

Annual Report 2007

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Introduction

This year we have changed the structure of our annual report. Based on feedback from users, our annual report now consists of four themed reports. These combine audited and non-audited information.

Together, the four reports make up UBS's full *Annual Report 2007* and replace the former Financial Report, the Handbook and the Compensation Report. They comply with the US disclosure requirements for foreign private issuers as defined by Form 20-F of the Securities and Exchange Commission (SEC).

The four reports are:

Strategy, Performance and Responsibility 2007

This provides a description of our firm, its strategy, organizational structure and financial performance for the last two years. It also discusses our standards for corporate behavior and responsibility, outlines demographic trends in our workforce and describes the way our people learn and are led.

Risk, Treasury and Capital Management 2007

In addition to outlining the principles by which we manage and control risk, this report provides an account of developments in credit risk, market risk, operational risk and treasury management during 2007. It also provides information on UBS shares.

Corporate Governance and Compensation Report 2007

Comprehensive information on our governance arrangements is included in this report, which also explains how we manage our relationships with regulators and shareholders. Compensation of senior management and the Board of Directors (executive and non-executive members) is discussed here.

Financial Statements 2007

This comprises the audited financial statements of UBS for 2007, 2006 and 2005, prepared according to the International Financial Reporting Standards (IFRS). It also includes the audited financial statements of UBS AG (the parent bank) for 2007 and 2006, prepared according to Swiss banking law. Additional disclosure required by Swiss and US regulations is included where appropriate.

In addition to the four reports, *Review 2007* is distributed broadly to UBS shareholders and contains key information on our strategy and financials. This booklet summarizes the information in the four-part annual report.

If you only ordered specific reports in prior years, please note that the former Compensation Report is now called *Corporate Governance and Compensation Report 2007*, and the former Annual Review is now called *Review 2007*. Our contact details are listed in the final pages of this report – please be in contact with us so that we can arrange delivery of the reports you require.

This report contains information that is current as of the date of this report. We undertake no obligation to update this information or notify you if it should change or if new information should become available.

Our aim is to provide publications that are useful and informative. In order to ensure that UBS remains among the leading providers of corporate disclosure, we would like to hear your opinions on how we can improve the content and presentation of our products (see contact details on the final pages of this report).

UBS

Information according to Art. 663b^{bis} and Art. 663c paragraph three of the Swiss Code of Obligations

Disclosures provided in line with the requirements of Art. 663b^{bis} and Art. 663c paragraph three of the Swiss Code of Obligations' "Supplementary disclosures for companies whose shares are listed on a stock exchange: Compensations and Participations" are also included in the audited report *Financial Statements 2007*. This information is marked by a bar on the left-hand side throughout this report.

Corporate governance

- Aims to lead UBS towards sustainable growth, protect the interests of its shareholders and create value for them and all stakeholders of the firm
- Checks and balances through a strict dual board structure
- Shareholders' rights encourage their participation in decision-making processes

Key features

Strict dual board structure

The *Board of Directors (BoD)* is the most senior body in the firm, with ultimate responsibility for its mid- and long-term strategic direction and supervision of executive management. The majority of its members are independent

The *Group Executive Board (GEB)* has business management responsibility for UBS. Its members account to the BoD for the firm's results

Separation of powers is achieved by limiting membership to one board and assigning the functions of Chairman of the BoD and Group Chief Executive Officer to different people

Shareholder participation rights

- No restrictions on share ownership and voting rights
- Shareholders (individually or jointly) representing shares with an aggregate par value of CHF 62,500 can submit proposals for the agendas of shareholders' meetings

Recent developments

Extraordinary general meeting on 27 February 2008 approved capital strengthening program

- Creation of conditional capital to issue CHF 13 billion of mandatory convertible notes to financial investors
- Creation of authorized capital of maximum CHF 10.4 million to replace cash dividend with stock dividend

Annual general meeting on 23 April 2008 to vote on reduced terms of office for members of the Board of Directors

- Proposed reduction of the terms of office from three years (current terms) to one year
- As a result, by 2010 at the latest, the entire BoD will have to be confirmed on a yearly basis

Introduction and principles

Corporate governance – the way that the leadership and management of a firm are organized and how they operate in practice – ultimately aims to lead UBS towards sustainable growth, protect the interests of its shareholders and create value for both them and all stakeholders. Good corporate governance seeks to balance entrepreneurship, control and transparency, while supporting the firm's success by ensuring efficient decision-making processes.

UBS fully complies with the SWX Swiss Exchange's (SWX) regulatory requirement "Directive on Information Relating to Corporate Governance" (revised directive as of 1 January 2007), as well as the amended Swiss Code of Obligations (CO) with the newly introduced articles Art. 663b^{bis} and Art. 663c paragraph three regarding transparency in compensation paid to members of the Board of Directors (BoD) and senior management. In addition, UBS fully complies with the standards established in the "Swiss Code of Best Practice for Corporate Governance", including the recently adopted appendix on executive compensation.

UBS also meets the New York Stock Exchange (NYSE) corporate governance standards applicable to listed foreign companies and complies with the overwhelming majority of NYSE standards for US domestic issuers. The few exceptions are mainly due to different legal systems in Switzerland and the US and relate to the role, responsibilities and authorities of the BoD and the annual general meeting (AGM) (see pages 47–48 for more information). UBS complies with the applicable requirements of the US Sarbanes-Oxley Act of 2002, including the certification of UBS's annual report on Form 20-F by the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO).

This *Corporate Governance and Compensation Report 2007* contains the following regulatory information required by:

- SWX "Directive on Information Relating to Corporate Governance" (revised directive as of 1 January 2007) with regard to Group structure and shareholders, capital structure, Board of Directors, Group Executive Board, compensation, shareholdings and loans (revised), shareholders' participation rights, change of control and defense measures, auditors and information policy;
- Art. 663b^{bis} and Art. 663c paragraph three of the CO "Supplementary disclosures for companies whose shares are listed on a stock exchange: Compensations and Participations", with regard to share and option ownership and loans; and
- NYSE "Corporate Governance Listing Standards" with regard to foreign listed companies, independence of directors, board committees and differences from NYSE standards.

In addition, this section summarizes the regulatory and supervisory environment of UBS in its principal locations and provides a list of all members of the Group Managing Board (GMB) and the Vice Chairmen of the business groups who, together with the Group Executive Board (GEB), form the senior leadership of the firm.

The section on executive compensation has been re-written this year to reflect and fully comply with new reporting requirements under the CO.

Group structure and shareholders

Under Swiss company law, UBS is organized as a limited company, a corporation that has issued shares of common stock to investors. UBS AG is the parent company of the UBS Group.

UBS Group legal entity structure

The legal entity structure of UBS is designed to support its businesses within an efficient legal, tax, regulatory and funding framework. Neither the business groups of UBS nor its Corporate Center are separate legal entities: they operate out of the parent bank, UBS AG, through its branches worldwide. This structure is designed to capitalize on the increased business opportunities and cost efficiencies offered by the use of a single legal platform and to enable the flexible and efficient use of capital.

Where it is neither possible nor efficient to operate out of the parent bank – usually due to local legal, tax or regulatory rules or as a result of additional legal entities joining the UBS Group through acquisition – businesses operate through local subsidiaries.

Operational group structure

The three business groups – Global Wealth Management & Business Banking, Global Asset Management and the Investment Bank – together with Corporate Center form the operational structure of the Group's financial businesses. Performance is reported according to this structure.

→ The "UBS's businesses" section in *Strategy, Performance and Responsibility 2007* details each business group and its strategy, structure, organization, products and services

Listed and non-listed companies belonging to the Group (consolidated entities)

The UBS Group includes a great number of subsidiaries, none of which, however, are listed companies. For details of significant operating subsidiary companies of the Group, see Note 35 in *Financial Statements 2007*.

Significant shareholders

Chase Nominees Ltd., London, acting in its capacity as a nominee for other investors, was registered with 7.99% of all shares issued as of 31 December 2007, compared to 8.81% at year-end 2006 and 8.55% at year-end 2005. DTC (Cede & Co.), New York, The Depository Trust Company, a US securities clearing organization, was registered as a shareholder for a great number of beneficial owners with 14.15% of all shares

issued as of 31 December 2007 (13.21% as of 31 December 2006). According to "UBS's Regulation on the Registration of Shares", voting rights of nominees are restricted to 5%, while clearing and settlement organizations are exempt from this restriction. As of 31 December 2007, no other shareholders had reported holding 3% or more of all voting rights. Ownership of UBS shares is widely spread. The tables on the next page provide information about the distribution of shareholders by category and geography. This information relates only to registered shareholders and cannot be assumed to be representative of the entire UBS investor base. Only shareholders registered in the share register as shareholders with voting rights are entitled to exercise voting rights.

Under the Swiss Stock Exchange Act, anyone holding shares in a company listed in Switzerland, or derivative rights related to shares of such a company, has to notify the company and the stock exchange if the holding attains, falls below or exceeds one of the following thresholds: 3, 5, 10, 15, 20, 25, 33 1/3, 50, or 66 2/3% of the voting rights, whether they are exercisable or not. The detailed disclosure requirements and the methodology for calculating the thresholds are defined in the "Ordinance of the Swiss Federal Banking Commission on the Stock Exchanges and Securities Trading" (disclosure of shareholdings). In particular, the ordinance prohibits the netting of so-called acquisition positions (i.e. in particular shares, conversion rights and acquisition rights or obligations) with disposal positions (i.e. rights or obligations to sell). It further requires that each such position be calculated separately and reported simultaneously as soon as it reaches a threshold. Since 13 September 2002, UBS's holdings of its own shares have been above the 3% threshold requiring disclosure under the Swiss stock exchange laws. UBS's position in its own shares remained between 3% and 10% throughout 2007.

At year-end 2007, UBS held a stake of 7.79% (161,475,748) of acquisition positions (proportion of voting rights) consisting of 160,841,275 UBS registered shares and a total of 634,473 acquisition rights and granted disposal rights on UBS registered shares. At the same time, UBS held 10.32% (213,775,377) of disposal positions (proportion of voting rights) relating to UBS registered shares.

Cross shareholdings

UBS has no cross shareholdings in excess of a reciprocal 5% of capital or voting rights with any other company.

Distribution of UBS shares

| As of 31.12.07 <i>Number of shares registered</i> | Shareholders registered | | Shares registered | |
|--|-------------------------|-------|----------------------------------|--------------------|
| | Number | % | Number | % of shares issued |
| 1–100 | 33,819 | 16.2 | 1,982,968 | 0.1 |
| 101–1,000 | 124,749 | 59.6 | 52,269,332 | 2.5 |
| 1,001–10,000 | 46,603 | 22.3 | 123,861,673 | 6.0 |
| 10,001–100,000 | 3,577 | 1.7 | 87,704,010 | 4.2 |
| 100,001–1,000,000 | 384 | 0.2 | 112,916,436 | 5.5 |
| 1,000,001–5,000,000 | 70 | 0.0 | 148,229,789 | 7.2 |
| 5,000,001–20,735,473 (1%) | 18 | 0.0 | 147,702,880 | 7.1 |
| 1–2% | 6 | 0.0 | 194,124,566 | 9.4 |
| 2–3% | 0 | 0.0 | 0 | 0.0 |
| 3–4% | 0 | 0.0 | 0 | 0.0 |
| 4–5% | 0 | 0.0 | 0 | 0.0 |
| Over 5% | 2 ¹ | 0.0 | 459,135,393 | 22.0 |
| Total registered | 209,228 | 100.0 | 1,327,927,047 | 64.0 |
| Unregistered ² | | | 745,620,297 | 36.0 |
| Unregistered shares issued | | | 2,073,547,344³ | 100.0 |

¹ As of 31 December 2007, DTC (Cede & Co.), New York, the US securities clearing organization, was registered with 14.15 % of all shares issued. Chase Nominees Ltd., London, was entered as a trustee/nominee holding 7.99 % of all shares issued. ² Shares not entered in the share register as of 31 December 2007. ³ Registered shares totaling 199,544,283 do not carry voting rights.

Shareholders: category and geographical location

| As of 31.12.07 | Shareholders | | Shares | |
|-------------------------|----------------|--------------|----------------------|--------------|
| | Number | % | Number | % |
| Individual shareholders | 202,019 | 96.6 | 244,744,640 | 11.8 |
| Legal entities | 6,713 | 3.2 | 247,068,373 | 11.9 |
| Nominees, fiduciaries | 496 | 0.2 | 836,114,034 | 40.3 |
| Unregistered | | | 745,620,297 | 36.0 |
| Total | 209,228 | 100.0 | 2,073,547,344 | 100.0 |
| Switzerland | 186,725 | 89.2 | 460,203,410 | 22.2 |
| Europe | 15,205 | 7.3 | 425,716,963 | 20.5 |
| North America | 2,390 | 1.1 | 398,561,800 | 19.2 |
| Other countries | 4,908 | 2.4 | 43,444,874 | 2.1 |
| Unregistered | | | 745,620,297 | 36.0 |
| Total | 209,228 | 100.0 | 2,073,547,344 | 100.0 |

Capital structure

UBS is committed to capital management that is driven by shareholder value considerations. At the same time, UBS is dedicated to maintaining its strong capital position.

Capital

Under Swiss company law, shareholders have to approve in a shareholders' meeting any increase in the total number of issued shares, which may be an ordinary share capital increase or the creation of conditional or authorized capital. At year-end 2007, the ordinary share capital was CHF 207,354,734.40 (including shares issued out of conditional capital during 2007).

At the annual general meeting (AGM) on 18 April 2007, shareholders gave the Board of Directors (BoD) a mandate to continue a repurchase program during 2007-2010 for a maximum of 10% of the share capital (210,527,328 shares) over the next three-year period. As part of the measures announced in December 2007 to strengthen UBS's capital base, the BoD decided to rededicate the 36.4 million treasury shares held for cancellation.

Conditional share capital

At year-end 2007, total conditional share capital amounted to CHF 15,013,863.40, corresponding to a maximum of 150,138,634 shares.

Conditional capital was created in 2000 in connection with the acquisition of PaineWebber Group Inc. (PaineWebber) to cover option rights previously granted by PaineWebber to its employees. Additionally, at the 2006 AGM, shareholders approved conditional capital in the amount of 150 million UBS shares to be used for employee option grants limited to a period of three years. Options under both plans are exercisable at any time between their vesting and the expiry date. Shareholders' pre-emptive rights are excluded. In 2007, options with respect to 1,288,354 shares were exercised under the PaineWebber option plans, and 4,718 options expired without being exercised. Under the UBS employee stock option plans 5,704 options were exercised.

UBS shareholders also approved the creation of conditional capital at the extraordinary general meeting (EGM) on 27 February 2008, allowing the Government of Singapore Investment Corporation Pte. Ltd. (GIC) and an undisclosed financial investor in the Middle East to subscribe to an issue of CHF 13 billion of mandatory convertible notes (MCNs).

Authorized share capital

At the EGM on 27 February 2008, UBS shareholders approved the creation of authorized capital for a maximum amount of CHF 10,370,000, or 103,700,000 new shares (approximately 5% of the issued share capital at year-end 2007). The issue price of new shares will be CHF 0.10. The authorized capital created will be used to replace the cash dividend for the 2007 financial year with a stock dividend. UBS shareholders will receive one tradable entitlement for each UBS share held on 25 April 2008. Entitlements will be tradable on SWX Europe (formerly known as virt-x) from 28 April to 9 May 2008. The maximum exchange ratio will be at least 20:1, i.e. no fewer than 20 entitlements will enable a holder to receive one new share for free. The exchange ratio will be determined by the BoD and communicated to shareholders on or by the day of the AGM on 23 April 2008.

Changes of shareholders' equity

According to International Financial Reporting Standards (IFRS), equity attributable to UBS shareholders amounted to CHF 35.5 billion on 31 December 2007.

→ **Changes in shareholders equity over the last three years are detailed in *Financial Statements 2007***

Shares, participation and bonus certificates, capital securities

UBS shares are issued in registered form, traded and settled as so-called global registered shares. Each registered share

Ordinary share capital

| | Share capital in CHF | Number of shares | Par value in CHF |
|--|-------------------------|----------------------|---------------------|
| As of 31 December 2006 | 210,527,329 | 2,105,273,286 | 0.10 |
| Share repurchase programs 2006/2007: | | | |
| cancellation of shares upon annual general meeting decision of 18 April 2007 | (3,302,000) | (33,020,000) | 0.10 |
| options exercised from conditional capital | 129,405 | 1,294,058 | 0.10 |
| As of 31 December 2007 | 207,354,734 | 2,073,547,344 | 0.10 |

has a par value of CHF 0.10 and carries one vote. Voting rights may, however, only be exercised if the holder expressly declares having acquired these shares in his or her own name and for his or her own account. Global registered shares provide direct and equal ownership for all shareholders, irrespective of the country and stock exchange they are traded at.

→ For details, see the “Shareholders’ participation rights” section in this report

On 31 December 2007, 1,128,382,764 shares carried voting rights, 199,544,283 shares were entered in the share register without voting rights, and 745,620,297 shares were not registered. All 2,073,547,344 shares were fully paid up and ranked for dividends. There are no preferential rights for individual shareholders.

UBS has not issued any participation certificates or bonus certificates.

In 2007, UBS Capital Securities (Jersey) Ltd. raised EUR 600 million hybrid Tier 1 capital in the form of preferred shares. Additionally, UBS tapped the capital markets twice in 2007 and raised GBP 250 million with a coupon of 6.375% maturing in 2024 (and callable by the issuer in 2019) and CHF 350 million with a 4.125% coupon maturing in 2017. At year-end 2007, UBS had CHF 6,387 million in preferred shares outstanding which count as Tier 1 capital under regulatory rules. Outstanding Tier 2 capital securities accounted for CHF 13,770 million in eligible capital as of 31 December 2007.

Limitation on transferability and nominee registration

UBS does not apply any restrictions or limitations on the transferability of its shares. Shares registered in the share register with voting rights according to the provisions of the “Articles of Association UBS AG” (which require an express declaration of beneficial ownership) may be voted without any limit in scope.

UBS has issued special provisions for the registration of fiduciaries/nominees. Fiduciaries/nominees are entered in the share register with voting rights up to a total of 5% of all shares issued, if they agree to disclose, upon request from the firm, beneficial owners holding 0.3% or more of all UBS shares. An exception to the 5% rule exists for securities clearing organizations such as The Depository Trust Company in New York.

Convertible bonds and options

On 31 December 2007, employee options outstanding amounted to 185,993,330, of which a total of 90,453,625 were exercisable. UBS satisfies share delivery obligations under its option-based participation plans either by purchasing UBS shares in the market on grant date or shortly thereafter or through the issuance of new shares out of conditional capital. At exercise, shares held in treasury or newly issued shares are delivered to the employee against receipt of the strike price. As of 31 December 2007, UBS was holding approximately 141 million shares in treasury and an additional 150 million unissued shares in conditional share capital which are available and can be used for future employee option exercises. The shares available cover all vested (i.e. exercisable) employee options.

The Investment Bank, acting as liquidity provider to the equity futures market and as a market-maker in UBS shares and derivatives, issued derivatives linked to UBS stock. Most of these instruments are classified as cash-settled derivatives and are held for trading purposes only. To hedge the economic exposure, a limited number of UBS shares are held by the Investment Bank.

UBS issued CHF 13 billion of MCNs following the EGM on 27 February 2008. The notes were placed with two financial investors (GIC and one other investor). The notes will pay a coupon of 9% until conversion into UBS shares, which must take place on or before a date two years after issuance.

The MCNs contain market-standard provisions allowing for early conversion at the option of either UBS or the MCN holders. Early conversion is only possible as from the date six months after issuance of the MCNs (expected earliest conversion date is 5 September 2008). The conversion of the MCNs, which will occur only after the stock dividend (see the paragraph titled “Authorized share capital” in this section), is expected to increase the number of shares in issue by between 9.9% and 11.6%, depending on the development of the UBS share price and in the absence of dilutive events. The proceeds raised from the sale of the MCNs will support UBS’s business and its long-term profit capacity. The terms of the MCNs contain standard market provisions for the adjustment of the conversion price if any dilutive events occur between issuance and maturity, such as capital increases at a discount, dividends in cash or in specie in excess of CHF 2.20 per share and per financial year, and similar events.

→ Details on the MCN can be found in the section “Shares and capital instruments” in *Risk, Treasury and Capital Management 2007*

Board of Directors

The Board of Directors is the most senior body with ultimate responsibility for the strategy and management of the company and for the supervision of its executive management. The shareholders elect each member of the Board of Directors, which appoints its Chairman, at least one Vice Chairman and the members of its various committees.

Members of the Board of Directors

The text in the boxes below provides information on the composition of the Board of Directors (BoD) as of 31 December 2007. It shows each member's functions in UBS, nationality, year of initial appointment to the BoD and current term of office, professional history and education, date of birth and other activities and functions, such as mandates on boards of important corporations, organizations and foundations, permanent functions for important interest groups and official functions and political mandates.

