

Extraordinary General Meeting of November 27, 2008

Speech by Peter Kurer, Chairman of the Board of Directors of UBS AG

Check against delivery.

Dear shareholders, ladies and gentlemen,

Our last Extraordinary General Meeting (EGM) took place less than two months ago on October 2, 2008. At that time, we were witnessing an exceptionally dramatic phase of the most serious financial crisis in decades. Numerous respected financial institutions had suddenly ceased to exist within a matter of days. In many countries, massive government intervention was necessary to avert the worst.

On October 2, I told you that in the near term, we would focus on navigating UBS through this very difficult market situation, and I promised to take all appropriate actions for that purpose.

Just two weeks later, the Board of Directors and the Group Executive Board came to the conclusion that state intervention was the right way to safeguard UBS's future as a financial institution and reinforce confidence in the Bank.

Two points were central to this approach:

- First, the turbulence in the financial markets had continued to increase dramatically since the EGM on October 2. The refinancing market, in particular, had deteriorated to such an extent that we, and other banks, were unable to raise more long-term funds. In the days following our general meeting, an increasing number of governments began to intervene with their own rescue packages. This resulted in bank clients shifting an increasing volume of their assets to institutions where their money would be guaranteed by the state. Consequently, UBS faced a situation, which, given future potential developments, inevitably caused great concerns. We had no other choice but to act in order to stabilize the situation.

- Second, the Board of Directors had reached a consensus that we should take anticipatory and prompt action. Over the course of the financial market crisis, we had seen too many institutions in other countries either having to be bailed out at the last minute or, otherwise being left to their fate. Such a scenario needed to be avoided at all costs.

For these two reasons, we concluded that further action was necessary to protect UBS from danger.

We knew that this step would be difficult.

However, we believed – and still do – that taking the step of asking for support from the Swiss government was the responsible thing to do.

By delaying, we could have endangered the future of the bank, its capital, our clients' assets and, not least, the future of Switzerland and its future prosperity.

In our view, this would have been irresponsible, and we had no intention of taking such a risk.

The fact that we were able to avert this risk was thanks, in no small part, to some very forward-looking contingency planning and preparation by the Swiss Confederation and the Swiss National Bank (SNB). Within a short span of time, their groundwork resulted in what we believe is a balanced, solid package of measures.

Observers abroad have applauded this package as an exemplary solution. Above all, it has helped bolster confidence in UBS and the Swiss banking and financial services industry as a whole.

The SNB/federal package comprises two elements:

- a transaction between UBS and the Swiss National Bank and
- an issue of mandatory convertible notes in our bank, placed with the Swiss Confederation

Let me explain these to you in detail.

We have concluded an agreement with the Swiss National Bank which allows for the transfer of up to USD 60 billion of illiquid securities and other assets from UBS's balance sheet to a new fund entity.

This transfer will help to significantly de-risk and materially reduce our balance sheet. In particular, the risk positions connected to the US real estate market will decrease substantially, accounting for a very small figure.

Consequently, we will no longer need to write down any further losses in our balance sheet on assets which have been transferred to this special purpose vehicle. This will significantly reduce uncertainty for our shareholders and clients.

However, this is not simply a case of passing on problems to the Swiss National Bank. Unlike UBS, the SNB does not need to make any balance sheet adjustments to the assets transferred to the fund entity in order to reflect day-to-day market fluctuations. Instead, it can take a long-term approach to them in its accounts. This means the SNB can either hold on to them until maturity, or sell them later when market conditions have improved.

This special purpose vehicle agreed with the SNB will be capitalized with up to USD 6 billion of equity capital – and by this I mean the USD 6 billion that UBS pays to the SNB, and the fact that the SNB capitalizes the special purpose vehicle with the same amount.

A loan from the Swiss National Bank in the maximum amount of USD 54 billion will account for the remaining capital.

For you, our shareholders, the following key point applies: This is a non-recourse loan to UBS. It is secured by the assets of the new fund entity. The fund's equity capital, worth up to USD 6 billion, serves as an additional security for the SNB. The loan will mature in eight years, but the maturity may be extended to 10 or 12 years. If, upon the fund's termination, the SNB incurs a loss on the loan, we will compensate the SNB with up to 100 million of our own shares. We will be able to buy back the equity of the entity, provided the loan is fully repaid, for a price of USD 1 billion plus 50% of the equity value at the time of exercise exceeding USD 1 billion.

The USD 6 billion paid to the SNB for the above-mentioned buyout option will result in a writedown on our balance sheet. Taking into account the option value, this writedown is anticipated to be CHF 4 billion.

In order to maintain a high capital ratio, despite this transaction and the depreciation amount of CHF 4 billion, we decided to raise additional capital totaling CHF 6 billion.

