

compensation report

2008

Excerpt from UBS's Annual Report 2008



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Compensation, shareholdings and loans

The principles of compensation for UBS senior executives are designed to align their interests with those of shareholders – the creation of long-term value and sustainable shareholder returns. These principles are established by the human resources and compensation committee of the Board of Directors.

Letter from the human resources and compensation committee of the Board of Directors

Dear shareholders,

The global financial services industry is facing challenges of a magnitude not seen for decades. These challenges had a clear and widespread impact on the industry in 2008 and UBS and its peers were no exception. Executive compensation is always a high-profile issue and, during 2008, this was debated by the public, media and regulators to a greater extent than ever before.

During 2008, UBS was very proactive in addressing the current issues surrounding executive compensation. The UBS Board of Directors (BoD) established a new human resources and compensation committee in July 2008. This committee is responsible for the supervision of executive performance, the structure of employment agreements for senior executives and succession planning for members of the BoD and the Group Executive Board (GEB). Shortly after its creation, the committee commissioned an extensive review of all incentive systems used throughout the UBS Group (Group). The review was accelerated following UBS's transaction with the Swiss National Bank in October and the principles of UBS's new compensation model were published the following month for implementation in 2009. In parallel with this review, UBS held extensive discussions with the Swiss

Financial Market Supervisory Authority (FINMA) on a range of compensation matters, including the new compensation model and the amount of variable compensation to be paid to employees for 2008.

Although the financial services industry is facing a difficult period, competition for the very best talent remains fierce and competitive pay remains a vital tool in attracting and retaining executives. Variable compensation, in both a cash and equity form, remains a core component of UBS's new compensation model, though the final amount awarded to executives depends on their achievement of performance targets linked to long-term, risk-adjusted value creation. As part of this change, awards granted under the performance equity plan will be directly linked to company performance for an initial period of three years. In addition, executives will be required to keep a minimum of 75% of all shares awarded to them (after taxes) for a further five years. To strengthen this clear and direct link between shareholder value and compensation expense, UBS has announced the implementation of a three-year deferral period and a bonus-malus, or "claw-back", structure for all executive cash awards for 2009 and beyond.

The firm explicitly sought to "alter the UBS corporate culture" through its design of the new compensation model. All members of the human resources and compensation committee strongly believe the new compensation model will play a central role in the firm's future success. Furthermore, due to its explicit goals for long-term value creation, the model inherently considers and promotes the best interests of both shareholders and the Group alike. Given its commitment to shareholder input, the BoD will introduce a non-binding vote on the principles of executive compensation for senior executives at its annual general meeting for 2009. Materials relating to this vote are located in the "Compensation principles 2009 and beyond for UBS senior executives" section of this report. Please consider the relevant documentation and take part in implementing this pioneering approach to executive compensation practices.



Joerg Wolle

Chair of the human resources and compensation committee

Compensation governance

Human resources and compensation committee

The human resources and compensation committee is composed of four independent members of the Board of Directors (BoD). On 31 December 2008, the members were Joerg Wolle (committee chair), Ernesto Bertarelli, Sally Bott and Helmut Panke. The following external advisors supported the committee in 2008: Hostettler & Partner with regard to the design of UBS's new senior executive compensation program, PricewaterhouseCoopers for the design of the performance equity plan and Towers Perrin for market data.

Authorities and responsibilities

UBS is committed to the highest standards of corporate governance. The human resources and compensation committee is responsible for reviewing UBS's principles on total compensation and benefits for submission to the BoD. Additionally, on behalf of the BoD, the committee oversees five key areas of responsibility:

- 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 who relinquish their positions.

Authorities for compensation-related decisions are governed by the "Organization Regulations of UBS AG", "Annex B – Responsibilities and authorities", and "Annex C – Charter for the committees of the Board of Directors of UBS AG". The structure is shown below.

UBS places value upon the opinions of its shareholders. At the annual general meeting (AGM) to be held in April 2009, the firm will provide shareholders with an opportunity to express their views through a vote on the compensation principles for senior executives for 2009 and beyond. Refer to the "Compensation principles 2009 and beyond for UBS senior executives" section of this report for the relevant materials. As the ultimate decision on executive compensation is legally within the powers of the BoD, such a vote is non-binding and advisory in nature. UBS believes that this vote presents an innovative and sensible means of including shareholder participation in compensation matters.

Grant policy and decision-making process

The committee decides the target amount of variable cash and equity compensation to be awarded to each senior executive based on Group, business division and individual performance, combined with market data.

Individual performance is assessed formally each year by measuring achievement against pre-defined personal objectives. Personal objectives will be focused on areas such as the following: contribution to Group and business division results; exceptional contributions to cross-business co-operation; strategic leadership skills and potential; outstanding professional and technical expertise; commitment to UBS; adherence to corporate values and principles; active risk management and the creation of shareholder value.

The 2009 non-binding vote on executive compensation

UBS places value upon the opinions of its shareholders. At the annual general meeting (AGM) to be held in April 2009, the firm will provide shareholders with an opportunity to express their views through a vote on the compensation principles for senior executives for 2009 and beyond. Refer to the "Compensation principles 2009 and beyond for UBS senior executives" section of this report for the relevant materials. As the ultimate decision on executive compensation is legally within the powers of the BoD, such a vote is non-binding and advisory in nature. UBS believes that this vote presents an innovative and sensible means of including shareholder participation in compensation matters.

Compensation authorities

Recipients	Compensation recommendations developed by	Approved by	Communicated by
Chairman of the BoD	Chairman of the HRCC ¹	HRCC	HRCC
Group CEO	Chairman of the BoD	HRCC	HRCC
Members of the GEB	Group CEO	HRCC	Group CEO
Independent BoD members (remuneration system and fees)	Chairman of the BoD/HRCC	BoD	Chairman of the BoD

¹ The human resources and compensation committee.

2008 compensation for the Board of Directors and Group Executive Board

Board of Directors remuneration

Chairman of the Board of Directors and executive members of the Board of Directors

The new compensation model was not yet applicable in 2008 and the Chairman of the Board of Directors (BoD) was therefore eligible, in principle, to receive a variable incentive award fully dependent on the Group's financial performance. However, as announced in the compensation report published on 17 November 2008, the human resources and compensation committee decided against granting any variable compensation award to the Chairman of the BoD for 2008. The total compensation awarded to the Chairman of the BoD, Peter Kurer, for the 2008 financial year was CHF 1,565,647. This amount made him the highest-paid member of the BoD for 2008 and consisted of eight months salary as Chairman of the BoD. This amount does not include the four months of salary he received as a member of the Group Executive Board (GEB).