As of the annual general meeting (AGM) held on 18 April 2007, Stephan Haeringer, Helmut Panke and Peter Spuhler were re-elected as their term of office expired. Sir Peter Davis, who had reached the retirement age limit, did not stand for re-election. Sergio Marchionne was newly elected. Furthermore, as part of the changes in management announced in October 2007, Marco Suter stepped down from the BoD to take up the position of Group Chief Financial Officer (CFO) and became a member of the Group Executive Board (GEB).

As of 31 December 2007, the membership consisted of 11 directors, of which the majority (nine members) were non-executive and independent.

Marcel Ospel

| | |
|-----------------------------------|---|
| Address | UBS AG Bahnhofstrasse 45 CH-8098 Zurich |
| Function in UBS | Chairman |
| Nationality | Swiss |
| Year of initial appointment | 2001 |
| Current term of office runs until | 2008 (proposed for re-election at the 2008 AGM) |

Professional history, education and date of birth

Marcel Ospel has been Chairman of the Board of Directors (BoD) of UBS AG since 2001. Prior to this, he served as Group Chief Executive Officer (Group CEO) of UBS. He was the President and Group CEO of Swiss Bank Corporation (SBC) from 1996 to 1998. He was appointed CEO of SBC Warburg in 1995, having been a member of the Executive Board of SBC since 1990. From 1987 to 1990, he was in charge of Securities Trading and Sales at SBC. From 1984 to 1987, Mr Ospel was a Managing Director with Merrill Lynch Capital Markets, and from 1980 to 1984, he worked at SBC International London and New York in the Capital Markets division. He began his career at SBC in the Central Planning and Marketing Division in 1977. Mr Ospel graduated from the School of Economics and Business Administration (SEBA) in Basel and holds an "Honorary Doctor of Laws Degree" of the University of Rochester. He was born on 8 February 1950.

Other activities and functions

Mandates on boards of important corporations, organizations and foundations:

Marcel Ospel is a member of the Monetary Authority of Singapore's International Advisory Panel. He is a trustee of the Foundation Board of the Patronate Committee for the Basel Museums of Art and of the Committee for the Museum of Antiques, Basel, and is the Chairman of the "Optimus Foundation", a charitable foundation administered by UBS.

Permanent functions for important interest groups:

Marcel Ospel is the treasurer of "Economesuisse", the Swiss business federation, Zurich, and is a member of the European Financial Services Round Table, Brussels.

Stephan Haeringer

| | |
|-----------------------------------|---|
| Address | UBS AG Bahnhofstrasse 45 CH-8098 Zurich |
| Functions in UBS | Executive Vice Chairman / Chairman of the Corporate Responsibility Committee |
| Nationality | Swiss |
| Year of initial appointment | 2004 |
| Current term of office runs until | 2010 |

Professional history, education and date of birth

Before being elected to the BoD in 2004, Stephan Haeringer was Deputy President of the Group Executive Board (GEB), a position he held between 2002 and 2004. Between 2000 and 2002, he was CEO of UBS Switzerland and the Private and Corporate Clients business. In 1998, following the UBS-SBC merger, he was appointed the Division Head of Private and Corporate Clients. He originally joined the former Union Bank of Switzerland in 1967, assuming a broad variety of responsibilities within the firm – among them CEO Region Switzerland, Division Head Private Banking and Institutional Asset Management and Head of the Financial Division. Between 1967 and 1988, Mr Haeringer was assigned various management roles in the areas of Investment Counseling, Specialized Investments, Portfolio Management, Securities Administration and Collateral Loans. He received professional training at Williams de Broe Hill Chaplin & Cie, London, and at Goldman Sachs & Co. and Brown Brothers Harriman in New York. Mr Haeringer was born on 6 December 1946.

Other activities and functions

Mandates on boards of important corporations, organizations and foundations:

Stephan Haeringer is a member of the Board of the Helmut Horten Foundation, Croglio (Ticino, Switzerland), Chairman of the Foundation Board of the UBS Pension Fund, a member of the Board Committee of the Zurich Chamber of Commerce, a member of the German-Swiss Chamber of Commerce, a member of the "Institut International D'Etudes Bancaires" and a member of the Board of Trustees of the Goethe Business School, Frankfurt.

Ernesto Bertarelli

| | |
|-----------------------------------|---|
| Address | Bemido SA 2, chemin des Mines CH-1211 Geneva 20 |
| Function in UBS | Member of the Nominating Committee |
| Nationality | Swiss |
| Year of initial appointment | 2002 |
| Current term of office runs until | 2009 |

Professional history, education and date of birth

Ernesto Bertarelli was CEO of Serono International SA, Geneva between 1996 and 2007. He started his career with Serono in 1985 and held several positions in sales and marketing. Prior to his appointment as CEO, he served for five years as Deputy CEO. Mr Bertarelli holds a Bachelor of Science from Babson College Boston and a Harvard MBA. He was born on 22 September 1965.

Other activities and functions

Mandates on boards of important corporations, organizations and foundations:

Ernesto Bertarelli is the Chairman of Kedge Capital Partners Ltd, Jersey, of Team Alinghi SA, Ecublens (Switzerland), and of Alinghi Holdings Ltd, Jersey. He holds various board mandates in professional organizations of the biotech and pharmaceutical industries.

Gabrielle Kaufmann-Kohler

| | |
|-----------------------------------|--|
| Address | Lévy Kaufmann-Kohler 3-5, rue du Conseil- Général CH-1205 Geneva |
| Functions in UBS | Member of the Nominating Committee/ member of the Corporate Responsibility Committee |
| Nationality | Swiss |
| Year of initial appointment | 2006 |
| Current term of office runs until | 2009 |

Professional history, education and date of birth

Gabrielle Kaufmann-Kohler has been a partner with Lévy Kaufmann-Kohler since 1 January 2008 and has also been a professor of international private law at the University of Geneva since 1997. Between 1996 and 2007 she was a partner at the Schellenberg Wittmer law firm. From 1985 to 1995 she was a partner at Baker & McKenzie law firm. She is a member of the Geneva Bar (since 1976) and of the New York State Bar (since 1981) and is known worldwide for her expertise in international arbitration. Ms Kaufmann-Kohler completed her legal studies at the University of Basel in 1977 and received her doctorate from the same institution in 1979. She was born on 3 November 1952.

Other activities and functions

Mandates on boards of important corporations, organizations and foundations:

Gabrielle Kaufmann-Kohler is a member of the American Arbitration Association.

Sergio Marchionne

| | |
|-----------------------------------|---|
| Address | Fiat S.p.A Via Nizza 250 I-10126 Torino |
| Function in UBS | Member of the Compensation Committee |
| Nationality | Canadian and Italian |
| Year of initial appointment | 2007 |
| Current term of office runs until | 2010 |

Professional history, education and date of birth

Sergio Marchionne serves as CEO of Fiat S.p.A., Turin, and Fiat Group Automobiles. Sergio Marchionne began his professional career in 1983 as a Chartered Accountant and Tax Specialist for Deloitte & Touche in Canada. Two years later, he became Group Controller and then Director of Corporate Development at Lawson Mardon Group of Toronto. In 1989 and 1990, he served as Executive Vice President of Glenex Industries. In the following two years Sergio Marchionne acted as Vice President of Finance and Chief Financial Officer (CFO) at Acklands Ltd. He returned to Lawson Mardon Group in 1992 as Vice President of Legal and Corporate Development and CFO. The company was acquired by Alusuisse Lonza (Algroup) in 1994. After the acquisition he held various positions of increasing responsibility until 2000, after having become CEO in 1996. After completing the merger of Alusuisse with Alcan, he acted as CEO and Chairman of the spin-off Lonza Group Ltd. In 2002, Sergio Marchionne was appointed CEO of the Société Générale de Surveillance (SGS) Group of Geneva, and in early 2006 he became Chairman of the same company. He has been a member of the BoD of Fiat S.p.A. since 2003 and served as CEO of the company from June 2004 onwards. Sergio Marchionne studied philosophy at the University of Toronto, Canada, business at the University of Windsor, Canada, and law at Osgoode Hall Law School in Toronto, Canada, and is a lawyer and chartered accountant. He was born on 17 June 1952.

Other activities and functions

Mandates on boards of important corporations, organizations and foundations:

Sergio Marchionne is a member of the Supervisory Board of Hochtief AG.

Rolf A. Meyer

| | |
|-----------------------------------|---|
| Address | Heiniweidstrasse 18 CH-8806 Bäch |
| Functions in UBS | Chairman of the Compensation Committee / member of the Audit Committee |
| Nationality | Swiss |
| Year of initial appointment | 1998 |
| Current term of office runs until | 2009 |

Professional history, education and date of birth

Rolf A. Meyer has been a member of the BoD of UBS and its predecessor, Union Bank of Switzerland, since 1992. He was Chairman and CEO of Ciba Specialty Chemicals Ltd. until November 2000. Today, he holds several board memberships. He first joined Ciba-Geigy Group in 1973 as a financial analyst and subsequently became Group Company Controller in Johannesburg, South Africa, Head of Strategic Planning and Control in Basel, Head of Finance and Information Systems in Ardsley, N.Y., and later CFO of the Group. After the merger of Ciba-Geigy and Sandoz to create Novartis, he led the spin-off of Ciba Specialty Chemicals. Mr Meyer graduated in Political Science (Ph.D.) and holds a Master of Business Administration (lic. oec. HSG). He was born on 31 October 1943.

Other activities and functions

Mandates on boards of important corporations, organizations and foundations:

Rolf A. Meyer is a member of the Board of Directors of DKSH AG (Diethelm Keller Siber Hegner), Zurich, and is the Chairman of its Audit and Finance Committee. He is also a member of the Board of Directors of Ascom (Switzerland) Ltd., Bern.

Helmut Panke

| | |
|-----------------------------------|--|
| Address | BMW AG Petuelring 130 D-80788 Munich |
| Function in UBS | Chairman of the Nominating Committee |
| Nationality | German |
| Year of initial appointment | 2004 |
| Current term of office runs until | 2010 |

Professional history, education and date of birth

Helmut Panke was Chairman of the Board of Management of BMW AG, Munich, between 2002 and September 2006. In 1982, he joined as head of Planning and Controlling in the Research and Development Division. He subsequently assumed management functions in corporate planning, organization and corporate strategy. Before his appointment as Chairman, he was a member of BMW's Board of Management from 1996. Between 1993 and 1996, he was Chairman and CEO of BMW Holding Corporation in the US. Today, he holds several board memberships. Mr Panke graduated from the University of Munich with a doctoral degree in physics (Ph.D.) and was assigned to the University of Munich and the Swiss Institute for Nuclear Research before joining McKinsey in Dusseldorf and Munich as a consultant. He was born on 31 August 1946.

Other activities and functions

Mandates on boards of important corporations, organizations and foundations:

Helmut Panke is a member of the Board of Directors of Microsoft Corporation, Redmond, WA (USA).

Permanent functions for important interest groups:

Helmut Panke is a member of the Board of Directors of American Chamber of Commerce in Germany and a member of the International Advisory Board for Dubai International Capital's "Global Strategic Equities Fund".

Peter Spuhler

| | |
|-----------------------------------|---|
| Address | Stadler Bussnang AG Bahnhofplatz CH-9565 Bussnang |
| Function in UBS | Member of the Compensation Committee |
| Nationality | Swiss |
| Year of initial appointment | 2004 |
| Current term of office runs until | 2010 |

Professional history, education and date of birth

Peter Spuhler is the owner of Stadler Rail AG (Switzerland), which he acquired in 1989 when it was a small firm with 18 employees. Today the Stadler Rail Group has more than 2,500 staff and is an internationally successful light railway car business. Since 1997, Peter Spuhler has taken over a number of companies and founded new units within the Stadler Rail Group, mainly in Switzerland and in Germany. Mr Spuhler joined Stadler AG in 1987 as an employee after studying economics at the University of St. Gallen. He was born on 9 January 1959.

Other activities and functions

Mandates on boards of important corporations, organizations and foundations:

Peter Spuhler is Chairman of Stadler Rail AG and of Stadler Bussnang AG, as well as of various companies within the Stadler Rail Group. In addition, he is a member of the Board of Directors of Kühne Holding, Switzerland, and Walo Bertschinger Central AG, Switzerland.

Permanent functions for important interest groups:

He is Vice President of LITRA, a Swiss organization based in Berne that provides informational services in the interests of public transport.

Official functions and political mandates:

Peter Spuhler is a member of the National Council of the Swiss Parliament (lower house).

Peter Voser

| | |
|-----------------------------------|---|
| Address | Royal Dutch Shell plc 2501 AN NL-The Hague |
| Function in UBS | Member of the Audit Committee |
| Nationality | Swiss |
| Year of initial appointment | 2005 |
| Current term of office runs until | 2008 (proposed for re-election at the AGM 2008) |

Professional history, education and date of birth

Peter Voser has been Chief Financial Officer of Royal Dutch Shell plc in London since 2004. Between 2002 and 2004, he was CFO of Asea Brown Boveri (ABB) in Switzerland. Between 1982 and 2002, he worked for the Royal Dutch/Shell Group, holding various assignments in Switzerland, UK, Argentina and Chile. Mr Voser graduated at the University of Applied Sciences, Zurich. He was born on 29 August 1958.

Other activities and functions

Mandates on boards of important corporations, organizations and foundations:

Peter Voser is a board member of the Federal Auditor Oversight Authority.

Lawrence A. Weinbach

| | |
|-----------------------------------|---|
| Address | Yankee Hill Capital Management 300 East 42nd Street USA-New York, NY 10017 |
| Function in UBS | Chairman of the Audit Committee |
| Nationality | American (US) |
| Year of initial appointment | 2001 |
| Current term of office runs until | 2008 (proposed for re-election at the 2008 AGM) |

Professional history, education and date of birth

Lawrence A. Weinbach is a partner of the Yankee Hill Capital Management LLC, a private equity firm based in Southport, CT (USA). He was Executive Chairman of Unisys Corporation until January 2006. From 1997 to 2004 he was Chairman, President and CEO of Unisys Corporation. From 1961 to 1997 he was with Arthur Andersen/Andersen Worldwide as Managing Partner and was Chief Executive of Andersen Worldwide from 1989 to 1997, Chief Operating Officer from 1987 to 1989, and Managing Partner of the New York office from 1983. He was elected to partnership at Arthur Andersen in 1970 and became Managing Partner of the Stamford, Connecticut, office in 1974 and Partner in charge of the accounting and audit practice in New York from 1980 to 1983. Mr Weinbach is a Certified Public Accountant and holds a Bachelor of Science in Economics from the Wharton School of the University of Pennsylvania. He was born on 8 January 1940.

Other activities and functions

Mandates on boards of important corporations, organizations and foundations:

Lawrence A. Weinbach is a member of the Board of Directors of Avon Products Inc., New York, where he is the Chairman of the Audit Committee. He is a trustee and member of the audit committee of Carnegie Hall, New York and a member of the Board of Directors of Quadra Realty Trust, Inc., New York and Discover Financial Services, Riverwoods, Illinois.

Permanent functions for important interest groups:

Lawrence A. Weinbach is a member of the New York Stock Exchange Listed Company Advisory Committee and of the National Security Telecommunications Advisory Committee.

Joerg Wolle

| | |
|-----------------------------------|--|
| Address | DKSH Holding AG Wiesenstrasse 8 CH-8034 Zurich |
| Function in UBS | Member of the Nominating Committee |
| Nationality | German |
| Year of initial appointment | 2006 |
| Current term of office runs until | 2009 |

Professional history, education and date of birth

Since 2002, Joerg Wolle has been President and CEO of DKSH Holding Ltd. From 2000 until the merger with Diethelm Keller in 2002, he was President and CEO of SiberHegner Holding AG. He completed his studies in engineering in 1983 and received his doctorate in 1987 from the Technical University of Chemnitz in Germany. Joerg Wolle was born on 19 April 1957.

Elections and terms of office

All the members of the BoD are elected individually by the AGM for a term of office of three years. The initial term of each member is fixed in such a way as to ensure that about one-third of the membership have to be newly elected or re-elected every year.

The BoD of UBS will propose to the AGM to be held on 23 April 2008 to reduce the terms of office of its members from three years to one year. The proposal will require that the "Articles of Association UBS AG" ("Articles of Association") be amended at the AGM on 23 April 2008. The same regulation will apply to all members who subsequently stand for re-election after the expiration of their terms of office. As a result, by 2010 at the latest, the entire membership of the UBS BoD will have to be confirmed on a yearly basis by the AGM.

A director shall not normally stand for re-election if he or she has reached the age of 65 when the mandate expires. The BoD may propose to the AGM that a director be re-elected despite having reached this age limit. No director shall, however, hold office beyond the age of 70.

→ The boxes on pages 9–12 lists the following for each BoD member: year of first appointment to the BoD and the expiry of their current mandate

Changes in 2008

The BoD will propose to the AGM on 23 April 2008 that Marcel Ospel, Peter Voser and Larry Weinbach, whose terms expire on the date of the AGM, be re-elected for a one-year term.

The BoD has also appointed Sergio Marchionne as a non-executive Vice Chairman of the BoD. Effective 24 April 2008, the Chairman's Office will therefore consist of Marcel Ospel, Chairman of the BoD, and Stephan Haeringer as executive Vice Chairman and Sergio Marchionne as non-executive Vice Chairman.

Larry Weinbach, who had expressed his desire to hand over the chairmanship of the Audit Committee, will remain a member of this committee and continue to provide his valuable experience and expertise. He will be succeeded as Chairman of the Audit Committee by Peter Voser.

The BoD will propose as non-executive director the following new member for election at the AGM on 23 April 2008: David Sidwell, former Chief Financial Officer (CFO) of Morgan Stanley. The BoD will thereafter consist of 12 members.

Organizational principles

The BoD has ultimate responsibility for the mid- and long-term strategic direction of the Group, for appointments and

dismissals at top management levels and the definition of the firm's risk principles and risk capacity. While the majority of members are always non-executive and independent, the Chairman of the BoD and at least one Vice Chairman have executive roles, in line with Swiss banking laws, and assume supervisory and leadership responsibilities.

Internal organization, Board of Directors' committees and meetings in 2007

After each AGM, the BoD elects its Chairman and one or more Vice Chairmen and appoints its Secretary. It meets as often as business requires, but at least six times per year. In 2007, seven meetings were held together with the members of the GEB, as well as one telephone conference and a full-day strategy seminar. The BoD met nine times without participation of executive management. On average, 96% of the BoD members were present at the meetings and 91% at private board meetings (i.e. without participation of executive management). In addition, the BoD held five ad-hoc meetings with individual GEB members. Participation at these meetings was 91%. The BoD, without executive management, was also asked to take one decision by written consent (circular decision).

Sergio Marchionne was introduced to his new function through a tailored program, consisting of a session focusing on a detailed description of the various businesses by the Chief Executive Officers (CEOs) of each business group.

The BoD is organized as follows:

Chairman's Office

The Chairman operates a Chairman's Office, including the Vice Chairman (or Vice Chairmen if more than one), which meets to address issues that are fundamental for UBS, such as overall strategy, mid-term succession plans at GEB level, compensation systems and principles and the risk profile of the firm. The Group CEO normally participates in formal meetings of the Chairman's Office in an advisory capacity. The Chairman's Office acts as the Risk Committee of the BoD. In this capacity it has the highest approval authority for the following (within the risk capacity and principles approved by the BoD): allocation of responsibility for credit, market and other risk-related matters; setting of standards, concepts and methodologies for risk control; and allocation of the major risk limits to the business groups. It also acts as the supervisory body for Group Internal Audit. The Chairman's Office is responsible for shaping the corporate governance of the firm and formulates appropriate principles, which it submits to the Nominating Committee for review and subsequent submission to the full BoD for approval. It also assumes responsibility for long-term succession planning at BoD level and reviews, upon proposal by the Chairman of the BoD and the Group CEO, GEB candidates for appointment or dismissal by

the full BoD. In exceptional cases, and in consideration of the non-transferable and inalienable duties of the BoD under mandatory corporate law, urgent decisions falling within the authority of the BoD may be taken by the Chairman's Office. Such decisions have to be reported to the full BoD as soon as possible.

The members of the Chairman's Office, as of 31 December 2007, were Marcel Ospel, Chairman of the BoD, and Stephan Haeringer, executive Vice Chairman.

The Chairman's Office held 15 meetings in 2007 and met once with the lead partners of UBS's external independent auditors, Ernst & Young Ltd. The Chairman's Office also met once with members of the Swiss Federal Banking Commission (SFBC). It additionally met seven times as supervisory body for Group Internal Audit, with these meetings chaired by Stephan Haeringer. The Chairman's Office was also asked to take four circular decisions. The executive Vice Chairman attended the 15 Chairman's Office meetings, including the ones related to Group Internal Audit issues. Since October 2007, there has been only one executive Vice Chairman.

Audit Committee

The BoD appoints an Audit Committee with at least three members from among the non-executive, independent directors. The Audit Committee assists the BoD in monitoring the integrity of the financial statements of the firm, compliance with legal and regulatory requirements, the qualification, independence and performance of UBS's external auditors and their lead partners, and the integrity of the systems of internal controls for financial reporting. All members of the Audit Committee have been determined by the BoD as being fully independent and financially literate. Lawrence A. Weinbach, the Audit Committee's Chairman, as well as Rolf A. Meyer and Peter Voser have accounting or financial management expertise and are therefore considered "financial experts", according to the rules established by the US Sarbanes-Oxley Act of 2002. The Audit Committee does not itself perform audits, but supervises the work of the auditors. Its primary responsibility is thereby to monitor and review the organization and efficiency of internal control procedures and the financial reporting process. The Audit Committee plays an important role in ensuring the independence of the external auditors and therefore has to authorize all mandates assigned to them. It also has responsibility for the treatment of complaints regarding accounting and auditing matters ("whistleblowing").

