191	37	60,853	38

1 Banking products: risk view, excludes balances with central banks, due from banks and internal risk adjustments.

tribution of net banking products exposure, across internal UBS ratings and loss given default (LGD) buckets".

At the end of the fourth quarter and based on internal ratings, 63% of our net banking products exposure was classified as investment grade compared with 68% at the end of the prior quarter. The majority of the exposure had estimated loss given defaults of between 0% and 50%.

Legacy Portfolio

Loans within the Legacy Portfolio decreased from CHF 14.0 billion to CHF 11.7 billion and predominantly comprise assets reclassified in the fourth quarter of 2008 from *Held for trading* to *Loans and receivables,* student loan auction rate securities and our loan to the RMBS Opportunities Master Fund, LP, a special purpose entity managed by BlackRock Financial Management Inc.

Taking into account the amounts held in escrow, the loan to the RMBS Opportunities Master Fund, LP decreased by USD 0.2 billion in the fourth quarter to USD 3.6 billion.

The net replacement value of our OTC contracts after application of master netting agreements, hedges and credit valuation adjustments within the Legacy Portfolio decreased to CHF 3.2 billion from CHF 3.5 billion at the end of the prior quarter.

➔ **Refer to the "Risk, treasury and capital management" section of our Annual Report 2011 for more information on our loan to the RMBS Opportunities Master Fund, LP**

Exposure to student loan auction rate securities

Our exposure to student loan auction rate securities (ARS) reduced during the fourth quarter by USD 1.3 billion to USD 4.1 billion. At the end of the quarter, 88% of the collateral underlying the remaining student loan ARS inventory was backed by Federal Family Education Loan Program guaranteed collateral, which is reinsured by the US Department of Education for no less than 97% of principal and interest. All of our student loan ARS positions are held as *Loans and receivables* and are subject to a quarterly impairment test that includes a review of performance reports for each issuing trust.

Exposure to monoline insurers

The majority of our exposure to monoline insurers arises from credit default swap (CDS) protection purchased to hedge specific positions. The table "Exposure to monoline insurers, by rating" shows the CDS protection purchased from monoline insurers, calculated as the sum of the fair values of individual CDS after credit valuation adjustments (CVA).

The total fair value of CDS protection purchased from monoline insurers decreased from USD 0.8 billion to USD 0.6 billion after cumulative CVA of USD 0.3 billion. This exposure is materially hedged via single name credit default swaps.

➔ **Refer to the "Non-trading portfolios – valuation and sensitivity information by instrument category" section for more information**

Student loan ARS inventory

	Carrying value	
USD million	**31.12.12**	30.9.12
US student loan ARS	**4,110**[1]	5,448
of which: rated BB– and above	***4,062***	*5,117*
of which: rated below BB–	***47***	*331*

1 Includes USD 1.8 billion (CHF 1.6 billion) at carrying value of student loan ARS that were reclassified to Loans and receivables from Held for trading in the fourth quarter 2008. Refer to "Note 14 Reclassification of financial assets" in the "Financial information" section of this report for more information.

Exposure to monoline insurers, by rating[1]

	31.12.12			
	Notional amount[2]	Fair value of CDS	Credit valuation adjustment	Fair value of CDS after credit valuation adjustment
USD million	Column 1	Column 2	Column 3	Column 4 (=2–3)
Credit protection bought from monoline insurers, by rating[3]				
of which: from monolines rated investment grade (BBB and above)	***1,130***	***291***	***66***	***225***
of which: from monolines rated sub-investment grade (BB and below)	***4,599***	***684***	***277***	***407***
Total 31.12.12	**5,729**	**975**	**343**	**633**
Total 30.9.12	5,762	1,152	332	820

1 Excludes the benefit of credit protection purchased from unrelated third parties. 2 Represents gross notional amount of credit default swaps (CDS) purchased as credit protection. 3 Categorization based on the lowest insurance financial strength rating assigned by external rating agencies.

