

INFORMATION MEMORANDUM



UBS AG

(Incorporated with limited liability in Switzerland)

(acting through its London Branch)

AUD 432,000 6-year AUD 100% Guaranteed Return On Investment Notes due 2014
redemption linked to the performance of a basket of 3 indices

Issue Price as of the Closing Date: 100 per cent.

The AUD 432,000 6-year AUD 100% Guaranteed Return On Investment Notes due 2014 (the “**Notes**”) relating to the performance of a basket of 3 indices (the “**Index**”) with each Note having a denomination of AUD100 were issued by UBS AG (acting through its London Branch) (the “**Issuer**”) on June 3, 2008.

Expressions used in this Information Memorandum shall have the meanings given to them in the conditions of the Notes (the “**Conditions**”) which are set out herein.

Unless previously redeemed or purchased and cancelled as provided in the Conditions, each Note will be redeemed at the Redemption Amount on the Redemption Settlement Date, subject as provided in Condition 4.

The Notes are represented by a Global Security (the “**Global Security**”) which was deposited with a common depositary for Euroclear Bank S.A./N.V. as operator of the Euroclear System (“Euroclear”) and Clearstream Banking, société anonyme (“Clearstream”) on June 3, 2008 (the “**Closing Date**”). Notes in definitive form will not be issued, except in the circumstances described in Condition 2(f). The Notes are in registered form.

Application has been made to admit the Notes to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF market.

Prospective purchasers should carefully consider the risks of an investment in the Notes and be aware that these Notes are only suitable for sophisticated investors who are capable of evaluating and bearing such risks. In particular, prospective purchasers should note that the Notes are 100% principal-protected only if they are redeemed at maturity or mandatorily early redeemed pursuant to the Mandatory Early Redemption provision. If an investor elects to redeem the Notes or the Notes are otherwise early redeemed prior to the Maturity Date they may not receive 100% of the amount invested. See “Risk Factors” for a discussion of certain factors to be considered in connection with an investment in the Notes.

DOCUMENTS INCORPORATED BY REFERENCE.

The unaudited financial statements for the 6-month period ended 30 June 2008 of the Issuer and the following document(s), filed by the Issuer with the United States Securities and Exchange Commission pursuant to Section 13 of the U.S Securities Exchange Act of 1934 (“the Exchange Act”) are incorporated herein by reference: the Annual Report (US Version) as set out in Amendment No.2 of Form 20-F/A for the year ended 31 December 2007 of the Issuer which can be obtained on the Issuer’s website at www.ubs.com and which are also available free of charge at the offices of the Listing Agent.

Dated 9 September 2008

This Information Memorandum may only be used for the purposes for which it is published.

This Information Memorandum includes particulars for the purpose of giving information with regard to the issue by the Issuer of the Notes. The Issuer accepts responsibility for the information contained in this Information Memorandum regarding the Issuer and the Notes. To the best of the knowledge and belief of the Issuer (which has taken all reasonable care to ensure that such is the case) such information is in accordance with the facts and does not omit anything likely to affect the import of such information.

Information provided herein with respect to the Index is taken from publicly available information. Such information has not been independently verified by the Issuer. The Issuer accepts responsibility for the accurate reproduction of such information but neither the Issuer nor any of its Affiliates makes any further representation or warranty relating thereto.

No person is authorised to give any information or to make any representation not contained in this Information Memorandum in connection with the issue and sale of the Notes and any information or representation not contained herein must not be relied upon as having been authorised by or on behalf of the Issuer. Neither the delivery of this Information Memorandum nor any sale made in connection herewith shall, under any circumstances, create any implication that the information herein is correct as at any time subsequent to the date hereof.

Any prospective purchaser of the Notes should consult with its own legal, regulatory, tax, business, investment, financial and accounting advisers to the extent that it deems it necessary and should make its own investment, hedging and trading decisions (including decisions regarding the suitability of this investment) based upon its own judgment and upon advice from such advisers as it deems necessary. The Issuer has not given investment advice or any recommendation. Any purchase of the Notes may involve a high risk of loss. Payments to be made by the Issuer under the Notes are dependent upon the performance of the Index. There exists no guarantee or other protection for holders in respect of the performance of the Index. The Issuer will not owe any person any duties or responsibilities whatsoever except for such duties or responsibilities as are set out in the terms and conditions of the Notes.

*The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”), and have not been and may not be offered or sold within the United States or to, or for the account or benefit of, a U.S. person (as defined herein).*

*The distribution of this Information Memorandum and the offer of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this document comes are required by the Issuer to inform themselves about, and to observe, any such restrictions. In this regard, see further “**Offering and Sale**”.*

*All references in this Information Memorandum to “**USD**” refer to the currency of the United States of America, references to “**CHF**” refer to the currency of Switzerland and references to “**AUD**” refer to the currency of Australia.*

Disclosure

Details of the Notes (including the identity of the Noteholder) may, (1) upon request or order by any competent authority, regulatory or enforcement organisation, governmental or otherwise, including, without limitation, Securities and Futures Bureau of the Financial Supervisory Commission of the ROC, the stock exchange on which the underlying shares are listed, (2) as required by applicable law, rules, regulations, codes or guidelines (whether having the force of law or otherwise), be disclosed in accordance with such request, order, law, rules, regulations, codes or guidelines (whether such disclosure is to be made to third parties or otherwise). By purchasing the Notes, the Noteholder

agrees to such disclosure and releases UBS AG and its subsidiaries and affiliates from any duty of confidentiality owed to it in relation to such information.

Disclaimer

Purchasers and holders of Notes should consult with their own legal, regulatory, tax, business, investment, financial and accounting advisers to the extent that they deem it necessary, and make their own investment, hedging and trading decisions (including decisions regarding the suitability of this investment) based upon their own judgement and upon advice from such advisers as they deem necessary and not upon any view expressed by the Issuer. The Issuer has not given investment advice or any recommendation. Purchase of Notes may involve a high risk of loss. Payments to be made by the Issuer under the Notes are dependent upon the performance of the Index. There exists no guarantee or other protection for the holders of Notes (each a "Holder") in respect of the performance of the Index. The issuer will not owe any person any duties or responsibilities whatsoever except for such duties or responsibilities as are set out in the terms and conditions of the Notes.

Index Disclaimer

These Notes are not in any way sponsored, endorsed or promoted by any Index Sponsors. None of the Index Sponsors makes any warranty or representation whatsoever, express or implied, either as to the results to be obtained as to the use of any Index or the figure as which any Index stands at any particular day or otherwise. Each Index is compiled and calculated solely by the relevant Index Sponsors. However, no Index Sponsors shall be liable to any person for any error in any Index and none of the Index Sponsors shall be under any obligation to advise any person, including a purchase or vendor of these Notes, of any error therein.

In addition, the Index Sponsors give no assurance regarding any modification or change in any methodology used in calculating any Index and is under no obligation to continue the calculation, publication and dissemination of any Index.

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* Formerly known as Nihon Keizai Shimbun, Inc. Name changed on January 1, 2007.

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The Notes are not sponsored, endorsed, sold or promoted by Korea Stock Exchange ("KSE"). KSE makes no representation or warranty, express or implied, to the owners of the Notes or any member of the public regarding the advisability of investing in securities generally or in the Notes particularly or the ability of the KOSPI Indexes to track general stock market performance. KSE's only relationship to the Issuer is the licensing of certain trademarks and trade names of KSE and of the KOSPI Indexes which is determined, composed and calculated by KSE without regard to the Issuer or the Notes. KSE has no obligation to take the needs of the Issuer or the owners of the Notes into consideration in determining, composing or calculating the KOSPI Indexes. KSE is not responsible for and has not participated in the determination of the prices and amount of the Notes or the timing of the issuance or sale of the Notes or in the determination or calculation of the equation by which the Notes are to be converted into cash. KSE has no obligation or liability in connection with the administration, marketing or trading of the Notes.