Under both the new and old compensation models, the decision process to determine the overall compensation of the Chairman of the BoD includes an annual performance assessment by the full BoD and the human resources and compensation committee. Pay levels for comparable functions outside of UBS are also taken into account.

Remuneration for former executive members and the former Chairman of the Board of Directors

Marcel Ospel, former Chairman of the BoD, did not stand for re-election at the AGM of 23 April 2008. Stephan Haeringer, former executive vice chairman of the BoD, retired from the BoD on 2 October 2008. Marco Suter, formerly an executive member of the BoD, stepped down from the BoD on 1 October 2007

and thereafter acted as Group Chief Financial Officer (Group CFO) and as a member of the GEB until his stepping down from this role on 31 August 2008. While Marcel Ospel has retired from UBS as of April 2008, Stephan Haeringer and Marco Suter agreed with UBS to continue their services for UBS until their termination dates of 30 September 2009 and 31 August 2009 respectively.

All three persons were contractually entitled to receive a base salary, a payment based on their average remuneration over the last three years and certain employment benefits until the expiry of their 12-month notice period.

For the fiscal years 2007 and 2008, Marcel Ospel, Stephan Haeringer and Marco Suter did not receive any incentive awards. Furthermore, on 25 November 2008, Marcel Ospel, Stephan Haeringer and Marco Suter announced that they voluntarily relinquished substantial parts of the payments to which they were entitled during their periods of employment with UBS. The total amount waived or repaid was CHF 33 million.

The remaining contractual obligations to all three former BoD members, consisting of those due in 2008 and those upcoming in 2009, net of the CHF 33 million voluntarily waived or repaid, amounted to CHF 10 million. This amount has been fully accrued in 2008 and is reflected in the firm's 2008 income statement. Of this amount, CHF 2.3 million was for Marcel Ospel, CHF 3.9 million for Stephan Haeringer and CHF 3.8 million for Marco Suter.

Independent members of the Board of Directors

Reflecting their independent status, the remuneration of independent members of the BoD includes no variable component and is therefore not dependent on the financial performance of the UBS Group (Group). Fees for independent

Compensation details and additional information for executive members of the BoD

CHF, except where indicated^a

Name, function ¹	For the year ended	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
Peter Kurer, Chairman	2008	1,333,333	0	0	0	58,267	174,047	1,565,647
	2007							
Marcel Ospel, Chairman	2008	666,667	0	0	0	80,755	87,023	834,445
	2007	2,000,000	0	0	0	307,310	261,069	2,568,379
Stephan Haeringer, Executive Vice Chairman	2008	1,125,000	0	0	0	108,846	195,802	1,429,648
	2007	1,500,000	0	0	0	111,808	261,069	1,872,877
Marco Suter, Executive Vice Chairman	2008							
	2007	1,125,000	0	0	0	70,820	155,252	1,351,072

¹ 2008: Peter Kurer was the only executive member in office on 31 December; Marcel Ospel did not stand for re-election in April 2008 and Stephan Haeringer stepped down during the year as a member of the BoD. Both their payments are pro-rata for the four respective nine-month periods served in their functions. 2007: Marco Suter stepped down during the year as a member of the BoD. His 2007 payment was pro-rata for the nine-month period served as Executive Vice Chairman.

Remuneration details and additional information for independent members of the BoD

Audited

CHF, except where indicated^a

Name, function ¹	Audit committee	HR & compensation committee	Governance & nominating committee	Corporate responsibility committee	Risk committee	Strategy committee	For the period AGM to AGM	Base fee	Committee retainer(s)	Benefits in kind	Additional payments	Total	Share percent-age ³	Number of shares ^{4,5}
Ernesto Bertarelli, member		M	M				2008/2009	325,000	200,000	0	0	525,000	100	51,596
			M				2007/2008	325,000	150,000	0	0	475,000	100	14,677
Sally Bott, member ²		M		M			2008/2009	162,500	75,000	0	0	237,500	50	12,280
							2007/2008							
Rainer-Marc Frey, member ²					M	M	2008/2009	162,500	150,000	0	0	312,500	50	16,158
							2007/2008							
Bruno Gehrig, member ²	M						2008/2009	162,500	100,000	0	0	262,500	50	13,572
							2007/2008							
Gabrielle Kaufmann-Kohler, member			C	M			2008/2009	325,000	250,000	0	0	575,000	50	29,731
			M	M			2007/2008	325,000	250,000	0	0	575,000	50	9,349
Sergio Marchionne, senior independent director, vice chairman			M			M	2008/2009	325,000	200,000	0	250,000 ⁶	775,000	100	76,228
		M					2007/2008	325,000	200,000	0	0	525,000	100	16,226
Rolf A. Meyer, member ²	M	M					2008/2009	162,500	150,000	0	0	312,500	50	16,158
	M	C					2007/2008	325,000	650,000	0	0	975,000	50	15,853
Helmut Panke, member		M			M		2008/2009	325,000	300,000	0	0	625,000	50	32,316
			C				2007/2008	325,000	250,000	0	0	575,000	50	9,349
William G. Parrett, member ²	M						2008/2009	162,500	100,000	0	0	262,500	50	13,572
							2007/2008							
David Sidwell, member				M	C		2008/2009	325,000	450,000	0	0	775,000	50	40,072
							2007/2008							
Peter Spuhler, member ²		M					2008/2009	162,500	0	0	0	162,500	100	15,945
							2007/2008	325,000	200,000	0	0	525,000	100	16,226
Peter R. Voser, member	C					M	2008/2009	325,000	400,000	0	0	725,000	50	37,487
	M						2007/2008	325,000	300,000	0	0	625,000	50	10,162
Lawrence A. Weinbach, member ²	M						2008/2009	162,500	100,000	0	0	262,500	50	13,572
	C						2007/2008	325,000	600,000	0	0	925,000	50	15,040
Joerg Wolle, member		C	M				2008/2009	325,000	300,000	0	0	625,000	50	32,316
			M				2007/2008	325,000	150,000	0	0	475,000	100	14,677
Total 2008											6,437,500			
Total 2007												5,675,000		

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

¹ There were 11 independent BoD members in office on 31 December 2008. David Sidwell was appointed at the AGM on 23 April 2008 and Rolf A. Meyer, Peter Spuhler and Lawrence A. Weinbach stepped down from the BoD at the EGM on 2 October 2008. Sally Bott, Rainer-Marc Frey, Bruno Gehrig and Bill G. Parrett were appointed at the EGM on 2 October 2008. ² Remunerations is for six months only, as such members either stepped down or were appointed on 2 October 2008. ³ Fees are paid 50% in cash and 50% in restricted UBS shares. However, independent BoD members can elect to have 100% of their remuneration paid in restricted UBS shares. ⁴ For 2008, shares valued at CHF 11.38 (average price of UBS shares at SWX Europe over the last 10 trading days of February 2009), attributed with a price discount of 15%, discount price CHF 9.67. The shares are blocked for four years. For 2007, shares valued at CHF 36.15 (average price of UBS shares at SWX Europe over the last 10 trading days of February 2008), attributed with a price discount of 15%, discount price CHF 30.75. The shares are blocked for four years. ⁵ 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. ⁶ This payment is associated with the newly created function of a senior independent director.