Exposures to selected eurozone countries

We continue to monitor and manage our exposure to peripheral European countries closely, and our direct exposure to Greece, Italy, Ireland, Portugal and Spain remains limited.

In addition to monitoring direct exposure, we actively consider the inter-linkages among eurozone countries and institutions. We monitor and evaluate the policy responses of key EU institutions and the International Monetary Fund. In addition, we evaluate the implications of these developments for a broad range of countries and institutions beyond Europe when calibrating our eurozone-focused stress scenarios and making assumptions about the behavior of a variety of factors, including currencies, GDP, equity markets, consumer price index, corporate spreads, sovereign CDS and interest rates. We apply these stress scenarios to our risk portfolios as part of our firm-wide stress testing framework. Furthermore, we subject our OTC exposures with a wide range of counterparties to these stress scenarios to gain an understanding of potential adverse impacts on our counterparty exposures, as well as to help identify so-called wrong-way risks.

The table "Exposures to selected eurozone countries" provides an overview of our exposure to eurozone countries rated lower than AAA/Aaa by at least one of the major rating agencies. The overview provides an internal risk view of gross and net exposures split by sovereign, local government, bank and other counterparties. The sovereign category includes agencies and central banks. Corporates, insurance companies and funds are included within the "Other" category. The exposures to Andorra, Cyprus, Estonia, Malta, Monaco, Montenegro, San Marino, Slovakia, and Slovenia are grouped in "Other".

➔ Refer to the "Risk, treasury and capital management" section of our Annual Report 2011 for more information on country risk

Country risk exposure measure

The presentation of country risk follows our internal risk view, whereby the basis for measurement of exposures depends on the product category into which we have classified our exposures:

- Banking products are loans (at amortized cost), loan commitments (notional basis) and guarantees (notional basis), and include an immaterial amount of available-for-sale debt and equity positions (at fair value).
- Traded products include the counterparty risk arising from OTC derivatives and securities financing transactions, presented at net positive replacement value after taking into account master netting agreements.
- Trading inventory includes securities such as bonds and equities, as well as the risk relating to the underlying reference assets for derivative positions, including those linked to credit protection we buy or sell.

As we manage the trading inventory on a net basis, we net the value of long positions against short positions with the same underlying issuer. Net exposures are, however, floored at zero per issuer in the figures presented. Therefore we do not recognize the potentially offsetting benefit of certain hedges and short positions across issuers.

We do not recognize any expected recovery values when reporting country exposures as "Exposure before hedges", except for the risk-reducing effects of master netting agreements and collateral held in the form of either cash or portfolios of diversified marketable securities, which we deduct from the basic positive exposure values. Within banking products and traded products, the risk-reducing effect of any credit protection is taken into account on a notional basis when determining the "Net of hedges" exposures.

Country risk exposure allocation

In general, exposures are shown against the country of domicile of the contractual counterparty or the issuer of the security. For some counterparties whose economic substance in terms of assets or source of revenues is primarily located in a different country, the exposure is allocated to the risk domicile of that different country.

This is the case, for example, with legal entities incorporated in financial offshore centers, which have their main assets and revenue streams outside the country of domicile. The same principle applies to exposures for which we hold third-party guarantees or collateral, where we report the exposure against the country of domicile of either the guarantor or the issuer of the underlying security, or against the country where pledged physical assets are located.

We apply a specific approach to banking products exposures to branches of financial institutions which are located in a country other than that of the domicile of the legal entity. In such cases, exposures are recorded in full against the country of domicile of the firm and additionally in full against the country in which the branch is located.