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RISK FACTORS

The purchase of Notes involves substantial risks and is suitable only for investors who have the knowledge and experience in financial and business matters necessary to enable them to evaluate the risks and the merits of an investment in the Notes. Before making an investment decision, prospective purchasers of Notes should consider carefully, in the light of their own financial circumstances and investment objectives, all the information set forth in this Information Memorandum and, in particular, the considerations set forth below.

Taxation

Each Holder will assume and be solely responsible for any and all taxes of any jurisdiction or governmental or regulatory authority, including, without limitation, any state or local taxes or other like assessment or charges that may be applicable to any payment to it in respect of such Holder's Notes. The Issuer will not pay any additional amounts to Holders to reimburse them for any tax, assessment or charge required to be withheld or deducted from payments in respect of the Notes by the Issuer or the Paying Agent.

Credit Risk

A prospective purchaser of the Notes should have such knowledge and experience in financial and business matters and expertise in assessing credit risk that it is capable of evaluating the merits, risks and suitability of investing in the Notes.

Provision of information

Neither the Issuer nor any of its Affiliates makes any representation as to the credit quality of the Index Sponsors. Any of such persons may have acquired, or during the term of the Notes may acquire, non-public information with respect to the Index Sponsors or the issuers of constituent stocks of the Index. None of such persons is under any obligation to make such information available to Holders.

Business relationships

The Issuer or any of its Affiliates may have existing or future business relationships with the Index Sponsors (including, but not limited to, lending, depositary, risk management, advisory and banking relationships), and will pursue actions and take steps that they deem or it deems necessary or appropriate to protect their or its interests arising therefrom without regard to the consequences for a Holder.

No claim against the Index Sponsors

A Note will not represent a claim against the Index Sponsors and, in the event of any loss, a Holder will not have recourse under a Note to the Index Sponsors.

Legality of purchase

Neither the Issuer nor any of its Affiliates has or assumes responsibility for the lawfulness of the acquisition of the Notes by a prospective purchaser of the Notes, whether under the laws of the jurisdiction of its incorporation or the jurisdiction in which it operates (if different), or for compliance by that prospective purchaser with any law, regulation or regulatory policy applicable to it.

Independent review and advice

Each prospective purchaser of Notes must determine, based on its own independent review and such professional advice as it deems appropriate under the circumstances, that its acquisition of the Notes (i) is fully consistent with its (or if it is acquiring the Notes in a fiduciary capacity, the beneficiary's) financial needs, objectives and condition, (ii) complies and is fully consistent with all investment policies, guidelines and restrictions applicable to it (whether acquiring the Notes as principal or in a fiduciary capacity) and (iii) is a fit, proper and suitable investment for it (or if it is acquiring the Notes in a fiduciary capacity, for the beneficiary), notwithstanding the clear and substantial risks inherent in investing in or holding the Notes.

No reliance

A prospective purchaser may not rely on the Issuer or any of its Affiliates in connection with its determination as to the legality of its acquisition of the Notes or as to the other matters referred to above.

No secondary market

Application has been made to admit the Notes to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF market. However, there can be no assurance that a secondary market in the Notes will develop and no secondary market is expected to develop in respect of the Notes. Moreover, even if a secondary market in the Notes does develop, there can be no assurance that it will continue. Accordingly, the purchase of Notes is suitable only for investors who can bear the risks associated with a lack of liquidity in the Notes and the financial and other risks associated with an investment in the Notes.

PURCHASERS SHOULD BE AWARE THAT UNDER THE CONDITIONS OF THE NOTES THE ISSUER OR ANY AFFILIATE MAY PURCHASE THE NOTES AT ANY TIME. SUCH NOTES MAY BE HELD, RESOLD, OR CANCELLED. PURCHASERS SHOULD NOT THEREFORE MAKE ANY ASSUMPTION AS TO THE NUMBER OF NOTES IN ISSUE AT ANY ONE TIME.

PURCHASERS SHOULD NOTE THAT THE NOTES ARE 100% PRINCIPAL-PROTECTED ONLY IF THEY ARE REDEEMED AT MATURITY OR MANDATORILY EARLY REDEEMED PURSUANT TO THE MANDATORY EARLY REDEMPTION PROVISION. IF AN INVESTOR ELECTS TO REDEEM THE NOTES OR THE NOTES ARE OTHERWISE EARLY REDEEMED PRIOR TO THE MATURITY DATE THEY MAY NOT RECEIVE 100% OF THE AMOUNT INVESTED.

CONDITIONS OF THE NOTES

The following terms and conditions, subject to amendment, have been endorsed on the Global Security:

UBS AG, London Branch as issuer (the “**Issuer**”) has issued AUD 432,000 in principal amount of 6-year AUD 100% Guaranteed Return On Investment Notes due 2014 (redemption linked to the performance of a basket of 3 indices).

TERMS AND CONDITIONS OF THE NOTES

1. Definitions

In these Conditions:

"AUD" means the lawful currency of Australia.

"Business Day" means a day (excluding Saturday and Sunday) on which banks and foreign exchange markets are open for business in Sydney.

"Calculation Agent" means UBS AG, London Branch acting as calculation agent of the Notes.

“Clearing System Business Day” means in respect of the clearance system for security comprised in each Index, any day which such clearance system is scheduled to open for the acceptance and execution of settlement instructions in relation to constituent components of the relevant Index.

"Closing Level" means, in respect of an Index and a Scheduled Trading Day, the official closing level of the Index as published by the relevant Exchange for that day, or if such level is not published for whatever reason, the level of the Index as of the actual closing time of the relevant Exchange on that Scheduled Trading Day in the good faith estimation of the Calculation Agent.

"Coupon Payment Dates" means, in respect of the fixed coupon, December 10, 2008 (the “Fixed Coupon Payment Date”) and, in respect of each Observation Date, the 5th Business Day after that Observation Date currently expected to be June 10, 2009, December 10, 2009, June 10, 2010, December 10, 2010, June 10, 2011, December 12, 2011, June 11, 2012, December 10, 2012, June 10, 2013, December 10, 2013 and June 10, 2014 (each a “Variable Coupon Payment Date”).

"Disrupted Day" means, in respect of an Index, a Scheduled Trading Day on which the relevant Exchange or Related Exchange fails to open for trading during its regular trading session or on which there is during the one hour prior to the actual closing time of the relevant Exchange or Related Exchange, a Trading Disruption or an Exchange Disruption in respect of such Index which is (in the determination of the Calculation Agent) material or the occurrence of Early Closure. If a Disrupted Day occurs in respect of a security included in the Index at any time then the relevant percentage contribution of that security to the level of such Index shall be based on the comparison of (x) the portion of the level of such Index attributable to that security and (y) the overall level of such Index in each case immediately before the occurrence of such Disrupted Day.

"Early Closure" means in respect of an Index, where there is a closure of any relevant Exchange relating to securities that comprise 20 per cent or more of the level of such Index or any Related Exchange prior to its Scheduled Closing Time with less than one hour's (which shall exclude, where relevant, any time period when the relevant Exchange or Related Exchange is closed between the end of the morning trading session and the start of the afternoon trading session) notice prior to the actual

time of closure or the deadline for inputting orders to execute trades at the closing time of the relevant Exchange or Related Exchange.