In addition, one-off cash payments were made to the chair of the risk committee (CHF 500,000), the governance and nominating committee (CHF 300,000) and the human resources and compensation committee (CHF 200,000). These payments reflect the substantial workload of setting up the new risk committee, and expanding the mandate of the governance and nominating committee and the human resources and compensation committee.

Audited

Total payments to all members of the BoD

CHF, except where indicated ^a	For the year ended	Total
Aggregate of all members of the BoD	2008	10,267,240
Aggregate of all members of the BoD	2007	11,467,328

members are reviewed annually by the Chairman of the BoD and the human resources and compensation committee for approval by the BoD. None of the independent members of the BoD has any contract with UBS providing for benefits upon the termination of their term of office at the BoD.

The BoD substantially reduced the fees payable to members of its committees for 2008. This decision was made following consideration of market practice in comparable global financial services and other relevant companies in Switzerland.

The table on the prior page shows remuneration for independent members of the BoD between the 2008 and 2009 AGMs.

Group Executive Board compensation

In 2008, total compensation for members of the GEB was reduced significantly from the prior year. The reduction occurred because, due to the overall negative Group result, no variable compensation was granted to GEB members for the performance year 2008. The total compensation for the highest-paid member of the GEB, Marcel Rohner, amounted to CHF 1,814,702 for the financial year 2008.

Base salary

Base salaries are established to be appropriate for the role of each senior executive on an individual basis. Base salaries consist of a fixed amount of compensation and any adjustments are limited to significant changes in job responsibility.

Due to the variability of annual incentive awards, the ratio of base salary to total compensation can vary significantly from year to year. Since no variable incentive awards were paid for the financial year 2008, base salaries for senior executives and employers contribution to retirement benefit plans amounted to 93.7% of total compensation compared with 20.6% in 2007. The remainder of 6.3% reflects benefits in kind.

Benefits

In order to help attract and retain the best employees in each local market where it operates, UBS provides employee benefits that are competitive within each of these markets. Changes, terminations and the introduction of new benefits are governed by the procedures contained in the "Organization Regulations of UBS AG". UBS considers benefits to be a supplemental element of total compensation and the benefits offered may vary substantially from location to location.

Generally there are no special benefits for senior executives; they receive the same benefits as all other employees in the location and business where they work.

In Switzerland, senior UBS executives share the same retirement plan benefits as all other employees. The firm's general pension plan is made up of two defined contribution elements: one plan covering base salary and the other covering variable compensation.

Outside Switzerland, senior UBS executives participate in appropriately-designed local pension plans (in which other employees also participate) which do not provide special provisions for senior executives. In the US, senior executives can choose to participate in a 401K-defined contribution plan which is open to all employees. In addition, some executives participate in legacy defined benefit plans which were available to other employees but are no longer available to new hires. In the UK, senior executives either participate in a pension plan operated on a defined contribution basis or participate in a legacy defined benefit plan which was open to all employees but is closed to participation for new hires. No special pension schemes are offered to senior executives.

→ Refer to "Note 30 Pension and other post-retirement benefit plans" in the financial statements of UBS's annual report for 2008 for details on the various retirement benefit plans established in Switzerland and other major markets

Total compensation for all members of the GEB

CHF, except where indicated^a

Name, function	For the year ended	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 Rohner, Group Chief Executive Officer (highest-paid)	2008	1,500,000	0	0	0	161,768	152,934	1,814,702
Rory Tapner, Chairman & CEO 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 GEB who were in office on 31 December 2008 ¹	2008	7,815,943	0	0	0	457,652	817,315	9,090,911
Aggregate of all members of the GEB who were in office on 31 December 2007 ¹	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 2008 ²	2008	1,614,871	0	0	0	234,838	258,423	2,108,132
Aggregate of all members of the GEB who stepped down during 2007 ²	2007	2,511,947	23,042,376	6,750,036	0	406,567	275,635	32,986,561

¹ Number and distribution to senior executives: 2008: 12 GEB members in office on 31 December. 2007: eight GEB members in office on 31 December. ² Number and distribution of senior executives: 2008: includes four months in office as a GEB member for Peter Kurer, eight months in office for Marco Suter and 10 months for Joe Scoby. 2007: includes nine months in office for Huw Jenkins and Clive Standish and six months for Peter Wuffli.

Cash and equity incentives

“Pay for performance” is the guiding principle of the UBS executive compensation policy. As discussed above, the human resources and compensation committee decided not to grant any variable cash or equity compensation to GEB members for 2008. This decision recognizes the overall poor performance of the Group and the failure to achieve key performance targets despite some highly successful businesses within each of the business divisions.

Replacement of forfeited awards for former employer compensation

Jerker Johansson and Markus Diethelm joined UBS during 2008. In total, they were granted 574,432 shares with a grant date fair market value of CHF 10.7 million, 700,000 options with a strike price of CHF 36.46 and 7,420 options with a strike

price of CHF 28.10, as well as a cash amount of CHF 370,000. In line with market practice, these awards were granted as a replacement for compensation and benefits forfeited from their previous employment as a result of joining UBS.

Employment contracts

There were no material changes to employment agreements for existing GEB members during 2008 and the 12-month notice period remained unchanged for the financial year 2008.

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

Compensation and benefits in kind paid to former members of the BoD and the GEB reflect legacy agreements still honored by UBS.

