

SUPPLEMENT NO. 2

**pursuant to §§ 6(2), 16(1) of the Securities Prospectus Act
(Wertpapierprospektgesetz; "WpPG")**

dated 22 December 2008

of

UBS AG

to the

base prospectus

dated 16 June 2008,
as supplemented by a Supplement No. 1 dated 8 August 2008
for the issue of Warrants
(together, the "**Base Prospectus**")

in relation to the

UBS Structured Warrant Programme

Capitalised terms used herein and not otherwise defined in this Supplement No. 2 shall have the same meaning as in the Base Prospectus.

The Base Prospectus (as well as this Supplement thereto) can be ordered free of charge at the offices of the Issuer as well as UBS Deutschland AG, Stephanstrasse 14 – 16, 60313 Frankfurt am Main, Federal Republic of Germany, for a period of twelve months after the publication of the Base Prospectus. In addition, any annual and quarterly reports of UBS AG are published on the UBS website, at www.ubs.com/investors or a successor address.

Application has been made to the BaFin for its approval of this Supplement No. 2. Approval by the BaFin means the positive act at the outcome of the scrutiny of the completeness of this Supplement No. 2 including the consistency of the information given and its comprehensibility. Pursuant to §§ 6(2), 16(1), 14(1) WpPG, this Supplement No. 2 has been filed with the BaFin as the competent authority.

Pursuant to §§ 6(2), 16(1), 14(3) WpPG, the availability for inspection of this Supplement No. 2 at the offices of the Fiscal Agent, UBS AG, Bahnhofstrasse 45, 8001 Zurich, will be announced in the *Börsen-Zeitung*.

In accordance with § 16(3) WpPG, investors who have already submitted purchase orders in relation to Warrants issued under the Programme prior to the publication of this Supplement No. 2 are entitled to withdraw their orders within two days of this Supplement No. 2 having been published provided that no discharge has occurred. A withdrawal, if any, of an order must be communicated in writing to the relevant Issuer at its registered office specified in the address list hereof.

- A. **The Issuer hereby replaces the English language version of the sub-section of the Base Prospectus entitled "Who is the Issuer?" which is part of the English language version of the section of the Base Prospectus entitled "Summary of the Programme (English Version)" with the following text in its entirety:**

"Who is the Issuer?"

Overview

UBS AG (with its subsidiaries, "UBS AG" or "UBS" or the "Issuer") is, according to its own opinion, one of the world's leading financial firms, serving a discerning international client base. UBS is, according to its own opinion, a leading global wealth manager, a leading investment banking and securities firm with a strong institutional and corporate client franchise, one of the largest global asset managers and the market leader in Swiss commercial and retail banking. On 30 September 2008, UBS employed 79,565 people. With headquarters in Zurich and Basel, Switzerland, UBS operates in over 50 countries and from all major international centers.

UBS is, according to its own opinion, one of the best-capitalised financial institutions in the world. On 30 September 2008 the BIS Tier1¹ ratio was 10.8 per cent, invested assets stood at CHF 2,640 billion, equity attributable to UBS shareholders was CHF 46,412 million and market capitalisation was CHF 54,135 million.

The rating agencies Standard & Poor's Inc. ("Standard & Poor's"), Fitch Ratings ("Fitch") and Moody's Investors Service Inc. ("Moody's") have assessed the creditworthiness of UBS, i.e. the ability of UBS to fulfil payment obligations, such as principal or interest payments on long-term loans, also known as debt servicing, in a timely manner. The ratings from Fitch and Standard & Poor's may be attributed a plus or minus sign, and those from Moody's a number. These supplementary attributes indicate the relative position within the respective rating class. Standard & Poor's currently rates UBS's creditworthiness with A+², Fitch with A+³ and Moody's with Aa2.

Corporate Information

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

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

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

UBS shares are listed on the SIX Swiss Exchange and traded through SWX Europe which is majority owned by the SIX Swiss Exchange. They are also listed on the New York Stock Exchange and on the Tokyo Stock Exchange.

¹ Tier 1 capital comprises share capital, share premium, retained earnings including current year profit, foreign currency translation and minority interests less accrued dividends, net long positions in own shares and goodwill.

² On 19 December 2008, Standard & Poor's Rating Services has downgraded the long-term issuer default rating of UBS AG from AA- to A+.

³ On 24 October 2008, Fitch Ratings has downgraded the long-term issuer default rating of UBS AG from AA- to A+.

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

Organisational Structure of the Issuer

The objective of UBS's group structure is to support the business activities of the Company within an efficient legal, tax, supervisory and financial framework. None of the individual divisions of UBS, Global Wealth Management & Business Banking, Global Asset Management, Investment Bank (the "divisions"), nor the Corporate Center are legally independent entities; instead, they perform their activities through the domestic and foreign offices of the parent bank, UBS AG.

Trend Information (Outlook)

UBS expects that the difficult conditions across equity, credit and money markets worldwide seen at the beginning of fourth quarter will continue to affect client's assets, and therefore UBS's fee-earning businesses. Operating expenses will continue to be trimmed where possible, a range of efficiency and personnel reduction programs are already in place to make this happen.

UBS's results for fourth quarter 2008 will include two large accounting effects. Since the announcement of the SNB transaction, credit spreads on UBS's debts have narrowed significantly. If this persists, some or most of the accumulated CHF 4.8 billion own credit gain on liabilities UBS holds at fair value will reverse. In addition, a loss will be recognized in connection with the SNB transaction. A possible reversal of the above mentioned own credit would not affect UBS's tier 1 capital balance and tier 1 ratio. The transfer of assets into the SNB fund, and the loss recognized in connection with the fund, will reduce UBS's risk-weighted assets and UBS' tier 1 capital balance. After the issuance of the MCNs to the Swiss Confederation, the estimated tier 1 capital ratio on 30 September 2008 on a pro forma basis⁴ would have amounted to 11.9 per cent compared with the reported 10.8 per cent.

During these extraordinary times, UBS's priority continues to be the management of its resources, including costs and all elements of risk capital, as strictly as possible while continuing to strive for the level of excellence in products, services and advice that its clients are accustomed to expect.

Administrative, Management and Supervisory Bodies of the Issuer

UBS operates under a strict dual Board structure, as mandated by Swiss banking law. This structure establishes checks and balances and creates an institutional independence of the Board of Directors ("BoD") from the day-to-day management of the firm, for which responsibility is delegated to the Group Executive Board ("GEB"). No member of one Board may be a member of the other.

Auditors

On 23 April 2008, the UBS Annual General Meeting reelected Ernst & Young Ltd., Aeschengraben 9, 4002 Basel, Switzerland, as the Group and statutory auditor in accordance with company law and banking law provisions for a further one-year term. Ernst & Young Ltd., Basel, is a member of the Swiss Institute of Certified Accountants and Tax Consultants based in Zurich, Switzerland. "

⁴ The wording does not refer to Annex 2 of the Commission Regulation (EC) No 809/2004 dated 29 April 2004 (last amended through the Commission Regulation (EC) No 211/2007 dated 27 Februar 2007).

- B. The Issuer hereby replaces the German language version of the sub-section of the Base Prospectus entitled "Wer ist die Emittentin?" which is part of the German language version of the section of the Base Prospectus entitled "Zusammenfassung des Programms (Deutsche Fassung)" with the following text in its entirety:**

"Wer ist die Emittentin?"