In the case of derivatives, we show the counterparty risk associated with the positive replacement value against the country of domicile of the counterparty (presented within "Traded products"). In addition, the risk associated with the instantaneous fall in value of the underlying reference asset to zero (assuming no recovery) is shown against the country of domicile of the issuer of the reference asset (presented within "Trading inventory"). This approach ensures that we capture both the counterparty and, where applicable, issuer elements of risk arising from derivatives and applies comprehensively for all derivatives, including single-name CDS and other credit derivatives. As a basic example: if a CDS protection for a notional value of 100 bought from a counterparty domiciled in country X referencing debt of an issuer domiciled in country Y has a positive replacement value of 20, we record (i) the fair value of the CDS (20) against country X (within "Traded products") and (ii) the hedge benefit (notional minus fair value) of the CDS (100–20=80) against country Y (within "Trading inventory"). In the example of protection bought, the 80 hedge benefit would offset against any exposure arising from securities held and issued by the same entity as the reference asset, floored at zero per issuer. In the case of protection sold, this would be reflected as a risk exposure

Exposures to selected eurozone countries

CHF million	Total		Banking products (loans, loan commitments, guarantees)			Traded products (counterparty risk from derivatives and securities financing) after master netting agreements and net of collateral		Trading inventory (securities and potential benefits / remaining exposure from derivatives)
31.12.12		Net of hedges[1]	Exposure before hedges	Net of hedges[1]	*of which: unfunded*	Exposure before hedges	Net of hedges	Net long per issuer
France	**9,990**	**8,777**	**3,462**	**2,403**	***899***	**1,817**	**1,663**	**4,711**
Sovereign, agencies and central bank	4,656	4,448	190	103		341	220	4,125
Local governments	48	48	10	10		4	4	34
Banks	1,719	1,719	1,285	1,285		400	400	33
Other[2]	3,567	2,562	1,976	1,005		1,072	1,038	519
Italy	**5,897**	**4,389**	**1,647**	**1,065**	***705***	**1,973**	**1,048**	**2,276**
Sovereign, agencies and central bank	2,361	1,471	28	28		1,315	424	1,019
Local governments	141	141				141	141	0
Banks	715	715	438	438		264	264	13
Other[2]	2,679	2,061	1,181	598		253	218	1,244
Spain	**4,567**	**3,712**	**3,325**	**2,680**	***101***	**408**	**198**	**834**
Sovereign, agencies and central bank	180	180	15	15				164
Local governments	20	20				14	14	6
Banks	2,667	2,667	2,580[3]	2,580		85	85	2
Other[2]	1,701	846	729	85		310	99	662
Austria	**2,060**	**1,927**	**175**	**175**	***54***	**1,054**	**920**	**831**
Sovereign, agencies and central bank	1,609	1,476	12	12		921	787	676
Local governments	11	11				7	7	4
Banks	238	238	16	16		120	120	101
Other[2]	202	202	148	148		5	5	49
Ireland[4]	**1,391**	**1,391**	**399**	**399**	***3***	**855**	**855**	**137**
Sovereign, agencies and central bank	15	15				3	3	12
Local governments								
Banks	441	441	381	381		28	28	32
Other[2]	936	936	18	18		824	824	93
Belgium	**573**	**558**	**103**	**103**	***32***	**391**	**376**	**79**
Sovereign, agencies and central bank	344	329	3	3		316	302	24
Local governments	1	1						1
Banks	91	91	36	36		44	44	11
Other[2]	137	137	64	64		31	31	42
Portugal	**160**	**63**	**118**	**22**	***21***	**8**	**8**	**34**
Sovereign, agencies and central bank	12	12						12
Local governments								
Banks	31	31	21	21		8	8	2
Other[2]	117	20	97	0		0	0	20
Greece	**48**	**48**	**4**	**4**	***3***	**1**	**1**	**43**
Sovereign, agencies and central bank	35	35	0	0		1	1	34
Local governments								
Banks	0	0	0	0		0	0	
Other[2]	12	12	3	3				9
Other	**212**	**212**	**146**	**146**	***25***	**51**	**51**	**14**

1 Not deducted from the "Net of hedges" exposures are total allowances and provisions of CHF 35 million (of which: Austria CHF 13 million, Malta CHF 8 million and France CHF 7 million). 2 Includes corporates, insurance companies and funds. 3 The majority of the banking products exposure shown to Spanish banks relates to secured facilities that are collateralized by non-European sovereign debt securities. 4 The majority of the Ireland exposure relates to funds and foreign bank subsidiaries.

of 80 in addition to any exposure arising from securities held and issued by the same entity as the reference asset.