"Exchange" means The Korea Exchange, Tokyo Stock Exchange, Inc., The Stock Exchange of Hong Kong Limited and their respective successors (if any). The Exchange "relevant" to an Index is the stock exchange(s) on which securities comprising the relevant Index are for the time being listed, traded or publicly quoted, as determined by the Calculation Agent from time to time.

"Exchange Disruption" means in respect of an Index, any event (other than an Early Closure) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general (i) to effect transactions in, or obtain market values for, the shares that comprises 20 per cent or more of the level of such Index on the relevant Exchanges, or (ii) to effect transactions in, or obtain market values for, futures or options contracts relating to such Index on the Related Exchange.

"Fixed Coupon Rate" means 4.25%, without adjustment.

"Indices" means the indices as set out below (and each an "Index"):

Index	Bloomberg Code
Nikkei-225 Index	NKY
Hang Seng Index	HSI
KOSPI 200 Index	KOSPI2

and the "Basket" is comprised of all the above Indices.

"Initial Index Level" means in respect of each Index, the Closing Level of such Index as of June 3, 2008 (the "Initial Determination Date") provided that if such day is not a Scheduled Trading Day for any Index, the next following Scheduled Trading Day for such Index. If such Initial Determination Date is a Disrupted Day for an Index then the Initial Determination Date for the affected Index shall be the first succeeding Scheduled Trading Day which is not a Disrupted Day, unless each of the 8 Scheduled Trading Days immediately following the day originally scheduled to be the Initial Determination Date is a Disrupted Day, in which case that 8th Scheduled Trading Day shall be the Initial Determination Date, notwithstanding the fact that it is a Disrupted Day, and the Calculation Agent shall determine the Closing Level of the affected Index as of that Initial Determination Date in accordance with the formula for and method of calculating such Index last in effect prior to the occurrence of the first Disrupted Day using the Exchange traded or quoted price as of the closing time on that 8th Scheduled Trading Day of each security comprised in that Index (or if an event giving rise to a Disrupted Day has occurred in respect of the relevant security on that eighth Scheduled Trading Day, its good faith estimate of the value for the relevant security as of the closing time on that eighth Scheduled Trading Day). For the avoidance of doubt, the Closing Level(s) of the unaffected Index(s) shall be determined on the Scheduled Initial Determination Date.

"Maturity Date" means the 11th Observation Date currently expected to be June 3, 2014.

"Observation Dates" means June 3, 2009, December 3, 2009, June 3, 2010, December 3, 2010, June 3, 2011, December 5, 2011, June 4, 2012, December 3, 2012, June 3, 2013, December 3, 2013 and June 3, 2014 respectively, provided that in respect of an Index if any such day is not a Scheduled Trading Day for such Index then the relevant Observation Date shall be the next following Scheduled Trading Day for such Index, provided further that, if any date so determined falls on a Disrupted Day in respect of an Index, the Observation Date for the affected Index shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day relating to that affected Index, unless each of the eight Scheduled Trading Days immediately following the day originally scheduled to be the

Observation Date is a Disrupted Day in which case that eighth Scheduled Trading Day shall be the Observation Date for the affected Index, notwithstanding the fact that it is a Disrupted Day, and the Calculation Agent shall determine the Closing Level of the affected Index as of that Observation Date in accordance with the formula for and method of calculating the Index last in effect prior to the occurrence of the first Disrupted Day using the Exchange traded or quoted price as of the closing time on that 8th Scheduled Trading Day of each security comprised in that the Index (or if an event giving rise to a Disrupted Day has occurred in respect of the relevant security on that eighth Scheduled Trading Day, its good faith estimate of the value for the relevant security as of the closing time on that eighth Scheduled Trading Day). For the avoidance of doubt, the Closing Level(s) of unaffected Index(s) shall be determined on its Scheduled Observation Date. In respect of each Scheduled Observation Date, the Coupon Payment Date and/or the Redemption Settlement Date and/or the Corresponding Redemption Date are determined by reference to the last occurring Observation Date.

"Principal Amount" means the principal amount of each Note, being AUD100.

"Redemption Settlement Date" means, the fifth Business Day after the Maturity Date (currently expected to be June 10, 2014).

"Related Exchange" means, in respect of an Index, the principal exchange (if any) on which options or futures contracts relating to the Index are traded or quoted, as determined by the Calculation Agent.

"Scheduled Closing Time" means, in respect of an Exchange or Related Exchange and a Scheduled Trading Day, the scheduled weekday closing time of such Exchange or Related Exchange on such Scheduled Trading Day, without regard to after hours or any other trading outside of the regular trading session hours.

"Scheduled Initial Determination Date" means any original date that, but for the occurrence of an event causing a Disrupted Day, would have been the Initial Determination Date.

"Scheduled Observation Date" means any original date that, but for the occurrence of an event causing a Disrupted Day, would have been an Observation Date.

"Scheduled Trading Day" means, in respect of an Index, a day on which each relevant Exchange and each relevant Related Exchange are scheduled to be open for their respective regular trading sessions.

"Settlement Cycle" means the period of the relevant Clearing System Business Days following a trade in the security comprised in the relevant Index on the relevant Exchange in which settlement will customarily occur according to the rule of such Exchange (or if there are multiple Exchanges in respect of an Index, the longest such period).

"Sponsor" or "Index Sponsor" means, in respect of an Index, the corporation or other entity that (a) is responsible for setting and reviewing the rules and procedures and the methods of calculation and adjustments, if any, related to such Index and (b) announces (directly or through an agent) the level of such Index on a regular basis during each Scheduled Trading Day.

"Trade Date" means May 27, 2008.

"Trading Disruption" means, in respect of an Index, any suspension of or limitation imposed on trading by the relevant Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the relevant Exchange or Related Exchange or otherwise (i) relating to shares that comprises 20 per cent or more of the level of such Index on the relevant Exchange or (ii) in futures or options contracts relating to such Index on the relevant Related Exchange.

2. Form and Transfer

- (a) The Notes will upon issue be represented by a Global Security which has been deposited with a common depository for Euroclear Bank S.A./N.V. as operator of the Euroclear System ("Euroclear", references to which term shall include any successor clearing system) and Clearstream Banking, société anonyme ("Clearstream", references to which term shall include any successor clearing system).
- (b) Individual certificates each evidencing a Holder's holding of Notes ("individual certificates") will not be issued except where either Euroclear or Clearstream is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention to permanently cease business or does in fact do so. In such circumstances the Issuer will appoint a registrar to keep a register of Holders and cause sufficient individual certificates to be issued to persons with interest in the Notes represented by the Global Security who have produced such information that is satisfactory to the Paying Agent and the Issuer and who have given written instructions ordering the issue of the relevant individual certificates, and the Issuer will make such amendments to the terms and conditions of the Notes as the Issuer shall deem appropriate.
- (c) Interests in the Notes may only be transferred in accordance with the rules and procedures for the time being of Euroclear and Clearstream. All transactions involving the Notes (including transfers), in the open market or otherwise, must be effected through an account at Euroclear or Clearstream (each a "Clearing System").
- (d) Title to each Note will pass upon registration of the transfer in the books of the relevant Clearing System. The holder of a Note (the "Holder") will be the registered holder of the same shown in the records maintained by the relevant Clearing System. Any certificate or other document issued by Euroclear or Clearstream as to the principal amount of Notes standing to the account of any Holder shall be conclusive and binding for all purposes, save in the case of manifest error.
- (e) The Notes may only be transferred in principal amounts of AUD100 or in integral multiples thereof.