Überblick

Die UBS AG (einschließlich ihrer Tochtergesellschaften, "UBS AG" oder "UBS" oder die „Emittentin“) ist nach eigener Einschätzung eines der global führenden Finanzinstitute für internationale anspruchsvolle Kundinnen und Kunden. UBS ist eigenen Angaben zufolge einer weltweit führende Anbieter von Wealth-Management-Dienstleistungen und gehört zu den wichtigsten Investmentbanken und Wertschriftenhäusern mit einer starken Stellung im Geschäft mit institutionellen und Firmenkunden. Sie zählt nach eigener Einschätzung zu den größten Vermögensverwaltern und ist in der Schweiz Marktführer im Geschäft mit Privat- und Firmenkunden. UBS beschäftigte per 30. September 2008 79,565 Mitarbeiter. UBS mit Hauptsitz in Zürich und Basel, Schweiz, ist in mehr als 50 Ländern und an den wichtigsten internationalen Finanzplätzen vertreten.

UBS gehört nach eigener Einschätzung zu den bestkapitalisierten Finanzinstituten der Welt. Am 30. September 2008 betrug die BIZ-Kernkapitalquote (Tier 1)¹ 10.8%, das verwaltete Vermögen belief sich auf CHF 2,640 Mrd. und das UBS-Aktionären zurechenbare Eigenkapital lag bei CHF 46,412 Mio. Die Marktkapitalisierung betrug CHF 54,135 Mio.

Die Rating-Agenturen Standard & Poor's Inc. ("Standard & Poor's"), Fitch Ratings ("Fitch") und Moody's Investors Service Inc. ("Moody's") haben die Bonität von UBS und damit ihre Fähigkeit, Zahlungsverpflichtungen, beispielsweise Tilgungs- und Zinszahlungen (Kapitaldienst) bei langfristigen Krediten, pünktlich nachzukommen, beurteilt und bewertet. Bei Fitch und Standard & Poor's kann die Beurteilung mit Plus- oder Minus-Zeichen, bei Moody's mit Ziffern versehen sein. Diese Zusätze geben Aufschluss über die Beurteilung innerhalb einer Bewertungsstufe. Dabei beurteilt Standard & Poor's die Bonität von UBS aktuell mit A+², Fitch mit A+³ und Moody's mit Aa2.

Unternehmensinformationen

Firma und Name der Emittentin im Geschäftsverkehr ist UBS AG. Die Emittentin wurde am 28. Februar 1978 unter dem Namen SBC AG für unbestimmte Zeit gegründet und an diesem Tag in das Handelsregister des Kantons Basel Stadt eingetragen. Am 8. Dezember 1997 erfolgte die Umfirmierung zu UBS AG. UBS in ihrer jetzigen Form entstand am 29. Juni 1998 durch die Fusion der Schweizerischen Bankgesellschaft (gegründet 1862) und des Schweizerischen Bankvereins (gegründet 1872). UBS ist im Handelsregister des Kantons Zürich und des Kantons Basel Stadt eingetragen. Die Handelsregisternummer lautet CH-270.3.004.646-4.

UBS ist in der Schweiz gegründet und ansässig und unterliegt als Aktiengesellschaft, d.h. als eine Gesellschaft, die Aktien für Investoren begeben hat, dem schweizerischem Obligationenrecht und den schweizerischen bankenrechtlichen Bestimmungen.

¹ Tier-1-Kapital setzt sich zusammen aus Aktienkapital, Kapitalrücklagen, Gewinnrücklagen einschließlich Gewinn des laufenden Jahres, Währungsumrechnung und Minderheitsanteilen abzüglich aufgelaufene Dividende, Nettolongpositionen in eigenen Aktien und Goodwill.

² Am 19. Dezember 2008 hat Standard & Poor's das Langfristrating von UBS von AA- auf A+ herabgestuft.

³ Am 24. Oktober 2008 hat Fitch Ratings das Langfristrating von UBS von AA- auf A+ herabgestuft.

Die Adressen und Telefonnummern der beiden Satzungs- und Verwaltungssitze lauten: Bahnhofstraße 45, 8001 Zürich, Schweiz, Tel. +41-44-234 11 11; und Aeschenvorstadt 1, - 4051 Basel, Schweiz, Tel. +41-61-288 20 20.

Die Aktien von UBS sind an der SIX Swiss Exchange notiert und werden über die SWX Europe, an der die SIX Swiss Exchange die Mehrheit hält, gehandelt. Zudem sind die UBS-Aktien an den Börsen in New York und Tokio notiert.

Gemäß Artikel 2 der Statuten der UBS AG (die "Statuten") ist Geschäftszweck von UBS der Betrieb einer Bank. Ihr Geschäftsportfolio umfasst alle Arten von Bank-, Finanz-, Beratungs-, Dienstleistungs- und Handelsgeschäften im In- und Ausland.

Organisationsstrukturen der Emittentin

Die Konzernstruktur von UBS ist darauf ausgelegt, der Geschäftstätigkeit des Unternehmens einen effizienten rechtlichen, steuerlichen, regulatorischen und finanziellen Rahmen zu geben. Weder die einzelnen Unternehmensbereiche von UBS – Global Wealth Management & Business Banking, Global Asset Management, Investment Bank (die "**Unternehmensbereiche**") – noch das Corporate Center sind rechtlich selbstständige Einheiten; vielmehr agieren sie über die Niederlassungen des Stammhauses, der UBS AG, im In- und Ausland.

Trendinformationen (Ausblick)

UBS rechnet damit, dass die schwierigen Bedingungen an den Aktien-, Kredit- und Geldmärkten, die zu Beginn des vierten Quartals rund um den Globus festzustellen waren, auch weiterhin nachteilige Auswirkungen auf Kundenvermögen und, in weiterer Folge, auf die Gebühreneinnahmen der UBS haben werden. Betriebskosten werden, wo immer dies möglich ist, weiter reduziert. So kommt schon heute eine Reihe von Programmen zur Effizienzsteigerung und für den Stellenabbau zur Anwendung.

Die Ergebnisse der UBS für das vierte Quartal 2008 werden von zwei rechnungslegungsbedingten Effekten maßgeblich beeinflusst werden. Seit Bekanntgabe der Transaktion mit der Schweizerischen Nationalbank (SNB) findet eine deutliche Verengung der Bonitätsspreads in Bezug auf die Verbindlichkeiten der UBS statt. Wenn dieser Trend anhält, wird der kumulierte Gewinn aus der Fair-Value-Bewertung eigener Verbindlichkeiten in Höhe von CHF 4,8 Mrd. entweder teilweise oder mehrheitlich wieder aufgelöst. Darüber hinaus wird UBS in Verbindung mit der SNB-Transaktion einen Verlust ausweisen. Der mögliche Wegfall des oben genannten Gewinns aus der Bewertung von eigenen Krediten würde das Tier-1-Kapital und die Kernkapitalquote (Tier 1) nicht beeinträchtigen. Die Übertragung von Vermögenswerten an die SNB-Zweckgesellschaft und der auf diese bezogene ausgewiesene Verlust wird die risikogewichteten Aktiva und das Tier-1-Kapital von UBS reduzieren. Nach der Ausgabe der MCNs an die Schweizerische Eidgenossenschaft hätte die geschätzte Kernkapitalquote (Tier 1) zum 30. September 2008 auf Pro-forma-Basis⁴ bei 11.9% gelegen, im Vergleich zu den berichteten 10.8%.

Priorität in diesen außergewöhnlichen Zeiten hat für UBS weiterhin die möglichst strenge Verwaltung von Ressourcen – inklusive Kosten und sämtlicher Elemente von Risikokapital. Gleichzeitig sollen Produkte, Dienstleistungen und Beratung auf dem unverändert hohem Niveau angeboten werden, das die Kunden von UBS erwarten und gewohnt sind.