As of 31 December 2007, Lawrence A. Weinbach was the Chairman of the Audit Committee and Rolf A. Meyer and Peter Voser its additional members. The Audit Committee met seven times in 2007, with representatives of the external auditors, the Group CFO, the Head Group Controlling & Accounting, Head Group Accounting Policies and the Head Group Internal Audit participating. The seven meetings included regular separate sessions with these representatives.

In addition, the Group General Counsel attended one meeting. A special session was organized with the Group CEO to discuss the annual financial results. All three members of the committee were present at all the meetings.

Compensation Committee

The Compensation Committee, comprising at least three non-executive, independent members of the BoD, has a specific responsibility to review the Group compensation policy for submission to the BoD and for approving the design of the compensation system for the members of the GEB and the executive members of the BoD (senior executives). It determines the individual salaries and incentive awards for the executive members of the BoD, the Group CEO and the members of the GEB. It reviews and approves contracts and employment agreements with executive BoD members and the GEB, as well as termination agreements with GEB members relinquishing their positions. The Compensation Committee also reviews the compensation disclosure included in this report.

As of 31 December 2007, Rolf A. Meyer chaired the committee, with Sergio Marchionne and Peter Spuhler as its additional members. The committee met four times during 2007, with each meeting attended by all three members. The committee was also asked to take one circular decision.

→ Please refer to pages 26–28 for details on the Compensation Committee's decision-making procedures

Nominating Committee

The Nominating Committee comprises at least three non-executive, independent directors. It assumes responsibility for defining the principles governing the selection of candidates for BoD membership, reviewing possible candidates and proposing to the full BoD those to be submitted for election to the BoD by the AGM. The committee supports the Chairman's Office and the full BoD in evaluating the performance of the BoD and executive management.

As of 31 December 2007, Helmut Panke was the Chairman and Ernesto Bertarelli, Gabrielle Kaufmann-Kohler and Joerg Wolle the additional members of the committee. In 2007, the Nominating Committee held six meetings, and all four members were present at each meeting. Gabrielle Kaufmann-Kohler, who joined the committee in April 2007, was briefed on important UBS nominations as well as corporate governance philosophy, policies and procedures in a special session.

Corporate Responsibility Committee

UBS has a Corporate Responsibility Committee, normally consisting of six to ten members appointed by the BoD from among its members, the members of the GEB and the Group Managing Board (GMB). On an exceptional basis, external specialists may also be appointed as members of the committee.

The committee's mandate is to discuss and judge the relevance of current or anticipated developments in stakeholder expectations related to responsible corporate conduct and their possible consequences for UBS. The committee suggests appropriate action to the GEB or other bodies in UBS. As of 31 December 2007, Stephan Haeringer chaired the committee. Additional members were Gabrielle Kaufmann-Kohler, representing the BoD, Peter Kurer, Group General Counsel, Marco Suter, Group CFO, Maria Bentley, Global Head Human Resources, Investment Bank, Gabriel Herrera, Head of Europe, Middle East & Africa, Global Asset Management, Thomas R. Hill, Chief Communication Officer, Corporate Center, Marten Hoekstra, Head Wealth Management Americas, Global Wealth Management & Business Banking, Jeremy Palmer, CEO Investment Bank in Europe, Middle East & Africa, Investment Bank and Kathryn Shih, Head Wealth Management Asia Pacific and CEO UBS Hong Kong, Global Wealth Management & Business Banking. The Corporate Responsibility Committee met twice during 2007 with an average participation of 78%.

→ For additional information on corporate responsibility, please refer to the specific section in *Strategy, Performance and Responsibility 2007*

→ The charters of the BoD, of the Chairman's Office and of all BoD committees are available at www.ubs.com/boards

Roles and responsibilities of executive members of the Board of Directors

Marcel Ospel and Stephan Haeringer, the Chairman of the BoD and the executive Vice Chairman, have entered into employment contracts with UBS AG in connection with their services on the BoD and are entitled to receive pension benefits upon retirement. They assume clearly defined management responsibilities.

Chairman of the BoD Marcel Ospel takes a leading role in mid- and long-term strategic planning, the selection and supervision of the CEO and the members of the GEB, mid-term succession planning and developing and shaping compensation principles. He also actively supports major client and transaction initiatives.

Stephan Haeringer is responsible for corporate governance issues on behalf of the BoD. He chairs the Chairman's Office meetings on group internal audit issues, where the Chairman's Office acts as supervisory body for Group Internal Audit. Credit and market risk approval authorities have also been delegated by the Chairman's Office to Stephan Haeringer, who brings his decisions to the Chairman's Office for ratification. He also assumes the function of Chairman's Office delegate to the GEB Risk Subcommittee, where all major risk issues (credit, market and operational risks) are dealt with. In addition, he is responsible for helping to foster, maintain and support relationships with major clients.

Non-executive members of the Board of Directors

Important business connections of non-executive members of the Board of Directors with UBS

UBS, as a global financial services provider and the major bank in Switzerland, has business relationships with many large companies including those in which UBS BoD members assume management or non-executive board responsibilities. None of the relationships with companies represented on the BoD by their chairman or chief executive is of a magnitude that jeopardizes the BoD members' independent judgment; furthermore, no non-executive director has personal business relationships with UBS that could infringe on his or her independence.

All relationships and transactions with UBS directors and their affiliated companies are in the ordinary course of business and are on the same terms as those prevailing at the time for comparable transactions with non-affiliated persons.

Checks and balances: Board of Directors and Group Executive Board

UBS operates under a strict dual board structure, as mandated by Swiss banking law. The functions of Chairman of the BoD and Group Chief Executive Officer (Group CEO) are assigned to two different people, thus providing separation of powers. This structure establishes checks and balances and creates an institutional independence of the BoD from the day-to-day management of the firm, for which responsibility is delegated to the GEB. No member of one board may be a member of the other.

The supervision and control of the executive management remains with the BoD. All details as to authorities and responsibilities of the two bodies are governed by the "Articles of Association" and the "Organization Regulations", including the "Appendix to the Organization Regulations – Authorities".

→ Please refer to www.ubs.com/corporate-governance for more information

Information and control instruments vis-à-vis the Group Executive Board

The BoD is kept informed of the activities of the GEB in various ways. The Chairman or the executive Vice Chairman participates in each meeting of the GEB in an advisory capacity, thus keeping the Chairman's Office apprised of all current developments. The minutes of the GEB meetings are filed with the executive BoD members and made available for inspection to the non-executive members. At BoD meetings, the Group CEO and the members of the GEB regularly update the BoD on important issues.

At BoD meetings, members may request from members of the BoD or the GEB any information about any matters concerning UBS that are necessary to fulfill their duties. Outside of meetings, any member may request information from executive BoD members and members of the GEB concerning the Group's business development. Requests for information about individual businesses or transactions must be approved by the Chairman of the BoD.

Group Internal Audit monitors compliance of business activities with legal and regulatory requirements and all internal regulations, policies and guidelines. This internal audit organization, which is independent from management, reports significant findings to the Chairman of the BoD, the Chairman's Office and the Audit Committee.

The GEB submits a quarterly risk report to the Chairman's Office for approval. This report provides an update on all categories of risk and contains a comprehensive assessment of the risk situation of the Group. The full BoD is briefed quarterly on the major developments through an executive summary of the report and an oral update. For the first time in February 2008, the compliance function provided an annual compliance report to the BoD. This report is required by section 109 of the SFBC's circular EBK-RS 06/6 and includes a risk-based action plan.

→ Details on risk management and control can be found in *Risk, Treasury and Capital Management 2007*

Group Executive Board

The Group Executive Board has business management responsibility for UBS. Its members, including the Group Chief Executive Officer, are appointed by the Chairman and members of the Board of Directors – to whom they must also account for the firm's results.

Members of the Group Executive Board

The text in the boxes below provides information on the composition of the Group Executive Board (GEB) as of 31 December 2007. It shows each member's function in UBS, nationality, year of initial appointment to the GEB, professional history and education, date of birth and other activities and functions, such as mandates on boards of important corporations, organizations and foundations, permanent functions for important interest groups and official functions and political mandates.

On 6 July 2007, Peter Wuffli stepped down as Group Chief Executive Officer (Group CEO) and was replaced by Marcel Rohner. Raoul Weil became Chairman and CEO of Global Wealth Management & Business Banking. Clive Standish, Group Chief Financial Officer, retired on 30 September 2007 and was replaced by Marco Suter, who stepped down from the Board of Directors (BoD). At the same time Huw Jenkins stepped down from the GEB and Marcel Rohner additionally assumed his position as Chairman and CEO Investment Bank. Walter Stuerzinger was appointed Chief Operating Officer (COO) of Corporate Center and Joe Scoby Group Chief Risk Officer as of 1 October 2007.

Marcel Rohner

| | |
|--|--|
| Address | UBS AG Bahnhofstrasse 45 CH-8098 Zurich |
| Functions in UBS | Group Chief Executive Officer / Chairman and Chief Executive Officer Investment Bank |
| Nationality | Swiss |
| Year of initial appointment to the GEB | 2002 |

Professional history, education and date of birth

Marcel Rohner was appointed Group Chief Executive Officer (Group CEO) on 6 July 2007 and Chairman & CEO Investment Bank on 1 October 2007. He became a member of the Group Executive Board (GEB) in 2002. Between 2002 and 2007, he was CEO of Wealth Management & Business Banking and additionally named Chairman in 2004. Before that, in 2001 and 2002, he was Chief Operating Officer (COO) and Deputy CEO of the Private Banking unit of UBS Switzerland. In 1999, he was named Group Chief Risk Officer (Group CRO), after being appointed Head of Market Risk Control of Warburg Dillon Read in 1998. Between 1993 and 1998, Mr Rohner was with Swiss Bank Corporation's investment banking arm and in 1995 he was appointed Head of Market Risk Control Europe. Mr Rohner graduated with a Ph.D. in economics from the University of Zurich and was a teaching assistant at the Institute for Empirical Research in Economics at the University of Zurich from 1990 to 1992. He was born on 4 September 1964.

Other activities and functions

Permanent functions for important interest groups:

Marcel Rohner is Vice Chairman of the Swiss Bankers Association, Basel and the Vice Chairman of the Board of Trustees of the Swiss Finance Institute.

John A. Fraser

| | |
|--|--|
| Address | UBS AG Bahnhofstrasse 45 CH-8098 Zurich |
| Function in UBS | Chairman and Chief Executive Officer Global Asset Management |
| Nationality | Australian |
| Year of initial appointment to the GEB | 2002 |

Professional history, education and date of birth

John A. Fraser was appointed as Chairman and CEO of the Global Asset Management Business Group in late 2001. Prior to that, he was President and COO of UBS Asset Management and Head of Asia Pacific. From 1994 to 1998 he was Executive Chairman and CEO of SBC Australia Funds Management Ltd. Before joining UBS, Mr Fraser held various positions at the Australian Treasury, including two international postings to Washington DC – first, at the International Monetary Fund and, second, as Minister (Economic) at the Australian Embassy. From 1990 to 1993, he was Deputy Secretary (Economic) of the Australian Treasury. Mr Fraser graduated from Monash University in Australia in 1972 and holds a first-class honors degree in economics. He was born on 8 August 1951.

Other activities and functions

Mandates on boards of important corporations, organizations and foundations:

John A. Fraser is a member of the board of the Marymount International School at Kingston-upon-Thames.

Peter Kurer

| | |
|---|--|
| Address | UBS AG Bahnhofstrasse 45 CH-8098 Zurich |
| Functions in UBS | Group General Counsel/ member of the Corporate Responsibility Committee |
| Nationality | Swiss |
| Year of initial appointment to the GEB | 2002 |

Professional history, education and date of birth

Peter Kurer has been the Group General Counsel since 2001, when he joined UBS. Between 1991 and 2001 he was a partner at the Homburger law firm in Zurich. Between 1980 and 1990 he was with the Zurich office of Baker & McKenzie law firm, first as associate, later as partner, having been a law clerk at the District Court of Zurich. Mr Kurer graduated as a doctor iuris from the University of Zurich and was admitted as attorney-at-law in Zurich. He holds an LL.M. from the University of Chicago and was born on 28 June 1949.

Other activities and functions

Permanent functions for important interest groups:

Peter Kurer is a member of the Visiting Committee to the Law School of The University of Chicago, a member of the Board of Trustees of a foundation which acts as an advisory board to the University of St. Gallen Program for law and economics, and a member of the Committee of Continuing Education, Executive School of Management, Technology and Law, University of St. Gallen.

Joe Scoby

| | |
|---|---|
| Address | UBS AG Bahnhofstrasse 45 CH-8098 Zurich |
| Function in UBS | Group Chief Risk Officer |
| Nationality | American (US) |
| Year of initial appointment to the GEB | 2007 |

Professional history, education and date of birth

Joe Scoby was appointed Group CRO and became a member of the GEB in October 2007. Prior to this appointment, he was Global Head of Alternative and Quantitative Investments (A&Q), an alternative investment platform in UBS's asset management business between 2003 and 2007. Previously, between 2000 and 2003, he headed O'Connor, a specialist hedge fund provider within the same alternative investment platform. From 1995-1999, he was the Joint Head of US Equities at UBS's Investment Bank. Joseph Scoby began his career with O'Connor and Associates in 1987 and became a Managing Director in 1993. He has a Bachelor's degree in Finance from Wharton School and a Master's degree in Regional Science from the University of Pennsylvania. He was born on 23 April 1965.

Other activities and functions

Mandates on boards of important corporations, organizations and foundations:

Joe Scoby is a member of the Wharton School Undergraduate Executive Board, a member of the Board of Chicago's After School Matters and a member of the Board of Children's Memorial Hospital. He was the founder of St. Joseph Club in Chicago.

Walter Stuerzinger

| | |
|---|---|
| Address | UBS AG Bahnhofstrasse 45 CH-8098 Zurich |
| Function in UBS | Chief Operating Officer, Corporate Center |
| Nationality | Swiss |
| Year of initial appointment to the GEB | 2005 |

Professional history, education and date of birth

Walter Stuerzinger became a member of the GEB in 2005. He was appointed COO, Corporate Center in October 2007. Prior to that, he was Group CRO from 2001 until 2007 and Head Group Internal Audit from 1998 until 2001. Before the merger, he was Head Group Internal Audit at the former Union Bank of Switzerland. Previously, he worked with Credit Suisse on various assignments in the controlling and auditing areas. Walter Stuerzinger holds a Swiss banking diploma and is a member of the Institute of Chartered Accountants. He was born on 6 July 1955.

Other activities and functions

Permanent functions for important interest groups:

Walter Stuerzinger is a member of the Foundation Board of the UBS Pension Fund.

Marco Suter

| | |
|---|---|
| Address | UBS AG Bahnhofstrasse 45 CH-8098 Zurich |
| Functions in UBS | Group Chief Financial Officer/ member of the Corporate Responsibility Committee |
| Nationality | Swiss |
| Year of initial appointment to the GEB | 2007 |

Professional history, education and date of birth

Marco Suter was appointed Group Chief Financial Officer and became a member of the GEB in October 2007. Prior to this appointment, he was elected as a member of the Board of Directors at the annual general meeting in April 2005 and thereafter appointed as Executive Vice Chairman. Marco Suter has been with UBS and its predecessor, Swiss Bank Corporation (SBC), since 1974. Between 1999 and 2005, he was Group Chief Credit Officer and a member of the Group Managing Board. From 1996 until the merger of SBC and Union Bank of Switzerland in 1998 he served as regional manager of the Zurich-Eastern Switzerland-Ticino area for the corporate and commercial banking activities of SBC. Prior to that, he held various management positions in SBC's investment banking operations, first as the Continental European Head of Merchant Banking and later as the Chief Credit Officer for EMEA. Mr Suter graduated from the Commercial School in St. Gallen. He was born on 7 May 1958.

Other activities and functions

Mandates on boards of important corporations, organizations and foundations:

Marco Suter is a member of the Swiss Institute of International Studies (SIAF), the Latin-American Chamber of Commerce (Switzerland), the Swiss-Chinese Chamber of Commerce and the IIF Special Committee on Crises Prevention and Resolution in Emerging Markets.

Rory Tapner

| | |
|---|---|
| Address | UBS AG Bahnhofstrasse 45 CH-8098 Zurich |
| Function in UBS | Chairman and Chief Executive Officer Asia Pacific |
| Nationality | British |
| Year of initial appointment to the GEB | 2006 |

Professional history, education and date of birth

Rory Tapner became a member of the GEB in January 2006. He was appointed Chairman and CEO Asia Pacific in May 2004. Previously, he was Joint Global Head of Investment Banking. From 1983 to 1998, he was with S.G. Warburg and Warburg Dillon Read as Global Head of Equity Capital Markets, Joint Head of UK Corporate Finance and Head of UK Capital Markets Team. He also was a member of the Warburg Dillon Read Executive Board. Rory Tapner has a law degree from Kings College, London University and went to Lancaster Gate Law School. Mr Tapner was born on 30 September 1959.

Other activities and functions

Mandates on boards of important corporations, organizations and foundations:

Rory Tapner is the treasurer and Chairman of the Financial Committee of Council of Kings College University, London.

Raoul Weil

| | |
|---|---|
| Address | UBS AG Bahnhofstrasse 45 CH-8098 Zurich |
| Function in UBS | Chairman and Chief Executive Officer Global Wealth Management & Business Banking |
| Nationality | Swiss |
| Year of initial appointment to the GEB | 2005 |

Professional history, education and date of birth

Raoul Weil was appointed Chairman and CEO Global Wealth Management & Business Banking on 6 July 2007. He was Head of Wealth Management International between 2002 and 2007 and was appointed to the GEB in July 2005. Previous to that, he assumed different management roles in the Private Banking Division in Asia and Europe. Between 1984 and 1998, Mr Weil was with SBC, holding various assignments within the Private Banking Division in Basel, Zurich, Monaco and New York. He graduated with a degree in economics from the University of Basel and was born on 13 November 1959.

Changes in 2008

Jerker Johansson has been appointed as Chairman and CEO of the Investment Bank. He took on the role on 17 March 2008, joining UBS from Morgan Stanley, where he was Vice Chairman Europe. He will become a member of the GEB at this date.

To strengthen the management structure of the firm, the following new members were appointed to the GEB as of 14 February 2008:

- Marten Hoekstra, Deputy CEO, Global Wealth Management & Business Banking and Head of Wealth Management, Americas;
- Alexander Wilmot-Sitwell, Joint Global Head Investment Banking Department, UBS Investment Bank, and Chairman and CEO, UBS Group Europe, Middle East & Africa; and
- Robert Wolf, Chairman and CEO, UBS Group Americas and President and COO, Investment Bank.

Responsibilities, authorities and organizational principles

The GEB has executive management responsibility for the Group and is accountable to the BoD for the firm's results. Together with the Chairman's Office, the GEB assumes overall responsibility for the development of UBS's strategies. The GEB, in particular the CEO, is responsible for the implementation and results of the firm's business strategies, for the alignment of the business groups to UBS's integrated business model and for the exploitation of synergies across the firm. Through its Risk Subcommittee, the GEB assumes responsibility for the Group's risk control standards, concepts, methodologies and limits. The GEB plays a key role in defining the human resources policy and the compensation principles of the Group. It also fosters an entrepreneurial leadership spirit throughout the firm.

→ The authorities of the GEB are defined in the "The Organization Regulations of UBS AG", which are available at www.ubs.com/corporate-governance

Management contracts

UBS has not entered into management contracts with any third parties.

Compensation, shareholdings and loans

UBS's senior executive compensation policy

- is aligned with the creation of sustainable shareholder returns
- promotes a performance-driven culture and adherence to ethical values
- supports the firm's integrated business strategy

Principles

Rigorous governance and approval process to ensure that no one participates in any decision affecting his or her own compensation

Shareholder alignment: a minimum of half of the annual incentive compensation is paid in the form of UBS shares. Stock options are awarded with a 10% price hurdle. In addition, UBS has the highest share ownership requirements for senior executives in its peer group

Pay-for-performance: performance is the primary driver of compensation decisions

Transparent decision-making process, based on Group and business group performance as well as individual performance and contribution to pre-defined targets

Compensation in 2007

67% decrease in total senior executive compensation. This reflects the losses occurred on specific trading positions in 2007, which led to an overall net loss for the Group as a whole, but also the strong performance in UBS's client-driven businesses

No stock options were awarded to senior executives for the 2007 performance year

No incentive award was granted to executive members of the Board of Directors as their incentive award is dependent on overall Group financial performance

Compensation authorities

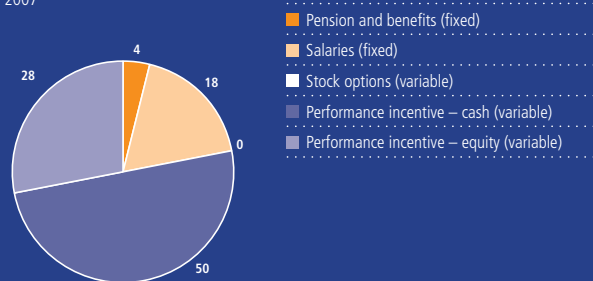
| Recipients | Compensation recommendations developed by | Approved by | Communicated by |
|---|---|------------------------------|--|
| Chairman of the Board of Directors (BoD) | Chairman of the Compensation Committee | Compensation Committee | Chairman of the Compensation Committee |
| Executive BoD members | Chairman of the BoD | Compensation Committee | Chairman of the BoD |
| Group Chief Executive Officer (CEO) | Chairman of the BoD | Compensation Committee | Chairman of the BoD |
| Members of the Group Executive Board (GEB) | Chairman of the BoD and Group CEO | Compensation Committee | Group CEO |
| Remuneration system and fees for non-executive BoD members ¹ | Executive members of the BoD | Executive members of the BoD | Chairman of the BoD |

¹ The decision process for the remuneration of non-executive members of the Board of Directors is fully independent and is not driven by company results.

