

UBS AG**SIX Swiss Exchange: UBSN****Industry: Banks****Meeting Date: April 15, 2009****Record Date: April 13, 2009****Share Blocking: See Note****Lead Analyst**

Andrew Gebelin, agebelin@glasslewis.com

2009 ANNUAL MEETING

Proposal	Issue	Board	GL&Co.
1.01	Accounts and Reports	For	For
1.02	Compensation Report	For	Against
2.00	Allocation of Profits/Dividends	For	For
3.00	Election of Directors	For	For
3.01	Elect Peter Voser	For	For
3.02	Elect David Sidwell	For	For
3.03	Elect Sally Bott	For	For
3.04	Elect Rainer-Marc Frey	For	For
3.05	Elect Bruno Gehrig	For	For
3.06	Elect William Parrett	For	For
3.07	Elect Kaspar Villiger	For	For
3.08	Elect Michel Demare	For	For
3.09	Elect Ann Godbehere	For	For
3.10	Elect Axel Lehmann	For	For
3.11	Appointment of Auditor	For	For
3.12	Appointment of Special Auditor	For	For
4.00	Increase in Conditional Capital	For	For
5.00	Increase in Authorized Capital	For	For

NOTE

Except as noted, CHF 1.00 = \$0.9368 (exchange rate as of December 31, 2008).

UBSN is a client of Glass Lewis.

Shareblocking may be imposed by sub-custodians. In Switzerland, shares may only be unblocked after voting instructions are cancelled.

Company Profile

ADDRESS / STOCK

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 www.ubs.com
 Phone: +41 44 234 11 11
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Quote Symbol: UBSN
 Exchange: SIX Swiss Exchange
 SEDOL: B18YFJ4
 ISIN: CH0024899483
 Benchmark Index: SWISS MARKET

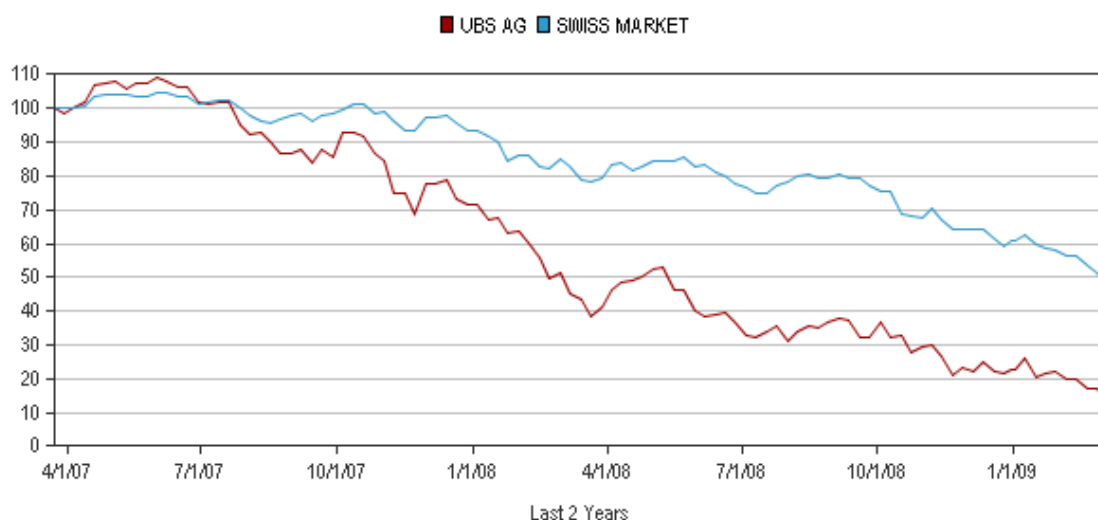
Industry: Banks
 Employees: 77,783

Auditor: Ernst & Young

COMPANY DESCRIPTION

UBS AG(UBS). The Group's principal activity is the provision of a range of global banking services. The Group operates through the following divisions: Wealth Management & Business Banking (private and corporate clients and Swiss private banking services focusing on consumer banking products, lending for Swiss corporations, portfolio management and trust services for private banking clients); Warburg (investment banking and securities businesses, e.g. corporate finance, equities, fixed income and treasury products, private equity); PaineWebber (financial services in the USA); Global Asset Management (all group investment management businesses, e.g. mutual funds, global asset management, institutional asset management) and Corporate Center (co-ordination of segments, risk management, financial reports, marketing, communication, etc.). Source: Worldscope

INDEXED STOCK PRICE



MARKET INFORMATION / STATISTICS

Currency:	CHF
Price Close (as of 03/19/09):	12.35
52 Week High:	35.11
52 Week Low:	8.20
No. of Shares Outstanding:	2,933m
Market Capitalization:	36,659m
Enterprise Value:	551,324m

INCOME STATEMENT (LTM)

As of Sep 2008	(millions - CHF except per share data)
Revenue:	67,780
Net Income:	-21,036
EPS:	-7.60

MARKET PERFORMANCE

1 Year Stock Performance:	-50.79%
3 Year Stock Performance:	-80.52%
5 Year Stock Performance:	-70.51%

BALANCE SHEET

As of Sep 2008	(millions - CHF)
Total Assets:	2,006,218.00
Total Liabilities:	1,965,416.00
Total Common Equity:	32,800.00

This proposal seeks shareholder approval of the Company's financial statements, consolidated financial statements and annual report for the fiscal year ended December 31, 2008.