CDS are primarily bought and sold in relation to our trading businesses, but are also used to hedge parts of our risk exposure, including that related to selected eurozone countries. At 31 December 2012, and not taking into account the risk-reducing effect of master netting agreements, we had purchased approximately CHF 91 billion gross notional of single name CDS protection on issuers domiciled in Greece, Italy, Ireland, Portugal or Spain (GIIPS) and had sold CHF 88 billion gross notional of single name CDS protection. On a net basis, taking into account the risk-reducing effect of master netting agreements, this equates to approximately CHF 18 billion notional purchased and CHF 15 billion notional sold. More than 99% of gross protection purchased was from investment grade counterparties (based on internal ratings) and on a collateralized basis. The vast majority of this was from financial institutions domiciled outside the eurozone. Less than CHF 1 billion of the gross protection purchased was from counterparties domiciled in a GIIPS country and less than CHF 0.5 billion was with counterparties domiciled in the same country as the reference entity.

Holding CDS for credit default protection does not necessarily protect the buyer of protection against losses, as the contracts will only pay out under certain scenarios. The effectiveness of our CDS protection as a hedge of default risk is influenced by a number of factors, including the contractual terms under which the CDS was written. Generally, only the occurrence of a credit event as defined by the CDS terms (which may include among other events, failure to pay, restructuring or bankruptcy) results in a payment under the purchased credit protection contracts. For CDS contracts on sovereign obligations, repudiation can also be deemed as a default event but would need legal clarification. The determination as to whether a credit event has occurred is made by the relevant International Swaps and Derivatives Association, Inc. (ISDA) determination committees (comprised of various ISDA member firms) based on the terms of the CDS and the facts and circumstances surrounding the event.

Market risk

Most of our market risk originates from the Investment Bank's trading activities. The Group Treasury function (part of the Corporate Center) assumes foreign exchange and interest rate risk in connection with its balance sheet, profit and loss and capital management responsibilities. Market risk also arises within our Legacy Portfolio (part of the Corporate Center), and our wealth and asset management operations also take limited market risk in relation to client business.

Trading portfolios

For the purposes of our risk disclosure, the 1-day 95% confidence level value-at-risk (VaR) is used to quantify market risk exposures in our trading portfolios. This measure is also used for internal management purposes and applies to the market risk position population, that group of portfolios for which positions are generally marked to market on a daily basis and that are actively managed under market risk trading limits. Any material market risks that arise from positions outside of this population (e.g. the option to acquire equity of the SNB StabFund) are discussed separately either via sensitivity analysis within the "Non-trading portfolios – valuation and sensitivity information by instrument category" section, as part of our disclosure of sensitivity of "Interest rate in the banking book", or by other means (e.g. the composition of equity investments in the Market risk section of our Annual Report).

➔ **Refer to the "Risk, treasury and capital management" section of our Annual Report 2011 for more information on market risk and the composition of equity investments**

Value-at-risk definition

VaR is a statistical measure of market risk, representing the market risk losses that could potentially be realized over a set time horizon at an established level of confidence. This assumes no change in the firm's trading positions over the relevant time period. We calculate VaR on a daily basis on our end-of-day positions. Our VaR calculation is based on the application of historical changes in market risk factors directly to our current positions – a method known as historical simulation.

We use a single VaR model for both internal management purposes and for determining market risk regulatory capital requirements, although the confidence levels and time horizons differ. For internal management purposes we measure VaR at the 95% confidence level using a 1-day holding period. The regulatory measure of risk used to underpin the market risk capital requirement under the Basel accord, by contrast, requires a measure equivalent to a 99% confidence level and using a 10-day holding horizon.