Relative weight of fixed and variable elements of 2007 compensation for acting executive members of the Board of Directors and members of the Group Executive Board

in %

For 2007



Retiring senior executives generally receive their financial incentive awards in cash only.

Shareholder-aligned compensation structure

| | |
|----------------------------|---|
| Shareholder value creation | Mandatory deferral of 50% of total incentive into UBS shares |
| | Share ownership requirements: five times cash compensation |
| | Bonus is only increased after results increase by at least 5% |
| Business performance | Total compensation based on achievement of demanding business and personal objectives |
| | Five-year vesting period focuses on long-term decisions and executive retention |
| Share price performance | Performance hurdle of 10% for stock options |
| Cost of termination | No severance payments |
| | Vesting conditions with forfeiture risk |
| | No special pension scheme contributions |
| | No additional payments for change of control instances |
| | No lifelong perquisites |

Compensation, shareholdings and loans

UBS's competitive strength depends on its ability to attract, retain and motivate the most talented people in financial services. The policies established by the Board of Directors' Compensation Committee create incentives to promote a performance-driven culture, adhere to ethical values and support the firm's integrated business strategy. Compensation of senior executives is linked to the creation of long-term value and sustainable shareholder returns.

Compensation Committee

The Compensation Committee is made up of three non-executive, independent members of the Board of Directors (BoD). As of 31 December 2007, these were Rolf A. Meyer (Chairman of the Compensation Committee), Sergio Marchionne and Peter Spuhler.

Governance, authorities and responsibilities

UBS has long been committed to the highest standards of corporate governance. The approval of senior executive compensation follows a rigorous process designed to ensure that no one participates in any decision affecting his or her own compensation.

The Compensation Committee is responsible for reviewing the UBS Total Compensation and Benefits Principles for submission to the BoD.

Additionally – for executive members of the BoD and

members of the Group Executive Board (GEB) (senior executives) – the Compensation Committee has responsibilities in five key areas:

- reviewing and approving the design of the total compensation framework, including compensation programs and plans;
- determining the relationship between pay and performance;
- approving base salaries and annual incentive awards for senior executives;
- reviewing and approving individual employment agreements; and
- reviewing and approving the terms and conditions for GEB members relinquishing their positions.

Authority for compensation-related decisions is governed by the "Appendix to the Organization Regulations – Authorities" and the "Charter for the Compensation Committee". The structure is as follows:

Compensation authorities

| Recipients | Compensation recommendations developed by | Approved by | Communicated by |
|---|---|------------------------------|--|
| Chairman of the Board of Directors (BoD) | Chairman of the Compensation Committee | Compensation Committee | Chairman of the Compensation Committee |
| Executive BoD members | Chairman of the BoD | Compensation Committee | Chairman of the BoD |
| Group Chief Executive Officer (CEO) | Chairman of the BoD | Compensation Committee | Chairman of the BoD |
| Members of the Group Executive Board (GEB) | Chairman of the BoD and Group CEO | Compensation Committee | Group CEO |
| Remuneration system and fees non-executive BoD members ¹ | Executive members of the BoD | Executive members of the BoD | Chairman of the BoD |

¹ The decision process for the remuneration of non-executive members of the Board of Directors is fully independent and is not driven by company results.

Activities

During 2007, the Compensation Committee carried out:

- a review of best practice in compensation governance, design, pay-mix and disclosure, which combined publicly-available information on key competitors with market data provided by UBS's principal executive compensation consultant (Towers Perrin MGMC);
- a review of pay and performance to ensure that senior executive compensation levels were appropriate compared with counterparts of competitors; and
- a review of the compensation plan rules for senior executives to ensure they clearly reflect shareholders' interests and provide appropriate incentives for long-term value creation.

The Compensation Committee did not appoint any external compensation consultants during 2007. Rather, it relied on detailed background documentation – internal and external compensation surveys and other intelligence – provided by internal HR compensation specialists as well as on data from the Group controlling department and the accounting department. The Chairman of the Compensation Committee also made use of information obtained through participation in various international seminars for compensation professionals.

Senior executive compensation policy

Principles

Two related principles govern the firm's senior executive compensation framework (and, indeed, the compensation of all UBS employees): creation of shareholder value and pay-for-performance. Specifically:

- all elements of compensation are managed in a globally consistent and integrated fashion, with clear recognition of pay-for-performance;
- compensation levels and practices are benchmarked against competitors and global best practice; and
- significant exposure to UBS shares through equity-based awards serves to align senior executive and shareholder interests.

Annual total compensation is competitively positioned and UBS places a strong emphasis on the variable components of compensation, with the understanding that only superior performance will be rewarded with superior compensation. Such incentives provide the motivation to excel in the entrepreneurial, performance-oriented culture that is re-

quired to execute UBS's integrated business strategy. In addition, the Compensation Committee verifies whether the senior executive fulfilled their objectives and key performance indicators (KPIs), including the importance of maintaining and spreading UBS's ethical values throughout the firm.

Shareholder alignment

The Compensation Committee structures senior executive compensation to ensure alignment with shareholder interests and long-term value creation. Specifically:

- it rewards the achievement of personal and corporate objectives that balance individual performance and long-term business growth;
- a minimum of half of the annual incentive compensation awarded to senior executives takes the form of UBS shares that vest or become unrestricted over five years, ensuring focus on long-term decisions and actions and aiding retention of executive talent;
- in addition to this significant mandatory deferral of compensation, all senior executives are required to accumulate and hold five times their cash compensation (average of last three years) in UBS shares after five years in their position;
- the strike price of stock options is set at 110% of the average high and low sale price of UBS shares on the grant date resulting in a 10% performance hurdle – significant

Shareholder-aligned compensation structure

| | |
|----------------------------|---|
| Shareholder value creation | Mandatory deferral of 50% of total incentive into UBS shares |
| | Share ownership requirements: five times cash compensation |
| | Bonus is only increased after results increase by at least 5% |
| Business performance | Total compensation based on achievement of demanding business and personal objectives |
| | Five-year vesting period focuses on long-term decisions and executive retention |
| Share price performance | Performance hurdle of 10% for stock options |
| Cost of termination | No severance payments |
| | Vesting conditions with forfeiture risk |
| | No special pension scheme contributions |
| | No additional payments for change of control instances |
| | No lifelong perquisites |

- share price growth is thus required before the exercise price becomes meaningful;
- in certain circumstances, share and stock option plans are forfeited at termination or thereafter;
- no additional severance payments are offered in instances of termination, although obligations earned up to and including the notice period are honored in line with the contractual arrangements; and
- all senior executives are offered the opportunity to invest voluntarily in additional UBS shares from their cash compensation.

All these mechanisms help focus senior leadership on the long-term interests of UBS shareholders and minimize the cost of any future terminations.

Employment agreements and contractual payments

The Compensation Committee regularly reviews the individual employment agreements of senior executives. To protect UBS's franchise and competitive position, these contracts provide for a general 12-month notice period, in compliance with leading corporate governance guidelines and international best-practice procedures. During the notice period, the senior executive is generally prohibited from working in any competitive position in the financial services industry and from soliciting UBS staff or clients. In recognition of these restrictions, the senior executive is entitled to receive base salary, pro rata incentive and certain employment benefits until expiry of the notice period, unless the senior executive has been terminated for cause.

The Compensation Committee has drawn up special employment agreements for the Chairman of the BoD and the Executive Vice Chairman. These agreements reflect the fact that these officers are appointed by UBS shareholders for a defined term and may be terminated only by means of a shareholders' vote.

Neither the GEB employment agreement nor the agreements for executive members of the BoD provide for any additional severance payment in case of termination, apart from contractual salary, pension and bonus entitlements. All payments are included in the numbers reported under compensation for members of the BoD and GEB.

Pay-for-performance

Performance is the primary driver of compensation decisions. UBS is committed to providing superior compensation in return for superior performance and continually develops the benchmarks and processes that support informed compensation decision-making.

At the beginning of the year, each UBS senior executive agrees individual objectives and KPIs. Individual objectives

focus on clients, economics, technical expertise, leadership, cross-business cooperation, strategic impact, risk management and personal contribution. KPIs vary by business and by individual and typically include such measures as revenue growth, net profit, return on equity, return on assets, cost/income ratio, net new money, progress on strategic initiatives and adherence to UBS values.

Financial performance targets are clearly defined at UBS Group and business group levels.

As the year draws to a close, a senior executive's performance against each objective and KPI is rigorously evaluated, not only by his or her immediate superior but also by peers and subordinates. This 360-degree assessment is qualitative and quantitative – comprising financial and operational results for the year, as well as indicators of future performance. Performance against key competitors and performance trends over time are likewise reviewed to the extent that data is available.

To the extent that a senior executive's business and individual performance exceeds – or falls short – of his or her agreed expectations, total compensation mirrors the outcome. In consequence, compensation levels may be highly variable from year-to-year.

→ The relationship between performance and pay determination is described in more detail in the section "Key elements for decision-making process within the Compensation Committee" on pages 26–28

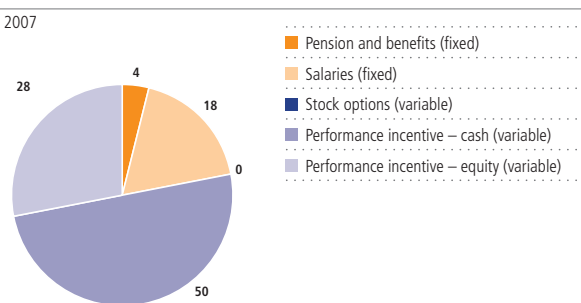
Elements of compensation

The total compensation framework for senior executives comprises four elements: base salary, annual incentive, discretionary stock option awards and benefits.

Relative weight of fixed and variable elements of 2007 compensation for acting executive members of the Board of Directors and members of the Group Executive Board

in %

For 2007



Retiring senior executives generally receive their financial incentive awards in cash only.

Base salaries

Base salaries are established in a manner consistent with the role of each senior executive. Base salary adjustments are limited to significant changes in job responsibility.

Due to the variability of annual incentive awards, the ratio of base salary (a fixed amount) to total compensation can vary significantly year-to-year. In 2007, base salaries for senior executives constituted, on average, some 17.8% of total compensation as compared to 6.5% in 2006, reflecting the significantly lower incentive awards granted for 2007.

Annual incentive awards

Each annual incentive award is assessed according to the individual's achievement of his or her personal objectives and key performance indicators. All senior executives are considered for an annual incentive award provided performance targets are achieved, but with a few rare exceptions (for example, competitive practice or business strategy), annual incentives are completely discretionary and can vary considerably, both from individual-to-individual and from year-to-year. Exceptional individual performance is reflected in the annual incentive award rather than in an adjustment to base salary. The maximum annual incentive award is limited to double the senior executive's target.

50% of the annual incentive award is granted in the form of mandatory restricted or deferred UBS shares; senior executives also have the opportunity to invest a further portion of their annual incentive in UBS shares, which attract a "two-for-one" stock option match.

In certain jurisdictions, senior executives may also be offered the opportunity to allocate a portion of their cash incentive in vehicles not related to UBS shares, provided this does not jeopardize their individual shareholding requirement.

Discretionary stock option awards

Stock options help align executive performance with long-term shareholder interests, since they deliver value only to the degree the share price appreciates more than 10% after grant.

At UBS, discretionary stock option awards reward the individual's contribution to the overall success of the firm. They are complementary to the annual incentive award, a reflection of the success of UBS's integrated business model.

The Board of Directors approves an annual option quantity for a three-year period. Within this limit, the Chairman's Office annually allocates option quantities to the business groups and Corporate Center.

Benefits

UBS provides benefits to help attract and retain the best employees in each local market. Changes, terminations and the introduction of new benefits are governed by the procedures contained in the "Organization Regulations of UBS AG". Benefits are a supplemental element of total compensation and vary substantially from location to location.

Retirement plan benefits: in Switzerland, senior executives participate in the firm's general pension plan made up of three elements: (1) a basic component operated on the defined contribution principle; (2) a savings plan to bridge the income gap between UBS retirement age and the age defined for the start of social security payments; and (3) a defined contribution bonus plan.

Outside Switzerland, senior executives participate in appropriately designed local pension plans. In the US, the firm offers two plans – one operating on a cash-balance basis, the other on defined contributions. US senior executives may also participate in a 401K defined contribution plan open to all employees. In the UK, senior executives participate in a pension plan operated on a defined contribution basis. No special pension schemes are offered to senior executives.

→ Note 30 in *Financial Statements 2007* details the various retirement benefit plans established in Switzerland and in major foreign markets

Senior executive compensation plans

Senior executive equity ownership plan (SEEOP)

Under SEEOP, senior executives typically receive a minimum of 50% of their annual incentive award in the form of UBS shares. (The amount is subject to the discretion of the Compensation Committee). Wherever practical, senior executives receive actual UBS shares with the same rights as ordinary shareholders. Shares are denominated either in Swiss francs or US dollars depending on the currency of the executive's incentive.

Shares normally vest in equal portions over a period of five years. For tax reasons, shares of Swiss-based senior executives are additionally restricted from sale for the duration of the five-year period.

Shares that have not vested at the time of termination are subject to forfeiture under certain circumstances; these include voluntary termination to join a competitor, termination for cause or in connection with activities detrimental to the interests of UBS.

Senior executive stock option plan (SESOP)

Discretionary stock option awards are a long-term incentive recognizing individual contributions to Group and business group performance, exceptional contribution to cross-business cooperation and integration, outstanding achievement, personal performance or commitment to UBS, outstanding professional and technical expertise and Group-wide strategic leadership skills and potential.

All senior executives may be granted discretionary stock options under SESOP and are also eligible to receive two matching stock options for each restricted share they purchase voluntarily from cash compensation.

The strike price for senior executive stock options is set at 10% above the UBS share price on the grant date. This perfor-

mance hurdle creates a strong incentive for senior executives to build sustainable shareholder value over the longer term.

Options normally vest after three years and remain exercisable for seven further years, subject to continued employment. Any unvested options will generally be forfeited should the executive leave voluntarily, join a competitor, be terminated for cause or act against the firm's interests.

Key elements for decision-making process within the Compensation Committee

Actual process and decisions taken

The Compensation Committee makes decisions on individual senior executive compensation based on:

- Group and business group performance;
- the individual performance and personal contributions of each member;
- actual UBS compensation in prior periods;
- an assessment submitted by the Chairman of the BoD; and
- market data of competitors.

However market data is only one of several factors in the compensation decision-making process. Market data informs but does not directly drive any individual decisions on executive compensation. In addition, the Compensation Committee takes into consideration input from the Group Chief Executive Officer (Group CEO) when making compensation decisions for GEB members.

Key competitors

Compensation and benefit levels are primarily result-driven and further benchmarked against appropriate key competitors. These companies are selected for the similarity of their core business to that of UBS, as well as for comparable size, geographic distribution, business strategy and performance.

Comparison by business activities (key peers)

| | Key competitors | | | | | | | | | | | Others | |
|-------------------------|-----------------|----|------|----|----|----|-----|----|----|----|------|--------|------|
| | UBS | BS | Citi | CS | DB | GS | JPM | LB | ML | MS | HSBC | ING | BofA |
| Global WM&BB | | | | | | | | | | | | | |
| WM CH | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | | ✓ | ✓ | | | |
| WM Int. | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | |
| WM US | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | | ✓ |
| BB/retail CH | ✓ | | ✓ | ✓ | ✓ | | | | | ✓ | | | |
| Investment Bank | | | | | | | | | | | | | |
| Equities | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | | |
| Fixed income | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | | ✓ |
| Foreign exchange | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | |
| Corporate finance | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | | |
| Global AM | | | | | | | | | | | | | |
| Core | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | | ✓ | ✓ | | |
| Alternatives | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | | ✓ |

Typically, these are also the companies from which UBS is most likely to hire and to which it is most likely to lose senior employees. Competitive compensation at a senior level is therefore a vital element in preventing the loss of leadership talent and experience from UBS to its competitors. Generally nine key competitors are considered to represent the most relevant labor market for senior executive compensation: Credit Suisse, Deutsche Bank, Bear Stearns, Citigroup, Goldman Sachs, JPMorgan Chase, Lehman Brothers, Merrill Lynch and Morgan Stanley. In the view of the Compensation Committee, UBS's compensation systems are positioned appropriately relative to these nine key competitors. For certain positions and for purposes of other analysis (including the best practice review), additional competitors may be taken into account (such as other major international banks, the large Swiss private banks, private equity firms and hedge funds, which are increasingly becoming attractive alternatives for UBS employees).

Determination of 2007 incentive targets

In February 2007, the Compensation Committee defined personal incentive targets for each senior executive. Beginning with the individual incentive award for 2006, the Compensation Committee then applied the following steps:

- 1) a *fixed percentage* (increase or decrease) representing the difference between the 2007 financial forecast and the 2006 actual results – the 2006 results used were net profit attributable to UBS shareholders at the UBS Group level, and, where applicable, profit before tax adjusted for goodwill funding and impairment charges at the business group level;
- 2) a *fixed reduction* averaging 5% of the amount resulting from step one, being a productivity gain to shareholders – this means an overall increase of 5% in 2007 business performance would be required relative to 2006 in order to achieve the same level of compensation in both years (if 2007 business results had remained at the same level as 2006, the target incentive awards to senior executives would have been on average 5% lower, before the application of the final discretionary adjustment); and

- 3) an individual *discretionary* increase or decrease, taking into account future potential, any change in role, and competitive positioning.

Determination of 2007 actual incentives

In early February 2008, actual 2007 results were assessed against the 2007 forecast (UBS's Group and business group financial targets) as well as against similar metrics of key competitors. Incentive awards of senior executives in Global Wealth Management & Business Banking, Global Asset Management and the Investment Bank were based equally on the financial performance of the Group overall and the results of the respective business group (on a 50:50 ratio). Incentive awards for executives at Group level and in Corporate Center were based fully on Group performance. These measurements and assessments resulted in a *fixed theoretical* incentive award for each senior executive.

Finally, this theoretical incentive award was measured against various additional factors: personal performance against objectives, future potential, leadership qualities and contributions to the overall success of UBS. This qualitative assessment led to discretionary increases or decreases from the theoretical incentive by up to +/-25%.

Further information is included in the section "Highest total compensation for a Group Executive Board member" on pages 31–32.

Decision-making process for 2007 senior executive compensation

| February 2007: Definition of target incentive award | | 2006 actual results compared with 2007 financial forecast | | Example (illustrative) | |
|---|--|--|-------------------------------------|------------------------|------------|
| +/- % | Difference between 2006 actual results and 2007 forecast | -7% | Delta 2007 forecast vs. 2006 actual | -0.7 | |
| - 5% | Productivity gain (for shareholders) | - 5% | Productivity gain | - 0.5 | |
| +/- % | Due to individual potential, change in role and market | +3% | Individual role adjustment | + 0.3 | |
| = | Individual target for 2007 | = | Target 2007 | = | 9.1 |
| February 2008: Definition of actual incentive award | | 2007 actual results compared with 2007 forecast and competitor results | | | |
| +/- % | Theoretical bonus for senior executives | -35% | Delta 2007 actual vs. 2007 forecast | - 3.2 | |
| +/-25% | Discretionary performance and market adjustment | -2% | Personal KPI adjustment | - 0.2 | |
| = | Individual bonus for 2007 | = | Actual bonus 2007 | = | 5.7 |

Marcel Rohner was Chairman and CEO of Global Wealth Management & Business Banking until early July 2007. He was entitled to receive an incentive award for his time in this position given the business group's excellent full-year results. However, he chose to forgo the 2007 incentive award.

GEB members appointed during the last quarter of a financial year are generally assessed on their Group Managing Board targets and performance objectives, while nevertheless taking account of the overall Group results.

No long-term incentive stock option awards were granted to senior executives in February 2008.