3. Status

The Notes constitute unsecured and unsubordinated obligations of the Issuer and rank and shall rank equally among themselves and with all other present and future unsecured and unsubordinated obligations of the Issuer, other than obligations preferred by mandatory provisions of law.

4. Redemption

- (a) Final Maturity

To the extent not previously redeemed or purchased and cancelled as provided below, each Note will be redeemed by the delivery of the Redemption Amount on the Redemption Settlement Date.

(b) Redemption Amount

The cash amounts (the "Redemption Amount") to be delivered in full redemption of each Note outstanding at maturity shall be equal to the Principal Amount.

(c) Redemption for Taxation Reasons

If the Issuer is required to pay any additional amounts under Condition 10(b) (whether Condition 10(c) is applicable or not), then the Issuer may set a date for the early redemption of the Notes (the "Early Redemption Settlement Date") and upon the Issuer giving not less than 30 days' notice to the Holders of the election to early redeem, the Notes may be redeemed by delivering on the Early Redemption Settlement Date a AUD amount equal to the value in AUD of a Note as at the Early Redemption Date as determined by the Calculation Agent in its absolute discretion based on, inter alia, the relevant Closing Price on or about the Early Redemption Date. The date by reference to which such cash amount deliverable upon an early redemption of the Notes in accordance with this Condition 4(c) (the "Early Redemption Date") shall be specified in the notice.

(d) Mandatory Early Redemption

If, on any Observation Date (except the 11th Observation Date) (i.e. such date being the "Knock-out Observation Date"), the Closing Level of each Index in the Basket on such Observation Date is greater than or equal to their respective Initial Index Level, each Note outstanding will be redeemed on the Corresponding Redemption Date, at its Principal Amount but (i) the Coupon in respect of the Knock-out Observation Date as determined in accordance with Condition 6 will remain to be payable on the 5th Business Day after the Knock-out Observation Date; and (ii) the product of Interest and Principal Amount in respect of each Calculation Period is payable on the first day of the next following Calculation Period and in case of the final Calculation Period, the Corresponding Redemption Date.

"Corresponding Redemption Date" means the day that is 5 Business Days after the effective date of a written irrevocable notice delivered by a Holder to the Issuer in accordance with Condition 14 to elect for the occurrence of a Corresponding Redemption Date in relation to the Notes held by such Holder provided that (1) the holder is only entitled to give such notice after the occurrence of the Knock-out Observation Date and (2) if, in relation to a Note, no such notice is given prior to the Maturity Date then such a notice shall be deemed to be given on the Maturity Date.

"AUD 6 month LIBOR" means, in relation to a Calculation Period, the rate for deposits in AUD for a period of 6 months which appears on the Telerate Page 3740 at 11.00 a.m. London time, on the relevant Reset Date and the rate shall apply to each day in the corresponding Calculation Period. If such rate does not appear on the Telerate Page 3740, the rate for that Reset Date will be determined on the basis of the rates at which deposits in AUD are offered by the four major banks in the London interbank market at approximately 11.00 a.m., London time, on the day that is the Reset Date, to prime banks in the London interbank market for a period of 6 months commencing on that Reset Date and in an amount of the aggregate outstanding Principal Amount. The Calculation Agent will request the principal London office of each of the four major banks in the London interbank market to provide a quotation of its rate. If at least two quotations are provided, the rate for that Reset Date will be the

arithmetic mean of the quotations. If fewer than two quotations are provided as requested, the rate for that Reset Date will be the arithmetic mean of the rates quoted by major banks in Sydney, selected by the Calculation Agent, at approximately 11.00 a.m., Sydney time, on that Reset Date for loans in AUD to leading European banks for a period of 6 months commencing on that Reset Date and in an amount of the outstanding aggregate Principal Amount;

"Calculation Period" means, in respect of the first Calculation Period, the period from and including the Scheduled Knock-out Redemption Date to (and excluding) the first day of an integral multiple of 6 calendar months immediately after the Scheduled Knock-out Redemption Date (provided that if it is not a Business Day, the next following Business Day) and for the subsequent Calculation Periods, the period from and including the first day of an integral multiple of 6 calendar months after the Scheduled Knock-out Redemption Date to and excluding the first day of the next following integral multiple of 6 calendar months (provided that if it is not a Business Day, the next following Business Day) and the last period shall end on and excluding the relevant Corresponding Redemption Date;

"Day" means the actual number of days in each of the Calculation Periods;

"Interest" means $(\text{AUD 6 month LIBOR}) \times \text{Days}/360$;

"London Banking Day" means any day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in London;

"Reset Date" means, (i) in respect of the first Calculation Period, the Scheduled Knock-out Redemption Date (if it is not a London Banking Day, the next following London Banking Day); and (ii) in respect of each subsequent Calculation Period, the first day of the relevant Calculation Period (if it is not a London Banking Day, the next following London Banking Day);

"Scheduled Knock-out Redemption Date" means the 5th Business Day after the Knock-out Observation Date.

5. Payments

Payments in respect of the Notes will be made to against presentation and (except in the case of payment of Coupon Amounts unless the Notes are at the same time being redeemed) surrender of the Global Security to or to the order of the Paying Agent subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 10. If any day for payment in respect of the Notes is not a Business Day and a day on which (a) banks are open for business and carrying out transactions in AUD in the place of presentation and (b) the Clearing Systems are open for business, transfer instructions shall not be given or cheques shall not be sent in respect of payments to be made under the Notes until the next following day that is a Business Day and a day on which (a) banks are open for business and carrying out transactions in AUD in the place of presentation and (b) the Clearing Systems are open for business provided no interest or other amounts shall be payable in respect of such postponement or any late presentation.

If individual certificates are issued pursuant to Condition 2(b), after such issuance, all payments in respect of the Notes shall be made through a Paying Agent by transfer to an AUD account maintained by the payee with a bank in Sydney if the details of such account is kept in the Register, or if no such account details are available, by AUD dollar cheques drawn

on a bank in Sydney mailed to the relevant Holder (at the Holder's risks) at its address as recorded in the Register, and in the case of redemption payment in respect of the Notes, such payment shall only be made against the surrender of the relevant individual certificates at the office of a Paying Agent, and no interest shall accrue for any delay in the receipt of redemption payment if and to the extent that such delay is due to the Holder being late in surrendering the relevant individual certificates or the due date for the payment not being a business day in place of presentation and surrender; or if a cheque mailed in accordance with these Conditions arrive after the due date for payment. The Holders entitled to any payment hereunder are the persons shown on the Register to be holders of Notes at the close of business on the 7th day before the due date of payment.

6. Coupons

On each Coupon Payment Date a coupon equal to the applicable Coupon Amount shall be payable on each Note outstanding.

The "Coupon Amount" applicable to a Coupon Payment Date shall be an AUD amount equal to (without adjustment):

Coupon Rate x Principal Amount

Where:

The Coupon Rate relevant to the Coupon Amount applicable to the Fixed Coupon Payment Date shall be the Fixed Coupon Rate.

The Coupon Rate relevant to the Coupon Amount applicable to a Variable Coupon Payment Date shall be the Variable Coupon Rate in respect of the Observation Date relating to that Coupon Payment Date.

The "Variable Coupon Rate" in respect of an Observation Date shall be (i) 4.25% if the Closing Level of each Index in the Basket on the relevant Observation Date is greater than or equal to 68% of their respective Initial Index Level; (ii) otherwise, 0%, provided that the Variable Coupon Rate in respect of each Observation Date subsequent to the Knock-out Observation Date shall be zero.