Verwaltungs-, Management-, und Aufsichtsorgane der Emittentin

UBS verfügt auf oberster Stufe über zwei streng getrennte Führungsgremien, wie dies von der schweizerischen Bankengesetzgebung vorgeschrieben ist. Diese Struktur schafft gegenseitige Kontrolle und macht den Verwaltungsrat (der "VR") unabhängig vom Tagesgeschäft der Bank,

⁴ Diese Formulierung bezieht sich nicht auf Anhang 2 der Verordnung (EG) 809/2004 der Kommission vom 29. April 2004 (zuletzt geändert durch die Verordnung (EG) Nr. 211/2007 vom 27. Februar 2007).

für das die Konzernleitung (die "KL") die Verantwortung trägt. Niemand kann Mitglied beider Gremien sein.

Abschlussprüfer

Am 23. April 2008 wurde die Ernst & Young AG, Aeschengraben 9, 4002 Basel, Schweiz, auf der UBS Generalversammlung als Abschlussprüferin der Emittentin und der UBS Gruppe in Übereinstimmung mit den gesellschaftsrechtlichen und bankengesetzlichen Vorgaben für den Zeitraum eines weiteren Jahres wiedergewählt. Ernst & Young AG, Basel, ist Mitglied der Treuhand-Kammer der Schweiz mit Sitz in Zürich, Schweiz."

C. The Issuer hereby replaces the section of the Base Prospectus entitled "Description of the Issuer" with the following text in its entirety:

"Description of the Issuer"

The following description contains general information on UBS AG, Bahnhofstrasse 45, 8001 Zurich, Switzerland, and Aeschenvorstadt 1, 4051 Basel, Switzerland.

Overview

UBS AG (with its subsidiaries, "UBS AG" or "UBS" or the "Issuer") is, according to its own opinion, one of the world's leading financial firms, serving a discerning international client base. UBS is, according to its own opinion, a leading global wealth manager, a leading investment banking and securities firm with a strong institutional and corporate client franchise, one of the largest global asset managers and the market leader in Swiss commercial and retail banking. On 30 September 2008, UBS employed 79,565 people. With headquarters in Zurich and Basel, Switzerland, UBS operates in over 50 countries and from all major international centers.

UBS is, according to its own opinion, one of the best-capitalised financial institutions in the world. On 30 September 2008 the BIS Tier1¹ ratio was 10.8 per cent, invested assets stood at CHF 2,640 billion, equity attributable to UBS shareholders was CHF 46,412 million and market capitalisation was CHF 54,135 million (cf. "Recent Developments" for estimated information as of 30 September 2008).

The rating agencies Standard & Poor's Inc. ("Standard & Poor's"), Fitch Ratings ("Fitch") and Moody's Investors Service Inc. ("Moody's") have assessed the creditworthiness of UBS, i.e. the ability of UBS to fulfil payment obligations, such as principal or interest payments on long-term loans, also known as debt servicing, in a timely manner. The ratings from Fitch and Standard & Poor's may be attributed a plus or minus sign, and those from Moody's a number. These supplementary attributes indicate the relative position within the respective rating class. Standard & Poor's currently rates UBS's creditworthiness with A+², Fitch with A+³ and Moody's with Aa2.

Corporate Information

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

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² On 19 December 2008, Standard & Poor's Rating Services has downgraded the long-term issuer default rating of UBS AG from AA- to A+.

³ On 24 October 2008, Fitch Ratings has downgraded the long-term issuer default rating of UBS AG from AA- to A+.

UBS shares are listed on the SIX Swiss Exchange and traded through SWX Europe which is majority owned by the SIX Swiss Exchange. They are also listed on the New York Stock Exchange and on the Tokyo Stock Exchange.

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

Business Overview

Divisions and Corporate Center

UBS comprises three divisions and a Corporate Center, each of which is described below. A full description of their strategies, structure, organisation, products, services and markets can be found in the Annual Report 2007 of UBS AG, 1 Strategy, Performance and Responsibility, in the English version on pages A85-A152 (inclusive). See the section "Recent Developments" below for a description of planned changes in the organization and governance of UBS and the effect on the divisions and Corporate Center.

Global Wealth Management & Business Banking

With almost 150 years of experience, the global wealth management business provides a comprehensive range of products and services, individually tailored for wealthy clients around the world. UBS's client advisors provide a full range of wealth management services to clients - from asset management to estate planning and from corporate finance advice to art banking. In the US, the business is, according to UBS's own opinion, one of the leading wealth managers. Business Banking Switzerland is, according to UBS's own opinion, the market leader in Switzerland, providing a complete set of banking and securities services for individual and corporate clients.

Global Asset Management

The Global Asset Management business is, according to UBS's own opinion, one of the world's leading investment managers, providing traditional and alternative and real estate investment solutions to private, institutional and corporate clients, and through financial intermediaries. It is, according to UBS's own opinion, one of the largest global institutional asset managers and the largest hedge fund of funds manager in the world. The division is also, according to UBS's own opinion, one of the largest mutual fund managers in Europe and the largest in Switzerland. Global Asset Management has complete independence in investment decision making and operates as a self contained and focused assets management firm.

Investment Bank

UBS's Investment Bank is, according to UBS's own opinion, one of the world's leading investment banking and securities firms, providing a full range of products and services to corporate and institutional clients, governments, financial intermediaries and alternative asset managers. Its investment bankers, salespeople and research analysts, supported by its risk and logistics teams, deliver advice and execution to clients all over the world. The Investment Bank also works with financial sponsors and hedge funds and indirectly meets the needs of private investors through both UBS's own wealth management business and through other private banks.

Corporate Center

The Corporate Center currently includes risk control, financial control, treasury, corporate communications, legal and compliance, human resources, strategy, offshoring and technology functions for the Group.

Competition

UBS faces stiff competition in all business areas. Both in Switzerland and abroad, the Bank competes with asset management companies, commercial, investment and private banks, brokerages and other financial services providers. Competitors include not only local banks, but also global financial institutions, which are similar to UBS in terms of both size and services offered.

In addition, the consolidation trend in the global financial services sector is introducing new competition, which may have a greater impact on prices, as a result of an expanded range of products and services and increased access to capital and growing efficiency.

Recent Developments

- On 2 October 2008, at the UBS Extraordinary General Meeting, shareholders elected Sally Bott, Rainer-Marc Frey, Bruno Gehring and William G. Paret to the Board of Directors.

UBS Shareholders also approved the revised Articles of Association as proposed.

- On 3 October 2008, UBS announced a repositioning of its Investment Bank.

The Investment Bank will reprioritize its business portfolio to preserve its core strengths and client franchises across Equities, IBD (Investment Banking Department) and FICC, while downsizing or exiting certain business activities. This will lead to greater efficiencies and a further reduction in the Investment Bank's headcount and balance sheet.

As part of the repositioning, UBS Investment Bank will reposition its Fixed Income, Currencies and Commodities (FICC) business around client servicing and facilitation. The Investment Bank will exit Commodities (excluding Precious Metals), substantially downsize Real Estate & Securitization and Proprietary Trading and preserve its core Foreign Exchange, Rates and Credit businesses.

The announcement also stated that the Investment Bank will reduce net headcount by an additional 2,000, bringing staffing levels to approximately 17,000 by year-end, a reduction of around 6,000 since the peak in third quarter 2007.

- On 16 October 2008, UBS announced the following measures to de-risk its balance sheet:
 - UBS has transferred up to USD 60 billion of currently illiquid securities and other assets to a newly created fund entity to be controlled by the Swiss National Bank (the "SNB"). UBS capitalized the fund with equity of up to USD 6 billion and the SNB financed the fund with a loan of up to USD 54 billion. UBS contributed USD 6 billion to the equity of the fund, immediately sold its equity interest to the SNB for USD 1, and received an option to repurchase the equity after repayment in full of the SNB loan for USD 1 billion plus half of the equity value exceeding USD 1 billion. Over the next months, UBS will as a result of transfers to the fund reduce to nearly zero its net exposures in the risk categories related to the U.S. real estate and credit market.
 - UBS raised CHF 6 billion of new capital in form of mandatory convertible notes (MCN); the MCN has been fully placed with the Swiss Confederation. The MCN is subject to approval by UBS shareholders who will vote on the creation of the

required conditional capital underlying the MCN at an extraordinary general meeting (EGM) to be held on 27 November 2008.