Performance factors used to determine 2007 senior executive compensation

The Compensation Committee considered the following factors when determining incentive awards for senior executives:

Performance factors exceeding 2007 target

- results in all businesses of Global Wealth Management & Business Banking were at an all-time high, with net new money inflows in this business group 37% above 2006 levels;
- in 2007, investment banking (corporate finance) net revenues rose 39% from 2006 to the highest level ever recorded, driven by double-digit growth in Asia Pacific and Europe, Middle East & Africa; and
- during 2007, UBS's businesses in Asia Pacific made a record contribution to the Group's global revenues.

Performance factors below target

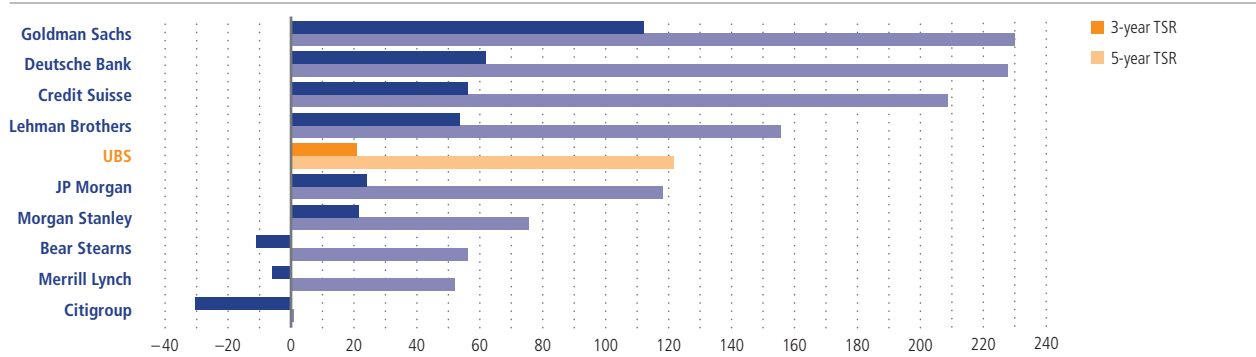
- for the full-year 2007, UBS recorded a Group net loss attributable to its shareholders of CHF 4,384 million, entirely due to very weak trading results and writedowns in its fixed income, currencies and commodities (FICC) area;
- overall, UBS's net new money also fell, by 7.3% to CHF 140.6 billion for full-year 2007, driven by net new money outflows in Global Asset Management;
- return on equity for full-year 2007 was negative 10.2% compared to 26.4% in 2006, despite strong results posted by UBS's wealth and asset management businesses;
- earnings per share for 2007 were negative CHF 2.49, compared with positive CHF 5.57 for 2006; and
- UBS's return on equity and total shareholder returns are below the median achieved by its key competitors. Since third quarter 2007, UBS's share price has underperformed that of its peers. It has also significantly underperformed the SMI and DJ indices.

Other performance factors taken into account

- Global Asset Management's pre-tax profits were down 5.5% on 2006. Excluding the costs for the closure of Dillon Read Capital Management of CHF 384 million, however, the business group results would have been at record level and 22% higher than in 2006.
- The decrease of 67% over the 2006 compensation figures for all senior executives takes into account the losses occurred in 2007. Total incentive awards for 2007 granted to senior executives represented 0.56% of the overall incentive awards distributed to UBS employees as a whole. This is down substantially from the corresponding figure of 1.85% for 2006.

3- and 5-year total shareholder return (TSR); UBS vs. key competitors

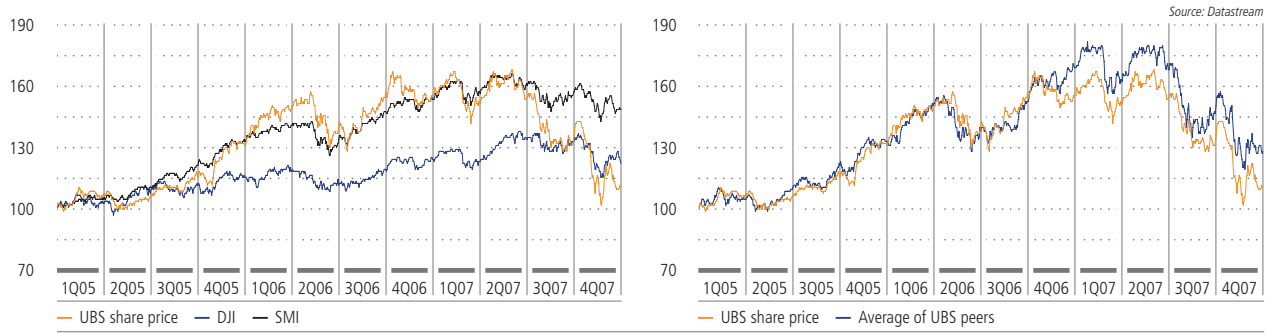
in %, based on US dollar numbers



UBS share price chart compared to SMI/DJI and peer firms

in %

1 January 2005 – 31 December 2007



Note: For current share price refer to: www.ubs.com/quotes.

Actual 2007 compensation for members of the Board of Directors and the Group Executive Board

Actual 2007 compensation for members of the Board of Directors

Compensation of the Chairman of the Board of Directors

For its decision on the Chairman of the BoD's compensation, the Compensation Committee relies on an annual assessment performed by the full BoD and its own judgment with regards to the Chairman's performance and contributions, taking into account pay levels for comparable functions outside of UBS.

As the Chairman of the BoD's incentive award is fully dependent on the Group's financial performance, the Compensation Committee decided against granting such an award in 2007.

Total compensation for Chairman of the BoD, Marcel Ospel, the highest-paid member of the BoD, amounted to CHF 2,568,379 for the 2007 financial year, a decrease of 90% over his total compensation in 2006.

Compensation for executive members of the Board of Directors

No incentive award was granted to the executive members of the BoD in 2007, since this award fully depends on the Group's financial performance.

Compensation details and additional information for executive members of the Board of Directors¹

CHF, except where indicated^a

| Name, function ² | For the year | Base salary | Annual incentive award (cash) | Annual incentive award (shares; fair value) ^b | Discretionary award (options; fair value) ^c | Benefits in kind ^d | Contributions to retirement benefits plans ^e | Total |
|--|--------------|-------------|-------------------------------|--|--|-------------------------------|---|-----------|
| Marcel Ospel, Chairman | 2007 | 2,000,000 | 0 | 0 | 0 | 307,310 | 261,069 | 2,568,379 |
| Stephan Haeringer, Executive Vice Chairman | 2007 | 1,500,000 | 0 | 0 | 0 | 111,808 | 261,069 | 1,872,877 |
| Marco Suter, Executive Vice Chairman | 2007 | 1,125,000 | 0 | 0 | 0 | 70,820 | 155,252 | 1,351,072 |

¹ Individual compensation figures of the previous year will be disclosed from 2008 onwards. ² 2007: Marcel Ospel and Stephan Haeringer are executive members in office as of 31 December 2007; Marco Suter stepped down during the year as a member of the Board of Directors. His 2007 payment is pro-rata for the nine months served as executive Vice Chairman.

Remuneration details and additional information for non-executive members of the Board of Directors¹

CHF, except where indicated^a

| Name, function ² | Audit Committee | Compensation Committee | Nominating Committee | Corporate Responsibility Committee | For the period AGM 2007/2008 | Base fee | Committee retainer | Benefits in kind | Additional payments | Total | Share percentage | Number of shares ³ |
|-----------------------------------|-----------------|------------------------|----------------------|------------------------------------|------------------------------|----------|--------------------|------------------|---------------------|---------|------------------|-------------------------------|
| Ernesto Bertarelli, member | | | M | | 2007/2008 | 325,000 | 150,000 | 0 | 0 | 475,000 | 100 | 14,677 |
| Gabrielle Kaufmann-Kohler, member | | | M | M | 2007/2008 | 325,000 | 250,000 | 0 | 0 | 575,000 | 50 | 9,349 |
| Sergio Marchionne, member | | M | | | 2007/2008 | 325,000 | 200,000 | 0 | 0 | 525,000 | 100 | 16,226 |
| Rolf A. Meyer, member | M | C | | | 2007/2008 | 325,000 | 650,000 | 0 | 0 | 975,000 | 50 | 15,853 |
| Helmut Panke, member | | | C | | 2007/2008 | 325,000 | 250,000 | 0 | 0 | 575,000 | 50 | 9,349 |
| Peter Spuhler, member | | | M | | 2007/2008 | 325,000 | 200,000 | 0 | 0 | 525,000 | 100 | 16,226 |
| Peter Voser, member | M | | | | 2007/2008 | 325,000 | 300,000 | 0 | 0 | 625,000 | 50 | 10,162 |
| Lawrence A. Weinbach, member | | C | | | 2007/2008 | 325,000 | 600,000 | 0 | 0 | 925,000 | 50 | 15,040 |
| Joerg Wolle, member | | | M | | 2007/2008 | 325,000 | 150,000 | 0 | 0 | 475,000 | 100 | 14,677 |

Legend: C = Chairman of the respective committee; M = Member of the respective committee

¹ Individual compensation figures for the previous period will be disclosed from 2008 onwards. ² There are nine non-executive members of the Board of Directors in office as of 31 December 2007. Sergio Marchionne was appointed to the Board of Directors at the 2007 annual general meeting. ³ Number of shares is reduced in case of the 100% election to deduct social security contribution. All remuneration payments are submitted to social security contribution/taxes at source.

Total payments to all members of the Board of Directors¹

| CHF, except where indicated ^a | For the year ² | Total |
|--|---------------------------|------------|
| Aggregate of all (executive and non-executive) members of the Board of Directors | 2007 | 11,467,328 |

¹ The previous year will be disclosed from 2008 onwards. ² For non-executive members of the Board of Directors: period AGM 2007/2008.

Payments to non-executive members of the Board of Directors

The table on previous page shows remuneration for non-executive BoD members as from one annual general meeting date to the next, i.e. for the period 2007/2008.

Explanations:

- non-executive BoD members receive a base fee of CHF 325,000, including a fixed reimbursement of expenses which was previously paid separately;
- fees are paid 50% in cash and 50% in restricted UBS shares, however, members can elect to have 100% of their remuneration paid in restricted UBS shares (shares are attributed with a price discount of 15% and are restricted from sale for four years);
- 2007 shares valued at CHF 36.15 (average price of UBS shares on virt-x over the last ten trading days of February 2008), discount price CHF 30.75; and
- the non-executive chairmen and members of the Audit, Compensation, Nominating and Corporate Responsibility Committees receive additional retainers between CHF 100,000 and CHF 600,000 per mandate, commensurate with the associated workload.

Remuneration of non-executive directors is not dependent on the Group's financial performance, but is determined annually by executive members of the BoD, taking into account market practice in comparable global financial services and other relevant companies.

Actual 2007 compensation for members of the Group Executive Board

Changes in the composition of the GEB and restructuring of existing executive roles clearly impact the total compensation number disclosed for 2007 and should be taken into consideration in any year-on-year comparison. Marcel Roh-

ner was appointed Group CEO with effect from 6 July 2007, while Raoul Weil became Chairman and CEO of Global Wealth Management & Business Banking on the same date. On 1 October 2007, Walter Stuerzinger was appointed Chief Operating Officer of Corporate Center, Marco Suter stepped down from the BoD to take up the position of Chief Financial Officer, and Joseph Scoby was appointed to the GEB as Group Chief Risk Officer.

Peter Wuffli relinquished his position as Group CEO on 6 July 2007, Clive Standish retired on 30 September 2007 and Huw Jenkins stepped down from the GEB on 30 September 2007; all three executives are contractually entitled to receive base salary, pro rata incentive and certain employment benefits until the expiry of their 12-month notice period. Huw Jenkins is retained in a consultancy position with UBS until 30 September 2008. The total amount due to all three executives – CHF 15.3 million payable in 2008 and CHF 45.3 million payable in 2009 – has been fully accrued in 2007 and reflected in the 2007 income statement. It reflects obligations earned under the respective employment contracts.

For further information, see the "Employment agreements and contractual payments" section on page 27.

Highest total compensation for a Group Executive Board member

Total compensation for the highest-paid member of the GEB, Rory Tapner, amounted to CHF 10,306,920. He joined the GEB on 1 January 2006 as Chairman and CEO, Asia Pacific. In reaching their decision on his compensation, the Chairman of the BoD and the Compensation Committee took into account his achievements against financial and profitability targets for the Asia Pacific region, and his performance against his personal objectives and key performance indicators for 2007.

Total compensation for all members of the Group Executive Board¹

| CHF, except where indicated ^a | For the year | Base salary | Annual incentive award (cash) | Annual incentive award (shares; fair value) ^b | Discretionary award (options; fair value) ^c | Benefits in kind ^d | Contributions to retirement benefits plans ^e | Total |
|--|--------------|-------------|-------------------------------|--|--|-------------------------------|---|------------|
| Rory Tapner, Chairman and Chief Executive Officer Asia Pacific (highest-paid) | 2007 | 1,291,960 | 4,501,900 | 4,501,904 | 0 | 10,256 | 900 | 10,306,920 |
| Aggregate of all members of the Group Executive Board (GEB) who were in office as of 31 December 2007 ² | 2007 | 6,995,885 | 15,305,667 | 15,305,708 | 0 | 532,706 | 912,974 | 39,052,939 |
| Aggregate of all members of the GEB who stepped down during 2007 ³ | 2007 | 2,511,947 | 23,042,376 | 6,750,036 | 0 | 406,567 | 275,635 | 32,986,561 |

¹ Compensation figures for the previous year will be disclosed from 2008 onwards. ² Number and distribution of senior executives: eight Group Executive Board members in office as of 31 December 2007, including three months for both Marco Suter and Joseph Scoby. ³ Takes into account the period executives were active members of the Group Executive Board: nine months in office for Huw Jenkins and Clive Standish and six months for Peter Wuffli.

Under Rory Tapner's leadership, UBS has become a dominant participant in the Asia Pacific financial sector. In 2007, UBS's businesses in Asia Pacific made a record contribution to the Group's global revenues. UBS is the pre-eminent wealth manager in the region and won a number of significant regional awards during 2007. The level of compensation awarded, which is appropriately positioned relative to key competitors in the region, reflects his exceptional ambassadorial skills, strong cross-business group leadership and cooperation and the unique skills needed to continue to grow UBS's substantial presence in Asia Pacific, while maintaining high standards of corporate governance and managing a complex risk profile.

Actual 2007 compensation for former members of the Board of Directors and Group Executive Board

Former executives of UBS and its predecessor banks benefit from the use of office space and administrative support, mostly in connection with mandates they continue to hold on behalf of, or in the interests of, UBS.

All relevant payments, including these benefits, to current and former members of the BoD and GEB and their related parties are listed in the above tables. UBS does not, as a matter of principle, make any severance payments.

No additional honorariums or remunerations were paid to any BoD or GEB members. All income from business mandates must be paid or reimbursed to UBS. Senior executives have no entitlement to any compensation received by them due to any mandate-related roles undertaken on behalf of UBS, its subsidiaries or its clients.

Compensation paid to former members of the Board of Directors and Group Executive Board¹

CHF, except where indicated²

| Name, function | Compensation | Benefits in kind | Total |
|---|--------------|------------------|-----------|
| Alberto Togni, former member of the Board of Directors (BoD) | 318,401 | 502,478 | 820,879 |
| Philippe de Weck, former member of the BoD (Union Bank of Switzerland) | 0 | 129,701 | 129,701 |
| Robert Studer, former member of the BoD (Union Bank of Switzerland) | 0 | 260,162 | 260,162 |
| Georges Blum, former member of the BoD (Swiss Bank Corporation) | 0 | 90,803 | 90,803 |
| Aggregate of all former members of the Group Executive Board (GEB) ² | 0 | 257,791 | 257,791 |
| Aggregate of all former members of the BoD and GEB | 318,401 | 1,240,935 | 1,559,336 |

¹ Compensation or remuneration that is connected with the former members' activity on the Board of Directors or Group Executive Board, or that is not at market conditions. ² Includes four former Group Executive Board members.

Explanations of compensation details for executive members of the BoD and members of the GEB:

- Local currencies are converted into CHF using the exchange rates as detailed in Note 31 of *Financial Statements 2007*.
- Values per share at grant: CHF 36.15/USD 33.55 for shares granted in 2008 related to the performance year 2007. CHF prices are average price of UBS shares at virt-x over the last ten trading days of February, and USD prices are average price of UBS shares at the New York Stock Exchange (NYSE) over the last ten trading days of February in the year in which they are granted. Share awards in this report are disclosed at fair value for the performance year for which they were granted. This differs from the recognition of share-based compensation expense in UBS's financial statements, which is based on International Financial Reporting Standards (IFRS). Until 2007, IFRS required the recognition of the fair value of share-based payments to employees as a compensation expense over the service period (typically equivalent to the vesting period).
- For the performance year 2007, no options were granted in 2008. In line with the "accrual principle" outlined by the SWX Swiss Exchange (SWX) in September 2007, UBS has amended its reporting of basic stock option grants in this report to align them with the performance year for which they were awarded, rather than show them in the year in which they were actually granted. According to UBS's previous disclosure, total compensation of the executive members of the Board of Directors (BoD) and the Group Executive Board (GEB) would have been down by 60% compared to 2006, and the Chairman of the BoD's compensation would have decreased 81%. This presentation differs from previous years, where options were included in the grant year. It also differs from the recognition of share-based compensation expense in UBS's financial statements (see Note 30 in *Financial Statements 2007*).
- Benefits in kind: car leasing, company car allowance, staff discount on banking products and services, health and welfare benefits and general expense allowances all valued at market price.
- In 2007, the Swiss pension plan converted to a Swiss defined contribution model. Swiss senior executives participate in the same plan as all other employees. Under this plan, employees receive a company contribution to the plan which covers compensation up to CHF 795,600. The retirement benefits consist of a pension, a bridging pension and a one-off payout of accumulated capital from the bonus plan. Employees must also contribute to the plan. This figure excludes the mandatory employer's social security contributions (AHV, ALV) but includes the portion attributed to the employer's portion of the legal BVG requirement. The employee contribution is included in the base salary and annual incentive award components. In both the US and the UK, senior executives participate in the same plans as all other employees. In the US there are two different plans, one of which operates on a cash balance basis and entitles the participant to receive a company contribution based on compensation limited to USD 250,000. US senior executives may also participate in the UBS 401K defined contribution plan (open to all employees), which provides a company matching contribution for employee contributions. In the UK, senior executives participate in either the principal pension plan, which is limited to an earnings cap of GBP 100,000, or a grandfathered defined benefit plan which provides a pension on retirement based on career average base salary (uncapped).

Share and option ownership

Senior executive share ownership policy

With a view to aligning the interests of its management with those of its shareholders, UBS strongly encourages significant levels of stock ownership on the part of its senior executives. As previously noted in this report, a substantial part of the annual incentive award for senior executives is delivered in the form of mandatory restricted or deferred UBS shares. And, moreover, senior executives who voluntarily elect to take an even greater proportion of their annual incentive award in the form of restricted or deferred UBS shares receive two additional UBS stock options for each additional share purchased. The options cannot be exercised until three years after grant and may be forfeited under certain circumstances at termination.

Five years after appointment, senior executives are required to accumulate – and then hold – UBS shares with an aggregate value of five times the amount of the last three years' average cash component of total compensation (base salary plus cash portion of annual incentive award). Holdings in UBS shares to be accumulated range from CHF 12 million to CHF 71 million per senior executive and thus constitute a substantial part of their personal wealth. Progress reports are provided to each senior executive annually, and executives will be expected to make steady progress towards their tar-

gets. Missed targets may lead the Compensation Committee to deny the grant of discretionary stock option awards.

Senior executives are not permitted to hedge or in any way transfer the risk of price movements of unvested UBS shares; they may however enter into specifically approved hedging strategies in order to protect against a general downturn in the financial industry, provided that no more than 10% of the base value of the underlying instrument is determined by reference to UBS shares. Breaching this policy may result in the forfeiture of any hedged award.

Although UBS does not require the return of compensation already paid, its share ownership policy (the highest in UBS's peer group) has essentially the same effect. Senior executives are required to hold UBS shares with an aggregate value of five times the amount of their average cash compensation for the last three years. This is generally more than 250% of his or her annual incentive. A 50% reduction in UBS's share price, for example, results in the loss of at least 125% of an annual incentive's value. Stock options are awarded with a 10% price hurdle and, currently, many of the awards of past years have no intrinsic value. In recent months, all senior executives have seen a decline in their personal wealth in line with the fall of the UBS share price. UBS believes that this provides management with a strong incentive to focus on returning UBS to its path of shareholder value creation.