The government announced that, for this purpose, it was prepared to subscribe to an issue of mandatory convertible bonds worth CHF 6 billion.

Due to market conditions, major time pressure and the fact that we have already had two capital injections within a short period, we were unable to find private investors for the extra CHF 6 billion.

The terms and conditions of the mandatory convertible notes for the federal government reflect current market conditions. They are fair to both parties. The notes will be due within 30 months of being issued. The holders of the notes will receive a coupon at a nominal value of 12.5% for the duration of the bonds.

The Board of Directors proposes the creation of conditional capital in the amount of 365 million shares to underpin this loan. This is the reason for today's general meeting.

Ladies and Gentlemen,

This stabilization measure has been the subject of many discussions and reports. I would nevertheless like to mention two points which I consider fundamental:

1. The package, put together with the support of the federal government and the SNB, was not an unavoidable emergency action. It was a preemptive measure taken to restore confidence in the markets. The Federal Council and the Swiss National Bank took considered and targeted action in the midst of the most serious financial crisis in decades. In doing so, they have made a major contribution to the stability of the Swiss financial system and the health of the Swiss economy.

We owe them our gratitude for that.

If the Federal Council and the SNB had stayed out of it, the consequences would have not just been severe for the stability and international competitiveness of the Swiss financial sector; they would have also affected the entire Swiss economy.

2. The contribution by the federal government is not money down the drain or a "gift" to UBS. The government has simply closed a deal with us at attractive conditions.

The credit provided by the Swiss National Bank to the fund entity is also subject to interest at market rates. The fund entity will contain a balanced portfolio of assets and the so-called, "problem positions" have been substantially written down. The national bank is thus well protected against losses through a USD 6 billion capital buffer. The SNB would also receive up to 100 million UBS shares in the event of a loss.

Valued shareholders,

I am well aware of how dramatic the measures are which we took with the Federal Council and the SNB.

And I understand the widespread outrage about them.

However, the SNB and Federal Council, and even UBS, have acted with a deep sense of responsibility to the Swiss economy and our country.

We did the right thing at the right time!

At UBS, this package means additional responsibility for us to the federal government and the Swiss people.

We take this responsibility seriously.

This brings me to my next topic, something which has inflamed anger beyond our national borders and where transparency is vital: compensation in the financial sector.

The main target for criticism has been the variable compensation components, or in other words, bonuses for managers and incentive systems for people who take risks on behalf of the bank.

As I said in my inaugural speech in April, we need to make drastic changes in this area, and we will make them.

As a result of the dramatic events related to bonuses in the financial sector of the past few weeks and the widespread indignation they have prompted, we have sped up and completed our work in this area.

We published a report for you, our shareholders, and the public on November 17, 2008. Please allow me to summarize the key points of that report:

1. We have conducted a comprehensive review of our bank's salary system and have left no stone unturned. The conclusion we came to was that the combination of a fixed compensation component and a variable one is still the best way of compensating UBS staff. The only exception is the Chairman of the Board, who will no longer receive a bonus.

2. To give these measures immediate effect, we decided not to award any bonuses to the Group Executive Board or the Chairman of the Board of Directors in 2008. That applies to me, Mr. Rohner and every member of our executive management.
3. The variable compensation components for the other members of management and employees in 2008 will be a lot lower than originally planned. The funds set aside for bonuses and the entire variable compensation package will be established with the Swiss Federal Banking Commission (SFBC) after the end of the business year. The final package will be subject to approval by the SFBC.
4. From 2009, management salaries will basically have three components:
 - o a fixed component
 - o a variable cash component and
 - o a variable equity component.

The variable cash component will be based on a bonus/malus system whereby no more than a third of the envisaged variable cash amount is paid out immediately. The other two-thirds will be retained. If results are bad in the following year, or if other adverse events occur, the cash account will be debited with a penalty, and the next payment would be reduced accordingly. This blocked account, with its deferred payments comprising two-thirds of the annual variable compensation, will also remain when a manager leaves the bank.

5. The timeframe for the equity program will also be revamped. Shares will remain a part of the variable remuneration. But they will not be transferred to the employee immediately. A three-year holding period will apply. The number of shares that an employee receives will depend not only on how the bank does on an absolute basis – in terms of earnings – but also on a relative basis – how its return on equity compares to other financial services providers. In addition, members of management must hold these shares for a longer period before they may sell them. This will encourage them to act in such a way that they help maintain the bank's profitability each year as well as its long-term stability.
6. The Chairman of the Board of Directors will no longer receive a variable compensation component. In other words, no bonus will be paid to the Chairman. He will receive a fixed remuneration in cash and in a specific number of shares to be set in advance. This measure will help ensure that the Chairman of the Board of Directors can assess the compensation system for the executive board and other senior executives independently of the Chairman's own situation.