- On 16 October 2008, UBS announced that, in line with its pre-announcement on 2 October 2008, it recorded a small net profit attributable to its shareholders of CHF 296 million for the third quarter 2008. Group results included a tax credit of CHF 912 million and a gain of CHF 2,207 million on own credit. Disclosed risk concentrations were significantly reduced by USD 13.5 billion, mainly through the sale of assets. UBS estimated its total BIS capital ratio on 30 September 2008 at 14.9% and its Tier 1 ratio at 10.8%.
- On 5 November 2008, UBS further announced the agenda of the extraordinary general meeting (EGM), taking place on 27 November 2008. Sole agenda item was the approval of the above-mentioned MCN, including the creation of the required conditional capital and a related amendment of the articles of association.
- On 12 November 2008, UBS confirmed that Raoul Weil, Chairman and CEO of UBS Global Wealth Management and Business Banking and a member of the Group Executive Board, has been indicted by a Federal grand jury sitting in the Southern District of Florida in connection with the ongoing investigation of UBS's US cross-border business by the United States Department of Justice. Raoul Weil was previously head of UBS Wealth Management International from 2002 to 2007. Mr Weil has determined that, in the interest of the firm and its clients, and in order to defend himself, he will relinquish his duties at this time pending the resolution of this matter. On an interim basis, Marten Hoekstra, currently Deputy CEO of Global Wealth Management & Business Banking and Head of Wealth Management US, will assume Mr Weil's duties.
- On 27 November 2008 UBS shareholders approved the capital raise of CHF 6 billion in form of MCN at an extraordinary general meeting ("EGM").

Organisational Structure of the Issuer

The objective of UBS's group structure is to support the business activities of the Company within an efficient legal, tax, supervisory and financial framework. None of the individual divisions of UBS, Global Wealth Management & Business Banking, Global Asset Management, Investment Bank (the "divisions"), nor the Corporate Center are legally independent entities; instead, they perform their activities through the domestic and foreign offices of the parent bank, UBS AG.

Settlement of transactions through the parent bank allows UBS to fully exploit the advantages generated for all Business Groups through the use of a single legal entity. In cases where it is impossible or inefficient to process transactions via the parent, due to local statutory, tax or supervisory provisions or newly acquired companies, these tasks are performed on location by legally independent group companies. The major subsidiaries are listed in the Annual Report 2007 of UBS AG, 4 Financial Statements, in English, on pages D96-D99 (inclusive).

Trend Information (Outlook)

UBS expects that the difficult conditions across equity, credit and money markets worldwide seen at the beginning of fourth quarter will continue to affect client's assets, and therefore UBS's fee-earning businesses. Operating expenses will continue to be trimmed where possible, a range of efficiency and personnel reduction programs are already in place to make this happen.

UBS's results for fourth quarter 2008 will include two large accounting effects. Since the announcement of the SNB transaction, credit spreads on UBS's debts have narrowed significantly. If this persists, some or most of the accumulated CHF 4.8 billion own credit gain on liabilities UBS holds at fair value will reverse. In addition, a loss will be recognized in connection with the SNB transaction. A possible reversal of the above-mentioned own credit would not

affect UBS's tier 1 capital balance and tier 1 ratio. The transfer of assets into the SNB fund, and the loss recognized in connection with the fund, will reduce UBS's risk-weighted assets and UBS' tier 1 capital balance. After the issuance of the MCNs to the Swiss Confederation (cf. Recent Developments), the estimated tier 1 capital ratio on 30 September 2008 on a pro forma basis⁴ would have amounted to 11.9 per cent compared with the reported 10.8 per cent.

During these extraordinary times, UBS's priority continues to be the management of its resources, including costs and all elements of risk capital, as strictly as possible while continuing to strive for the level of excellence in products, services and advice that its clients are accustomed to expect.

Administrative, Management and Supervisory Bodies of the Issuer

UBS operates under a strict dual Board structure, as mandated by Swiss banking law. This structure establishes checks and balances and creates an institutional independence of the Board of Directors ("BoD") from the day-to-day management of the firm, for which responsibility is delegated to the Group Executive Board ("GEB"). No member of one Board may be a member of the other.

The supervision and control of the executive management remains with the BoD. The Articles of Association and the Organisation Regulations of UBS AG, with their Annexes govern all details as to authorities and responsibilities of the two bodies. Please refer to www.ubs.com/corporate-governance.

The BoD consists of at least six and a maximum of 12 members. The term of office for members of the board is one year⁵.

Details of the Executive Bodies of the Company

Board of Directors of UBS AG

The BoD consists of twelve members:

	Title	Term of office	Position outside UBS AG
Peter Kurer	Chairman	2009	
Sergio Marchionne	Independent Vice Chairman	2010	CEO of Fiat S.p.A, Turin; CFO of Fiat Group Automobiles; Chairman of the board of the Société Générale de Surveillance (SGS) Group, Geneva and Chairman of the board of CNH Global N.V., Amsterdam; member of the Board of Directors of Philip Morris International Inc., New York
Ernesto Bertarelli	Member	2009	Chairman of Kedge Capital Partners Ltd. Jersey; Chairman of Team Alinghi SA, Ecublens (Switzerland); Chairman of Alinghi Holdings Ltd. Jersey; various board mandates in professional organizations of the biotech and pharmaceutical industries

⁴ The wording does not refer to Annex 2 of the Commission Regulation (EC) No 809/2004 dated 29 April 2004 (last amended through the Commission Regulation (EC) No 211/2007 dated 27 Februar 2007).

⁵ At the Annual General Meeting on 23 April 2008 the shareholders reduced the term of office for the members of the BoD from three years to one year. As a result, the new members were elected for one year. For existing members the one-year term starts from the point at which they are re-elected.

Sally Bott	Member	2009	Group Human Resources Director of BP Plc; Member of the Board of Royal College of Music in London; Member of the Board of the Carter Burden Center for the Aged in New York City
Rainer-Marc Frey	Member	2009	Founder & Chairman of Horizon21; Member of the Board of Directors of Diethelm Keller Groups (DKSH); Member of the Advisory Board of Invision Private Equity AG, Zug (Switzerland)
Bruno Gehrig	Member	2009	Chairman of Swiss Life Holding; Vice Chairman of Roche Holding; Chairman of Swiss Air Transport Foundation
Gabrielle Kaufmann-Kohler	Member	2009	Partner at the Lévy Kaufmann-Kohler law firm; Professor of International Private Law at the University of Geneva; member of the American Arbitration Association
Helmut Panke	Member	2010	Member of the Board of Directors of Microsoft Corporation, Redmond, WA (USA); member of the BoD of the American Chamber of Commerce in Germany; member of the International Advisory Board for Dubai International Capital's "Global Strategic Equities Fund"
William G. Parrett	Member	2009	Independent Director, Blackstone Group LP; Independent Director, Eastman Kodak Co.
David Sidwell	Member	2009	Member of the BoD of MSCI Barra Inc.; trustee of the International Accounting Standards Committee Foundation; member of the Advisory Committee of the US Securities and Exchange Commission (SEC)
Peter R. Voser	Member	2009	Chief Financial Officer of Royal Dutch Shell plc, London; member of the BoD of the Federal Auditor Oversight Authority
Joerg Wolle	Member	2009	President and CEO of DKSH (Diethelm Keller Siber Hegner) Holding Ltd., Zurich

Group Executive Board of UBS AG

The GEB consists of twelve members:

Marcel Rohner	Group Chief Executive Officer
John Cryan	Group Chief Financial Officer
Markus U. Diethelm	Group General Counsel
John A. Fraser	Chairman and CEO Global Asset Management
Marten Hoekstra	Deputy CEO, Global Wealth Management & Business Banking and Head of Wealth Management, Americas
Jerker Johansson	Chairman & CEO Investment Bank
Philip Lofts	Group Chief Risk Officer
Walter Stuerzinger	Chief Operating Officer, Corporate Center
Rory Tapner	Chairman and CEO Asia Pacific
Raoul Weil ⁶	Chairman and CEO Global Wealth Management & Business Banking
Alexander Wilmot-Sitwell	Joint Global Head Investment Banking Department, Investment Bank, and Chairman and CEO, Group Europe, Middle East & Africa
Robert Wolf	Chairman and CEO, Group Americas and President and Chief Operating Officer, Investment Bank

No member of the GEB has any significant business interests outside the Bank.