Share and option ownership of members of the Board of Directors as of 31 December 2007

| Name, function ¹ | For the year | Number of shares held | Voting rights in % | Number of options held | Potentially conferred voting rights in % ² | Type and quantity of options ³ |
|--|--------------|-----------------------|--------------------|------------------------|---|--|
| Marcel Ospel, Chairman | 2007 | 769,483 | 0.068 | 940,000 | 0.083 | xii: 390,000 xiv: 300,000 xv: 250,000 |
| Stephan Haeringer, Executive Vice Chairman | 2007 | 487,053 | 0.043 | 535,000 | 0.047 | vii: 80,000 ix: 80,000 x: 80,000 xii: 120,000 xiv: 100,000 xv: 75,000 |
| Ernesto Bertarelli, member | 2007 | 48,411 | 0.004 | 0 | | 0 |
| Gabrielle Kaufmann-Kohler, member | 2007 | 3,303 | 0.000 | 0 | | 0 |
| Sergio Marchionne, member | 2007 | 45,800 | 0.004 | 0 | | 0 |
| Rolf A. Meyer, member | 2007 | 50,562 | 0.004 | 0 | | 0 |
| Helmut Panke, member | 2007 | 13,206 | 0.001 | 0 | | 0 |
| Peter Spuhler, member | 2007 | 67,092 | 0.006 | 0 | | 0 |
| Peter Voser, member | 2007 | 11,580 | 0.001 | 0 | | 0 |
| Lawrence A. Weinbach, member | 2007 | 45,520 | 0.004 | 0 | | 0 |
| Joerg Wolle, member | 2007 | 7,709 | 0.001 | 0 | | 0 |

¹ This table includes vested, unvested, blocked and unblocked shares and options held as of 31 December 2007. ² No conversion rights are outstanding. ³ For details of option plans and terms, see the table on page 35.

Share and option ownership of members of the Group Executive Board as of 31 December 2007

| Name, function ¹ | For the year | Number of shares held | Voting rights in % | Number of options held | Potentially conferred voting rights in % ² | Type and quantity of options ³ |
|---|--------------|-----------------------|--------------------|------------------------|---|---|
| Marcel Rohner, Group Chief Executive Officer (CEO) and Chairman & CEO Investment Bank | 2007 | 501,846 | 0.044 | 990,000 | 0.088 | ix: 30,000 |
| | | | | | | x: 200,000 |
| | | | | | | xii: 260,000 |
| | | | | | | xiv: 300,000 |
| | | | | | | xv: 200,000 |
| John A. Fraser, Chairman and CEO Global Asset Management | 2007 | 461,764 | 0.041 | 1,074,232 | 0.095 | i: 52,560 |
| | | | | | | iv: 71,672 |
| | | | | | | vi: 120,000 |
| | | | | | | viii: 120,000 |
| | | | | | | xi: 160,000 |
| Peter Kurer, Group General Counsel | 2007 | 292,762 | 0.026 | 350,000 | 0.031 | xiii: 190,000 |
| | | | | | | xiv: 200,000 |
| | | | | | | xv: 160,000 |
| | | | | | | x: 80,000 |
| | | | | | | xii: 90,000 |
| Joseph Scoby, Group Chief Risk Officer | 2007 | 509,571 | 0.045 | 533,682 | 0.047 | xiv: 90,000 |
| | | | | | | xv: 90,000 |
| | | | | | | ii: 4,000 |
| | | | | | | iv: 57,590 |
| | | | | | | v: 40,000 |
| Walter Stuerzinger, Chief Operating Officer Corporate Center | 2007 | 209,442 | 0.019 | 350,000 | 0.031 | viii: 100,000 |
| | | | | | | xi: 133,092 |
| | | | | | | xiii: 52,000 |
| | | | | | | xiv: 66,000 |
| | | | | | | xv: 81,000 |
| Marco Suter, Group Chief Financial Officer | 2007 | 235,757 | 0.021 | 355,000 | 0.031 | vii: 30,000 |
| | | | | | | x: 60,000 |
| | | | | | | xii: 80,000 |
| | | | | | | xiv: 90,000 |
| | | | | | | xv: 90,000 |
| Rory Tapner, Chairman and CEO Asia Pacific | 2007 | 514,365 | 0.046 | 1,294,486 | 0.115 | x: 60,000 |
| | | | | | | xii: 120,000 |
| | | | | | | xiv: 100,000 |
| | | | | | | xv: 75,000 |
| | | | | | | iii: 264,486 |
| Raoul Weil, Chairman and CEO Global Wealth Management & Business Banking | 2007 | 212,934 | 0.019 | 405,752 | 0.036 | vi: 200,000 |
| | | | | | | ix: 200,000 |
| | | | | | | x: 160,000 |
| | | | | | | xii: 150,000 |
| | | | | | | xiv: 160,000 |
| Raoul Weil, Chairman and CEO Global Wealth Management & Business Banking | 2007 | 212,934 | 0.019 | 405,752 | 0.036 | xv: 160,000 |
| | | | | | | vi: 50,000 |
| | | | | | | xii: 95,976 |
| | | | | | | xiv: 120,000 |
| | | | | | | xv: 139,776 |

¹ This table includes vested and unvested shares and options held as of 31 December 2007. ² No conversion rights are outstanding. ³ For details of option plans and terms, see the table on page 35.

Total of all vested and unvested shares held by executive members of the Board of Directors and members of the Group Executive Board¹

| Shares held as of 31 December 2007 | 6,396,479 | | | | |
|------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Of which | | | | | |
| vested | vesting 2008 | vesting 2009 | vesting 2010 | vesting 2011 | vesting 2012 |
| 3,831,550 | 796,533 | 653,726 | 526,425 | 362,709 | 225,536 |

¹ Includes parties closely linked to them.

No individual BoD or GEB member holds 1% or more of all shares issued.

Total of all blocked and unblocked shares held by non-executive members of the Board of Directors¹

| Shares held as of 31 December 2007: | | 296,533 | | | |
|-------------------------------------|--|--------------------|--------------------|--------------------|--------------------|
| Of which | | | | | |
| non-restricted | | blocked until 2008 | blocked until 2009 | blocked until 2010 | blocked until 2011 |
| 134,808 | | 30,602 | 43,096 | 35,874 | 52,153 |

¹ Includes parties closely linked to them.

No individual board member holds 1% or more of all shares issued.

Vested and unvested options held by executive members of the Board of Directors and by members of the Group Executive Board as of 31 December 2007

| Type | Number of options | Year of grant | Vesting date | Expiry date | Subscription ratio | Strike price |
|------|-------------------|---------------|--------------|-------------|--------------------|--------------|
| i | 52,560 | 2001 | 20/02/2004 | 20/02/2009 | 1:1 | CHF 50.00 |
| ii | 4,000 | 2002 | 28/02/2005 | 28/02/2012 | 1:1 | USD 23.12 |
| iii | 264,486 | 2002 | 20/02/2005 | 31/01/2012 | 1:1 | CHF 38.88 |
| iv | 129,262 | 2002 | 31/01/2005 | 31/01/2012 | 1:1 | USD 22.63 |
| v | 40,000 | 2002 | 28/06/2005 | 28/06/2012 | 1:1 | USD 24.85 |
| vi | 370,000 | 2002 | 28/06/2005 | 28/06/2012 | 1:1 | CHF 40.38 |
| vii | 110,000 | 2002 | 28/06/2005 | 28/12/2012 | 1:1 | CHF 40.38 |
| viii | 220,000 | 2003 | 31/01/2006 | 31/01/2013 | 1:1 | USD 24.00 |
| ix | 310,000 | 2003 | 31/01/2006 | 31/07/2013 | 1:1 | CHF 32.50 |
| x | 640,000 | 2004 | 28/02/2007 | 28/02/2014 | 1:1 | CHF 51.88 |
| xi | 293,092 | 2004 | 28/02/2007 | 28/02/2014 | 1:1 | USD 40.63 |
| xii | 1,305,976 | 2005 | 01/03/2008 | 28/02/2015 | 1:1 | CHF 55.75 |
| xiii | 242,000 | 2005 | 01/03/2008 | 28/02/2015 | 1:1 | USD 47.75 |
| xiv | 1,526,000 | 2006 | 01/03/2009 | 28/02/2016 | 1:1 | CHF 77.33 |
| xv | 1,320,776 | 2007 | 01/03/2010 | 28/02/2017 | 1:1 | CHF 78.50 |

Unvested shares and options as well as vested options are at risk of forfeiture in the event that a senior executive's employment is terminated.

Options can only be exercised to the extent that the UBS share price exceeds the option strike price between vesting date and expiry date. The value to the executive is limited to the excess of the UBS share price over the strike price.

Disclosure of management transactions

Since 1 July 2005, UBS has disclosed on a no-name basis all transactions by members of its BoD and GEB in the firm's shares, options and all types of financial instruments whose price is primarily influenced by UBS shares. In 2007, 12 sales with a total amount of CHF 23,566,123 and six purchases with a total amount of CHF 3,080,000 occurred.

UBS executives receive a majority of their compensation in UBS shares or options. For this reason, management transactions will, in general, see sales outweighing pur-

chases. Blackout periods and synchronized dates for unblocking or vesting of shares or options granted as compensation may lead to transactions being concentrated in short periods.

Loans

UBS – as a global financial services provider as well as the major bank in Switzerland – typically has business relationships with most large companies. In many of these companies, members of the UBS BoD often assume management or non-executive board responsibilities. Moreover granting loans – both to individuals and to companies – is part of the ordinary business of UBS. Executive members of the BoD and the members of the GEB are granted loans, fixed advances and mortgages on the same terms and conditions as other employees, based on third-party conditions adjusted for reduced credit risk.

Loans granted to members of the Board of Directors as of 31 December 2007

CHF, except where indicated^a

| Name, function ¹ | Mortgages | Other loans granted | Total |
|--|------------|---------------------|------------|
| Marcel Ospel, Chairman | 11,000,000 | 0 | 11,000,000 |
| Stephan Haeringer, Executive Vice Chairman | 0 | 0 | 0 |
| Ernesto Bertarelli, member | 0 | 0 | 0 |
| Gabrielle Kaufmann-Kohler, member | 0 | 0 | 0 |
| Sergio Marchionne, member | 0 | 0 | 0 |
| Rolf A. Meyer, member | 480,000 | 0 | 480,000 |
| Helmut Panke, member | 0 | 0 | 0 |
| Peter Spuhler, member | 0 | 0 | 0 |
| Peter Voser, member | 0 | 0 | 0 |
| Lawrence A. Weinbach, member | 0 | 0 | 0 |
| Joerg Wolle, member | 0 | 0 | 0 |
| Aggregate of all members of the Board of Directors | 11,480,000 | 0 | 11,480,000 |

¹ No loans have been granted to related parties of the Board of Directors members at conditions not customary in the market. For this purpose UBS considers loans granted on the terms available to UBS employees to be at arm's length.

Loans granted to members of the Group Executive Board

CHF, except where indicated^a

| Name, function ¹ | Mortgages | Other loans granted ² | Total |
|---|-----------|----------------------------------|-----------|
| Joseph Scoby, Group Chief Risk Officer | 0 | 3,145,796 | 3,145,796 |
| Aggregate of all members of the Group Executive Board | 3,487,000 | 3,145,796 | 6,632,796 |

¹ No loans have been granted to related parties of the members of the Group Executive Board at conditions not customary in the market. For this purpose UBS considers loans granted on the terms available to UBS employees to be at arm's length. ² Guarantees.

Loans and advances to non-executive BoD members and related parties are made on terms comparable to those prevailing at the time for transactions with non-affiliated persons.

Loans granted to companies related to seven non-executive BoD members amounted to CHF 681.3 million, including guarantees, contingent liabilities and unused committed credit facilities. For details see Note 31 in *Financial Statements 2007*.

Loans granted to former members of the Board of Directors and Group Executive Board

No loans have been granted to former members of the BoD or of the GEB or to their related parties at conditions not customary in the market. For this purpose, UBS considers loans granted under the terms available to UBS employees' to be at arm's length.

Shareholders' participation rights

UBS is committed to making it as easy as possible for shareholders to take part in its decision-making processes. More than 200,000 directly registered shareholders and some 75,000 US shareholders registered via nominee companies regularly receive written information about the firm's activities and performance and are personally invited to shareholder meetings.

Relationships with shareholders

UBS fully subscribes to the principle of equal treatment of all shareholders, ranging from large investment institutions to individual investors, and regularly informs them about the development of the company of which they are co-owners.

The annual general meeting (AGM) offers shareholders the opportunity to raise any questions regarding the development of the company and the events of the year under review. The members of the Board of Directors (BoD) and Group Executive Board (GEB), as well as the internal and external auditors, are present to answer these questions.

Voting rights, restrictions and representation

UBS places no restrictions on share ownership and voting rights. Nominee companies and trustees, who normally represent a great number of individual shareholders, may hold an unlimited number of shares, but voting rights are limited to a maximum of 5% of outstanding UBS shares in order to avoid the risk of unknown shareholders with large stakes being entered into the share register. Securities clearing organizations, such as The Depository Trust Company in New York, are exempt from the 5% voting limit.

In order to be recorded in the share register with voting rights, shareholders must confirm they acquired UBS shares in their own name and for their own account. Nominee companies/trustees are required to sign an agreement with UBS, confirming their willingness to disclose to the company, upon its request, individual beneficial owners holding more than 0.3% of all issued shares.

All shareholders registered with voting rights are entitled to participate in shareholder meetings. If they do not wish to attend in person, they can issue instructions to accept, reject or abstain on each individual item on the meeting agenda by either giving instructions to an independent proxy designated by UBS (as required under Swiss company law) or by appointing UBS, another bank or another registered shareholder of their choice, to vote on their behalf. Nominee companies normally submit the proxy material to the beneficial owners and transmit the collected votes to UBS.

Statutory quorums

Shareholder resolutions, the election and re-election of members of the BoD, and the appointment of the Group and statutory auditors are decided at the AGM by an absolute majority of the votes cast, excluding blank and invalid ballots. Swiss company law requires that for certain specific issues a majority of two-thirds of the votes represented at the meeting vote in favor of the resolution. These issues include the introduction of voting shares, the introduction of restrictions on the transferability of registered shares, conditional and authorized capital increases, and restrictions or exclusion of shareholders' pre-emptive rights.

The "Articles of Association UBS AG" ("Articles of Association") also requires a two-thirds majority of votes represented for any change to its provisions regarding the number of BoD members and any decision to remove one-fourth or more of the members of the BoD.

Votes and elections are normally conducted electronically to clearly ascertain the exact number of votes cast. Voting by a show of hands remains possible if a clear majority is predictable. Shareholders representing at least 3% of the votes represented may still request, however, that a vote or election take place electronically or by written ballot. In order to allow shareholders to clearly express their views on all individual topics, each item on the agenda is put to vote individually and BoD elections are made on a person-by-person basis.

Convocation of general meetings of shareholders

The annual general meeting of shareholders normally takes place in April, but in any case within six months of the close of the financial year. A personal invitation including a detailed agenda and explanation of each motion is sent to every registered shareholder at least 20 days ahead of the scheduled meeting. The meeting agenda is also published in various Swiss and international newspapers and on the internet at www.ubs.com/shareholder-meeting.

Extraordinary general meetings (EGMs) may be convened whenever the BoD or the statutory auditors consider it necessary. Shareholders individually or jointly representing at least 10% of the share capital may, at any time, ask in writing that an EGM be convened to deal with a specific issue put forward by them. Such a request may also be brought forward during the AGM.

Placing of items on the agenda

Shareholders individually or jointly representing shares with an aggregate par value of CHF 62,500 may submit proposals for matters to be placed on the agenda for consideration by the shareholders' meeting.

UBS publishes the deadline for submitting such proposals in various Swiss and international newspapers and on

its website (www.ubs.com/shareholder-meeting). Requests for items to be placed on the agenda must include the actual motions to be put forward, together with a short explanation, if necessary. The BoD formulates an opinion on the proposals, which is published together with the motions.

Registrations in share register

The general rules for being entered with voting rights in the Swiss or US Share Register of UBS also apply before general meetings of shareholders (for details see previous page). There is no "closing of the share register" in the days ahead of the meeting. Registrations including the transfer of voting rights are processed for as long as technically possible, normally until two days before the meeting.

Change of control and defense measures

UBS refrains from restrictions that would hinder developments initiated in or supported by the financial markets. It also does not have any specific defenses in place to prevent hostile takeovers.

Duty to make an offer

An investor who acquires more than 33⅓% of all voting rights (directly, indirectly or in concert with third parties), whether they are exercisable or not, has to submit a takeover offer for all shares outstanding, according to Swiss stock exchange law. UBS has not elected to change or opt out of this rule.

Clauses on changes of control

The service agreements and employment contracts of the executive Board of Director (BoD) members, of the members of the Group Executive Board (GEB) and of the Group Managing Board (GMB) do not contain clauses triggered by a change of control. UBS does not offer “golden parachutes” to its senior executives. Employment contracts contain notice of termination periods of 12-months for GEB members and six to 12-months for GMB members, depending on local market practice. During this notice period they are entitled to salary and bonuses.

The Compensation Committee of the BoD may, however, accelerate the vesting of options and the lapse date for restricted shares in case of a change of control.

Auditors

Audit plays an important role in corporate governance. While putting high priority on remaining independent, the external auditors and Group Internal Audit closely coordinate their work, thereby ensuring the most effective performance of their responsibilities. The Chairman's Office, the Audit Committee and ultimately the Board of Directors supervise the functioning of audit work.

External, independent auditors

Ernst & Young Ltd., Basel, (Ernst & Young) have been assigned the mandate to serve as global auditors for the UBS Group. They assume all auditing functions according to laws, regulatory requests and the "Articles of Association UBS AG" ("Articles of Association"; see also the paragraph about auditors' responsibilities in the regulation and supervision section on pages 44–46). The Audit Committee of the Board of Directors (BoD) annually assesses the independence of Ernst & Young and has determined that they meet all independence requirements established by the US Securities and Exchange Commission (SEC). Authority for pre-approval of all additional audit, audit-related and non-audit mandates to the principal auditors lies with the Audit Committee, ensuring that independence of the auditors is not jeopardized by conflicts of interest through additional mandates. Ernst & Young inform the Audit Committee annually of the measures they are taking to ensure their own and their employees' independence from UBS. The Audit Committee assesses this information on behalf of the BoD and informs the BoD accordingly.

At the 2006 annual general meeting (AGM), BDO Visura, Zurich, was appointed as special auditor for a three-year term of office. The special auditors provide audit opinions in connection with capital increases, independently from the Group auditors.

Duration of the mandate and term of office of the lead partners

After the UBS-SBC merger, Ernst & Young were first appointed as UBS's principal external auditor for the audit of the 1998 financial statements. Following a comprehensive evaluation process during 1999, they were proposed for re-election at the 2000 AGM. AGMs up to 2007 annually confirmed their mandate, and they will be proposed for re-election at the 2008 AGM.

The lead partners in charge of the UBS audit are Andrew McIntyre and Andreas Blumer (since 2005 and 2004, respectively).

Fees paid to principal external auditors

UBS paid the fees (including expenses) listed in the table below to its principal external auditors Ernst & Young.

Audit work includes all services necessary to perform the audit in accordance with applicable generally accepted auditing principles as well as other assurance services that generally only the principal auditor can provide, including comfort letters, statutory and regulatory audits, attest services, consents and reviews of documents filed with regulatory bodies under applicable law.

Audit-related work consists primarily of additional attest services, such as retirement and compensation plan audits,

Fees paid to external auditors

UBS paid the following fees (including expenses) to its principal external auditors Ernst & Young Ltd.:

| in CHF thousand | For the year ended | |
|--|--------------------|----------|
| | 31.12.07 | 31.12.06 |
| Audit | | |
| Global audit fees | 49,000 | 48,925 |
| Additional services classified as audit (services required by law or statute, including work of non-recurring nature mandated by regulators) | 12,718 | 14,766 |
| Total audit | 61,718 | 63,691 |
| Non-audit | | |
| Audit-related fees | 9,779 | 7,843 |
| Tax advisory | 1,892 | 1,249 |
| Other | 1,699 | 3,043 |
| Total non-audit | 13,370 | 12,135 |

agreed upon procedures reports required by contract and audits performed at the request of management. It also includes due diligence work on acquisitions and initial work relating to the eventual attestation as to UBS's compliance with section 404 of the US Sarbanes-Oxley Act of 2002.

Tax work means services performed by professional staff in Ernst & Young's tax division, other than audit work, and includes tax compliance, tax consultation and tax planning in respect of UBS's own affairs. Ernst & Young may not provide personal tax consulting to members of UBS management who serve in a financial reporting oversight role.

"Other" services are only approved on an exceptional basis. In 2006 and 2007, they mainly comprised on-call advisory services and selected transaction-related operational reviews.

In addition to the fees listed in the table on page 40, Ernst & Young received CHF 31,050,000 in 2007 (CHF 22,080,000 in 2006) for audit and tax work performed on behalf of UBS investment funds, many of which have independent fund boards or trustees.

Pre-approval procedures and policies

All services provided by Ernst & Young have to be pre-approved by the Audit Committee of the BoD. A pre-approval may be granted either for a specific mandate or in the form of a general pre-approval authorizing a limited and well-defined type and amount of services. The Audit Committee has delegated pre-approval authority to its Chairman. After endorsement by the Group Chief Financial Officer (Group CFO), requests for mandates are routed to the Company Secretary, who submits them to the Chairman of the Audit Committee for approval. At each quarterly meeting, the Audit Committee is informed on the approvals granted by its Chairman.

The SEC prohibits independent auditors from providing a number of specific services. Ernst & Young have not provided any such services during 2007.