7. Adjustments

(a) Adjustment to the Index

If an Index is (i) not calculated and announced by the relevant original Index Sponsor but is calculated and announced by a successor sponsor acceptable to the Calculation Agent or (ii) replaced by a successor index using, in the determination of the Calculation Agent, the same or a substantially similar formula for and method of calculation as used in the calculation of such Index, then such Index will be deemed to be the index so calculated and announced by that successor sponsor or that successor index, as the case may be.

If on or prior to the last occurring Maturity Date (i) any Index Sponsor makes a material change in the formula for or the method of calculating the relevant Index or in any other way materially modifies the relevant Index (other than a modification prescribed in that formula or method to maintain the relevant Index in the event of changes in constituent stock and

capitalisation and other routine events) or (ii) any Index Sponsor fails to calculate and announce the relevant Index, then the Calculation Agent shall calculate the Index Level using, in lieu of a published level for the relevant Index, the level for the relevant Index as at the relevant Scheduled Trading Day as determined by Calculation Agent in accordance with the formula for and method of calculating the relevant Index last in effect prior to that change or failure, but using only those securities that comprised the relevant Index immediately prior to that change or failure (other than those securities that have since ceased to be listed on the relevant Exchange).

(b) Correction of Index

In the event that any level of an Index published by the relevant Index Sponsor and which is utilized for any calculation or determination hereunder is subsequently corrected and the correction is published within one Settlement Cycle after its original publication, to the extent that the Calculation Agent is aware of the same before the Redemption Settlement Date and/or the Coupon Payment Date, the Calculation Agent will adjust the Variable Coupon Rate payable and/or re-determine whether Mandatory Early Redemption has occurred to account for such correction.

8. Determination and Notification of Redemption Amount

- (a) All calculations, adjustments and determinations hereunder by the Issuer or the Calculation Agent shall (save in the case of manifest error) be final and binding on the Holders. The Issuer and the Calculation Agent shall not have any responsibility for any errors or omissions in the calculation and determination of the Closing Level of the Indices or for any determination made as a result of such errors or omissions.
- (b) The Issuer shall notify the Holders of the calculation of the Redemption Amount and of the occurrence of a Disrupted Day.

9. Purchase and Replacement

- (a) The Issuer or any of its affiliates may at any time purchase one or more of the Notes at any price in the open market, by tender, by private treaty or otherwise. If a Note is purchased by the Issuer or its affiliate it may be cancelled, held or resold or otherwise dealt with.
- (b) Should any Note be lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Paying Agent upon payment by the claimant of such expenses in connection with the replacement and on such terms as to evidence and indemnity as the Issuer may reasonably require.

10. Taxation

- (a) All sums payable by the Issuer pursuant to these Conditions will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or other government charges of any nature ("Taxes") imposed by or on behalf of Hong Kong, Japan, Korea, Australia, the United Kingdom or Switzerland or any authority thereof or therein having power to impose Taxes.

- (b) Subject to Condition 4(c), if the Issuer is required to deduct or withhold any Taxes then the Issuer will pay such additional amounts as will result in the Holders receiving the amounts they would have received if no withholding or deduction of Taxes had been required ("Additional Amounts").
- (c) The Issuer will not be required to pay any Additional Amounts pursuant to this Condition in relation to a Note which is presented for payment (i) by or on behalf of a Holder which is liable to such Taxes on the Note as a result of having some connection with the jurisdiction imposing the Tax other than its mere ownership or possession of the Note or (ii) more than 30 days after the Relevant Date except to the extent that the Holder would have been underlying to receive the Additional Amounts if it had presented the Note for payment on the last day of the 30-day period.
- (d) "Relevant Date" means the date on which the payment first becomes due. If the full amount of the moneys payable on the due date has not been received by the Paying Agent on or before the due date, then "Relevant Date" means the date on which notice to the effect that the full amount of the money due has been received by the Paying Agent is published in accordance with these Conditions.
- (e) Any reference in these Conditions to amounts payable by the Issuer pursuant to these Conditions includes (i) any Additional Amounts payable pursuant to this Condition 10 and (ii) any sum payable pursuant to an obligation taken in addition to or in substitution for the obligation in this Condition 10.

11. Invalidity and Modification

- (a) Should any of the provisions contained in these Conditions be or become invalid, the validity of the remaining provisions shall not be affected in any way.
- (b) The Issuer may modify the Conditions without the consent of the Holders for the purposes of curing any ambiguity or correcting or supplementing any provision contained herein in any manner which the Issuer may deem necessary or desirable provided that such modification is not materially prejudicial to the interests of the Holders. Notice of any such modification will be given to the Holders but failure to give, or non-receipt of, such notice will not affect the validity of such modification.

12. Governing Law

The Notes are governed by and construed in accordance with the laws of England. The Courts of England shall have the non-exclusive jurisdiction in respect of disputes involving the Notes.

13. Agents

The initial Paying Agent is UBS AG, London Branch (a "**Paying Agent**") at its specified office being 100 Liverpool Street, London EC2M 2RH (Attn: Equity Warrant Operations). On or prior to the commencement of admission of the Notes to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF market the Issuer shall, so long as it is required by the rules of the exchange, appoint an additional Paying Agent acting at an office ("specified office") in Luxembourg (or such other location as the rules of the

exchange may require), and the name, address of the specified office of such Paying Agent shall be set out in the listing document relating to the Notes.

The Issuer reserves the right at any time to vary or terminate the appointment of the Agents and to appoint other or additional agents provided that there will always be (i) a Paying Agent and a Calculation Agent; and (ii) so long as the Notes are admitted to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF market and the rules of the exchange so require, a Paying Agent having a specified office in Luxembourg. Notice of any such termination or appointment and of any changes in the specified office of the Agents will be given to the Holders in accordance with these Conditions.

The Agents are acting solely as agent of the Issuer and do not assume any obligation or duty to, or any relationship of agency or trust for or with, any Holder.

14. Notices

(a) To the Issuer or the initial Paying Agent

All notices to the Issuer or the initial Paying Agent (including any Early Redemption Notice) must be given in writing to the 52nd Floor, 2 International Finance Centre, 8 Finance Street, Central, Hong Kong (Attn: HK Trade Support, fax no. (852) 2971-8012). A notice to the Issuer and the initial Paying Agent is effective upon actual receipt.

(b) To the Holders

Any notice to the Holders will be deemed to have been duly given to the Holders if the notice is given to Euroclear and Clearstream for onward transmission to Holders provided that if and so long as any Notes are admitted to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF market and the rules of such exchange so require, such notice shall also be published in a leading newspaper having general circulation in Luxembourg (which is expected to be Luxemburger Wort) and no notice shall be treated as given until such publication is made.

(c) To Euroclear or Clearstream

Notice may be given to Euroclear or Clearstream by tested telex or by physical delivery in accordance with the following details.