Board of Directors

The BoD is the most senior body of UBS. All the members of the BoD are elected individually by the Annual General Meeting for a term of office of one year. The BoD itself then appoints its Chairman, the Vice Chairmen, the Deputy, the Senior Independent Director and the Chairmen and members of the various BoD Committees (Audit Committee; Corporate Responsibility Committee; Governance and Nominating Committee; Human Resources and Compensation Committee; Risk Committee and Strategy Committee).

The BoD has ultimate responsibility for promoting the success of UBS and delivering sustainable shareholder value within a framework of prudent and effective controls which enables risk to be assessed and managed. The BoD sets UBS's strategic aims, ensures that the necessary financial and human resources are in place for UBS to meet its objectives and reviews management performance. The BoD sets UBS's values and standards and ensures that its obligations to its shareholders and others are met. The BoD's proposal for election of members of the BoD must be such that three quarters of the members will, following election, be independent. While the Chairman does not need to be independent, at least one of the Vice-Chairmen must be. The BoD meets as often as business requires, and at least six times a year.

The business address of the members of the BoD is UBS AG, Bahnhofstrasse 45, CH-8001 Zurich, Switzerland.

Group Executive Board

Under the leadership of the Group CEO, the GEB has executive management responsibility for UBS Group. It assumes overall responsibility for the development of the firm's business strategies and the implementation of approved strategies. All GEB Members are proposed by the Group CEO and the BoD approves the appointments of the Group CEO, the Group CFO, the Group CRO and the Group GC; the HRCC (Human Resources and Compensation Committee) approves all other GEB Members.

⁶ On an interim basis, Mr Weil has relinquished his duties. See Recent Developments.

The business address of the members of the GEB is UBS AG, Bahnhofstrasse 45, CH-8001 Zurich, Switzerland.

Conflicts of interest

Members of the BoD and GEB may act as directors or executive officers of other companies (please see above under "Details of the Executive Bodies of the Company") and may have economic or other private interests that differ from those of UBS. Potential conflicts of interest may arise from these positions or interests. UBS is confident that its internal corporate governance practices and its compliance with relevant legal and regulatory provisions reasonably ensure that any conflicts of interest of the type described above are appropriately managed, including disclosure when appropriate.

Auditors

On 23 April 2008, the UBS Annual General Meeting reelected Ernst & Young Ltd., Aeschengraben 9, 4002 Basel, Switzerland, as the Group and statutory auditor in accordance with company law and banking law provisions for a further one-year term. Ernst & Young Ltd., Basel, is a member of the Swiss Institute of Certified Accountants and Tax Consultants based in Zurich, Switzerland.

Major Shareholders of the Issuer

The ownership of UBS shares is broadly dispersed. As at 30 June 2008, Chase Nominees Ltd., London, was registered with a 7.35 per cent holding (31 December 2007: 7.99 per cent, 31 December 2006: 8.81 per cent) of total share capital held in trust for other investors. As at 30 June 2008, the US securities clearing organisation DTC (Cede & Co.) New York, "The Depository Trust Company", held 11.27 per cent (31 December 2007: 14.15 per cent, 31 December 2006: 13.21 per cent) of total share capital in trust for other beneficiaries. As of 25 June 2008, Credit Suisse Group held acquisition positions relating to shares of UBS AG which corresponds to less than 3 % of the total share capital of UBS AG.

Pursuant to UBS provisions on registering shares, the voting rights of nominees are limited to 5 per cent. This regulation does not apply to securities clearing and settlement organisations. No other shareholder was registered with a holding in excess of 3 per cent of all voting rights. Only shareholders registered in the share register as shareholders with voting rights are entitled to exercise voting rights.

As of 26 November 2008, UBS held acquisition positions relating to 120,122,156 shares of UBS AG which corresponds to 4.10 % of the total share capital of UBS AG. These positions comprised 102,618,326 shares (3.50%) and 748,415 call options or other acquisition rights relating to 17,503,830 shares (0.60%).

At the same time UBS had disposal positions relating to 909,423,311 shares of UBS AG, corresponding to 31.01 % of the total share capital of UBS AG. These positions comprised 3,346,649 employee options relating to 4,466,051 shares (0.15%) and 719,936,493 acquisition and conversion rights granted to third parties relating to 904,957,260 shares (30.86%), including the number of shares of UBS AG to be issued upon the future conversion of (i) the Mandatory Convertible Notes issued in March 2008 to the Government of Singapore Investment Corporation Pte. Ltd, Singapore, and an investor from the Middle East, and (ii) the Mandatory Convertible Notes issued in December 2008 to the Swiss Confederation. As of 15 July 2008, the Government of Singapore Investment Corporation Pte. Ltd reported in a filing with the US Securities and Exchange Commission that it held 240,223,963 UBS shares, including 228,832,951 shares to be received upon conversion of the MCNs. As of 26 November 2008, the Swiss Confederation held acquisition positions relating to 329,447,681 shares of UBS AG.

Further details on the distribution of UBS shares, the number of registered and non-registered securities, voting rights as well as distribution by shareholder categories and geographical regions can be found in the Annual Report 2007 of UBS AG, 3 Corporate Governance and Compensation Report, in English, on pages C5-C6 (inclusive and on the website of UBS AG (http://www.ubs.com/1/e/investors/shareholder_details/distribution.html)).

Financial Information concerning the Issuer's Assets and Liabilities, Financial Position and Profits and Losses

A description of the Issuer's assets and liabilities, financial position and profits and losses is available in the Financial Report of the Issuer for financial year 2006 in the Annual Report 2007 of UBS AG, 4 Financial Statements for financial year 2007, in English, which were restated on 14 April 2008 (see (iv) below). In this context, the Issuer's fiscal year equals the calendar year.

In the case of financial year 2006 reference is made to

- (i) the Financial Statements of UBS AG (Group), in particular to the Income Statement of UBS AG (Group) on page 82, the Balance Sheet of UBS AG (Group) on page 83, to the Statement of Cash Flows of the UBS AG (Group) on pages 86 - 87 (inclusive) and to the Notes to the Financial Statements on pages 88 - 214 (inclusive), and
- (ii) the Financial Statements of UBS AG (Parent Bank), in particular to the Income Statement of UBS AG (Parent Bank) on page 218, the Balance Sheet of UBS AG (Parent Bank) on page 219, to the Statement of Appropriation of Retained Earnings of UBS AG (Parent Bank) on page 220, to the Notes to the Financial Statements on page 221 – 225 (inclusive) and to the Parent Bank Review on page 217, and
- (iii) the sections entitled "Accounting Standards and Policies" on pages 67 - 72 (inclusive) in the Financial Report 2006.