Our VaR model is approved by FINMA and any significant revisions of our VaR methodology and model are also subject to regulatory approval.

Value-at-risk limitations

Actual realized market risk losses may differ from those implied by our VaR for a variety of reasons. All VaR measures are subject to limitations and must be interpreted accordingly and used in conjunction with other risk measures. The limitations of VaR include the following:

- The use of a five-year window means that sudden increases in market volatility will not tend to increase VaR as quickly as the use of shorter historical observation periods, but the increase will impact our VaR for a longer period of time.
- The VaR measure is calibrated to a specified level of confidence and may not indicate potential losses beyond this confidence level.
- The 1-day time horizon in the VaR measure, or 10-day in the case of regulatory VaR, may not fully capture the market risk of positions that cannot be closed out or hedged within the specified period.

- In certain cases, VaR calculations approximate the impact of changes in risk factors on the values of positions and portfolios. This may happen because the number of risk factors included in the VaR model is necessarily limited; for example, yield curve risk factors do not exist for all future dates.
- The effect of extreme market movements is subject to estimation errors, which may result from non-linear risk sensitivities, as well as the potential for actual volatility and correlation levels to differ from assumptions implicit in the VaR calculations.

We recognize that no single measure may encompass the entirety of risks associated with a position or portfolio. Consequently, we employ a suite of various metrics with both overlapping and complementary characteristics in order to create a holistic framework which ensures material completeness of risk identification and measurement.

As a statistical aggregate risk measure, VaR is supplemented by a comprehensive framework of non-statistical measures and corresponding limits. This includes an extensive series of stress tests and scenario analyses that undergo continuous evaluation to ensure that, were an extreme but nevertheless plausible event to occur, the resulting losses would not exceed our appetite for losses.

Furthermore, we have an established framework to identify and quantify potential risks that are not adequately captured by our VaR model. Starting in the fourth quarter, this framework is used as the basis for underpinning such risks with regulatory capital by means of a methodology approved by FINMA. The resulting risk-weighted-assets (RWA) add-on does not reflect any diversification benefits across risks capitalized through VaR and those subject to this additional capital underpinning. At the end of the fourth quarter, the add-on amounted to approximately one-third of the sum of RWA from VaR and stressed VaR.

➔ **Refer to the "Risk, treasury and capital management" section of our Annual Report 2011 for more information on market risk stress loss**

Value-at-risk development in the fourth quarter

In the fourth quarter, we improved the component of our VaR model used to calculate equity price risk by replacing the existing single-factor model with a multi-factor model, which better captures the correlations among equity returns. The effects of this model change on Group management, regulatory and stressed VaR figures, prior to and at the time of go live, were reductions of between 10% and 20%.

Group: management value-at-risk (1-day, 95% confidence, 5 years of historical data) by business division and Corporate Center

	For the quarter ended 31.12.12				For the quarter ended 30.9.12			
CHF million, except where indicated	**Min.**	**Max.**	**Average**	**31.12.12**	Min.	Max.	Average	30.9.12
Wealth Management	**0**	**0**	**0**	**0**	0	0	0	0
Wealth Management Americas	**1**	**2**	**2**	**2**	1	2	1	1
Investment Bank	**15**	**30**	**23**	**15**	22	30	26	27
Global Asset Management	**0**	**0**	**0**	**0**	0	0	0	0
Retail & Corporate	**0**	**0**	**0**	**0**	0	0	0	0
Corporate Center	**10**	**13**	**10**	**10**	9	17	11	10
Diversification effect	**–**[1]	**–**[1]	**(10)**	**(9)**	–[1]	–[1]	(11)	(9)
Total management VaR, Group	**18**	**33**	**25**	**18**	24	35	28	29
Diversification effect (%)			**(28)**	**(34)**			(28)	(24)

1 As the minimum and maximum occur on different days for different business divisions, it is not meaningful to calculate a portfolio diversification effect.