Audited Compensation paid to former members of the BoD and GEB¹

CHF, except where indicated^a

Name, function	For the year ended	Compensation	Benefits in kind	Total
Georges Blum, former member of the BoD (Swiss Bank Corporation)	2008		101,579	101,579
	2007		90,803	90,803
Franz Galliker, former member of the BoD (Swiss Bank Corporation)	2008		69,596	69,596
	2007		62,174	62,174
Walter G. Frehner, former member of the BoD (Swiss Bank Corporation)	2008		74,663	74,663
	2007		73,061	73,061
Hans (Liliane) Strasser, former member of the BoD (Swiss Bank Corporation)	2008		32,673	32,673
	2007		42,311	42,311
Robert Studer, former member of the BoD (Union Bank of Switzerland)	2008		126,208	126,208
	2007		260,162	260,162
Alberto Togni, former member of the BoD (UBS)	2008	318,461	427,949	746,410
	2007	318,401	502,478	820,879
Philippe de Weck, former member of the BoD (Union Bank of Switzerland)	2008		109,703	109,703
	2007		129,701	129,701
Aggregate of all former members of the GEB ²	2008	0	171,180	171,180
	2007	0	257,791	257,791
Aggregate of all former members of the BoD and GEB	2008	318,461	1,113,551	1,432,012
	2007	318,401	1,418,481	1,736,882

¹ Compensation or remuneration that is connected with the former members' activity on the BoD or GEB, or that is not at market conditions. ² Includes two former GEB members.

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

- a. Local currencies are converted into CHF using the exchange rates as detailed in "Note 39 Currency translation rates" in the financial statements of UBS's annual report for 2008.
- b. 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 the average price of UBS shares at SWX Europe over the last 10 trading days of February, and USD prices are the average price of UBS shares at the NYSE over the last 10 trading days of February in the year in which they are granted.
- c. No options were granted in 2009 for the performance year 2008.
- d. Benefits in kind – car leasing, company car allowance, staff discount on banking products and services, health and welfare benefits and general expense allowances – are all valued at market price.
- e. Swiss senior executives participate in the same pension plan as all other employees. Under this plan, employees receive a company contribution to the plan which covers compensation up to CHF 820,800. The retirement benefits consist of a pension, a bridging pension and a one-off payout of accumulated capital. 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, which entitles the participant to receive a company contribution based on compensation limited to USD 250,000. This plan is no longer available to new hires. 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).

Shares, options and loans for the Board of Directors and Group Executive Board (at end of 2008)

Share and option ownership of members of the BoD at 31 December 2007/2008

Audited

Name, function ¹	For the year ended	Number of shares held	Voting rights in %	Number of options held	Potentially conferred voting rights in % ²	Type and quantity of options ³
Peter Kurer, Chairman	2008	416,088	0.025	372,995	0.022	xxx: 85 256 xxxv: 95 913 xli: 95 913 xlv: 95 913
	2007	292,762	0.026	350,000	0.031	xxx: 80 000 xxxv: 90 000 xli: 90 000 xlv: 90 000
Sergio Marchionne, senior independent director, vice chairman	2008	87,926	0.005	0	0.000	
	2007	45,800	0.004	0	0.000	
Ernesto Bertarelli, member	2008	89,434	0.005	0	0.000	
	2007	48,411	0.004	0	0.000	
Sally Bott, member	2008	1	0.000	0	0.000	
	2007					
Rainer-Marc Frey, member	2008	0	0.000	0	0.000	
	2007					
Bruno Gehrig, member	2008	3,000	0.000	0	0.000	
	2007					
Gabrielle Kaufmann-Kohler, member	2008	18,713	0.001	0	0.000	
	2007	3,303	0.000	0	0.000	
Helmut Panke, member	2008	31,971	0.002	0	0.000	
	2007	13,206	0.001	0	0.000	
William G. Parrett, member	2008	4,000	0.000	0	0.000	
	2007					
David Sidwell, member	2008	1	0.000	0	0.000	
	2007					
Peter R. Voser, member	2008	30,823	0.002	0	0.000	
	2007	11,580	0.001	0	0.000	
Joerg Wolle, member	2008	41,509	0.002	0	0.000	
	2007	7,709	0.001	0	0.000	

¹ This table includes vested, unvested, blocked and unblocked shares and options held by members of the BoD including related parties. ² No conversion rights are outstanding. ³ Refer to "Note 31 Equity participation and other compensation plans" in the financial statements of UBS's annual report for 2008 for more information.

Group Executive Board

Senior executive share ownership policy

Share ownership policies are in place to ensure that the interests of management are aligned with those of shareholders. Up to and including 2008, senior executives were required to accumulate and hold UBS shares with an aggregate value of five times the amount of the last three years' average cash component of their total compensation (base salary

plus cash incentive award). Due to changes in the compensation model, the share ownership policy will be changed from 2009 onwards (refer to the "Compensation principles 2009 and beyond for UBS senior executives" section of this report for more information). Senior executives are not permitted to enter into any transaction which hedges, mitigates or otherwise transfers the risk of price movements of unvested UBS shares, notional shares or stock options granted under UBS compensation plans.

Share and option ownership of members of the GEB at 31 December 2007/2008

Name, function ¹	For the year ended	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	2008	711,366	0.042	1,055,043	0.063	xxv: 31,971 xxx: 213,140 xxxv: 277,082 xli: 319,710 xlv: 213,140
	2007	501,846	0.044	990,000	0.088	xxv: 30,000 xxx: 200,000 xxxv: 260,000 xli: 300,000 xlv: 200,000
John Cryan, Group Chief Financial Officer	2008	235,929	0.014	382,673	0.023	v: 21,362 vi: 20,731 vii: 20,725 xii: 5,454 xiii: 5,294 xiv: 5,292 xvii: 23,626 xviii: 23,620 xix: 23,612 xxi: 5,526 xxii: 5,524 xxiii: 5,524 xxvii: 17,072 xxviii: 17,068 xxix: 17,063 xxxii: 14,210 xxxiii: 14,210 xxxiv: 14,207 xxxviii: 5,330 xxxix: 5,328 xl: 5,326 xlii: 17,762 xliii: 17,762 xliv: 17,760 xlvi: 53,285
	2007					
Markus U. Diethelm, Group General Counsel	2008	112,245	0.007	0	0.000	0
	2007					
John A. Fraser, Chairman and CEO Global Asset Management	2008	583,812	0.035	1,144,808	0.068	i: 56,013 viii: 76,380 xv: 127,884 xx: 127,884 xxxi: 170,512 xxxvi: 202,483 xli: 213,140 xlv: 170,512
	2007	461,764	0.041	1,074,232	0.095	i: 52,560 viii: 71,672 xv: 120,000 xx: 120,000 xxxi: 160,000 xxxvi: 190,000 xli: 200,000 xlv: 160,000
Marten Hoekstra, Deputy CEO Global Wealth Management & Business Banking and Head Wealth Management US	2008	245,397	0.015	684,168	0.041	ii: 8,679 iii: 8,421 iv: 8,421 ix: 8,823 x: 12,825 xi: 8,561 xxvi: 42,628 xxxi: 53,285 xxxvi: 53,285 xli: 85,256 xlv: 154,931 xlvii: 239,053
	2007					
Jerker Johansson, Chairman and CEO Investment Bank	2008	521,544	0.031	753,410	0.045	xlvi: 745,990 xlix: 7,420
	2007					

¹ This table includes vested and unvested shares and options held by members of the GEB including related parties. ² No conversion rights are outstanding. ³ Refer to "Note 31 Equity participation and other compensation plans" in the financial statements of UBS's annual report for 2008 for more information.