In the case of financial year 2007 reference is made to

- (i) the Financial Statements of UBS AG (Group), in particular to the Income Statement of UBS AG (Group) on page D18, the Balance Sheet of UBS AG (Group) on page D19, to the Statement of Cash Flows of the UBS AG (Group) on pages D23 - D24 (inclusive) and to the Notes to the Financial Statements on pages D25 - D120 (inclusive), and
- (ii) the Financial Statements of UBS AG (Parent Bank), in particular to the Income Statement of UBS AG (Parent Bank) on page D125, the Balance Sheet of UBS AG (Parent Bank) on page D126, to the Statement of Appropriation of Retained Earnings of UBS AG (Parent Bank) on page D127, to the Notes to the Financial Statements on page D128 and to the Parent Bank Review on page D124, and
- (iii) the sections entitled "Accounting Standards and Policies" on pages D3 - D8 (inclusive) in the Annual Report 2007 of UBS AG, 4 Financial Statements.
- (iv) In January 2008, the International Accounting Standards Board (IASB) issued an amendment to IFRS 2 Share-based Payment. The amended standard, entitled IFRS 2 Sharebased Payment: Vesting Conditions and Cancellations, is effective 1 January 2009 (early adoption permitted). The new standard clarifies the definition of vesting conditions and the accounting treatment of cancellations. UBS has early adopted this amended standard as of 1 January 2008. Under the amended standard, UBS is required to distinguish between vesting conditions (such as service and performance conditions) and non-vesting conditions. The amended standard no longer considers vesting conditions to include certain non-compete provisions and transfer restrictions. Prior to adopting this amendment, UBS treated non-compete provisions as vesting conditions. The impact of this change will be that, from 1 January 2008, most of UBS's share and certain option awards will be expensed in the performance year rather than over the period through which the non-compete conditions are applicable. Restrictions remaining effective after the employee becomes entitled to the share-based award will be considered when determining grant date fair value. Following adoption of this amendment, UBS has fully restated the two comparative prior years (2006 and 2007). The effect of the restatement on the opening balance at 1 January 2006 was as follows: reduction of retained earnings by approximately CHF 2.2 billion, increase of share premium by approximately CHF 2.3 billion, increase of liabilities (including deferred tax liabilities) by approximately CHF 0.3

billion, and increase of deferred tax assets by approximately CHF 0.4 billion. Additional compensation expense of approximately CHF 800 million and approximately CHF 500 million was recognized in 2007 and 2006, respectively. The additional compensation expense is attributable to the acceleration of expense related to share-based awards which contain non-compete provisions and transfer restrictions that no longer qualify as vesting conditions under the Standard. The additional compensation expense of approximately CHF 800 million for 2007 includes awards granted in 2008 for the performance year 2007.

Reference is also made to the Consolidated Financial Statements (restated) of UBS AG for the financial year 2007, in particular the Income Statement of UBS AG (Group) on page F-31, the Balance Sheet of UBS AG (Group) on page F-32, (iii) the Statement of Cash Flows of UBS AG (Group) on pages F-37 - F-38 (inclusive) and the Notes to the Financial Statements on pages page F-39 - F-139 (inclusive).

All relevant financial information including the relevant notes thereto, contained therein and audited by the UBS auditor, form an integral component of this document, and are therefore fully incorporated in this document.

The financial reports form an essential part of UBS's reporting. They include the audited Consolidated Financial Statements of UBS, prepared in accordance with International Financial Reporting Standards ("IFRS") and the audited financial statements of UBS AG, prepared according to Swiss banking law provisions. The financial reports also include discussions and analyses of the financial and business results of UBS and its divisions, as well as certain additional disclosures required under Swiss and US regulations.

The financial statements for UBS AG (Group) and its subsidiaries as well as for UBS AG (Parent Bank) were audited by Ernst & Young Ltd., Basel, for financial years 2006 and 2007. The "Report of the Statutory Auditors" of the UBS AG (Parent Bank) can be found on page 226 of the Financial Reports for 2006 and on page D140 of the Annual Report 2007 of UBS AG, 4 Financial Statements. The "Report of the Group Auditors" of the UBS AG (Group) can be found on pages 80 – 81 (inclusive) of the Financial Reports for 2006 and on page D16 - D17 (inclusive) of the Annual Report 2007 of UBS AG, 4 Financial Statements, and on page F-29 – F-30 (inclusive) of the Consolidated Financial Statements (restated) of UBS AG for the financial year 2007.

Reference is also made to the English version of UBS's quarterly report for the third quarter 2008, which includes information on the current financial condition and results of operation of UBS. The information contained in this report as of 30 September 2008 was not audited by UBS's auditor.

Legal and Arbitration Proceedings

UBS Group operates in a legal and regulatory environment that exposes them to potentially significant litigation risks. As a result, UBS is involved in various disputes and legal proceedings, including litigation, arbitration, and regulatory and criminal investigations. Such cases are subject to many uncertainties, and their outcome is often difficult to predict, particularly in the earlier stages of a case. In certain circumstances, to avoid the expense and distraction of legal proceedings, UBS may, based on a cost-benefit analysis enter a settlement even though UBS denies any wrongdoing. UBS Group makes provisions for cases brought against it only when after seeking legal advice, in the opinion of management, it is probable that a liability exists, and the amount can be reasonably estimated. No provision is made for claims asserted against the Group that in the opinion of management are without merit and where it is not likely that UBS will be found liable.

Within the last 12 months until the date of this document, UBS has been involved in the following material legal proceedings:

- (a) Tax Shelter Investigation: In connection with a criminal investigation of tax shelters, the United States Attorney's Office for the Southern District of New York ("US Attorney's Office") is examining UBS's conduct in relation to certain tax oriented transactions in

which UBS and others engaged during the years 1996-2000. Some of these transactions were the subject of the Deferred Prosecution Agreement which the accounting firm KPMG LLP entered into with the US Attorney's Office in August 2005, and are at issue in United States v. Stein, S1 05 Cr. 888 (LAK). UBS is cooperating in the government's investigation and may be asked to provide witnesses and evidence at the October 2008 trial of 4 defendants who formerly worked for KPMG.

- (b) **Municipal Bond:** In November 2006, UBS and others received subpoenas from the US Department of Justice, Antitrust Division, and the US Securities and Exchange Commission (SEC) relating to derivative transactions entered into with municipal bond issuers and to the investment of proceeds of municipal bond issuances. Both investigations are ongoing, and UBS is cooperating. In the SEC investigation, on 4 February 2008, UBS received a "Wells notice" advising that the SEC staff is considering recommending that the SEC bring a civil action against UBS AG in connection with the bidding of various financial instruments associated with municipal securities. Under the SEC's Wells process, UBS will have the opportunity to set forth reasons of law, policy or fact why such an action should not be brought. At the regulators' request, UBS is providing additional information concerning third-party broker fees paid in connection with institutional swaps.
- (c) **HealthSouth:** UBS is defending itself in two purported securities class actions brought in the US District Court of the Northern District of Alabama by holders of stock and bonds in HealthSouth Corp. In October 2008, UBS agreed to settle a derivative action brought on behalf of HealthSouth in Alabama State Court. The settlement is subject to court approval. Due to existing insurance coverage and provisions recognized in 2004 the settlement will have no impact on UBS's financial results in 2008.
- (d) **Parmalat:** UBS is involved in a number of proceedings in Italy related to the bankruptcy of Parmalat. In Milan, one current and one former UBS employee are the subject of criminal proceedings. UBS Limited also faces an administrative charge in relation to these criminal charges against the individuals. This charge relates to the complaint that UBS Limited did not adopt an appropriate Italian Business Organization Model. UBS AG and UBS Limited are defendants in civil actions brought by Parmalat investors in parallel with these criminal proceedings. Furthermore, two current and two former UBS employees (two of whom are the defendants in Milan) are defendants in relation to criminal proceedings in Parma. Civil claims have also been recently filed in parallel with the criminal proceedings by Parmalat investors against the individuals, UBS AG and UBS Limited. UBS AG and UBS Limited deny the allegations made against them and against the individuals in the matters and are defending themselves. In June 2008, UBS settled all civil claims brought by Parmalat (and Mr Enrico Bondi) against UBS, including clawback proceedings against UBS Limited in connection with a structured finance transaction, two civil damages claims brought by Parmalat and civil actions against the individuals and UBS Limited brought in parallel with the criminal proceedings in Parma. UBS, along with other international banks, is also in on-going settlement negotiations with the retail Parmalat investors who have brought civil claims against UBS in both Milan and Parma. On 3 October 2008, UBS Limited and the one current and one former UBS employee submitted requests to the Milan court for plea bargains in the Milan criminal proceedings without admitting liability or guilt. If the court approves the plea bargain requests UBS Limited will receive a fine and an asset confiscation of below EUR 1 million each.
- (e) **Auction Rate Securities:** UBS was sued by three state regulatory authorities and was the subject of investigations by the US Securities and Exchange Commission ("SEC") and other regulators, including a number of state regulators and the US Attorney for the District of New Hampshire, relating to the marketing and sale of Auction Rate Securities ("ARS") to clients and to UBS's role and participation in ARS auctions. UBS also has been named in several putative class actions and individual civil suits and a large number of individual arbitrations. The regulatory actions and investigations and the class actions followed the disruption in the markets for these securities and related auction failures since mid-February 2008. Plaintiffs and the regulators are generally seeking rescission,