The Company's consolidated financial statements combine the activities of the Company, as well as the activities of its subsidiaries. As a routine matter, Swiss company law requires that shareholders approve both the parent company's financial statements, as well as the financial statements of the entire group.

Glass Lewis' Analysis

We believe that all of the necessary financial statements and reports are present in the Company's annual report. We note that in the opinion of Ernst & Young, the Company's independent auditor, the financial statements have been properly prepared in accordance with International Financial Reporting Standards.

Furthermore, according to Ernst & Young, taking into account the relevant statutory and administrative rules, the Company's financial statements for the last fiscal year present a true and fair view of its assets, financial situation and results.

Accordingly, we recommend that shareholders vote **FOR** this proposal.

This proposal seeks an advisory shareholder vote on the compensation policy for the 2009 fiscal year. The 2008 compensation report details compensation paid during the fiscal year ended December 31, 2008 and also sets out the board's revised compensation policy for its employees, executives and directors.

In general, Glass Lewis' analysis is centered on four major aspects of a company's compensation: (i) disclosure of policies; (ii) overall compensation structure; (iii) performance-based incentive schemes; and (iv) the quantum amounts paid to executives as well as non-executive directors ("NEDs").

2008 Compensation

We note that for the past fiscal year, compensation for the Company's executive directors comprised:

- (i) base salary;
- (ii) pension contributions; and
- (iii) other benefits.

Executive Officers

Director	Base Salary	Total Compensation (including all benefits)
Marcel Rohner, <i>Group CEO</i>	CHF 1,500,000	CHF 1,814,702
Peter Kurer, <i>Executive Chairman</i>	CHF 1,333,333	CHF 1,565,647
Stephan Haeringer, <i>Executive Vice Chairman</i>	CHF 1,125,000	CHF 1,429,648
Average of all group executive board members as of December 31, 2008	CHF 651,328	CHF 757,576

The average compensation for group executive board members in the table above includes three members who did not serve for the entire fiscal year. Given that the Company has not disclosed individual compensation figures for each of these members, they are included in the average. No incentive-based compensation was paid to any executives for the 2008 fiscal year due to the Company's poor performance.

Non-executive Directors

During the period from the 2008 annual meeting to the 2009 annual meeting, each non-executive member of the board of directors who served for the entire term received a base fee of CHF 325,000 (\$304,460). Additional fees paid to non-executive directors (NEDs) for committee membership averaged CHF 270,000 (\$252,936) each. In total, each NED received an average of CHF 536,458 (\$517,038).

NEDs receive a minimum of 50% of their total compensation in restricted share awards. None of the NEDs receive performance-based or other variable fees.

2009 Compensation Plan

The 2009 executive compensation plan is intended to replace the Company's existing policies regarding executive compensation. Under the new plan, the compensation of senior executives will comprise:

- (i) base salary;
- (ii) cash bonus;
- (iii) long-term equity incentives;
- (iv) pension contributions; and
- (v) other benefits.

The board believes that the new plan will realign executive pay with the Company's long-term goals. The compensation policy was developed by the human resources and compensation committee ("compensation committee") of the board. According to the Company, the compensation committee developed the proposed policies in consultation with the Swiss Financial Market Supervisory Authority following the Swiss National Bank's bailout of the Company in October 2008. Additionally, the Company engaged three external advisors to assist in the development of the new policy.

Cash Balance Plan

Senior executives will receive a portion of their annual compensation in the form of a cash bonus. The bonus will be based on pre-determined individual and Company performance targets. Cash bonuses for each year will be paid out in three equal tranches over a three-year performance period. If the Company does not perform well in a particular year, a negative award, or "malus", will be applied to the total cash balance of previous awards. A malus may be applied under the following circumstances: (i) financial loss; (ii) material restatements; (iii) substantial underachievement of individual goals; or (iv) excessive risk-taking that harms the Company.