Share and option ownership of members of the GEB on 31 December 2007/2008 (continued)

Audited	Name, function ¹	For the year ended	Number of shares held	Voting rights in %	Number of options held	Potentially conferred voting rights in % ²	Type and quantity of options ³
	Philip J. Lofts, Group Chief Risk Officer	2008	186,434	0.011	577,723	0.034	v: 11,445 vi: 11,104 vii: 11,098 xii: 1,240 xiii: 5,464 xiv: 1,199 xvii: 9,985 xviii: 9,980 xix: 9,974 xxi: 1,833 xxii: 1,830 xxiii: 1,830 xxvii: 35,524 xxviii: 35,524 xxix: 35,521 xxxv: 117,090 xli: 117,227 xlv: 85,256 xlvii: 74,599
		2007					
	Walter Stuerzinger, Chief Operating Officer, Corporate Center	2008	296,886	0.018	372,995	0.022	xvi: 31,971 xxx: 63,942 xxxv: 85,256 xli: 95,913 xlv: 95,913
		2007	209,442	0.019	350,000	0.031	xvi: 30,000 xxx: 60,000 xxxv: 80,000 xli: 90,000 xlv: 90,000
	Rory Tapner, Chairman and CEO Asia Pacific	2008	827,809	0.049	1,379,533	0.082	vii: 281,862 xv: 213,140 xxiv: 213,140 xxx: 170,512 xxxv: 159,855 xli: 170,512 xlv: 170,512
		2007	514,365	0.046	1,294,486	0.115	vii: 264,486 xv: 200,000 xxiv: 200,000 xxx: 160,000 xxxv: 150,000 xli: 160,000 xlv: 160,000
	Raoul Weil, Chairman and CEO Global Wealth Management & Business Banking, relinquished his duties on an interim basis	2008	315,698	0.019	432,409	0.026	xv: 53,285 xxxv: 102,281 xli: 127,884 xlv: 148,959
		2007	212,934	0.019	405,752	0.036	xv: 50,000 xxxv: 95,976 xli: 120,000 xlv: 139,776
	Alexander Wilmot-Sitwell, Chairman and CEO, UBS Group EMEA and Joint Global Head IB Department	2008	304,655	0.018	353,807	0.021	xxxiv: 53,282 xxxvii: 2,130 xxxviii: 35,524 xxxix: 35,524 xl: 35,521 xlv: 106,570 xlvii: 85,256
		2007					
	Robert Wolf, Chairman and CEO, UBS Group Americas/ President Investment Bank	2008	827,307	0.049	948,473	0.056	xx: 287,739 xxxi: 213,140 xxxvi: 127,884 xli: 106,570 xlv: 106,570 xlvii: 106,570
		2007					

¹ This table includes vested and unvested shares and options held by members of the GEB including related parties. ² No conversion rights are outstanding. ³ Refer to "Note 31 Equity participation and other compensation plans" in the financial statements of UBS's annual report for 2008 for more information.

Audited

Total of all blocked and unblocked shares held by non-executive members of the BoD¹

	Total	Of which non-restricted	Of which blocked until			
			2009	2010	2011	2012
Shares held on 31 December 2008	307,378	177,027	12,126	13,592	30,193	74,440
			2008	2009	2010	2011
Shares held on 31 December 2007	296,533	134,808	30,602	43,096	35,874	52,153

¹ Includes related parties.

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

Audited

Total of all vested and unvested shares held by the executive members of the BoD and members of the GEB¹

	Total	Of which vested	Of which vesting				
			2009	2010	2011	2012	2013
Shares held on 31 December 2008	5,585,170	2,977,807	1,058,881	595,638	461,376	319,776	171,692
			2008	2009	2010	2011	2012
Shares held on 31 December 2007	6,396,479	3,831,550	796,533	653,726	526,425	362,709	225,536

¹ Includes related parties.

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

Vested and unvested options held by independent members of the BoD and by members of the GEB on 31 December 2007/2008