Group: management value-at-risk (1-day, 95% confidence, 5 years of historical data) by risk type

	For the quarter ended 31.12.12				For the quarter ended 30.9.12			
CHF million, except where indicated	**Min.**	**Max.**	**Average**	**31.12.12**	Min.	Max.	Average	30.9.12
Equities	**7**	**20**	**10**	**8**	8	13	10	12
Interest rates	**11**	**19**	**14**	**12**	13	21	17	16
Credit spreads	**26**	**37**	**30**	**26**	23	35	27	30
Foreign exchange	**3**	**11**	**5**	**5**	3	13	7	7
Energy, metals and commodities	**1**	**7**	**4**	**3**	1	6	3	2
Diversification effect	**–**[1]	**–**[1]	**(39)**	**(37)**	–[1]	–[1]	(35)	(38)
Total management VaR, Group	**18**	**33**	**25**	**18**	24	35	28	29
Diversification effect (%)			**(61)**	**(68)**			(56)	(57)

1 As the minimum and maximum occur on different days for different risk types, it is not meaningful to calculate a portfolio diversification effect.

Backtesting
Backtesting compares 1-day 99% confidence level regulatory VaR calculated on positions at the close of each business day with the revenues generated by those positions on the following business day. Backtesting revenues exclude non-trading revenues, such as fees and commissions, and estimated revenues from intraday trading. A backtesting exception occurs when backtesting revenues are negative and the absolute value of those revenues is greater than the previous day's VaR.

We had one backtesting exception at Group level in the fourth quarter. We did not have any Group backtesting exceptions in the first three quarters of 2012.

Non-trading portfolios
For the purpose of our disclosure, the market risks associated with our non-trading portfolios are quantified using sensitivity analysis.

This section includes an overview of interest rate risk in the banking book and a description of the valuation of certain significant product categories and related valuation techniques and models. In addition, sensitivity information is provided for certain significant instrument categories that are excluded from management VaR. Some numbers are stated in US dollars, with the Swiss franc equivalent shown in brackets for comparative purposes.

Interest rate risk in the banking book
The table "Interest rate sensitivity – banking book" shows the impact on present value for an immediate +1-basis-point, ±100-basis-points and ±200-basis-points parallel move in yield curves. Due to the low level of interest rates, the downward moves by 100/200 basis points are floored at zero to ensure that the resulting interest rates are not negative. This effect, combined with pre-payment risk on US mortgage products, results in non-linear behavior of the exposure.

➔ **Refer to the "Risk, treasury and capital management" section of our Annual Report 2011 and our first half 2012 Pillar 3 update for more information on interest rate risk in the banking book**

Non-trading portfolios – valuation and sensitivity information by instrument category

Credit valuation adjustments on monoline credit protection
Included in our Legacy Portfolio are negative basis trades, whereby we purchased CDS protection from monoline insurers against UBS-held underlyings, including residential mortgage-backed securities (RMBS) collateralized debt obligations (CDO) and commercial mortgage-backed securities (CMBS) CDO, transactions with collateralized loan obligations (CLO) and asset-backed securities (ABS) CDO. Since the start of the financial crisis, the credit valuation adjustments (CVA) relating to these monoline exposures have been a source of valuation uncertainty, given market illiquidity and the contractual terms of these exposures relative to other monoline-related instruments.

CVA amounts related to monoline credit protection are based on a methodology that uses CDS spreads on the monolines as a key input in determining an implied level of expected loss. Where a monoline has no observable CDS spread, a judgment is made on the most comparable monoline or combination of monolines and the corresponding spreads are used instead. For RMBS CDO, CMBS CDO and CLO asset categories, cash flow projections are used in conjunction with current fair values of the underlying assets to provide estimates of expected future exposure levels. For other asset categories, future exposure is derived from current exposure levels.