Long-Term Equity Incentive Plan

Participants	Executive directors and key senior executives
Awards	Performance shares
Administrator	Human resources and compensation committee
Performance Conditions	<p>Economic Profit ("EP") component: EP is calculated on a cumulative basis over a three-year performance period as the annual net profit attributable to shareholders less the cost of equity capital. The board states that EP performance targets have been defined as for the 2009-2012 performance period, but does not specify the targets. The pre-defined EP performance levels are below-threshold, threshold, target and stretch.</p> <p>Total Shareholder Return ("TSR") component: This performance condition acts as a multiplier to the vesting schedule of the EP component. TSR will be measured relative to a defined group of the Company's peers over a three year period. The board states that TSR performance targets have been defined for the 2009-2012 performance periods, but does not specify the targets.</p> <p>Vesting matrix: Awards will vest on a matrix according to the pre-defined performance targets. For below-threshold EP performance and TSR underperformance, no portion of the awards will vest. For target EP performance and median TSR performance, 100% of the awards will vest. For stretch EP performance and TSR over-performance, up to 200% of the awards will vest. If TSR performance ranks in the top one-third of the peer group, but EP performance is below-threshold, a limited number of awards will vest.</p> <p><i>Peer Group: Dow Jones Banks Titans 30 Index</i></p>
Retesting	Permitted
Vesting Terms	Awards may only vest following the three-year performance period
Holding Period	75% of awards are subject to a five-year holding period following the vesting period
Plan and Individual Limits	Not disclosed
Notes	Awards may be subject to a "malus," or clawback, under certain poor performance conditions during the three-year vesting period

Directors' Fees

Under the proposed plan, members of the board of directors will continue to receive at least 50% of their total compensation in the form of restricted shares. Shares granted to independent members of the board will be granted at a 15% discount, and will be subject to a four-year holding period.

Restricted shares granted to the chairman of the board will be subject to a four-year vesting period, during which the Company may apply a "malus" during years in which the Company reports a loss. Following the vesting period, 75% of the chairman's awards will be subject to a four-year holding period. No performance conditions will apply to the chairman's awards.

Glass Lewis' Analysis

Glass Lewis believes executive compensation should generally consist of short-term and long-term equity-based incentives that link an employee's pay to a Company's performance, thereby aligning their interests with those of shareholders. Further, we believe NEDs should receive reasonable compensation for their time and effort. However, we note that excessive director compensation represents a financial cost to the Company and may, in the case of NED pay, threaten to compromise director objectivity and independence.

In Switzerland, firms are required to disclose and explain certain aspects of its executives' and

directors' compensation so shareholders can analyse how its policies compare with similar firms. In this case, while the compensation report complies with Swiss law, it appears to be lacking disclosure of key elements of its pay policy. Please see our analysis below for further details on these disclosure failures, as well as other concerns which we believe should be brought to shareholders' attention when contemplating support of this proposal.

Despite our concerns regarding the Company's disclosure, we note that by proposing an advisory vote on compensation policy, the Company is voluntarily complying with Appendix 1, Article 9 of the Swiss Code of Best Practice for Corporate Governance, which recommends that the board either discuss the compensation policy at the annual meeting or provide an advisory shareholder vote on the compensation report. Currently, a majority of Swiss companies do not provide shareholders with the opportunity to cast an advisory vote on compensation practices.

Ongoing Compensation Issues

Pay for Failure

As a result of the Company's write-downs and losses related to the subprime mortgage market during the 2007 and 2008 fiscal years, as well as the subsequent bailout from the Swiss government, shareholders and Swiss lawmakers have criticized the Company's compensation policies and excessive bonus payouts (Goran Mijuk. "UBS to Report Remuneration System at EGM." *Wall Street Journal*. November 5, 2008).

Despite the Company's very poor performance and reported losses for fiscal years 2007 and 2008, three top executives, namely former chief executive Peter Wuffli, former finance director Clive Standish and former investment banking head Huw Jenkins were awarded a total of CHF 93.6 million (\$87.8 million) for fiscal year 2007 ("Swiss Fury Over Rewards for UBS Chiefs Who Loaded Bank with Toxic Debt". *The Daily Telegraph*. November 6, 2008). All three executives subsequently resigned from their positions. As a result of shareholder and general public outrage at the Company's bonus payouts, the Company considered taking legal action against executives who received hefty sums to force them to relinquish some of their bonuses, though experts believed the Company would have been unlikely to succeed ("UBS considers legal action over bonuses". *Financial Times*. November 5, 2008).

Voluntary and Involuntary Clawbacks

On November 9, 2008, the Company confirmed that Mr. Wuffli voluntarily renounced about CHF 12 million (\$10.3 million) in payments he was entitled to receive under his employment contract. The payments were not performance bonuses but part of Mr. Wuffli's salary package. In addition, then CEO Marcel Rohner, who has since resigned, chose not to take bonus payments for the 2007 fiscal year. Executive chairman Kurer also agreed not to take any bonus payments for 2007 or 2008 ("UBS chief to forego \$10 million in exit pay". *International Herald Tribune*. November 9, 2008). In addition, on November 25, 2008, former executive directors Marcel Ospel, Stephan Haeringer and Marco Suter agreed to return a total of CHF 33 million (\$30.9 million) in bonuses they received for fiscal year 2008.