Type	Number of options	Year of grant	Vesting date	Expiry date	Subscription ratio	Strike price
i	56,013	2001	20.02.2004	20.02.2009	1:1	CHF 46.92
ii	8,679	2002	31.01.2002	31.07.2012	1:1	USD 21.24
iii	8,421	2002	31.01.2004	31.07.2012	1:1	USD 21.24
iv	8,421	2002	31.01.2005	31.07.2012	1:1	USD 21.24
v	32,807	2002	31.01.2003	31.01.2012	1:1	CHF 36.49
vi	31,835	2002	31.01.2004	31.01.2012	1:1	CHF 36.49
vii	313,685	2002	31.01.2005	31.01.2012	1:1	CHF 36.49
viii	76,380	2002	31.01.2005	31.01.2012	1:1	USD 21.24
ix	8,823	2002	28.02.2002	28.08.2012	1:1	USD 21.70
x	12,825	2002	29.02.2004	28.08.2012	1:1	USD 21.70
xi	8,561	2002	28.02.2005	28.08.2012	1:1	USD 21.70
xii	6,694	2002	28.02.2003	28.02.2012	1:1	CHF 36.65
xiii	10,758	2002	28.02.2004	28.02.2012	1:1	CHF 36.65
xiv	6,491	2002	28.02.2005	28.02.2012	1:1	CHF 36.65
xv	394,309	2002	28.06.2005	28.06.2012	1:1	CHF 37.90
xvi	31,971	2002	28.06.2005	28.12.2012	1:1	CHF 37.90
xvii	33,611	2003	01.03.2004	31.01.2013	1:1	CHF 27.81
xviii	33,600	2003	01.03.2005	31.01.2013	1:1	CHF 27.81
xix	33,586	2003	01.03.2006	31.01.2013	1:1	CHF 27.81
xx	415,623	2003	31.01.2006	31.01.2013	1:1	USD 22.53
xxi	7,359	2003	01.03.2004	28.02.2013	1:1	CHF 26.39
xxii	7,354	2003	01.03.2005	28.02.2013	1:1	CHF 26.39
xxiii	7,354	2003	01.03.2006	28.02.2013	1:1	CHF 26.39
xxiv	213,140	2003	31.01.2006	31.01.2013	1:1	CHF 30.50
xxv	31,971	2003	31.01.2006	31.07.2013	1:1	CHF 30.50
xxvi	42,628	2003	31.01.2006	31.07.2013	1:1	USD 22.53
xxvii	52,596	2004	01.03.2005	27.02.2014	1:1	CHF 44.32
xxviii	52,592	2004	01.03.2006	27.02.2014	1:1	CHF 44.32
xxix	52,584	2004	01.03.2007	27.02.2014	1:1	CHF 44.32
xxx	532,850	2004	28.02.2007	27.02.2014	1:1	CHF 48.69
xxxi	436,937	2004	01.03.2007	27.02.2014	1:1	USD 38.13
xxxii	14,210	2005	01.03.2006	28.02.2015	1:1	CHF 47.58
xxxiii	14,210	2005	01.03.2007	28.02.2015	1:1	CHF 47.58
xxxiv	67,489	2005	01.03.2008	28.02.2015	1:1	CHF 47.58
xxxv	837,477	2005	01.03.2008	28.02.2015	1:1	CHF 52.32
xxxvi	383,652	2005	01.03.2008	28.02.2015	1:1	USD 44.81
xxxvii	2,130	2005	04.03.2007	04.03.2015	1:1	CHF 47.89
xxxviii	40,854	2006	01.03.2007	28.02.2016	1:1	CHF 65.97
xxxix	40,852	2006	01.03.2008	28.02.2016	1:1	CHF 65.97
xl	40,847	2006	01.03.2009	28.02.2016	1:1	CHF 65.97
xli	1,332,125	2006	01.03.2009	28.02.2016	1:1	CHF 72.57
xliv	17,762	2007	01.03.2008	28.02.2017	1:1	CHF 67.00
xliv	17,762	2007	01.03.2009	28.02.2017	1:1	CHF 67.00
xliv	17,760	2007	01.03.2010	28.02.2017	1:1	CHF 67.00
xliv	1,348,276	2007	01.03.2010	28.02.2017	1:1	CHF 73.67
xlvi	53,285	2008	01.03.2011	28.02.2018	1:1	CHF 32.45
xlvi	505,478	2008	01.03.2011	28.03.2018	1:1	CHF 35.66
xlvi	745,990	2008	01.03.2011	07.04.2018	1:1	CHF 36.46
xlvi	7,420	2008	01.03.2011	06.06.2018	1:1	CHF 28.10

Transactions in 2008

In accordance with applicable rules and regulations, management transactions in UBS shares by members of the Board of Directors (BoD) and the Group Executive Board (GEB) are publicly disclosed. On 16 May 2008, persons closely associated with them also have such reporting obligations. Transactions which require reporting are those involving all types of financial instruments whose price is primarily influenced by UBS shares. As a consequence of the issuance of new UBS shares in connection with the stock dividend approved by the extraordinary general meeting on 27 February 2008, the grandfathering of Swiss rules ended on 16 May 2008, and the EU requirements (paragraph 15a of the German Securities Trading Act) regarding the reporting of management transactions are now applicable.

From 1 January to 15 May 2008, four purchases were disclosed with a total value of CHF 5,525,205, as well as two sales with a total value of CHF 847,332. Individuals' names and transactions made by closely associated persons were not required to be disclosed.

From 16 May until 31 December 2008, seven share purchases were disclosed with a total value of CHF 5,022,563 and USD 27,228, as well as three share sales with a total value of CHF 18,302,528 and USD 757,457 – of which CHF 17,736,100 were due to a single sale. Such disclosures contained the individuals' names. There were no share purchases or sales made by closely associated persons.

Due to the capital increase with a rights issue in June 2008, there were 29 exercises of subscription rights with a total value of CHF 27,447,987, seven purchases of subscription rights with a total amount of CHF 54,430 and 24 sales of subscription rights with a total value of CHF 3,076,438 and USD 52. These disclosures contained the individuals' names. Two closely associated parties exercised subscription rights, one sold subscription rights.

Until 2008, UBS executives generally received a majority of their compensation in UBS shares or options. For this reason, management transactions, in general, see sales outweighing purchases. Blackout periods and synchronized dates for unblocking or vesting of shares or options granted as compensation may lead to transactions being concentrated in short time periods.

Loans

As a global financial services provider and major Swiss domestic bank, UBS typically has business relationships with many large companies. Members of UBS's BoD often assume management or independent board responsibilities in many of these companies. Moreover, the granting of loans to both individuals and companies is part of UBS's ordinary business. The members of UBS's BoD and GEB are granted loans, fixed advances and mortgages at arm's length market terms.

In 2008, loans granted to companies related to seven independent members of the BoD amounted to CHF 667.3 million, including guarantees, contingent liabilities and unused committed credit facilities. Refer to "Note 32 Related parties" in the financial statements of UBS's annual report for 2008 for more information.

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

In 2008, all loans granted to former members of the BoD and GEB, or to their related parties, were at arm's length market terms.

Loans granted to members of the BoD at 31 December 2007/2008

Audited

 CHF, except where indicated^a

Name, function ¹	For the year ended	Secured loans	Other loans granted	Total
Peter Kurer, Chairman ²	2008	1,261,000	0	1,261,000
	2007			
Sergio Marchionne, Senior Independent Director, Vice Chairman	2008	0	0	0
	2007	0	0	0
Ernesto Bertarelli, member	2008	0	0	0
	2007	0	0	0
Sally Bott, member	2008	0	0	0
	2007			
Rainer-Marc Frey, member	2008	0	0	0
	2007			
Bruno Gehrig, member ²	2008	798,000	0	798,000
	2007			
Gabrielle Kaufmann-Kohler, member	2008	0	0	0
	2007	0	0	0
Helmut Panke, member	2008	0	0	0
	2007	0	0	0
William G. Parrett, member ²	2008	1,167,659	0	1,167,659
	2007			
David Sidwell, member	2008	0	0	0
	2007			
Peter R. Voser, member	2008	0	0	0
	2007	0	0	0
Joerg Wolle, member	2008	0	0	0
	2007	0	0	0
Aggregate of all members of the BoD		3,226,659	0	3,226,659

¹ No loans have been granted to related parties of the members of the BoD at conditions not customary in the market. ² Secured loans granted prior to their election to the BoD.