Group Internal Audit

With 314 staff members worldwide at 31 December 2007, Group Internal Audit supports the BoD and its committees by independently assessing the effectiveness of UBS's system of internal controls and compliance of the firm with statutory, legal and regulatory requirements. All key issues raised by Group Internal Audit are communicated to the management responsible, to the Group Chief Executive Officer (Group CEO) and to the executive members of the BoD via formal audit reports. The Chairman's Office and the Audit Committee of the BoD are regularly informed of important

findings. Group Internal Audit closely cooperates with internal and external legal advisors and risk control units on investigations into major control issues.

To maximize its independence from management, the Head Group Internal Audit, Ian Overton, reports directly to the Chairman of the BoD. Group Internal Audit has unrestricted access to all accounts, books and records and must be provided with all information and data needed to fulfill its auditing duties. The Chairman's Office may order special audits to be conducted, and the Group Executive Board (GEB), with the agreement of the Chairman of the BoD, may also instruct Group Internal Audit to conduct such audits.

Coordination and close cooperation with the external auditors enhance the efficiency of Group Internal Audit's work.

Supervisory and control instruments vis-à-vis the external auditors

The Audit Committee, on behalf of the BoD, monitors the qualification, independence and performance of the Group Auditors and their lead partners. It prepares proposals for appointment or removal of the external auditors for review by the full BoD, which then submits the proposal to the AGM.

The Audit Committee reviews the annual written statement submitted by the external auditors as to their independence. It also reviews the engagement letter between UBS and the external auditors and the fees and terms of the planned audit work. Mandates to the Group auditors for additional audit, audit-related and permitted non-audit work are subject to pre-approval by the Audit Committee. For details see preceding paragraph on external, independent auditors.

The external auditors provide timely reports to the Audit Committee on critical accounting policies and practices used, on alternative treatments of financial information discussed with management, and other material written communication between external auditors and management.

The Audit Committee regularly meets with the lead partners of the external auditors, at least four times per year. It also regularly meets with the Head of Group Internal Audit.

At least once per year, the Chairman's Office discusses with the lead partners of Ernst & Young the audit work performed, the main findings and critical issues that arose during the audit.

The Audit Committee and the Chairman's Office report back to the BoD about their contacts and discussions with the external auditors. Once per year, the lead partners take part in a BoD meeting, normally to present the Long-form Report of the External Auditors, as required by the Swiss Federal Banking Commission.

Information policy

UBS's financial disclosure policies aim at achieving a fair market value for UBS shares through open, transparent and consistent communication with investors and financial markets.

UBS provides regular information to its shareholders and to the financial community.

Financial results will be published as follows

| | |
|----------------|------------------|
| First Quarter | 6 May 2008 |
| Second Quarter | 12 August 2008 |
| Third Quarter | 4 November 2008 |
| Fourth Quarter | 10 February 2009 |

The annual general meeting of shareholders will take place as follows

| | |
|------|---------------|
| 2008 | 23 April 2008 |
| 2009 | 15 April 2009 |

UBS meets with institutional investors worldwide throughout the year. It regularly holds results presentations, specialist investor seminars, road shows, individual and group meetings. Where possible, meetings involve senior management as well as members of the Investor Relations team. UBS makes use of diverse technologies such as webcasting, audio links and cross-location video-conferencing to widen its audience and maintain contact with shareholders around the world.

The website www.ubs.com/investors has comprehensive information on UBS, including a complete set of published reporting documents, on-demand access to recent webcasts and a selection of senior management industry conference presentations.

Once a year, unless they explicitly choose not to, registered shareholders receive a summary of UBS's annual report (for example, *Review 2007*). It provides an overview of the firm and its activities during the year as well as key financial information. Each quarter, shareholders are mailed a brief update on the firm's quarterly financial performance. Shareholders can also request UBS's complete financial reports, produced on a quarterly and annual basis, free of charge.

To ensure fair access to and dissemination of its financial information, UBS makes its publications available to all shareholders at the same time.

A complete list of all sources of information about UBS, and contact details for shareholders as well as other interested parties, are included in this report on pages 54–56.

Financial disclosure principles

Based on discussions with analysts and investors, UBS believes that the market rewards companies that provide clear, consistent and informative disclosure about their business. Therefore, UBS aims to communicate its strategy and results in a manner that allows shareholders and investors to gain a full and accurate understanding of how the company works, what its growth prospects are and what risks the strategy and results might entail.

To continue to achieve these goals, UBS applies the following principles in its financial reporting and disclosure:

- *transparency* in disclosure is designed to enhance understanding of the economic drivers and detailed results of the business, building trust and credibility;
- *consistency* in disclosure within each reporting period and between reporting periods;
- *simplicity* in disclosure allows readers to gain the appropriate level of understanding of the firm's businesses' performance;
- *relevance* in disclosure avoids information overload by focusing on what is relevant to UBS's stakeholders, or required by regulation or statute; and
- *best practice* in line with industry norms, leading the way to improved standards where possible.

Financial reporting policies

UBS reports its results after the end of every quarter, including a breakdown of results by business groups and business units and extensive disclosures relating to credit and market risk.

UBS's financial statements are prepared according to International Financial Reporting Standards (IFRS). A detailed explanation of the basis of UBS's accounting is given in Note 1 in *Financial Statements 2007*. An explanation of the critical accounting policies applied in the preparation of UBS's financial statements is also provided in a specific section in *Financial Statements 2007*.

UBS is committed to maintaining the transparency of its reported results and to ensuring that analysts and investors can make meaningful comparisons with previous periods. If there is a major reorganization of its business units, or if changes to accounting standards or interpretations lead to a material change in the Group's reported results, UBS's results

are restated for previous periods to show how they would have been reported according to the new basis and provide clear explanations of all changes.

US regulatory disclosure requirements

As a Swiss company listed on the New York Stock Exchange (NYSE), UBS complies with the disclosure requirements of the Securities and Exchange Commission (SEC) and the NYSE for foreign private issuers. These include the requirement to make certain filings with the SEC. As a foreign private issuer, some of the SEC's regulations and requirements which apply to domestic issuers are not applicable to UBS. UBS's regular quarterly reports are provided to the SEC under cover of Form 6-K, and UBS files an annual report on Form 20-F. These reports, as well as materials sent to shareholders in connection with annual and special shareholder meetings, are all available at www.ubs.com/investors. As of the end of the period covered by this annual report, an evaluation was carried out under the supervision of management, including

the Group Chief Executive Officer (CEO) and Group Chief Financial Officer (CFO), of the effectiveness of UBS's disclosure controls and procedures (as defined in Rule 13a-15e) under the US Securities Exchange Act of 1934. Based upon that evaluation, the Group CEO and Group CFO concluded that these disclosure controls and procedures were effective as of the end of the period covered by this annual report. No significant changes were made in UBS's internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation.

In accordance with Section 404 of the US Sarbanes-Oxley Act of 2002, the management of UBS is responsible for establishing and maintaining adequate internal control over financial reporting. *Financial Statements 2007*, one of the four reports that comprise UBS's annual report, contains management's assessment (as of the time of publication of the annual report) of the effectiveness of internal control over financial reporting and the external auditors' report on such assessment.

Regulation and supervision

UBS aims to comply with all applicable provisions and to work closely and maintain good relations with regulators in all jurisdictions where the firm conducts business.

As a Swiss-registered company, UBS's home country regulator is the Swiss Federal Banking Commission (SFBC).

UBS's operations throughout the world are regulated and supervised by the relevant authorities in each of the jurisdictions in which it conducts business.

The following sections of this report describe the regulation and supervision of UBS's business in Switzerland, the firm's home market. They also describe the regulatory and supervisory environment in the US and the UK, UBS's next two largest areas of operations.

Regulation and supervision in Switzerland

General

UBS is regulated in Switzerland under a system established by the Swiss Federal Law relating to Banks and Savings Banks of 8 November 1934, as amended, and the related Implementing Ordinance of 17 May 1972, as amended, which are together known as the Federal Banking Law. Depending on the license obtained under this law, banks in Switzerland may engage in a full range of financial services activities, including commercial banking, investment banking and asset management. Banking groups may also engage in insurance activities, but these must be undertaken through a separate subsidiary. The Federal Banking Law establishes a framework for supervision by the SFBC.

The Federal Act of 10 October 1997 on the Prevention of Money Laundering in the Financial Sector (Money Laundering Act, MLA) lays down a common standard for due diligence obligations for the whole financial sector, which must be met in order to prevent money laundering.

In its capacity as a securities broker, UBS is governed by the Swiss Federal Law on Stock Exchanges and Securities Trading of 24 March 1995, as amended. The SFBC is the competent supervisory authority.

In June 2007, the Parliament adopted the new Integrated Financial Supervision Act (FINMAG) which will come into effect on 1 January 2009. Its aim is to create a new market supervisory authority (FINMA) by merging the SFBC, the Office of Private Insurance (BPV) and the Federal Money Laundering Control Authority. In addition to a new organizational framework, FINMAG streamlines and harmonizes the sanctions regime applicable to financial institutions.

Regulatory policy

Swiss regulatory policies are formulated on three levels. The first two are the statutory levels of primary and secondary legislation issued by Parliament and the Swiss Federal Council. The SFBC has substantial influence on the drafting of these regulatory statutes (for example, the specific ordinance concerning the prevention of money laundering of 18 December 2002, amended in 2003). On a more technical level, the SFBC is empowered to issue so-called circulars, 27 of which are presently effective. These include a circular ruling on the supervision and internal controls at banks, issued on 27 September 2006, and a circular ruling on the supervision of large banking groups, issued on 21 April 2004. The latter prescribes what information UBS is required to provide to the SFBC, the structure of UBS's regular interaction with them and the scope of on-site reviews (prudential independent controls) and extended audits by the SFBC. In an effort to streamline regulation, the SFBC decided on 1 December 2006, in consultation with the industry, to rescind five circulars. In certain fields, the SFBC officially endorses self-regulatory guidelines issued by the banking industry (through the Swiss Bankers' Association), making them an integral part of banking regulation. Examples are:

- Guidelines on the simplified prospectus for structured products, 2007;
- Agreement of Swiss Banks on Deposit Insurance, 2005;
- Allocation Directives for the New Issues Market, 2004;
- Agreement on Swiss banks' code of conduct with regard to the exercise of due diligence (CDB 03), 2003;
- Directives on the Independence of Financial Research, 2008; and
- Guidelines on the handling of dormant accounts, custody accounts and safe-deposit boxes held in Swiss banks, 2000.

Self regulation

Certain aspects of securities broking, such as the organization of trading, are subject to self-regulation through the SWX Swiss Exchange (SWX) (for example, the Listing regulation of 24 January 1996, as amended and the General Conditions dated 7 September 2007) and the Swiss Bankers' Association (for example, the code of conduct for securities brokers, 1997), under the overall supervision of the SFBC. As

a means of improving information flows to investors, the SWX enacted an amendment on 1 July 2005 requiring the disclosure of management transactions.

Role of external auditors and direct supervision of large banking groups

The Swiss supervisory system relies on banks' external auditors, who are licensed and supervised by the SFBC, and carry out official duties on behalf of and subject to sanctions imposed by the SFBC. The responsibility of external auditors not only encompasses the audit of financial statements but also entails the review of banks' compliance with all prudential requirements.

The SFBC has direct responsibility for supervision in two areas: capital requirements for market risk (expanded as of 1 January 2008 to cover the advanced credit and operational risk models of Pillars II and III under Basel II,) and the supervision of the two large Swiss banking groups, including UBS. The supervisory strategy entails direct supervision in the form of regular meetings with bank management, supervisory visits to the firm's operations, on-site reviews, direct reporting (both routine and ad hoc) and regular meetings, with the host regulators of its overseas activities. There is close cooperation, including regular meetings between the SFBC and UBS's US and UK regulators, as well as further links with other relevant regulators (particularly in the Asia Pacific region).

Reporting requirements and capital requirements

UBS reports financial, capital, legal and risk information to the SFBC. The SFBC also reviews the bank's risk management and control principles and procedures in all areas of risk, including "know your customer" rules and anti-money laundering practices.

Switzerland applies the internationally agreed capital adequacy rules of the Basel Capital Accord, but the SFBC implementation imposes a more differentiated and tighter regime than the internationally agreed rules, including a more stringent definition of capital (see the "Capital management" section in *Risk, Treasury and Capital Management 2007*). On 18 October 2006, the SFBC issued a national law implementing Basel II, which entered into force on 1 January 2008.

Disclosures to the Swiss National Bank

Switzerland's banks, according to Swiss banking law, are primarily supervised by the SFBC while compliance with liquidity rules is monitored by the Swiss National Bank (SNB). UBS sends the SNB detailed monthly interim balance sheets, capital adequacy and liquidity statements. UBS also submits an annual statement of condition and quarterly stress testing results and cooperates with the Financial Stability and Oversight unit of the SNB whenever required. The SNB can also

require UBS to make additional disclosures of financial condition and other information relevant to its regulatory oversight.

Regulation and supervision in the US

Banking regulation

UBS's operations in the US are subject to a variety of regulatory regimes. It maintains branches in California, Connecticut, Illinois, New York and Florida. UBS's branches located in California, New York and Florida are federally licensed by the Office of the Comptroller of the Currency. US branches located in Connecticut and Illinois are licensed by the state banking authority of the state in which the branch is located. Each US branch is subject to regulation and examination by its licensing authority. In addition, the Board of Governors of the Federal Reserve System exercises examination and regulatory authority over UBS's state-licensed US branches. The firm also maintains state and federally chartered trust companies and other limited purpose banks, which are regulated by state regulators or the Office of the Comptroller of the Currency. Only the deposits of UBS's subsidiary bank located in the state of Utah are insured by the Federal Deposit Insurance Corporation. The regulation of the firm's US branches and subsidiaries imposes restrictions on the activities of those branches and subsidiaries, as well as prudential restrictions, such as limits on extensions of credit to a single borrower, including UBS subsidiaries and affiliates.

The licensing authority of each US branch has the authority to take possession of the business and property of UBS located in the state of the office it licenses in certain circumstances. Such circumstances generally include violations of law, unsafe business practices and insolvency. As long as UBS maintains one or more federal branches, the Office of the Comptroller of the Currency also has the authority to take possession of the US operations of UBS AG under similar circumstances, and this federal power may preempt the state insolvency regimes that would otherwise be applicable to UBS's state-licensed branches. As a result, if the Office of the Comptroller of the Currency exercised its authority over the US branches of UBS AG pursuant to federal law in the event of a UBS insolvency, all of UBS's US assets would most likely be applied first to satisfy creditors of its US branches as a group, and then made available for application pursuant to any Swiss insolvency proceeding.

In addition to the direct regulation of its US banking offices, UBS is subjected to oversight regulation by the Board of Governors of the Federal Reserve System under various laws (including the International Banking Act of 1978 and the Bank Holding Company Act of 1956) because it operates US branches. On 10 April 2000, UBS AG was designated a "financial holding company" under the Bank Holding

Company Act of 1956. Financial holding companies may engage in a broader spectrum of activities, including underwriting and dealing in securities. To maintain its financial holding company status, UBS, its US subsidiary federally chartered trust company and its US subsidiary bank located in Utah are required to meet or exceed certain capital ratios and UBS's US branches, its US subsidiary federally chartered trust company, and its US subsidiary bank located in Utah are required to meet or exceed certain examination ratings. A major focus of US governmental policy relating to financial institutions in recent years has been aimed at fighting money laundering and terrorist financing. Regulations applicable to UBS and its subsidiaries impose obligations to maintain appropriate policies, procedures and controls to detect, prevent and report money laundering and terrorist financing and to verify the identity of their customers. Failure of a financial institution to maintain and implement adequate programs to combat money laundering and terrorist financing could have serious consequences for the firm, both in legal terms and in terms of its reputation.

US regulation of other US operations

In the US, UBS Securities LLC and UBS Financial Services Inc., as well as UBS's other US registered broker-dealer entities, are subject to regulations that cover all aspects of the securities business, including:

- sales methods;
- trade practices among broker-dealers;
- use and safekeeping of customers' funds and securities;
- capital structure;
- record-keeping;
- the financing of customers' purchases; and
- the conduct of directors, officers and employees.

These entities are regulated by a number of different government agencies and self-regulatory organizations, including the Securities and Exchange Commission and the Financial Industry Regulatory Authority (FINRA). Depending upon the specific nature of a broker-dealer's business, it may also be regulated by some or all of the New York Stock Exchange (NYSE), the Municipal Securities Rulemaking Board, the US Department of the Treasury, the Commodities Futures Trading Commission and other exchanges of which it may be a member. In addition, the US states, provinces and territories have local securities commissions that regulate and monitor activities in the interest of investor protection. These regulators have a variety of sanctions available, including the authority to conduct administrative proceedings that can result in censure, fines, the issuance of cease-and-desist orders or the suspension or expulsion of the broker-dealer or its directors, officers or employees.

Newly created in July 2007 through the consolidation of the National Association of Securities Dealers (NASD) and the member regulation, enforcement and arbitration functions of the New York Stock Exchange (NYSE), FINRA is dedicated to investor protection and market integrity through effective and efficient regulation and complementary compliance and technology-based services.

FINRA covers a broad spectrum of securities businesses, including: registering and educating industry participants; examining securities firms; writing rules; enforcing those rules and the federal securities laws; informing and educating the investing public; providing trade reporting and other industry utilities; and administering a dispute resolution forum for investors and registered firms. It also performs market regulation under contract for the NASDAQ Stock Market, the American Stock Exchange and the Chicago Climate Exchange.

Regulation and supervision in the UK

UBS's operations in the UK are regulated by the Financial Services Authority (FSA), the UK's single regulator, which establishes a regime of rules and guidance governing all relevant aspects of financial services businesses.

The FSA has established a risk-based approach to supervision and has a wide variety of supervisory tools available to it, including on-site inspections (which may relate to an industry-wide theme or be firm-specific) and the ability to commission reports by skilled persons (who may be the firm's auditors, IT specialists, lawyers or other consultants as appropriate). The FSA also has an extremely wide set of sanctions which it may impose under the Financial Services and Markets Act, broadly similar to those available to US regulators.

Some of UBS's subsidiaries and affiliates are also regulated by the London Stock Exchange and other UK securities and commodities exchanges of which UBS is a member. The business can also be subject to the requirements of the UK Panel on Takeovers and Mergers where relevant.

Financial services regulation in the UK is conducted in accordance with European Union directives which require, among other things, compliance with certain capital adequacy standards, customer protection requirements and conduct of business rules. These directives apply throughout the European Union and are reflected in the regulatory regimes in other member states. The standards, rules and requirements established under these directives are broadly comparable in scope and purpose to the regulatory capital and customer protection requirements imposed under applicable US law.

Compliance with New York Stock Exchange listing standards on corporate governance

UBS aims to comply with all relevant standards on corporate governance. As a foreign company listed on the New York Stock Exchange, the firm is only required to comply with the rules relating to audit committees and annual certifications. UBS, however, has voluntarily adopted the overwhelming majority of the New York Stock Exchange rules for US companies.

Introduction

On 4 November 2003, the Securities and Exchange Commission (SEC) approved the revised New York Stock Exchange (NYSE) corporate governance rules. Foreign private issuers – such as UBS – were required to comply with the rules on Audit Committees by 31 July 2005 and had to also disclose significant differences and material non-compliance with all other NYSE standards by the first annual shareholders meeting after 15 January 2004. UBS fully complies with the SEC requirements relating to Audit Committees and fulfills the overwhelming majority of the NYSE listing standards on corporate governance. The few exceptions are mainly due to the different legal system in Switzerland and are explained in detail in this section.

Independence of directors

The Board of Directors (BoD), based on the listing standards of the NYSE, approved “Criteria for defining external Board members’ independence”, which are published on the firm’s website under www.ubs.com/corporate-governance. Each external director has to personally confirm his or her compliance with the criteria. The BoD, at its meeting of 7 February 2008, affirmatively determined that Ernesto Bertarelli, Gabrielle Kaufmann-Kohler, Sergio Marchionne, Rolf A. Meyer, Helmut Panke, Peter Spuhler, Peter Voser, Lawrence A. Weinbach and Joerg Wolle have no material relationship with UBS, either directly or as a partner, controlling shareholder or executive officer of a company that has a relationship with UBS. Each of them also met all other requirements of the BoD and of the NYSE with respect to independence, with the exception of Ernesto Bertarelli. He does not satisfy one of the independence requirements because UBS is the main sponsor to Team Alinghi and Ernesto Bertarelli is the owner of Team Alinghi SA. Otherwise he fully satisfies the NYSE independence requirements. The BoD does not believe that UBS’s sponsorship of Team Alinghi impairs Ernesto Bertarelli’s independence in any way.

The BoD has also determined that Lawrence A. Weinbach, Rolf A. Meyer and Peter Voser meet the more stringent independence requirements for Audit Committee members. They do not receive directly or indirectly any consulting, advisory or other compensatory fees from UBS other than in their capac-

ity as directors. They do not hold directly or indirectly UBS shares in excess of 5% of the outstanding capital, and none of them serves on the audit committees of more than two other public companies. The BoD determined that all three Audit Committee members are financially literate and that Lawrence A. Weinbach, Rolf A. Meyer and Peter Voser are “financial experts” according to the definitions established by the US Sarbanes-Oxley Act of 2002, Lawrence A. Weinbach being a certified public accountant and having been in the audit and accounting business during most of his professional career, Rolf A. Meyer through his former responsibility as Chief Financial Officer (CFO) of a large listed company, and Peter Voser being the CFO of Royal Dutch Shell plc.