At the November 27, 2008 extraordinary general meeting of shareholders, the board reported on a revised version of the compensation policy set to take effect in 2009. The policy, which is described

above, is particularly notable for its clawback, or "malus" provisions, which are likely a result of the Company's highly publicized legal battles to reclaim bonuses from former executives who drove the Company to near collapse with risky investments. Moreover, the Company decided not to pay out any bonuses to senior executives for fiscal year 2008, possibly as a result of pressure from the Swiss government following its bailout of the Company ("Bonuses Hit Buffers; At Last Action is Taken to End Reward for Failure." *The Herald, Glasgow*. February 18, 2009).

Investment Bankers' Bonuses

Despite the Company's highly publicized measures to address executive pay, the Company's compensation policies continue to be a controversial subject. Investment bankers at the Company received bonuses in the beginning of the 2009 fiscal year, though the total bonus pool was reportedly cut by approximately 80% ("UBS Bankers Face Bonus Cut." *The Daily Telegraph*. January 30, 2009). Eugen Haltiner, president of the Swiss Federal Financial Market Supervisory Authority ("FINMA"), defended FINMA's decision to support the bonus payout despite the government bailout, resulting in calls for his resignation. In a statement on Swiss national radio, Mr. Haltiner stated that the bonuses were necessary to keep employees from leaving the Company. ("Controversy as Regulator Defends Swiss Bank Decision to Pay Staff Bonuses." *BBC Monitoring Europe*. January 27, 2009).

More recently, the Company appears to be attempting to avoid the bonus issue by increasing investment bankers' salaries. According to some sources, base salaries for some investment bankers may be more than doubled, though the total payout will still likely fall below what the bankers received from salaries and bonuses in previous years (Julia Werdigier. "UBS is Said to Raise Pay Despite Cuts in Bonuses." *New York Times*. March 2, 2009).

2009 Compensation Plan Issues

Disclosure

Performance Targets. The Company has failed to adequately disclose key factors of its compensation practices and policies. Although the Company discloses the performance metrics to be used when determining performance-related executive compensation, it fails to specify the thresholds at which the metrics will apply.

Incentive Limits. Although the plan states that the individual limits will be 200% of the target, because the targets are left undisclosed, it is unclear what the limits are. We believe this runs contrary to best practices and shareholder interests, as management may receive excessive compensation as a result of the original award being set exceptionally high. Moreover, the report does not disclose any plan limits for variable elements of the compensation policy, including cash bonuses. We urge the Company to set and disclose individual caps on all of its short-term and long-term incentive plans so as to assure shareholders that executive pay will always be constrained by stated limits.

Equity-Based Schemes

Description of Hurdles and Vesting Schedule. The compensation report has failed to disclose a clear description of the performance hurdles and the vesting schedules in relation to these hurdles. We

believe clearly defined performance hurdles and vesting schedules are essential for shareholders to fully understand and evaluate an incentive plan. The long-term incentive plan does not define what performance levels constitute stretch, target, threshold and below-threshold EP. The Company should fully disclose its methods for determining the performance figures so as to ensure that all awards are granted in a fair and objective manner.

Vesting Below Median/Threshold Level. Glass Lewis believes that when a company's performance in the relevant period is below the median of the comparator group, executives should not be rewarded with the vesting of any portion of their long-term incentives. Further, we believe this position is in line with current best practice standards. The long-term incentive plan does not exclude the possibility that executives could receive awards for performing below median and threshold levels. The compensation report states that the compensation committee will retain discretion to determine the total number of awards granted for below median TSR performance. Compounding this concern, the lack of clearly defined performance measurement indicators raises significant doubts about the potential to reward mediocre executive performance.

50% or more Vesting at Median/Threshold Level. Under the plan's performance matrix, it appears that participants could receive over 50% of awards for meeting threshold EP performance and median TSR performance. We believe a vesting schedule such as this serves to unalign shareholder and executive interest and improperly and disproportionately award executives for achieving average results.

Retesting. Glass Lewis fully supports the best practice standard that there should be no retesting of performance hurdles if the hurdles are not achieved in the specified performance period. According to the compensation report, the compensation committee may revise the EP performance targets if it becomes "necessary or advisable" to do so.