Loans granted to members of the GEB at 31 December 2007/2008

Audited

 CHF, except where indicated^a

Name, function ¹	For the year ended	Secured loans	Other loans granted ²	Total
Markus U. Diethelm, Group General Counsel	2008	3,900,000	0	3,900,000
Joe Scoby, Group Chief Risk Officer ³	2007	0	3,145,796	3,145,796
Aggregate of all members of the GEB ⁴	2008	7,740,562	0	7,740,562
Aggregate of all members of the GEB	2007	3,487,000	3,145,796	6,632,796

¹ No loans have been granted to related parties of the members of the GEB at conditions not customary in the market. ² Guarantees. ³ Joe Scoby stepped down as Group Chief Risk Officer on 4 November 2008. ⁴ Including those members of the GEB who stepped down during 2008.

Compensation principles 2009 and beyond for UBS senior executives

During 2008, the UBS Board of Directors (BoD) reviewed the incentive systems of the UBS Group (Group) and examined their level of alignment with the firm's values and long-term orientation. Towards the end of the year, UBS announced that a new compensation model would apply from 2009 onwards. At the annual general meeting (AGM) to be held in 2009, shareholders will be invited to participate in an advisory vote on the principles of this new compensation model. This section of this report outlines these principles and explains how the new model will apply to the Chairman of the BoD, independent BoD members and Group Executive Board (GEB) members.

Compensation policy

The *Chairman of the UBS BoD* receives a fixed base salary that comprises cash and a pre-determined, fixed number of shares.¹ The Chairman is not entitled to any variable compensation.

The *independent BoD members* receive fixed remuneration fees. Independent BoD members are not entitled to any variable compensation.

Compensation for *members of the GEB* comprises a fixed salary, variable cash compensation and variable equity compensation. Variable compensation awarded to GEB members:

- is based on long-term performance: Variable compensation remains an important component of the new model, but it is based on clear, long-term performance measures that take business risk into account. Two variable compensation schemes – one in cash ("cash balance plan"), one in equity ("performance equity plan") – have been defined for the members of the GEB. The results of the senior executive's business division will be a key factor in determining the amount of variable cash compensation to be awarded. In unprofitable years no new variable cash compensation will be paid. In the performance equity plan, the final number of shares that each senior executive will receive can be determined only after three years, and will be

based on achievement against two performance measures: economic profit and relative total shareholder return.

- addresses risk management: Pay that depends upon long-term performance increases risk awareness. Economic profit used to determine vesting of the performance equity plan is a market-recognized standard for measuring risk-adjusted profit taking into account the cost of equity capital, while the new cash plan no longer pays out immediately, but holds compensation at risk, subject to future business performance.
- incorporates a "malus" system: A maximum of one-third of a senior executive's variable cash incentive will be paid out at the beginning of the following year. Should certain material adverse events occur, a "malus" or negative award may be applied to the cash balance plan. Separately, the performance equity plan will deliver between zero and two times each senior executive's target award. Failure to achieve threshold economic profit targets or a reasonable level of total shareholder return can result in a share delivery that is considerably below target or even zero.

Compensation components

Chairman of the Board of Directors

From January 2009, the Chairman of the BoD receives a fixed base salary comprising cash and a pre-determined fixed number of UBS shares. These shares vest after four years and are subject to a "malus" in loss-making years over the vesting period. This compensation package does not include any variable, performance-dependent component, but does keep the Chairman's pay aligned with long-term, sustainable value creation through its share component.

Independent members of the Board of Directors

The independent members of the BoD receive fixed remuneration only. Fees are paid 50% in cash and 50% in blocked

Compensation structure

Element of compensation	Chairman of the BoD	Independent members of BoD	Members of the GEB
Fixed pay	Base salary in cash and a fixed number of restricted share awards	Fixed fee (min. 50%; max. 100% in restricted share awards)	Base salary in cash
Variable cash compensation	No	No	Cash balance plan
Variable equity compensation	No	No	Performance equity plan
Share retention policy	Yes (vesting four years after grant)	Yes (blocked for 4 years)	Yes

¹ Pending Kaspar Villiger's election as Chairman of the BoD this remuneration structure would not be applicable to him (but rather a fixed base salary only).

UBS shares. However, members can elect to have 100% of their remuneration paid in blocked UBS shares. These shares are attributed with a price discount of 15% and restricted from sale for four years from the date they are granted.

Group Executive Board

Members of the GEB are entitled to a fixed salary. In addition, they may receive variable compensation under either the cash balance plan or the performance equity plan or a combination of both (these plans are discussed below).

Base salary

Members of the GEB receive a fixed base salary that is determined according to the skills, experience and knowledge they bring to their role in the relevant market segment.

Cash balance plan

The cash balance plan rewards long-term profitability by linking variable cash compensation to sustained business performance. The plan allows for a maximum of one-third of a senior executive's variable cash incentive to be paid out at the beginning of the following year, with the entire cash incentive in question to be paid out over a three-year period. As such, the plan provides a multi-year reflection of performance and compensation. This is designed to ensure that the financial impact of decisions and actions taken in one period impacts the variable compensation over a longer period of time. The system is significantly strengthened through inclusion of a bonus - malus system, which allows for the application of a "malus" or negative award to the balance of variable compensation. Circumstances in which this could occur include: incurring of a financial loss; material restatement of the Group's financial statements; substantial underachievement of individual performance targets; or the taking of excessive risk or causing of harm to UBS. If a senior executive leaves UBS, the cash balance will be kept at risk for the remaining life of the plan in order to capture any tail risk events.

Performance equity plan

The performance equity plan is forward-looking and dependent on results produced over a three-year time period. At the

start of each performance period, senior executives are advised of a potential quantity of restricted performance shares that, subject to the achievement of pre-defined business targets, is expected to vest after three years. A final decision on the actual number of shares that will vest and transfer to the senior executive is only possible after the end of the three-year period, depending upon the level of performance achieved. If UBS's performance over the three-year period is below target, the number of shares that vest is reduced and may be zero. Should UBS's performance over the three-year period be above target, the actual number of shares may be adjusted up to two times the original target. Performance measurement for the first award will begin in 2009, with the first possible vesting in 2012. Performance shares are not eligible for dividends during the three-year measurement period.