To Euroclear	Euroclear Bank S.A./N.V. (as operator of the Euroclear system) Boulevard du Roi Albert II, I 1210 Brussels Belgium
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To Clearstream	Clearstream Banking, société anonyme 67 Boulevard Grand-Duchesse Charlotte Luxembourg-Ville, Luxembourg
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(d) Notices to be given

Upon the occurrence of a Disrupted Day on a day originally scheduled to be an Observation Date, a notice will be given to the Holders of such occurrence, and any postponement of the Observation Date, or, if applicable, Redemption Settlement Date or Coupon Payment Date. Notice will also be given to the Holders upon the occurrence of any Relevant Event with details of the event and any corresponding adjustments. In the event of any modifications to the Conditions pursuant to Condition 11(b), notice will be given to the Holders with details of the modifications. So long as the Notes are admitted to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF market and the rules of the exchange so require, the Luxembourg Stock Exchange will be notified of (i) the occurrence of the aforementioned events (ii) the Coupon Amount/Coupon Payment Date relating to each Observation Date and (iii) the occurrence of Mandatory Early Redemption in Condition 4(d) and will receive a copy of the notice to be given to the Holders. So long as the Notes are rated by an international rating agency selected at the discretion of the Issuer, and such rating agency so requires, it will be notified of the occurrence of the aforementioned events and will receive a copy of the notice to be given to the Holders.

15. Benefit of Agreement

References to the Issuer include references to their successors, including, without limitation, an entity which assumes the rights and obligations of the relevant party by operation of the law of the jurisdiction of incorporation or domicile of such party.

A person who is not a Holder shall have no right under the Contract (Rights of Third Parties) Act 1999 to enforce any of its terms.

16. Further Issues

The Issuer may, from time to time without the consent of the Holders, issue further notes having the same terms and conditions as the Notes so as to form a single series and be fungible with the Notes.

17. Prescription

Claims in respect of payments in respect of the Notes will become null and void unless the Note is presented for payment or delivery within a period of five years after the date upon which payment or delivery thereon becomes due.

INFORMATION RELATING TO THE INDEX

Information provided herein with respect to the Index is taken from publicly available information. Such information has not been independently verified by the Issuer. The Issuer accepts responsibility for the accurate reproduction of such information but neither the Issuer nor any of its Affiliates makes any further representation or warranty relating thereto.

KOSPI 200 (KOSPI2)

All information contained in this document regarding the Index is derived from publicly available information which appears on the website of The KOSPI 200 at <http://eng.krx.co.kr/index.html>. Save for the paragraph regarding the source of such information, the Issuer has not independently verified any of such information.

General Information

As the underlying index for stock index futures and options, KOSPI 200 consists of 200 constituents selected from all issues listed on the KRX-Stock Market. Constituents are chosen based on factors such as liquidity and how well they represent their respective markets and industries. KOSPI 200 has been calculated and published since June 15, 1994 with a base index of 100 set to January 3, 1990.

Calculation

KOSPI 200 is a market capitalization weighted index and is calculated in the formula below. Market capitalization, treatment of preferred stocks, etc. are calculated as the same way as for KOSPI.

Publication

KOSPI 200 is updated on the KRX website every 2 seconds and is available in statistical KRX publication “KRX Review” on a daily, monthly, and yearly basis. In addition, past indices have been made available for investors retrospective to January 3, 1990.

Selection of Constituent Stocks

- Of the industry groups in the Korea Standard Industry Classification, stocks of the companies that belong to the following 8 industry groups, whose market capitalization is at least 1% of the total market capitalization of the KRX-Stock Market, are selected, thus ensuring the high percentage of the market capitalization of the constituents against the total.
- Stocks excluded from the constituents are: the stocks initially listed or relisted after May 1 of the year preceding the year to which the regular realignment review date, the stocks designated as administrative issue as of the regular realignment review date, stocks of the securities investment companies, issues of liquidation sale and stocks deemed unsuitable to be a constituent of the index.
- Among the industries categorized based on the industry classification standards, all industries other than manufacturing are classified as the non-manufacturing industry group. Constituent issues are selected first from the non-manufacturing industry group and the rest are chosen from the manufacturing industry.
- There are two types of preliminary data collected for the selection of constituent stocks. First, average yearly market capitalization is obtained by dividing total market capitalization by 12. Total market capitalization is the product of the closing price of the listed common shares on the last trading day of each month and the number of listed common shares for one year

starting from the end of April of the year proceeding the year to which the regular realignment review date belongs.

- The second data is the sum of daily trading value for the same period. stocks that change industry classification during the period of analysis due to circumstances such as changes in business type or mergers are re-classified after the change.

Industry name	Industry Classification used for National Statistics
Fisheries	Fisheries
Mining	Mining
Manufacturing	Food & beverage, Textiles & apparel, Paper & wood, Chemicals, Pharmaceuticals, Non-metallic minerals, Iron & metals, Machinery, Electrical and Electronics, Medical & Precision machines, Transportation equipment, Other manufacturing
Electricity & Gas	Electricity & Gas
Construction	Construction
Services	Distribution, Transport & Storage, Services
Post & Communication	Post & Communication
Finance	Finance

- Constituent stocks from the non-manufacturing industry group are selected by ranking average monthly market capitalization, while ensuring that the accumulated market capitalization of a stock is at least 70% of the total market capitalization of the same industry group. The number of stocks selected up to this point becomes the number of constituents for that industry that year. However, of the stocks selected, in case where the ranking of annual trading value of a stock is below 85% of the same industry group, such stock is excluded. Instead, among the stocks whose market capitalization is ranked next, a stock that satisfies the trading value requirement is chosen.

On the other hand, the number of constituents selected from the manufacturing industry can be found by deducting the number of constituent stocks selected from the non-manufacturing industry group above from 200. Nextly, the constituents are selected by highest market capitalization using the 85% trading value standard and not the 70% market capitalization standard employed for the non-manufacturing industry group.

Stocks that do not satisfy the above mentioned criteria but it's market capitalization within the overall top 50 will be reviewed by the Committee. the KOSPI Maintenance Committee will assess the percentage of market capitalization of the industry group to the total, liquidity of such stock, etc. in making decision to include the stock as a constituent.

Realignment of Constituent Stocks

- The distinctive characteristics of individual stock change from hour to hour depending on market conditions. To ensure that KOSPI 200 accurately represents the overall market

movement of The KRX-Stock Market, its constituent stocks that are affected in a special manner are realigned.

- The realignment for KOSPI 200 constituents is divided into two types: regular realignment and special realignment. Regular realignment takes place regularly once a year, so that the index can be calculated on the basis of the constituents realigned on the trading day after the last trading day for June contracts in the futures and options markets. Special realignment occurs at any time when constituent issues are conceived to be inadequate for KOSPI 200 as a result of delisting, designation as administrative stocks, merger, etc.
- The method of regular realignment is similar to the method used for selection of constituent stocks. In order to maintain the consistency of the index, it is restricted to replace number of stocks as small as possible. Therefore, even though stock satisfies the criteria for selection, it must have industry market capitalization that ranks within 90% of the number of constituents for that industry during the year under review in order to be newly selected for KOSPI 200. However, even if an existing constituent does not satisfy the criteria for selection of constituent stocks, it will remain a constituent as long as its industry market capitalization does not exceed 110% of the number of constituents for that industry during the year under review. Moreover, even though market capitalization of stock ranks within the top 90%, the constituents are not realigned if no other stocks exceed 110% and will be removed.
- Next, special realignment occurs when designation as administrative stock, merger, delisting, etc. affect existing constituent stocks. In these circumstances, stocks will be selected in ranking order from replacement list by industry group chosen beforehand during regular realignment. In the event that the replacement list includes no stock for a specific industry, a stock is replenished from the manufacturing industry group.