Other Issues

Pay to Former Executive. Alberto Togni, who resigned from his position as executive vice chairman when he reached retirement age in 2005, received a salary of CHF 318,461 (\$298,335) and benefits of CHF 427,949 (\$400,903), for a combined total of CHF 746,410 (\$699,237) in fiscal year 2008. We believe that although this may represent a contractual obligation on the part of the Company, shareholders should be aware of Mr. Togni's continued compensation. Under the Company's revised compensation policy, all current and future executive contracts will be redesigned so that executives will no longer be eligible to receive cash compensation after the expiration of a six-month notice period following the termination of employment. The board states that golden parachutes do not exist in any of the Company's current contracts with its executives.

Summary

While Glass Lewis has severe reservations about supporting the 2009 compensation plan at this time, we believe shareholders should be mindful that the proposed policy includes several positive compensation practices that exceed best practice recommendations in Switzerland. In particular, we note that the Company has taken the unusual step of decreasing the short-term incentive aspect of cash bonuses by introducing the above-mentioned malus system. We believe this innovative component of the cash balance plan for executives should mitigate some shareholder concern regarding overly aggressive pursuit of risky short-term business strategies. In addition, we note that the introduction of a holding period for equity incentives effectively increases the performance period for executive equity compensation to eight years, which exceeds international best practice.

Despite the introduction of longer-term incentive components to the executive compensation policy, we do not believe the plan adequately addresses shareholder concerns regarding the potential for overpayment for underperformance. As noted above, the board's plan lacks specificity with regard to the definition of targets and thresholds used as benchmarks to measure Company performance. Such vague policies could lead to the manipulation of both targets and achieved results for the purpose of boosting undeserved compensation of executives, which we believe to be detrimental to shareholders' interests. We find no compelling reason to support a compensation policy that provides for the possibility of rewarding executives for underperformance.

In addition, we are concerned by the lack of clearly defined limits to variable pay relative to base salary, especially given the lack of disclosure regarding the performance targets used to determine long-term incentive awards. Moreover, Glass Lewis is strongly opposed to the compensation plans such as this one that allow for retesting.

Overall, while we recognize that the proposed plan makes significant progress toward addressing shareholder concern regarding the Company's compensation policies, we are not convinced that the plan provides adequate safeguards to protect shareholders' interests against executive self-interest. Under the proposed plan, executives stand to earn seemingly unlimited variable pay based on undisclosed performance targets that may be altered by the board at any time. As such, we cannot recommend that shareholders support the proposed compensation policy at this time.

Accordingly, we recommend that shareholders vote **AGAINST** this proposal.

Proposal 2.00: Allocation of Profits/Dividends

FOR

This proposal seeks shareholder approval of the allocation of profits for the fiscal year ended December 31, 2008.

The board of directors proposes that no dividend be distributed to the Company's shareholders. As a result, the Company's free reserves will be used to offset the net loss in the amount of CHF 36.5 billion (\$34.2 billion).

Glass Lewis' Analysis

With limited exceptions, Glass Lewis will generally support the dividend policy proposed by a company. We note that the dividend payout ratio was 35% for fiscal year 2006. However, the Company reported a net loss for the 2007 and 2008 fiscal years. As a result, the Company has not paid any dividends for these fiscal years. Taking into account the reported net loss, we believe that the decision not to distribute a dividend is reasonable.

Accordingly, we recommend that shareholders vote **FOR** this proposal.

BOARD OF DIRECTORS

Name	Up	Age	GLC Classification	Committees				Term Start	Term End
				Audit	Comp	Gov	Nom		
Sally Bott	✓	60	Independent		✓			2008	2009
Michel Demaré	✓	53	Independent					-	-
Rainer-Marc Frey	✓	46	Independent					2008	2009
Bruno Gehrig	✓	63	Independent	✓				2008	2009
Ann Godbehere	✓	54	Independent					-	-
Axel P. Lehmann	✓	50	Independent					-	-
Sergio Marchionne		57	Independent ¹			✓	✓	2007	2010
Helmut Panke		63	Independent		✓			2004	2010
William G. Parrett	✓	64	Independent	✓				2008	2009
David H. Sidwell	✓	56	Independent					2008	2009
Kaspar Villiger	✓	68	Insider ²					-	-
Peter Voser	✓	51	Independent	C				2005	2009
% Independent			92%	100%	100%	100%	100%		

C = Chair

1. Vice chairman and lead independent director.
2. Full-time chairman-elect.

Ten candidates are up for election as directors to serve a one-year term each. If elected, their terms would expire at the Company's 2010 annual meeting of shareholders.

We believe shareholders should be mindful of the following issues:

Mounting Losses, Government Bailout & Risk Controls

The Company continues to report losses resulting from its exposure to the subprime mortgage market. For the 2008 fiscal year, the Company reports a consolidated net loss attributable to shareholders of CHF 20.9 billion (\$19.6 billion). With mounting losses and billions of dollars in writedowns on mortgage-backed assets, the Company was forced to seek government assistance. As discussed in our Proxy Paper on the extraordinary general meeting held in November 2008, the Company entered into an agreement with the Swiss National Bank ("SNB"), which resulted in the absorption of the Company's toxic assets by the government of Switzerland. Please see Proposal 4.00 for further information regarding this issue.