The final number of shares that will actually vest depends on cumulative achievement against two performance metrics:

- **Economic profit (EP)** is an internal measure for value creation that reflects both profitability and the equity required to support business risk. It is calculated by subtracting the cost of equity capital from the annual net profit attributable to UBS shareholders. EP is only realized when the return on capital achieved is greater than the firm's cost of capital. In order to offset accounting entries which distort the economic perspective, the EP calculation is adjusted for items not reflected in business performance. The three-year EP targets for the performance equity plan are based on the UBS strategic business plan and analyst expectations. Threshold, target and stretch performance goals have been defined for the 2009 – 2011 performance period based on expected EP performance and consideration of the expected market value associated with those EP performance levels. However, the human resources and compensation committee may revise the performance target if an exceptional event occurs that makes this either necessary or advisable.
- **Total shareholder return (TSR)** is an external measurement of value creation that measures the total return on a UBS share, i.e. both the dividend yield and the capital appreciation of the share price. UBS measures TSR over a three-year period relative to banking industry performance as

Performance Equity Plan: basic design



■ # Performance shares (# performance shares x vesting multiple [0%–200%]²) = # vested UBS shares

¹ Refer to the description of UBS's share retention policy for the Chairman of the BoD and GEB members shown in this section of this report.

² Cumulative EP- and TSR-driven vesting multiple (min. 0%; max. 200%).

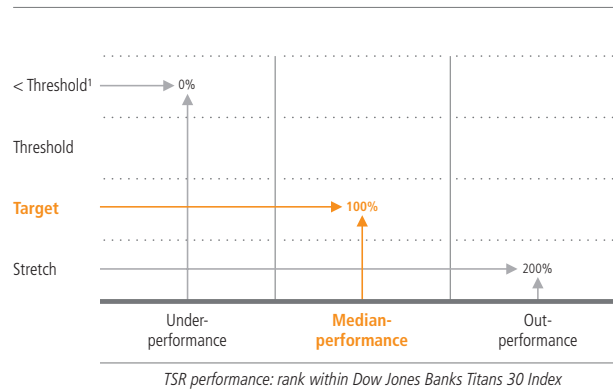
Historic TSR ranking

Performance period	UBS TSR	UBS rank / # peer companies ¹
1.4.99–1.4.02	4%	16 / 27
1.4.00–1.4.03	(4%)	11 / 27
1.4.01–1.4.04	6%	9 / 28
1.4.02–1.4.05	10%	9 / 30
1.4.03–1.4.06	39%	10 / 30
1.4.04–1.4.07	18%	19 / 30
1.4.05–1.4.08	(14%)	28 / 30

¹ Current constituents of the Dow Jones Banks Titans 30 Index.

Vesting matrix

3 years' cumulative EP



¹ But limited vesting if TSR rank 1–10.

indicated by the components of the Dow Jones Banks Titans 30 Index[®]. This global index comprises the top 30 companies in the banking sector, as defined by Dow Jones, and has been chosen for its relevance to UBS (banking), for transparency (known listed companies), for sector coverage (30 leading global banks assessed by market capitalization, revenues, and net profit) and for independence (managed by Dow Jones). For greater transparency and consistent with best practice, the TSR for all companies in the index will be measured in a common currency (Swiss franc).

Cumulative EP is the primary and most important performance measure, with relative TSR performance able to either increase or reduce the award indicated by the EP achievement. Both performance conditions will be pre-defined for each three-year performance period. A shortfall in value creation during the performance period, as measured by cumulative EP and relative TSR performance, may result in a "malus" or the vesting of shares below target (this could be as low as zero). However, in case of outperformance against both the EP target and the TSR index, the actual numbers of shares may be adjusted up to two times the orig-

inal target award. If a senior executive leaves UBS before the vesting of an award, the quantity of shares received will be pro-rated to the actual service period as well as being dependent upon the full three-year performance conditions. Awards may be forfeited under certain circumstances.

Employment contracts

All GEB members will receive new employment agreements during 2009, under which notice periods will be reduced from 12 months to six months. Furthermore, any discretionary variable compensation paid to senior executives who leave UBS will, as per the new employment agreements, be based on Group, business division and personal performance. Any amounts paid would be pro-rated to the end of the notice period and would use only variable cash compensation as a basis. Furthermore, any payments would generally be made under the cash balance plan, with two-thirds of any variable cash award being kept "at risk" for the remainder of the three-year performance cycle in order to capture any tail risk events. "Golden parachutes" (in the sense of ex gratia payments made to senior executives due to termination of employment) do not exist at UBS.

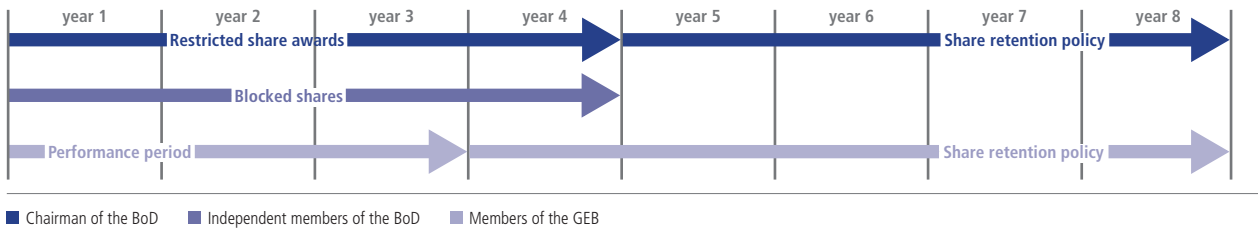
Share retention policy

Effective 1 January 2009, the Chairman of the BoD and all GEB members are required to retain 75% of all vested shares (after payment of taxes) during their time in office and for a period of eight years from the date of grant. This rule applies for all mandatory share-based compensation plans, in-

cluding the performance equity plan. For example, performance equity plan shares granted in 2009 will continue to be restricted after vesting until 2017 unless the executive leaves UBS.

All shares granted to independent members of the BoD are blocked for a period of four years from the date of grant.

Share retention policy



UBS reporting at a glance

Annual publications

Annual report (SAP no. 80531)

Published in both German and English, this single volume report provides a letter to shareholder and a description of:

- UBS's strategy, performance and responsibility;
- the strategy and performance of the business divisions and the Corporate Center;
- risk, treasury and capital management at UBS;
- corporate governance and executive compensation; and
- financial information, including the financial statements.

Review (SAP no. 80530)

The booklet contains key information on UBS's strategy and financials. It is published in English, German, French and Italian.

Compensation report (SAP no. 82307)

Compensation of senior management and the Board of Directors (executive and non-executive members) is discussed here. It is published in English and German.

Quarterly publications

Letter to shareholders

The letter provides a quarterly update from UBS's executive management on the firm's strategy and performance. The letter is published in English, German, French and Italian.

Financial report (SAP no. 80834)

This report provides a detailed description of UBS's strategy and performance for the respective quarter. It is published in English.

How to order reports

The annual and quarterly publications 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 services section of the website. 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.

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