i.e., for UBS to purchase their ARS at par value, as well as compensatory damages, disgorgement of profits and in some cases penalties. In May 2008, UBS entered into a settlement with the Massachusetts Attorney General in which UBS agreed to buy back USD 36 million in auction rate securities that had been sold to general purpose municipal accounts but were impermissible for those accounts. On 8 August 2008, UBS entered into settlements in principle with the SEC, the New York Attorney General (“NYAG”) and other state agencies represented by the North American Securities Administrators Association (“NASAA”), including the Massachusetts Securities Division (“MSD”), whereby UBS agreed to offer to buy back ARS from eligible customers within certain time frames, and to pay penalties of USD 150 million (USD 75 million to the NYAG, USD 75 million to the other states). On 2 October 2008, UBS finalized its settlement with the Massachusetts Securities Division, and is continuing to finalize agreements with the other regulators. UBS’s offer to purchase back ARS was done by a registered securities offering effective 7 October 2008. UBS’s settlement is largely in line with similar industry regulatory settlements; however, UBS is the only firm of its major competitors that offered to purchase ARS from institutional clients before a date certain. UBS’s settlement with the SEC and MSD require UBS to offer to buy eligible ARS from eligible institutional clients by no later than 30 June 2010. Settlements with the other NASAA states will likely follow the same format. The NYAG term sheet (not yet finalized) does not reference a date certain, but contains language similar to other industry settlements requiring that UBS make “best efforts” to provide liquidity solutions for institutional investors. The NYAG and SEC continue to investigate individuals affiliated with UBS who traded in ARS or who had responsibility for disclosures. On 7 October 2008, the NYAG announced a settlement with former Investment Bank Global General Counsel relating to his trading of ARS allegedly in violation of New York’s Martin Act. The former Investment Bank Global General Counsel neither admitted nor denied the state’s allegations, but agreed to certain penalties and sanctions.

- (f) US Cross-Border: UBS AG has been responding to a number of governmental inquiries and investigations relating to its cross-border private banking services to US private clients during the years 2000–2007. In particular, the US Department of Justice (“DOJ”) is examining whether certain US clients sought, with the assistance of UBS client advisors, to evade their US tax obligations by avoiding restrictions on their securities investments imposed by the Qualified Intermediary agreement (“QIA”) UBS entered into with the US Internal Revenue Service (“IRS”) in 2001. DOJ and IRS are also examining whether UBS AG has been compliant with withholding obligations in relation to sales of non-US securities under the so-called Deemed Sales and Paid In US tax regulations. In connection with DOJ’s investigation, a senior UBS employee was detained by US authorities as a “material witness”. In August, after his status as a witness had been resolved, the senior employee returned to Switzerland. On 19 June 2008, a former UBS AG client advisor pleaded guilty to one count of conspiracy to defraud the United States and the IRS in connection with providing investment and other services to a US person who is alleged to have evaded US income taxes on income earned on assets maintained in, among other places, a former UBS AG account in Switzerland. The sentencing hearing is currently scheduled for 8 January 2009. The IRS has submitted legal and administrative assistance requests seeking information relating to US clients of UBS AG to

the competent Swiss authorities. UBS is addressing these requests with both Swiss and US government authorities within the legal framework for intergovernmental cooperation and assistance established between Switzerland and the US. The IRS has also issued a civil summons and the District Attorney for the County of New York has issued a request for information located in the US concerning UBS’s cross-border business, including any information located in the US relating to clients of that business. Further, the IRS has delivered to UBS AG a notice concerning alleged violations of the QIA which UBS is responding to under the applicable cure process. The SEC is examining whether Swiss-based UBS client advisors engaged in activities in relation to their US domiciled clients that triggered an obligation for UBS Switzerland to register with the SEC as a broker-dealer and / or investment adviser. Finally, the Swiss Federal Banking Commission is investigating UBS’s cross-border servicing of US private clients under Swiss Banking

Supervisory legislation. The investigations are also focused on the management supervision and control of the US crossborder business and the practices at issue. UBS has been working to respond in an appropriate and responsible manner to all of these investigations in an effort to achieve a satisfactory resolution of these matters. As announced on 17 July 2008, UBS will no longer provide securities and banking services to US resident private clients (including non-operating entities with US beneficiaries) except through its SEC-registered affiliates. In addition, UBS is implementing steps to strengthen its overall Qualified Intermediary compliance framework.

- (g) Sub-prime Related Matters: UBS is responding to a number of governmental inquiries and investigations, and is involved in a number of litigations, arbitration and disputes, related to the sub-prime crisis, sub-prime securities, and structured transactions involving sub-prime securities. These matters concern, among other things, UBS's valuations, disclosures, writedowns, underwriting, and contractual obligations. In particular, UBS has been in regular communication with, and responding to inquiries by, its home country consolidated regulator, the Swiss Federal Banking Commission ("SFBC"), as well as the United States Securities and Exchange Commission ("SEC") and the United States Attorney's Office for the Eastern District of New York ("USAO"), regarding some of these issues and others, including the role of internal control units, governance and processes around risk control and valuation of sub-prime instruments, compliance with public disclosure rules, and the business rationales for the launching and the reintegration of DRCM. Most recently, UBS has provided information to the SEC about its first quarter 2008 writedowns and the sale of assets to a fund managed by BlackRock. While the SFBC has concluded its investigation in October 2008, the investigation by the SEC and the USAO are ongoing. In addition, a putative class action was filed against UBS and a number of senior directors and officers in the Southern District of New York alleging securities fraud in connection with the firm's valuations and disclosures relating to sub-prime and asset-backed securities. UBS and a number of senior officers and directors have also been sued in a putative class action brought on behalf of holders of UBS ERISA retirement plans in which there were purchases of UBS stock. Both class actions are in very early stages.

Besides the proceedings specified above under (a) through (g) no governmental, legal or arbitration proceedings, which may significantly affect the Issuer's financial condition (as opposed to the operating results in the quarterly reporting period) are or have been pending, nor is the Issuer aware that any such governmental, legal or arbitration proceedings are threatened.

Significant Changes in the Financial Situation of the Issuer

Since the end of the 3rd quarter on 30 September 2008, covered by the 3rd quarter report of UBS AG (not audited), the following changes occurred or are planned to occur:

- On 2 October 2008, at the UBS Extraordinary General Meeting, shareholders elected Sally Bott, Rainer-Marc Frey, Bruno Gehring and William G. Paret to the Board of Directors.