7. This compensation system will apply initially to the Group Executive Board. We will introduce it later to other senior executives with some adjustments.
8. We want to give shareholders a greater say in decisions on compensation. Starting with the general meeting in 2009, we will make our decisions on the principles and guidelines for compensation within the framework of a consultative vote.

Shareholders, ladies and gentlemen: These steps make UBS one of the first financial institutions in the world to make far-reaching changes in compensation for leading employees and executives.

I am confident that this move is necessary, and that in the end, the entire financial sector will adapt their remuneration policies to the new social and economic realities.

And we will continue to develop this compensation system going forward. We will also pay close attention to what our peers are doing in terms of compensation, so that we remain an attractive employer.

The general public has also been closely following the issue of whether any bonuses that have been granted will be paid back.

Let me tell you now the measures we have introduced regarding this issue.

We must first review whether there is a legal basis for the repayment of bonuses that have previously been granted. This issue also includes the question of responsibility. We have carried out some preparatory work in this respect: in April of this year, UBS delivered a confidential 800-page report detailing the reasons behind the value adjustments made by our bank to the SFBC. As you know, we published a summary of this report on April 23. The SFBC released its own assessment on October 16. Neither of the reports found any evidence of individual breaches of duty on the part of current or previous senior executives at our bank. The SFBC has stated publicly that it sees no evidence of illegal conduct. If it had, it would have pressed charges. Nevertheless, to ensure full clarity in this matter, the Board of Directors decided to allow another independent investigation into the relevant issues, including the question of whether any lawsuits relating to responsibility should be filed.

To this end, we recently formed a small independent committee within the Board of Directors to review these issues.

This committee is made up exclusively of members of the Board of Directors who joined the Board in 2007 or 2008 – in other words, after the events that formed the basis for the subprime crisis. This committee has asked an external legal expert to draw up a report.

All decisions will be worked out by the independent committee of the Board of Directors, especially the question of whether any lawsuits regarding repayment or responsibility will be filed. The final decisions will then be made exclusively by those members of the Board of Directors who joined in 2007 and 2008.

Although I joined the Board only in 2008, I was a member of the executive board before this time. Therefore, I have decided not to participate in this decision-making process.

The independent committee recently received an interim report from the external legal expert. The committee reported to me that so far, no evidence has emerged that would put the findings of UBS and the SFBC in doubt. Thus, there is currently no actual or legal evidence that would lead one to believe a lawsuit regarding responsibility would be successful against former or present senior executives. The investigation is still underway. We will let you know as soon as the independent committee has finished its report and the Board of Directors has made a final decision.

In addition to the assessment of the legal situation, we have publicly stated that we welcome and encourage the voluntary return of bonuses in specific cases.

- As you have no doubt seen in the media, Peter Wuffli, the former head of the executive board, decided of his own accord not to accept CHF 12 million to which he was contractually entitled.
- The day before yesterday, you learned that three former members of the Board of Directors – Marcel Ospel, Stephan Haeringer and Marco Suter – have returned or waived an additional CHF 33 million.
- Incidentally, a number of other former senior executives decided to waive CHF 22 million in salaries and bonuses, to which they were contractually entitled. We will handle these cases confidentially.

We welcome all these decisions. They have been made in the interest of the bank. I would also like to thank all those who have waived their bonus or salary for their willingness to do so.

A total of approximately CHF 70 million in bonuses has been repaid by executives who have left the bank. Once again, UBS is a leader in this regard, as no other bank has seen so many former top managers agree to forego so much.

It bears repeating that I would very much like to see more bonuses waived or returned in the interest of the bank. I am therefore continuing to hold discussions on this topic.

Let me now turn to some general topics.

One issue that has raised a lot of concerns is the investigation of the US Justice Department and other officials regarding our cross-border banking services for American clients. We have been accused in connection with the cross-border issue of having violated bank-client confidentiality. I want to make it very clear that bank-client confidentiality is an important institution. We do not regard it lightly and we have not violated it. On the other hand, our investigations have uncovered a limited number of cases of tax fraud under both US and Swiss law. Contrary to the idea conjured up in public discussions, bank secrecy is not absolutely valid. It is not there to protect cases of tax fraud. Such an absolute pretence would only damage bank secrecy.

And now to another issue.

Every day we receive letters from shareholders, clients and a wide circle of interested people who want to express their irritation or present recommendations for improvement.

Many of these letters are sent to me directly, and I answer the vast majority of them personally.

I would therefore like to take this opportunity to address some of the concerns raised in the letters I have received.