In our Proxy Paper on the Company's 2008 annual meeting, we noted that we believed former directors Stephan Haeringer and Marcel Ospel, as members of the chairman's office and risk committee, should be held accountable for failing to properly oversee the Company's risk management strategies. The chairman's office and risk committee, which had the primary responsibility for oversight of the Company's credit, market, and other risk-related matters, was directly responsible for the "allocation of the major risk limits to the business groups" and

development of the Company's "concepts and methodologies for risk control," according to the Company's website.

Given that Messrs. Haeringer and Ospel no longer serve on the board, we do not believe there are any remaining directors who can be held directly responsible for the poor oversight of risk controls that led to the Company's writedowns and losses. Moreover, we note that the Company reconstituted the risk committee during the 2008 fiscal year with a more specific range of responsibilities related to risk controls and capital management. The new members of the committee are directors Sidwell, Frey and Panke. In light of the Company's reorganization of the risk committee, we refrain from recommending to vote against any members of the committee at this time. We will monitor this issue going forward.

Compensation Issues

The Company's compensation practices have been the focus of substantial criticism from shareholders, regulatory authorities and the general public. As a result, the board has proposed a thoroughly revised compensation plan. We note that the compensation committee engaged three external advisors (Hostettler & Partner, PricewaterhouseCoopers and Towers Perrin) to assist in improving the Company's compensation practices, and also consulted with Swiss regulatory authorities. These issues are discussed in greater detail in Proposal 1.02.

While we note that the Company has made significant improvement on the compensation policy that guided the Company until the current fiscal year, in our view, the proposed principles do not offer enough transparency or limits to pay for underperformance to abate shareholder concern. However, while we do not believe shareholders should support the proposed compensation policy, we refrain from recommending to vote against any members of the compensation committee at this time for the following reasons:

- The compensation committee was reconstituted in October 2008 with all new members. As such, none of the current members of the compensation committee can be held responsible for compensation-related decisions that took place prior to that date.
- As discussed in Proposal 1.02, the compensation committee devised new and innovative compensation practices that exceed market standards and best practice recommendations.
- The compensation committee has taken the unusual step of revoking and redesigning all current executive contracts to remove golden parachutes and excessive pay upon termination of employment.

Despite these developments, we will continue to closely monitor the Company's compensation practices and disclosure. If the compensation committee fails to adequately address shareholder concerns regarding compensation going forward, we may recommend voting against some or all of its members.

Tax Evasion Settlement

On February 18, 2009, the Company agreed to a \$780 million settlement with the U.S. Department of Justice ("DOJ") and Securities and Exchange Commission ("SEC") as a result of its participation in tax evasion schemes (Lynley Browning. "The Swiss Bank is Set to Open its Secret Files." New York Times. February 18, 2009). Following the settlement, in March 2009, the Swiss government agreed to provide more transparent information to international officials investigating tax evasion. On February 19, the United States Department of Justice ordered the enforcement of a June 2008

summons filed by the Internal Revenue Service ("IRS") that sought the disclosure of the names of over 50,000 American investors who were keeping concealed accounts with the Company. The Company plans to contest the summons.

On November 12, 2008, the Company announced that Raoul Weil, chairman and CEO of UBS Global Wealth Management and Business Banking, had been indicted by a U.S. federal grand jury on charges related to cross-border tax evasion schemes. Mr. Weil subsequently resigned. According to the Company, though it is subject to ongoing investigations related to cross-border tax transactions, it will no longer engage in cross-border transactions with entities that are not registered with the SEC.

Other Legal Proceedings

The Company is a target of international lawsuits and investigations regarding its investment activities. According to the Company's annual 20F filing for the 2008 fiscal year, the Company is currently subject to investigations by the DOJ, the SEC, several U.S. state district courts and general attorney's offices, and Swiss regulatory authorities for its role in the sale of auction rate securities and valuation of subprime mortgage-backed securities. Investigations are centered on the Company's valuations, disclosures, writedowns, underwriting, contractual obligations and internal controls on risk reporting with regard to subprime mortgage securities. In addition to the numerous ongoing investigations, the Company agreed to settlements related to securities sales during the 2008 fiscal year with several U.S. state and federal attorney's offices for a total of \$186 million.

The Company may be be liable for losses incurred in the fraud case of Bernard Madoff. To date, litigation is underway in Ireland and pending in Luxembourg, where financial custodians linked to tainted funds were located ("Madoff scandal to get airing in Irish courts as investors sue." *Irish Independent*. January 16, 2009). FINMA and the Luxembourg Commission de Surveillance du Secteur Financier are investigating the Company's due diligence procedures with regard to Madoff-related investments.