Exception to Constituent Stocks

- In cases where there is an initial listing of a stock which is deemed to have high liquidity and is worthy in terms of its impact on KOSPI 200, a constituent stock is merged with a non-constituent stock, or consolidation occurs among constituent stocks, it is possible to select the stock of that firm or acquired firm as a constituent of KOSPI 200 even before the regular realignment date. Such stocks are included in the index on the trading day following the last trading day of the most recent month for contracts for both futures and options, which comes 30 trading days after the listing date of such stocks. At this time, the stock with the smallest market capitalization on recent regular realignment date, regardless of industry, is removed and becomes first in line as a replacement stock for that industry.

Application

- The application of KOSPI 200 is not limited to stock index futures and options but also underlying index for index funds. Index funds closely match the movements of a stock price index so that their portfolios have a rate of return equal to that of the market. By utilizing KOSPI 200 as the underlying index, it is possible to create index funds that require lower

investment funds and trading expenses given that KOSPI 200 is composed of a few gilt-edged securities with high liquidity and closely resembles the movements of KOSPI.

- Furthermore, KOSPI 200 may be used as an underlying asset for issuing index warrants. Index warrants are issued by third-parties such as financial institutions, but not those that calculate indices, by using the stock price index as an underlying asset at the request of investors who wish to hedge or establish specific positions in the market. In general, issuers are a major financial institution and the clients individual investors.
- It should be noted that KOSPI and KOSPI 200 are the sole property of the KRX and are registered in more than 10 different countries, e.g., U.S., Japan, U.K., and Singapore, etc. Those who wishes to develop investment products based on KOSPI or KOSPI 200 must obtain a prior approval of the KRX.

Further and detail information on the index can be found at http://eng.krx.co.kr/mki/ids/ids_1_001.jsp

NIKKEI 225 (NKY)

(A) General

The Nikkei Stock Average is Japan's most widely watched index of stock market activity and has been calculated continuously since September 7, 1950. (Before that date, the Tokyo Stock Exchange calculated the Tokyo Stock Exchange Adjusted Average Stock Price, so index-based measurement of the market actually goes back to May 16, 1949.)

(B) Calculation Method

The current calculation method, called the Dow Jones method, has been used since 1950. The 225 components of the Nikkei Stock Average are among the most actively traded issues on the first section of the Tokyo Stock Exchange (TSE). The index reflects the ex-rights-adjusted average stock price.

The Nikkei Stock Average is the average price of 225 stocks traded on the first section of the Tokyo Stock Exchange, but it is different from a simple average in that the divisor is adjusted to maintain continuity and reduce the effect of external factors not directly related to the market.

Equation

$$\text{Nikkei Average} = \frac{\text{Sum of stock prices of 225 constituents}}{\text{Divisor}}$$

- a) Stocks that do not have a par value of 50 yen are converted to 50 yen par value.
- b) Numbers are rounded to two digits after the decimal point, or hundredths, to calculate the average.
- c) Priority in the usage of prices are:

1. Current special quotation (closing special quotation).
2. Current price (closing price).
3. Standard price, which is defined as follows:

The theoretical price of ex-rights, a special quotation from the previous day or the closing price from the previous day, in this order of priority.

(C) Selection Criteria

In modifying the selection rules, Nikkei used input from the Index Committee, a closed group of academics and professionals formed to review the index. Revisions to the selection criteria led Nikkei to replace a relatively large number of issues in an effort to make sure the Nikkei average accurately reflected structural changes in industry and the stock market. Adherence to the principals governing calculation of the index ensures historical continuity -- one of the most important characteristics of the Nikkei Stock Average.

(D) **Periodic Review Standards**

In principle, the Periodic Review shall be conducted annually in October in line with the rules set down.

The Periodic Review may, however, be carried out more than once a year if necessary. Despite the special circumstances this year -- the approval of changes in rules and their April implementation -- the Periodic Review is still scheduled for early October.

The practice of assigning highly liquid stocks to the "High-liquidity Group" has not changed. Formerly, all stocks on the first section of the Tokyo Stock Exchange were ranked in order of liquidity and the top 50% were considered high-liquidity issues. This approach has been replaced with one in which the 450 most liquid issues are chosen (a figure double the 225 component stocks of the index).

The approach of selecting the top 50% was abandoned because the number of issues listed on the first section of the TSE is growing and there was concern that the method would not result in a list representative of highly liquid issues. A predetermined figure that limits the population to a number double the component count was considered to be more practical and reasonable.

Further and detail information on the index can be found at

http://www.nni.nikkei.co.jp/FR/SERV/nikkei_indexes/nifaq225.html

The Hang Seng Index

(A) General

The Hang Seng Index (“HSI”) has a history of over 35 years and is one of the earliest stock market indexes in Hong Kong. Since its public launch on 24 November 1969, the HSI has become the most widely quoted indicator of the performance of the Hong Kong stock market.

(B) Stock Universe

Constituent stocks of the HSI are selected by a rigorous process of detailed analysis. Only companies with a primary listing on the Main Board of the Stock Exchange of Hong Kong (SEHK) are eligible as constituents. Mainland enterprises that have an H-share listing in Hong Kong will be eligible for inclusion in the Hang Seng Index (HSI) when they meet any one of the following conditions:

1. The H-share company has 100% of its ordinary share capital in the form of H-shares which are listed on the Stock Exchange of Hong Kong;
2. The H-share company has completed the process of Share Reform, with the result that there is no unlisted share capital in the company; or
3. For new H-share IPOs, the company has no unlisted share capital.

(C) Selection Criteria

To be eligible for selection, a company in the Stock Universe:

- must be among those companies that constitute the top 90% of the total market value of all eligible shares listed on the SEHK (market value is expressed as an average of the past 12 months);
- must be among those companies that constitute the top 90% of the total turnover of all eligible shares listed on the SEHK (turnover is aggregated and individually assessed for eight quarterly sub-periods over the past 24 months); or
- should normally have a listing history of at least 24 months or meet the requirements of the following Guidelines:

Guidelines for Handling Large-cap Stocks Listed for Less than 24 Months

For a newly listed large-cap stock, the minimum listing time required for inclusion in the stock universe for the HSI review is as follows:

Average MV Rank at Time of Review	Minimum Listing History
Top 5	3 Months
6-15	6 Months
16-20	12 Months
21-25	18 Months
Below 25	24 Months

From the many eligible candidates, final selections are based on the following:

- the market value and turnover ranking of the companies;
- the representation of the sub-sectors within the HSI directly reflecting that of the market; and

- the financial performance of the companies.

(D) Calculation Methodology

From 11 September 2006, with the inclusion of H-shares, the calculation methodology of the HIS has been changed from a full market capitalization weighting to a freefloat-adjusted market capitalization weighting.

$$\text{Current Index} = \frac{\Sigma(P_t \times \text{IS} \times \text{FAF} \times \text{CF})}{\Sigma(P_{t-1} \times \text{IS} \times \text{FAF} \times \text{CF})} \times \text{Yesterday's Closing Index}$$

P _t	: Current Price at Day t
P _{t-1}	: Closing Price at Day (t-1)
IS	: Issued Shares
FAF	: Freefloat-adjusted Factor, which is between 0 and 1, adjusted every six months
CF	: Cap Factor, which is between 0 and 1, adjusted every six months

Only the H-share portion of those H-share constituents would be taken into calculation.

(E) Freefloat Adjustment

The following shareholdings are viewed as strategic in nature and are excluded for index calculation:

1. Strategic holdings – shares held by strategic shareholder(s) who individually or collectively control more than 30% of the shareholdings;
2. Directors' holdings – shares held by director(s) who individually control more than 5% of the shareholdings;
3. Cross-holdings – shares held by a Hong Kong-listed company which controls more than 5% of the shareholdings as investments; and
4. Lock-up shares – shares held by shareholder(s) who individually or collectively represent more than 5% of the shareholdings in the company and with a publicly disclosed lock-up arrangement.