- Many clients write that they are worried that their investments are not secure enough. I would like to start by saying that I understand their concerns. At the same time, however, I would like to draw their attention to the prompt action UBS has taken in response to the situation and the numerous measures initiated over the past 18 months to keep the bank on track.

The most recent measures, as difficult as they may have been, were also conceived with this one objective in mind: to guarantee security for our clients by eliminating risks on our balance sheet –

and to succeed in this objective like no other bank before us.

Everything we have done until now to manage the financial market crisis has been done with the aim of allaying even the slightest doubt about the security of the money deposited with us. Your assets are secure!

- Clients also occasionally write to me saying that UBS is not prepared to own up to its mistakes. This may have sometimes been the case in the past. But this accusation is no longer justified.
 - We have admitted to our mistakes several times in recent months – and have also apologized for them.
 - We are the only institution in the world to have thus far carried out a broad and in-depth investigation of the reasons behind the losses we incurred in the US real estate market.
 - We have submitted a comprehensive report to the SFBC to this effect and published a summary of the findings on our homepage at www.ubs.com.
 - Finally, we have set in motion a wide range of far-reaching corrective measures. These include thousands of tangible improvement initiatives. A motivated and dedicated team led by a member of the Group Executive Board has been charged with implementing these measures and seeing them through to conclusion.
 - We are making ongoing staff changes.
 - We have reduced our balance sheet by almost CHF 800 billion and dramatically cut back our risk positions.

All this has been done based on the conviction that we need to objectively examine our activities and eliminate any deficiencies as soon as possible in order to facilitate a general cultural change in our bank.

- Some letters have accused us of arrogance and say that we need to get off of our high horse.

This, too, may have had an element of truth in it in the past – at all levels.

But let me reassure you, ladies and gentlemen, there is no room for arrogance in the UBS of today – nor will there be in the UBS of tomorrow.

All of us – the Board of Directors, management and employees – know that we are indebted to you, our clients and our country.

We are working hard to live up to this obligation.

This is true not only of our employees, who – day in and day out – are doing everything they can to meet our clients' needs and requirements. But it also goes for the Board of Directors and management, who are equally committed to steering our ship towards calmer waters.

- Finally, in the letters, repeated criticism is leveled at our communication. We are accused of not providing enough transparency. Although we have always satisfied our legal disclosure obligations, it is true that we should have been even more transparent. There is no doubt about that.

But I can promise you here as well that we are working hard to provide you, our clients and the general public with information that is as comprehensive and transparent as possible and with information that is unparalleled in terms of its abundance and concentration. For example, we must not look any further than the publication of our SFBC report.

We have a competent communications department. For 12 months, they have been working practically around the clock fielding journalists' questions and addressing the issues raised by them. We are in constant contact with analysts and investors through our Investor Relations department.

Our quarterly reporting is also unmatched in terms of its transparency – a fact that is repeatedly confirmed by investors and analysts.

- Some of those who wrote letters reminded us of our role in the real economy and especially of the importance of banks for Switzerland's flourishing small and mid-sized enterprise (SME) industry. I can assure you that this is an important area for us. We have nearly 140,000 corporate clients, most of them SMEs. We have not reduced financing to SMEs and have absolutely no intention of doing so. We are the largest SME financier in Switzerland and recently appointed a special SME delegate, Fulvio Micheletti, whose job it is to look out for the interests of our small and mid-sized enterprises which are so vital to our economy. I can give you my personal assurance that UBS is behind the Swiss economy one hundred percent.

Ladies and gentlemen, we all know what needs to be done to restore the confidence that has been lost: we need to improve transparency, promote fairness, enhance competency and – above all – put ourselves back on the path to success.

We will do everything within our power to do this as quickly as possible and in the broadest possible circles.

We owe this to you, our valued shareholders. But we also owe it to our clients and to the entire country.

Ladies and gentlemen, let me close by saying the following: we find ourselves in extraordinarily difficult times.

The situation has taken a heavy toll.

- On our economy.
- On our political system.
- And on our population – especially the most economically vulnerable portions of it.

This has triggered strong emotions in all of us.

But fear and anger are not going to solve these problems.

We need to keep a cool head.

And – above all – we have to tackle these problems together.

With one another, not against each other. Just like the Federal Council and the SNB have done in the case of UBS.

We, in the Board of Directors and the Group Executive Board, of UBS know that the ball is now in our court. And we are ready and willing to make our contribution.

- In your interests.
- In the interests of our clients.
- In the interests of our employees.
- And in the interests of our entire country and the people who live here, whose future and well-being is dependent on a strong and responsible-minded financial sector.

I call on you to lend us your support.

Thank you.