The Company also states that several class action lawsuits have been filed against the Company alleging securities fraud. One civil class action lawsuit was filed on January 30, 2009 by the New Orleans Employees' Retirement System in a U.S. district court against the Company, Messrs. Ospel, Rohner, Wuffli, Kurer, Weil and three other former executives. According to a March 19, 2009 press release from the law office of Howard G. Smith, the Company is accused of improperly utilizing an investment strategy of "net new money," a figure used as a measure of performance and outlook, based on fraudulent management schemes tailored to helping wealthy clients evade tax responsibilities. The claim also alleges that the Company misled clients with false assurances of secure risk management and internal controls. We expect that other pending class action lawsuits will contain similar allegations.

Board and Management Turnover

The Company has experienced high turnover at the board and executive levels. Marcel Ospel, former executive chairman of the board, decided not to stand for re-election at last year's annual meeting following the resignation of several other executives. Mr. Ospel was replaced by Peter Kurer at the 2008 annual meeting, but he has also decided not to stand for re-election at this year's meeting. Nominee Villiger has been proposed to replace Mr. Kurer as full-time chairman of the board. In addition, Peter Wuffli was replaced by Marcel Rohner as CEO in July 2007, just before the Company revealed that it was expecting losses from the subprime mortgage crisis. In February 2009, Mr. Rohner resigned and was replaced by Oswald Grübel.

We believe that the revolving door of executives and directors may have affected the Company's reputation. However, given that Messrs. Ospel, Wuffli and Rohner were all subjects of criticism regarding their pay, we believe their replacement was likely in the best interest of shareholders. Moreover, as noted in our Proxy Paper on the 2008 annual meeting of shareholders, some shareholders expressed dissatisfaction with the choice of Mr. Kurer, a Company insider, to the role of chairman. We believe that nominating outside candidates for the roles of chairman and CEO should significantly assuage some shareholder concerns regarding these positions.

Other Issues

We note that the board has made a notable effort to nominate new candidates for the board who have considerable relevant experience. Nominees Demaré and Godbehere are designated financial experts, having served as CFOs of major international companies. Ms. Godbehere was appointed as CFO of Northern Rock to lead a financial recover effort following a controversial bailout and restructuring plan. Prior to that, she served as CFO of the Swiss Re Group. Nominee Lehmann is the chief risk officer at Zürich Financial Services AG, a company that has withstood the financial crisis better than most of its peers. Mr. Villiger was the former head of the Swiss Federal Department of Finance. Overall, we find that the candidates selected to fill the vacant board positions bring breadth and depth of experience that should be of encouragement to shareholders.

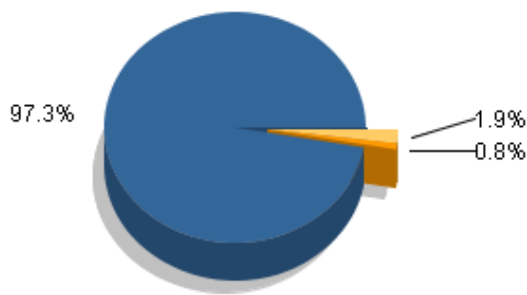
We note that as a result of the resignations of four directors, the compensation and nominating and governance committees consist of less than three members. We believe three members is a generally acceptable minimum for a properly functioning committee. As such, we urge the Company to appoint new independent members to these committees as soon as is practicable following the annual meeting.

Having reviewed the nominees, we do not believe there are substantial issues for shareholder concern. With regard to the abovementioned legal proceedings, we do not believe any of the current nominees should be held accountable for these issues. Only one nominee, Mr. Voser, has served on the board since the Company began experiencing subprime mortgage related losses in 2007. Moreover, the Company has taken substantial steps to recover from its losses, including replacing top executives and reducing the Company's exposure to market risk. As mentioned above, we believe the board has taken positive steps to address shareholder concerns. Additionally, pending the findings of the ongoing investigations against the Company, we do not believe there is sufficient cause at this time to vote against any other directors.

Accordingly, we recommend that shareholders vote **FOR** all nominees.

UBS AG Auditor Fees

- Audit/Audit Related
- Tax
- All Other



This proposal seeks shareholder approval to ratify the appointment of Ernst & Young as the Company's independent auditor for the next fiscal year.

During the last fiscal year, the Company paid Ernst & Young audit fees of CHF 45,848,000 (\$42,950,000), audit-related fees of CHF 18,348,000 (\$17,188,406) and tax fees of CHF 504,000 (\$472,147). All other fees totaled CHF 1,246,000 (\$1,167,252).

Glass Lewis' Analysis

Glass Lewis believes that fees paid to a company's auditor are critical given that excessive non-audit-related fees may threaten the objectivity of the accountants in conducting the audit, as well as their independence from the Company's management.