Interest rate sensitivity – banking book

CHF million	31.12.12				
	–200 bps	**–100 bps**	**+1 bp**	**+100 bps**	**+200 bps**
CHF	**(22.4)**	**(13.4)**	**(0.3)**	**(27.5)**	**(51.0)**
EUR	**21.0**	**13.3**	**(0.5)**	**(48.5)**	**(94.1)**
GBP	**(0.5)**	**2.3**	**(0.1)**	**(14.3)**	**(29.5)**
USD	**(197.3)**	**(138.3)**	**4.5**	**412.6**	**793.7**
Other	**(8.3)**	**(10.5)**	**0.2**	**20.2**	**40.3**
Total impact on interest rate-sensitive banking book positions	**(207.4)**	**(146.7)**	**3.8**	**342.5**	**659.4**

CHF million	30.9.12				
	–200 bps	**–100 bps**	**+1 bp**	**+100 bps**	**+200 bps**
CHF	(19.3)	(12.1)	0.1	15.3	32.2
EUR	2.6	(1.7)	(0.8)	(72.2)	(143.1)
GBP	3.6	2.7	(0.1)	(6.4)	(12.5)
USD	(186.5)	(100.5)	2.6	261.3	464.1
Other	(28.7)	(26.6)	0.2	21.6	43.5
Total impact on interest rate-sensitive banking book positions	(228.3)	(138.1)	2.1	219.7	384.2

To assess the sensitivity of the monoline CVA calculation to alternative assumptions, the impact of a 10% increase in monoline CDS spreads (e.g. from 1,000 basis points to 1,100 basis points for a specific monoline) was considered. Such an increase would have resulted in a USD 15 million (CHF 13 million) increase in the reported monoline CVA compared with USD 21 million (CHF 19 million) at the end of the prior quarter.

The sensitivity of the monoline CVA to a decrease of 1 percentage point in the monoline recovery rate assumptions (e.g. from 30% to 29% for a specific monoline, conditional on default occurring) is estimated to increase the reported figures by approximately USD 3 million (CHF 2 million) compared with USD 2 million (CHF 2 million) at the end of the prior quarter. The sensitivity to credit spreads and recovery rates is substantially linear.

US reference-linked notes

The US reference-linked notes (RLN) consist of a series of transactions whereby we purchased credit protection, predominantly in note form, on a notional portfolio of fixed income assets. The referenced assets are comprised of USD ABS. These are primarily CMBS and RMBS and/or corporate bonds and loans across all rating categories. While the assets in the portfolio are marked-to-market, the credit protection embodied in the RLN is fair-valued using a market standard approach to the valuation of portfolio credit protection (Gaussian copula). This approach is intended to effectively simulate correlated defaults within the portfolio, where the expected losses and defaults of the individual assets are closely linked to the observed market prices (spread levels) of those assets. Key assumptions of the model include correlations and recovery rates. We apply fair value adjustments related to potential uncertainty in each of these parameters, which are only partly observable. In addition, we apply fair value adjustments for uncertainties associated with the use of observed spread levels as the primary inputs. These fair value adjustments are calculated by applying shocks to the relevant parameters and revaluing the credit protection. These shocks for correlation, recovery and spreads are set to various levels depending on the asset type and/or region and may vary over time depending on the best judgment of the relevant trading and control personnel. Correlation and recovery shocks are generally in the reasonably possible range of 5 to 15 percentage points. Spread shocks vary more widely and depend on whether the underlying protection is funded or unfunded to reflect cash or synthetic basis effects. These fair value adjustments may also be considered a measurement of sensitivity.

The fair value of the US RLN credit protection was USD 120 million (CHF 110 million) at the end of the fourth quarter, including adjustments described above of USD 11 million (CHF 10 million). This compares with USD 129 million (CHF 121 million) at the end of the prior quarter, which included an adjustment of USD 12 million (CHF 12 million).

Non-US reference-linked notes

The same valuation model and the same approach to calculation of fair value adjustments are applied to the non-US RLN credit protection as to the US RLN credit protection as described above, except that the spread is shocked by 10% for European corporate names.