UBS Shareholders also approved the revised Articles of Association as proposed.
- On 3 October 2008, UBS announced a repositioning of its Investment Bank.
- The Investment Bank will reprioritize its business portfolio to preserve its core strengths and client franchises across Equities, IBD (Investment Banking Department) and FICC, while downsizing or exiting certain business activities. This will lead to greater efficiencies and a further reduction in the Investment Bank's headcount and balance sheet.
- As part of the repositioning, UBS Investment Bank will reposition its Fixed Income, Currencies and Commodities (FICC) business around client servicing and facilitation. The Investment Bank will exit Commodities (excluding Precious Metals), substantially downsize Real Estate & Securitization and Proprietary Trading and preserve its core Foreign Exchange, Rates and Credit businesses.

The announcement also stated that the Investment Bank will reduce net headcount by an additional 2,000, bringing staffing levels to approximately 17,000 by year-end, a reduction of around 6,000 since the peak in third quarter 2007.

- On 16 October 2008, UBS announced the following measures to de-risk its balance sheet:
 - UBS has transferred up to USD 60 billion of currently illiquid securities and other assets to a newly created fund entity to be controlled by the Swiss National Bank (the "SNB"). UBS capitalized the fund with equity of up to USD 6 billion and the SNB financed the fund with a loan of up to USD 54 billion. UBS contributed USD 6 billion to the equity of the fund, immediately sold its equity interest to the SNB for USD 1, and received an option to repurchase the equity after repayment in full of the SNB loan for USD 1 billion plus half of the equity value exceeding USD 1 billion. Over the next months, UBS will as a result of transfers to the fund reduce to nearly zero its net exposures in the risk categories related to the U.S. real estate and credit market.
 - UBS raised CHF 6 billion of new capital in form of mandatory convertible notes (MCN); the MCN has been fully placed with the Swiss Confederation. The MCN is subject to approval by UBS shareholders who will vote on the creation of the required conditional capital underlying the MCN at an extraordinary general meeting (EGM) to be held on 27 November 2008.
- On 16 October 2008, UBS announced that, in line with its pre-announcement on 2 October 2008, it recorded a small net profit attributable to its shareholders of CHF 296 million for the third quarter 2008. Group results included a tax credit of CHF 912 million and a gain of CHF 2,207 million on own credit. Disclosed risk concentrations were significantly reduced by USD 13.5 billion, mainly through the sale of assets. UBS estimated its total BIS capital ratio on 30 September 2008 at 14.9% and its Tier 1 ratio at 10.8%.
- On 5 November 2008, UBS further announced the agenda of the extraordinary general meeting (EGM), taking place on 27 November 2008. The sole agenda item was the approval of the above-mentioned MCN, including the creation of the required conditional capital and a related amendment of the articles of association.
- On 12 November 2008, UBS confirmed that Raoul Weil, Chairman and CEO of UBS Global Wealth Management and Business Banking and a member of the Group Executive Board, has been indicted by a Federal grand jury sitting in the Southern District of Florida in connection with the ongoing investigation of UBS's US cross-border business by the United States Department of Justice. Raoul Weil was previously head of UBS Wealth Management International from 2002 to 2007. Mr Weil has determined that, in the interest of the firm and its clients, and in order to defend himself, he will relinquish his duties at this time pending the resolution of this matter. On an interim basis, Marten Hoekstra, currently Deputy CEO of Global Wealth Management & Business Banking and Head of Wealth Management US, will assume Mr Weil's duties.
- On 27 November 2008 UBS shareholders approved the capital raise of CHF 6 billion in form of MCN at an extraordinary general meeting ("EGM").

Apart from the above-mentioned, there has been no material adverse change in UBS's financial or trading position since the end of the 3rd quarter on 30 September 2008, covered by the 3rd quarter report of UBS AG (not audited).

Material Contracts

No material agreements have been concluded outside of the normal course of business which could lead to UBS being subjected to an obligation or obtaining a right, which would be of key

significance to the Issuer's ability to meet its obligations to the investors in relation to the issued securities.

Documents on Display

The Annual Report of UBS AG as at 31 December 2006, comprising (i) the Annual Review 2006, (ii) the Handbook 2006/2007 and (iii) the Financial Report 2006 (including the "Report of the Group Auditors" and the "Report of the Statutory Auditors"); the Annual Report of UBS AG as at 31 December 2007, comprising (i) the Review 2007, (ii) 1 Strategy, Performance and Responsibility, (iii) 2 Risk, Treasury and Capital Management, (iv) 3 Corporate Governance and Compensation Report, (v) 4 Financial Statements (including the "Report of the Group Auditors" and the "Report of the Statutory Auditors"); the Consolidated Financial Statements (restated) of UBS AG for the financial year 2007 (including the "Report of the Group Auditors"), published in the securities prospectus dated 23 May 2008 for the Offering of 760,295,181 Registered Shares of UBS AG; the 1st, 2nd and 3rd quarter report of UBS AG; and The Articles of Association of UBS AG Zurich/Basel, as the Issuer, shall be maintained in printed format, for free distribution, at the offices of the Issuer as well as at UBS Deutschland AG, Stephanstrasse 14 - 16, 60313 Frankfurt am Main, Federal Republic of Germany, for a period of twelve months after the publication of this document. In addition, the annual and quarterly reports of UBS AG are published on the UBS website, at www.ubs.com/investors or a successor address."

D. The Issuer hereby supplements the section of the Base Prospectus entitled "General Information", as follows:

The sub-section entitled "Availability of the Prospectus and Other Documents", on pages 444 through 445 of the Base Prospectus will be supplemented by the following text:

"(i) a copy of the Quarterly Report of UBS AG as of 30 June 2008.

(j) a copy of the Quarterly Report of UBS AG as of 30 September 2008.

Copies of the documents referred to under (a) through (j) above and information which refers to sources such as Bloomberg shall also be maintained in printed format, for free distribution, at the offices of the Issuer as well as UBS Deutschland AG, Stephanstrasse 14 - 16, 60313 Frankfurt am Main, Federal Republic of Germany, for a period of twelve months after the publication of this document. In addition, any annual and quarterly reports of UBS AG are published on the UBS website, at "www.ubs.com/investors" or a successor address."

The sub-section entitled "Documents incorporated by Reference", on pages 445 through 446 of the Base Prospectus will be supplemented by the following text:

The UBS's Second Quarter 2008 Report as of 30 June 2008 is incorporated in its entity.
--

The UBS's Third Quarter 2008 Report as of 30 September 2008 is incorporated in its entity.
--

"(e) The Second Quarter 2008 Report as of 30 June 2008 is incorporated by reference into this Base Prospectus and has been deposited with the BaFin in connection with the approval of the Base Prospectus dated 26 August 2008 for the issue of UBS [Capital Protected] [Reverse] [Bonus] [Twin-Win] [Express] [Lock-in] [Basket] [Select] [(Capped)] [Zertifikaten] [Anleihen]. Page Reference: 1 - 92. Page Reference in the Base Prospectus: 446.

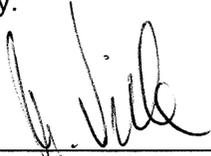
(f) The Third Quarter 2008 Report as of 30 September 2008 is incorporated by reference into this Base Prospectus and has been deposited with the BaFin for approval in connection with the Base Prospectus dated 25 November 2008 for the issue of UBS [Capital Protected] [Discount [PLUS]] [Sprint [PLUS]] [Multibloc] [[Easy] [Outperformance] [Express] [Kick-In] [PLUS] [XL] [Bonus]] [Callable Yield] [Reverse] [Champion] [Express] [(Capped)] Certificates. Page Reference: 1 - 92. Page Reference in the Base Prospectus: 446."

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Signed on behalf of UBS AG on 22 December 2008:

UBS AG

By:



Thomas Viola



Michael Urbaniak

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