In this case, having reviewed the breakdown of fees paid to the Company's independent auditor, we believe the fees paid for non-audit-related services are reasonable and that the Company has a track record of disclosing the appropriate information about these services in its filings.

Accordingly, we recommend that shareholders vote **FOR** this proposal.

This proposal seeks shareholder approval to appoint BDO Visura as the Company's special auditor for a further three-year term.

Glass Lewis' Analysis

It is common practice for companies in Switzerland to appoint a special auditor to undertake the audits related to the capital increases included within articles 652f, 653f and 653i of the Swiss Code of Obligations. Due to the fact that these transactions pose a conflict of interest for the Company's primary independent auditor, the Company proposes to appoint a special auditor, in accordance with article 31(3) of the articles of association.

We will generally support management's recommendation regarding the selection of auditors. In this case, we believe that appointing a special auditor in order to comply with the Swiss Code of Obligations as well as to ensure the integrity of the audit is in the best interest of shareholders.

Accordingly, we recommend that shareholders vote **FOR** this proposal.

This proposal seeks shareholder approval to create new conditional capital and add article 4a(5) to the Company's articles of association.

This authority will allow the board to conditionally increase the Company's share capital by up to CHF 10,000,000 (\$9,368,000) through the issuance of up to 100 million new shares. Shares issued pursuant to this authority may only be used to fulfill the Company's obligation to the Swiss National Bank ("SNB"), which holds a convertible warrant issued by the Company as part of a refinancing agreement. The warrant will be exercisable only if SNB incurs a loss on its loan issued to the Company as part of an emergency bailout.

Background of the Convertible Warrant

At an extraordinary general meeting held on November 27, 2008, the Company's shareholders approved a conditional capital increase of CHF 36.5 million (\$31.4 million), representing approximately 12.4% of the Company's issued share capital on that date. Shares issued pursuant to the authority can only be used to fulfill the Company's obligations to the SNB upon exercise of mandatory convertible notes.

As announced on October 16, 2008, the Swiss National Bank ("SNB") and the Company reached an agreement under which the Company would sell up to \$60 billion of illiquid securities and other assets to a newly formed fund controlled by the SNB. The purchase of securities and other assets from the Company by the fund was financed through \$6 billion of mandatory convertible notes ("MCNs") contributed by the Company into the fund and a loan in the maximum amount of \$54 billion provided to the fund by the SNB. The loan is secured by, and repaid exclusively from cash flows from, the fund's assets. The Company will receive from the SNB an option to purchase the equity upon full repayment of the loan for a purchase price of \$1 billion plus half of the equity value exceeding \$1 billion. The loan has an eight year maturity.

Pursuant to the terms of the funding agreement with the SNB, if, upon the fund's termination, the SNB incurs a loss on the loan it has made to the fund, the SNB is entitled to receive up to an additional 100 million shares in the Company. While the board states that it does not believe it will be necessary to issue the additional shares, it believes having access to the shares is prudent in light of the agreement with SNB.

Glass Lewis' Analysis

Pursuant to this proposal, the board will be authorized to issue shares without preemptive rights representing a nominal value of CHF 10,000,000 (\$9,368,000), which is equivalent to 3.4% of the Company's issued share capital as of December 31, 2008.

We note that the dilution to current shareholders will be capped at 3.4%, which we consider reasonable, especially considering the terms of the Company's agreement with the SNB and its capital position. Moreover, given our approval of the financing agreement between the Company and the SNB, as more thoroughly discussed in our Proxy Paper on the November 27, 2008 extraordinary general meeting of shareholders, we believe that approval of this proposal is in shareholders' best

interests.

Accordingly, we recommend that shareholders vote **FOR** this proposal.

This proposal seeks shareholder approval to grant the board the authority to increase the Company's share capital up to a maximum nominal value of CHF 29,325,805 (\$27,472,414), through the issuance of 293,258,050 shares, with or without first offering the securities to existing shareholders on a pro rata basis. If approved, this authority will expire on April 15, 2011 and article 4b(2) will be added to the Company's articles of association.

The board states that shares issued pursuant to this authority may be issued without preemptive rights in consideration for cash contributions in order to develop the Company's capital structure.

Glass Lewis' Analysis

Pursuant to this proposal, the board's authority to issue shares, with or without preemptive rights, will be limited to a nominal value of CHF 29,325,805 (\$27,472,414), which represents approximately 10% of the Company's total issued share capital. We note that the Company does not currently have any other authorized capital authorities for general purposes, such as this one.

We believe that this authority will benefit shareholders by providing the Company with the flexibility to finance operations and future business opportunities. We also note that the dilution to current shareholders will be capped at 10%, which we consider reasonable.

Accordingly, we recommend that shareholders vote **FOR** this proposal.

Disclosure

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