The fair value of the non-US RLN credit protection was USD 214 million (CHF 195 million) at the end of the fourth quarter, including adjustments of USD 42 million (CHF 39 million). This compares with a fair value of USD 334 million (CHF 314 million) at the end of the prior quarter, which included adjustments of USD 23 million (CHF 21 million). The reduction of the fair value exposure was mainly due to mark-to-market changes.

Option to acquire the equity of the SNB StabFund

Our call option to purchase the SNB StabFund's equity is recognized on the balance sheet as a derivative at fair value (positive replacement values) with changes in fair value recognized in profit or loss. At the end of the fourth quarter, the fair value of the option (after reserves) was USD 2,297 million (CHF 2,103 million). This compares with USD 2,199 million (CHF 2,068 million) at the end of the prior quarter. The increase in the value of the option during the period is primarily attributable to an increase in the market value of the underlying SNB StabFund assets.

The option valuation model utilizes cash flow projections for assets within the SNB StabFund across various economic scenarios. This model is calibrated to market levels by setting the spread above the one-month LIBOR rates used to discount future cash flows, such that the model-generated price of the underlying asset pool equals our assessed fair value of the asset pool. The model incorporates a model reserve (fair value adjustment) to address the inherent valuation uncertainty associated with the forecasting process. This adjustment was USD 173 million (CHF 158 million) at the end of the fourth quarter compared with USD 114 million (CHF 107 million) at the end of the prior quarter.

A 100 basis-point increase in the discount rate would have decreased the option value by USD 181 million (CHF 166 million) at the end of the fourth quarter, compared with USD 174 million (CHF 164 million) at the end of the prior quarter. A 100 basis-point decrease would have increased the option value by USD 201 million (CHF 184 million) at the end of the fourth quarter, compared with USD 194 million (CHF 182 million) at the end of the prior quarter.

Operational risk

The implementation of the enhanced operational risk framework remained a key focus during the fourth quarter. Momentum was maintained on implementation and refinement across the four main pillars, which are as follows:

1. Introduction of a clear and logical taxonomy to provide a consistent framework for assessment and analysis of operational risk
2. Assessment of the design and operating effectiveness of controls through the internal control assessment process
3. Assessment of residual risk through the operational risk assessment process
4. Remediation to address identified deficiencies that are outside accepted levels of residual risk

The quarterly internal control assessment process, which requires functions to provide positive evidence of the effective operation of their key procedural controls, was completed for the third time and commenced for the fourth quarter with assessments completed in January 2013. This process was enhanced based on observations and best practices obtained from independent quality assessments of the first cycle. The process to aggregate and interpret the collective impact of deficiencies identified during the internal control assessment process was advanced through the inclusion of risk appetite statements, scenarios and extensive control and remediation effectiveness reviews. Issues with the largest potential impact on UBS or a high degree of regulatory focus, and the associated remediation programs, continue to be sponsored at the most senior level of the firm.

Legacy operational risk tools are being replaced by an enhanced system. As of December the system supports the assessment of Sarbanes Oxley (SOX) relevant key procedural controls, which were utilized for the fourth quarter internal control assessment process.

Operational risk control provides an independent and objective view on whether material operational risks are being managed adequately. In an effort to further support an integrated approach, the operational risk issue rating methodology was adopted by Global Compliance, Internal and External Audit, and is the standardized rating methodology within the firm.

Assessment of all known issues, irrespective of source, against the same rating scale supports clear prioritization and management focus on the key issues.

The specialist risk teams lead cross-divisional collaboration to ensure a coordinated approach to control in key areas such as information security, fraud, business continuity, financial reporting and treasury. Group Internal Audit continues to perform the enhanced assurance process for issue closure which was established in the third quarter.

Implementation of the revised operational risk framework will continue to progress into 2013, including further work on assessing operational risk appetite for each operational risk taxonomy category.

➔ Refer to the “Risk, treasury and capital management” section of our Annual Report 2011 for information on our operational risk framework

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