UBS operates under a strict dual board structure mandated by Swiss banking law. No member of the Group Executive Board (GEB) may also be a member of the BoD and vice versa. This structure ensures an institutional independence of the entire BoD from the day-to-day management. Therefore all BoD members are considered non-management directors, although the three executive members of the Chairman’s Office are former members of the executive management and are performing their mandate on a full-time basis. The BoD meets regularly without executive management, but including the executive members of the BoD.

Board committees

UBS has established audit, compensation, nominating and corporate responsibility committees. The charters for all BoD committees are published on www.ubs.com/corporate-governance. Additional information on the BoD committees’ mandates, responsibilities and authorities and their activities during 2007 can be found on pages 9–15 of this report.

In addition to these committees, the Chairman and the Vice Chairman of the BoD form a “Chairman’s Office”, which has clearly defined authorities and duties. It also has responsibility for oversight of the internal audit function (as defined in the Swiss Federal Banking Commission’s [SFBC’s] Circular Letter on Internal Audit) and acts as Risk Committee of the BoD. For more details see page 13 of this report, the “Organization Regulations UBS AG” with its appendix, and the Charter for the Chairman’s Office (www.ubs.com/corporate-governance).

Differences from NYSE standards

According to Rule 303A.11 of the NYSE Corporate Governance listing standards, foreign private issuers have to disclose any significant ways in which their corporate governance practices differ from those to be followed by domestic companies. The UBS BoD has determined the following differences:

For US listed companies the NYSE rules require:

Responsibility of the Audit Committee for appointment, compensation, retention and oversight of the independent auditors

UBS's Audit Committee has been assigned all these responsibilities, except for appointment of the independent auditors, which – according to Swiss Company Law – is required to be voted upon by shareholders. The Audit Committee assesses the performance and qualification of the external auditors and submits its proposal for appointment, re-appointment or removal to the full BoD, which brings this proposal to the shareholders for vote at the annual general meeting (AGM).

Discussion of risk assessment and risk management policies by Audit Committee

UBS, as a global financial services firm, has a sophisticated and complex system of risk management and control. Risk management and control is the clear responsibility of the business. The BoD, of which the Audit Committee members are part, has authority to define the firm's risk principles and its risk capacity. The Chairman's Office, acting as Risk Committee on behalf of the full BoD, is responsible for monitoring the adherence to the defined risk principles and for re-

viewing whether the business and control units run appropriate systems for the management and control of risks. The Audit Committee is regularly updated by Group Internal Audit on specific risk issues.

Assistance by Audit Committee of the internal audit function

In accordance with the SFBC's Circular Letter on Internal Audit, dated 27 September 2006, UBS gave the Chairman's Office responsibility and authority for supervising the internal audit function. The complexity of the financial services industry requires in-depth knowledge to allow for an effective supervision of the internal audit function. The Chairman's Office reports back to the full BoD on all important findings, and the Audit Committee is regularly updated directly by the Head of Group Internal Audit.

Responsibility of the Nominating Committee for oversight of management and evaluation by the Board of Directors

Management evaluation – performance of the Group Chief Executive Officer (CEO) and the members of the GEB – is done by the Chairman's Office and reported to the full BoD. All BoD committees perform a self-assessment of their activities and report back to the full BoD. The BoD has direct responsibility and authority to evaluate its own performance, without preparation by a BoD committee.

Proxy statement reports of the Audit and Compensation Committees

Under Swiss Company Law, all reports addressed to shareholders are provided and signed by the full BoD, which has ultimate responsibility vis-à-vis shareholders. The committees submit their reports to the full BoD.

Shareholders' votes on equity compensation plans

Under Swiss Company Law, the approval of compensation plans is not within the authority of the annual general meeting (AGM), but of the BoD. The reason for this approach is that the capital of a Swiss company is determined in the "Articles of Association UBS AG" and, therefore, each increase of capital has to be submitted for shareholders' approval. If equity-based compensation plans result in a need for a capital increase, AGM approval is mandatory. If, however, shares for such plans are purchased in the market, shareholders do not have the authority to vote on their approval.

Non-management directors to meet at least once per year separately, without any directors participating who are not independent because of their employment by the company

Under Swiss Banking laws BoD members are not allowed to assume any day-to-day management responsibility. UBS therefore considers all its BoD members as "non-management directors", despite the fact that two "executive" BoD members perform their mandate on a full-time basis and are remunerated by the company for their services. The BoD meets regularly without executive management, but including the two executive BoD members.

In 2005, the NYSE amended its forms for the annual and interim written affirmation required under Section 303A.12(c) of the NYSE Corporate Governance listing standards. NYSE-listed foreign private issuers are required to submit an annual written affirmation and accompanying exhibits to the NYSE, certifying that it is in compliance with the NYSE corporate governance requirements applicable to foreign private issuers – specifically the Audit

Committee requirements and the requirement to provide a statement of significant corporate governance differences. UBS filed the requested affirmation forms and exhibits in mid-July 2005 for the first time. Since 2006, the annual written affirmation has been submitted no later than 30 days after filing the annual report on Form 20-F with the SEC.

"Corporate Governance Guidelines", "Code of Business Conduct and Ethics" and "Whistleblowing Protection for Employees"

The BoD has adopted corporate governance guidelines, which are published on the UBS website at www.ubs.com/corporate-governance.

The BoD has also adopted a "Code of Business Conduct and Ethics" with an addendum for principal executive, financial and accounting officers or controllers, as required by the US Sarbanes-Oxley Act.

→ [The code is available on the UBS website at www.ubs.com/corporate-governance](http://www.ubs.com/corporate-governance)

The Audit Committee of the BoD has established rules for the handling of complaints related to accounting and auditing matters in addition to the internal policies on "Whistleblowing Protection for Employees" and on "Compliance with Attorney Standards of Professional Conduct".

→ [The Audit Committee procedures are available at www.ubs.com/corporate-governance](http://www.ubs.com/corporate-governance)

Senior leadership

The senior leadership of UBS, in addition to the Group Executive Board, includes the members of the Group Managing Board and the Vice Chairmen of the business groups.

Group Managing Board

The members of the Group Managing Board (GMB) are drawn from the management teams of the business groups and the Corporate Center or assume special Group functions. The GMB plays a crucial role in achieving UBS's one-firm vision and promoting the UBS agenda. Its role is to understand, challenge and contribute to further developing the firm's direction, values and principles and to promote and communicate its culture.

Members as of 31 December 2007 and announced changes

Global Wealth Management & Business Banking

| | |
|------------------------|--|
| Michel Adjadj | Head Wealth Management Eastern Mediterranean, Middle East & Africa |
| Matthew J. Brunsen | Head Business Unit UK, Northern and Eastern Europe |
| Bernhard Buchs | Chief Risk Officer |
| Robert J. (Bob) Chersi | Deputy Chief Financial Officer (until 31 January 2008) |
| Diane Frimmel | Regional Chief Operations Officer, Americas |
| Marten Hoekstra | Head Wealth Management Americas |
| Dieter Kiefer | Head Wealth Management Western Europe |
| Martin Liehti | Head Wealth Management Americas International |
| Francesco Morra | Head Wealth Management Western Europe, Mediterranean, Middle East & Africa |
| Tom Naratil | Head Marketing, Segment & Client Development |
| Rolf Olmesdahl | Head Information Technology |
| Gabriela Payer | Head Human Resources & Education |
| Niklaus Pfau | Head Global Segment & Sales Management |
| James M. Pierce | Co-Head Wealth Management Advisor Group US |
| James D. Price | Co-Head Wealth Management Advisor Group US |
| Joe Rickenbacher | Chief Credit Officer |
| Alain Robert | Head Wealth Management & Business Banking Switzerland |
| Felix B. Ronner | Global Head Transaction Products and Head Products & Services Europe / Latin America |
| Kathryn Shih | Head Wealth Management Asia Pacific and Chief Executive Officer (CEO) UBS Hong Kong |
| Anton Stadelmann | Chief Financial Officer (Chief Financial Officer Wealth Management Americas as of 1 February 2008) |
| Michael Strobaek | Global Head Investment Solutions |
| Michael A. Weisberg | Global Head Products & Services |
| Klaus W. Wellershoff | Global Head Wealth Management Research |
| Juerg Zeltner | Head Wealth Management North, East & Central Europe and CEO UBS Deutschland AG |
| Stephan Zimmermann | Chief Operations Officer |

Global Wealth Management & Business Banking (continued)

New members as of 1 March 2008

| | |
|-------------------|--|
| Allen Chun Lun Lo | Head Wealth Management Greater China, Deputy Head Wealth Management Asia Pacific |
| John B. Hannasch | Head Market Strategy & Development Americas |
| Mark Shelton | General Counsel Americas |
| Karl Spielberger | Head Large Corporates and Institutional Clients Switzerland |
| Ursula Suter | General Counsel (excl. US) |

Investment Bank

| | |
|--------------------------|---|
| Andy Amschwand | Head Investment Bank Switzerland |
| David Aufhauser | Global General Counsel |
| David A. Bawden | Chief Credit Officer |
| Maria Bentley | Global Head Human Resources |
| Mark Branson | CEO UBS Securities Japan Ltd. (Chief Financial Officer Global WM&BB as of 1 February 2008) |
| Peter W. Burnett | Executive Chairman, Middle East |
| Daniel Coleman | Joint Global Head Equities |
| Regina A. Dolan | Chief Financial Officer |
| Andre Esteves | Global Head Fixed Income, Currencies and Commodities Chairman and CEO, UBS Latin America |
| Juerg Haller | Chief Operating Officer UBS Latin America |
| Suneel Kamrani | Chief of Staff and Chief Administrative Officer |
| J. Richard Leaman III | Joint Global Head Investment Banking Department |
| Richard B. Metcalf | Chief Risk Officer, Investment Bank |
| Brad Orgill | CEO and Chairman, Australasia |
| Jeremy Palmer | CEO Investment Bank in Europe, Middle East & Africa |
| John Pius Wall | Joint Global Head Equities |
| Alexander Wilmot-Sitwell | Joint Global Head Investment Banking Department |
| Robert Wolf | President and Chief Operating Officer / Chairman and Chief Executive Officer UBS Group Americas |

Global Asset Management

| | |
|----------------------|---|
| Mario Cueni | General Counsel and Chief Risk Officer |
| Gabriel Herrera | Head of Europe, Middle East & Africa |
| Christof Kutscher | Head Asia Pacific |
| Thomas Madsen | Co-Head Equities (stepped down on 25 February 2008) |
| John A. Penicook Jr. | Co-Head Global Fixed Income |
| Markus Ronner | Chief Operating Officer |
| Paresh Sodha | Chief Financial Officer |
| Kai Sotorp | Head Americas |

Global Asset Management (continued)

New members as of 1 March 2008

| | |
|------------------|---|
| William J. Ferri | Global Head of Alternative & Quantitative Investments |
| John C. Leonard | Co-Head Equities and Head of Core/Value Equities |
| Paul W. Marcuse | Head of Global Real Estate |

Corporate Center

| | |
|-------------------------|---------------------------------------|
| Scott G. Abbey | Chief Technology Officer |
| Charles Nicholas Bolton | Group Head Operational Risk |
| Gerhard Bruederlin | Group Head Human Resources |
| Seth F. Cohen | Head of Offshoring |
| Thomas R. Hill | Chief Communication Officer |
| Stephan Keller | Group Treasurer |
| Philip J. Lofts | Group Chief Credit Officer |
| Robert W. Mann | Head, Leadership Institute |
| Neil R. Stocks | Head Group Compliance |
| M. Andrew Threadgold | Group Head Market Risk |
| Peter Thurneysen | Head Group Controlling and Accounting |
| William Widdowson | Head Group Accounting Policy |

New member as of 1 March 2008

| | |
|-----------------|----------------|
| Oliver Barholet | Head Group Tax |
|-----------------|----------------|

Chairman's Office

| | |
|----------------|---------------------------|
| Luzius Cameron | Company Secretary |
| Ian Overton | Head Group Internal Audit |

Business Group Vice Chairmen

Business Group Vice Chairmen are appointed to support the businesses in their relationships with key clients. They strongly contribute to the success of UBS and work closely together with the members of the GMB.

Members as of 31 December 2007

Global Wealth Management & Business Banking

| |
|------------------|
| Arthur Decurtins |
| Thomas K. Escher |
| Carlo Grigioni |
| Werner H. Peyer |

Investment Bank

| |
|----------------------------------|
| Chris Brodie |
| Lord Brittan of Spennithorne, QC |
| Robert Gillespie |
| Phil Gramm |

More about UBS

Sources of information

Annual report 2007

Four reports make up UBS's full *Annual Report 2007*. They comply with the US disclosure requirements for foreign private issuers as defined by Form 20-F of the Securities and Exchange Commission (SEC) and combine audited and non-audited information. All four reports are available in English and German (SAP no.80531). The four reports are:

Strategy, Performance and Responsibility 2007

This provides a description of our firm, its strategy, organizational structure and financial performance for the last two years. It also discusses our standards for corporate behavior and responsibility, outlines demographic trends in our workforce and describes the way our people learn and are led.

Risk, Treasury and Capital Management 2007

In addition to outlining the principles by which we manage and control risk, this report provides an account of developments in credit risk, market risk, operational risk and treasury management during 2007. It also provides information on UBS shares.

Corporate Governance and Compensation Report 2007

Comprehensive information on our governance arrangements is included in this report, which also explains how we manage our relationships with regulators and shareholders. Compensation of senior management and the Board of Directors (executive and non-executive members) is discussed here. This report can be ordered separately (SAP no. 82307).

Financial Statements 2007

This comprises the audited financial statements of UBS for 2007, 2006 and 2005, prepared according to the International Financial Reporting Standards (IFRS). It also includes the audited financial statements of UBS AG (the parent bank) for 2007 and 2006, prepared according to Swiss banking law. Additional disclosure required by Swiss and US regulations is included where appropriate.

In addition to the four reports, *Review 2007* is distributed broadly to UBS shareholders and contains key information on our strategy and financials. This booklet summarizes the information in the four-part annual report.

Quarterly reports

We provide detailed quarterly financial reporting and analysis, including comment on the progress of our businesses and key strategic initiatives. These quarterly reports are available in English.

How to order reports

These reports are available in PDF format on the internet at www.ubs.com/investors/topics in the reporting section. Printed copies can be ordered from the same website by accessing the order/subscribe panel on the right-hand side of the screen. Alternatively, they can be ordered by quoting the SAP number and the language preference where applicable, from UBS AG, Information Center, P.O. Box, CH-8098 Zurich, Switzerland.

Information tools for investors

Website

Our Analysts & Investors website at www.ubs.com/investors offers a wide range of information about UBS, financial information (including SEC filings), corporate information, share price graphs and data, an event calendar, dividend information and recent presentations given by senior management to investors at external conferences. Information on the internet is available in English and German, with some sections in French and Italian.

Messaging service

On the Analysts & Investors website, you can register to receive news alerts about UBS via Short Messaging System (SMS) or e-mail. Messages are sent in either English or German and users are able to state their preferences for the topics of the alerts received.

Results presentations

Senior management presents UBS's results every quarter. These presentations are broadcast live over the internet, and can be downloaded on demand. The most recent result webcasts can be found in the financials section of our Analysts & Investors website.

Form 20-F and other submissions to the US Securities and Exchange Commission

We file periodic reports and submit other information about UBS to the US Securities and Exchange Commission (SEC). Principal among these filings is our annual report on Form 20-F, filed pursuant to the US Securities Exchange Act of 1934.

Our Form 20-F filing is structured as a "wrap-around" document. Most sections of the filing can be satisfied by referring to parts of the four reports (*Strategy, Performance and Responsibility 2007, Risk, Treasury and Capital Management 2007, Corporate Governance and Compensation Report 2007* and *Financial Statements 2007*). However, there is a small amount of additional information in Form 20-F which is not presented elsewhere, and is particularly targeted at readers in the US. You are encouraged to refer to this additional disclosure.

You may read and copy any document that we file with the SEC on the SEC's website, www.sec.gov, or at the SEC's public reference room at 100 F Street, N.E., Room 1580, Washington, DC, 20549. Please call the SEC by dialing 1-800-SEC-0330 (in the US) or +1 202 942 8088 (outside the US) for further information on the operation of its public reference room. You may also inspect our SEC reports and other information at the New York Stock Exchange, Inc., 20 Broad Street, New York, NY 10005. Much of this additional information may also be found on the UBS website at www.ubs.com/investors, and copies of documents filed with the SEC may be obtained from UBS's Investor Relations team at the address shown on the next page.

Corporate information

The legal and commercial name of the company is UBS AG. The company was formed on 29 June 1998, when Union Bank of Switzerland (founded 1862) and Swiss Bank Corporation (founded 1872) merged to form UBS.

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

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

UBS AG shares are listed on the SWX Swiss Exchange (traded through its trading platform virt-x), on the New York Stock Exchange (NYSE) and on the Tokyo Stock Exchange (TSE).

Contacts

Switchboards

For all general queries.

| | |
|------------------|------------------|
| Zurich | +41-44-234 1111 |
| London | +44-20-7568 0000 |
| New York | +1-212-821 3000 |
| Hong Kong | +852-2971 8888 |

Investor Relations

Our Investor Relations team supports institutional, professional and retail investors from our offices in Zurich and New York.

www.ubs.com/investors

| | | |
|----------------|------------------------|--|
| Hotline | +41-44-234 4100 | UBS AG |
| New York | +1-212-882 5734 | Investor Relations |
| Fax (Zurich) | +41-44-234 3415 | P.O. Box |
| | | CH-8098 Zurich, Switzerland |
| | | sh-investorrelations@ubs.com |

Media Relations

Our Media Relations team supports global media and journalists from offices in Zurich, London, New York and Hong Kong.

www.ubs.com/media

| | | |
|------------------|------------------|--|
| Zurich | +41-44-234 8500 | mediarelations@ubs.com |
| London | +44-20-7567 4714 | ubs-media-relations@ubs.com |
| New York | +1-212-882 5857 | mediarelations-ny@ubs.com |
| Hong Kong | +852-2971 8200 | sh-mediarelations-ap@ubs.com |

Shareholder Services

UBS Shareholder Services, a unit of the Company Secretary, is responsible for the registration of the global registered shares.

| | | |
|----------------|------------------------|--|
| Hotline | +41-44-235 6202 | UBS AG |
| Fax | +41-44-235 3154 | Shareholder Services |
| | | P.O. Box |
| | | CH-8098 Zurich, Switzerland |
| | | sh-shareholder-services@ubs.com |

US Transfer Agent

For all global registered share-related queries in the US.

www.melloninvestor.com

| | | |
|----------------------|-----------------|--|
| Calls from the US | +866-541 9689 | BNY Mellon Shareowner Services |
| Calls outside the US | +1-201-680 6578 | 480 Washington Boulevard |
| Fax | +1-201-680 4675 | Jersey City, NJ 07310, USA |
| | | sh-relations@melloninvestor.com |

Cautionary statement regarding forward-looking statements | This report contains statements that constitute “forward-looking statements”, including but not limited to statements relating to the risks arising from the current market crisis, other risks specific to our business and the implementation of strategic initiatives, as well as other statements relating to our future business development and economic performance and our intentions with respect to future returns of capital. While these forward-looking statements represent our judgments and future expectations concerning the development of our business, a number of risks, uncertainties and other important factors could cause actual developments and results to differ materially from our expectations. These factors include, but are not limited to (1) the extent and nature of future developments in the US sub-prime market and in other market segments that have been affected by the current market crisis; (2) other market and macro-economic developments, including movements in local and international securities markets, credit spreads, currency exchange rates and interest rates, whether or not arising directly or indirectly from the current market crisis; (3) the impact of these developments on other markets and asset classes; (4) changes in internal risk control and in the regulatory capital treatment of UBS’s positions, in particular those affected by the current market crisis; (5) limitations in the effectiveness of our internal risk management processes, of our risk measurement, control and modeling systems, and of financial models generally; (6) developments relating to UBS’s access to capital and funding, including any changes in our credit ratings; (7) changes in the financial position or creditworthiness of our customers, obligors and counterparties, and developments in the markets in which they operate; (8) management changes and changes to the structure of our Business Groups; (9) the occurrence of operational failures, such as fraud, unauthorized trading, systems failures; (10) legislative, governmental and regulatory developments; (11) competitive pressures; (12) technological developments; and (13) the impact of all such future developments on positions held by UBS, on our short-term and longer-term earnings, on the cost and availability of funding and on our BIS capital ratios. In addition, these results could depend on other factors that we have previously indicated could adversely affect our business and financial performance which are contained in other parts of this document and in our past and future filings and reports, including those filed with the SEC. More detailed information about those factors is set forth elsewhere in this document and in documents furnished by UBS and filings made by UBS with the SEC, including UBS’s Annual Report on Form 20-F for the year ended 31 December 2007. UBS is not under any obligation to (and expressly disclaims any such obligation to) update or alter its forward-looking statements whether as a result of new information, future events, or otherwise.

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