The data used for the freefloat adjustment are taken from publicly available sources, including annual reports and Securities Notification History Reports from Hong Kong Exchanges and Clearing Limited.

The Freefloat-adjusted Factor (“FAF”), representing the proportion of shares that is freefloated as a percentage of issued shares, is rounded up to the nearest multiple of 5% for Index calculation.

(F) Cap Adjustment

A Cap Factor (CF) is calculated in each regular half-yearly constituent change implementation, such that no constituent has a weighting exceeding 15%.

Further and detail information on the index can be found at <http://www.hsi.com.hk>.

1. 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 June 2008, UBS employed more than 80,000 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 June 2008 the BIS Tier1¹ ratio was 11.6 per cent, invested assets stood at CHF 2,763 billion, equity attributable to UBS shareholders was CHF 44,283 million and market capitalisation was CHF 62,874 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 AA-, Fitch with AA- and Moody's with Aa2².

2. CORPORATE INFORMATION

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 4 July 2008, Moody's Investors Service downgraded the senior debt and deposit ratings of UBS AG from Aa1 to Aa2.

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 SWX Swiss Exchange and traded through SWX Europe which is majority owned by the SWX 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.

3. BUSINESS OVERVIEW

3.1 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, organization, 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 85-152 (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.

3.1.1 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.

3.1.2 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.

3.1.3 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.

3.1.4 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.

3.2 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 divisions 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 96-99 (inclusive).

3.3 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.

3.4 Recent Developments

- On 17 July 2008, UBS announced that it would no longer provide offshore banking and securities services to US residents through its bank branches. Such services will only be provided through SEC-registered companies.
- On 8 August 2008, UBS announced a settlement in principle with the SEC and various US states pursuant to which it will agree to purchase at par all action rate securities (ARS) held in UBS client accounts. The agreement specifies different time periods during which the offers to purchase will be in effect, depending upon client categories. UBS also agreed to pay fines totalling USD 150 million. This settlement is in addition to a previously announced plan to establish a trust structure that would, subject to regulatory approval, offer to purchase at par all tax-exempt auction preferred stock (type of ARS) held by UBS clients. UBS announced that it would establish a provision of USD 900 million in its second quarter results in connection with the ARS matter.
- On 12 August 2008, UBS reported a Group net loss attributable to shareholders of CHF 358 million for the second quarter ended 30 June 2008. Trading conditions deteriorated significantly in the second half of May, in particular for assets related to US residential real estate as well as other structured credit positions. This development led to second quarter losses and writedowns of around USD 5.1 billion on related positions. In addition, the second quarter was also characterized by generally lower client activity, in particular lower capital markets and mergers and acquisitions activity, and falling security prices. The second quarter result also included a tax credit of approximately CHF 3.829 million.
- On 12 August 2008, UBS published a summary of the remediation plan submitted to the Swiss Federal Banking Commission (SFBC). The plan details the actions UBS is taking to address the findings of its earlier report to the SFBC (summary published on 21 April 2008) on the causes of the sub-prime losses incurred in 2007. Some of the measures are already well under way. The plan details their owners and commits UBS to specific deadlines.

- On 12 August 2008, UBS announced changes to its strategic direction and the launch of a comprehensive program to re-engineer its business. UBS will separate its business divisions into three autonomous units and vest them with increased operational authority and accountability. The executive management of the Group will be led by the CEO who will be supported by the Group Executive Board (GEB) and its newly established Executive Committee. The full GEB will focus on group-wide interests and will, in particular, manage shared services and group leadership development, grow cross-divisional revenues, oversee regional governance, and review proposed changes to the business portfolio. The Executive Committee, which will consist of the CEO, the CFO, the CRO (Chief Risk Officer) and the General Counsel, will decide on the resource allocation of the Group. It will set and monitor the performance targets for the business divisions, risk parameters, capital allocation and funding terms. Divisional CEOs will be tasked with leading their business in a much more autonomous manner, accountable for dedicated capital resources, people and infrastructure. Regional CEOs will drive cross-divisional collaboration to generate value for UBS's shareholders and will assume group-wide regional regulatory responsibility. Corporate Center will be responsible for providing state-of-the-art group level control in the areas of finance, risk, legal and compliance, and significant attention will be devoted to strengthening and empowering these functions throughout the firm.

The change of UBS's business model will be achieved with a centrally managed change program, covering structural, legal and financial aspects of the transformation. The seven streams of this program, which will start immediately, are:

- Revised incentive systems to reward divisional management and staff for shareholder value creation in their own business division (during fourth quarter 2008)
- Further enhancements to the funding framework so that the costs and structure of liabilities of each business division approximate those of stand-alone competitors (end 2009)
- Adjustments to the executive governance structure to reflect the above changes (by end third quarter 2008)
- Development of targets and performance indicators consistent with the repositioning of the business divisions (end 2008)
- Reduction of the size and scope of the Corporate Center, in line with the re-allocation of process ownership to the divisions
- Review of intra-divisional servicing, revenue sharing and referral arrangements (mid 2009)
- Continuation of the strategic cost reduction program targeted at increasing the efficiency of the Group.

UBS expects the change program to be completed by the end of 2009.

3.5 Trend Information (Outlook)

In the second half of the year UBS does not expect any improvement in current adverse economic and financial market trends. UBS will continue its program to reduce personnel levels, costs and risk concentrations.

4. ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES OF THE ISSUER

4.1 Details of the Executive Bodies of the Company

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 year¹.

4.1.1 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 year¹. 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).².

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.

Board of Directors of UBS AG

¹ 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.

² New committee structure effective as of 1 July 2008.

The BoD consists of twelve members¹:

	Title	Term of Office	Position outside UBS AG
Peter Kurer	Chairman	2009	
Stephan Haeringer	Executive Vice Chairman	2010	
Sergio Marchionne	Non-Executive 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
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
Rolf A. Meyer	Member	2009	Member of the BoD of DKSH AG, Zurich; member of the BoD of Ascom (Switzerland) Ltd., Berne
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"
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)

¹ Four members of the Board of Directors (Stephan Haeringer, Rolf A. Meyer, Peter Spuhler and Lawrence A. Weinbach) have decided to resign their positions in October 2008. Following the proposal of the Governance and Nominating Committee, the UBS BoD has nominated Sally Bott, Rainer-Marc Frey, Bruno Gehrig and William G. Parrett for election as independent members of the BoD for a term of office to expire at the 2009 AGM. The nominees shall be proposed for election at an extraordinary general meeting of UBS AG on 2 October 2008.

Peter Spuhler	Member	2010	Owner of Stadler Rail AG (Switzerland); Chairman of Stadler Bussnang AG; Chairman of various companies within the Stadler Rail Group; member of the BoD of Kühne Holding, Switzerland; member of the BoD of Walo Bertschinger Central AG, Switzerland; Vice President of LITRA, Berne; member of the National Council of the Swiss Parliament (lower house)
Peter R. Voser	Member	2009	Chief Financial Officer of Royal Dutch Shell plc, London; member of the BoD of the Federal Auditor Oversight Authority
Lawrence A. Weinbach	Member	2009	Partner of the Yankee Hill Capital Management LLC, Southport, CT (USA); member of the BoD of Avon Products Inc., New York; trustee and member of the Audit Committee of Carnegie Hall, New York; member of the BoD of Quadra Realty Trust, Inc., New York; member of the BoD of Discover Financial Services, Riverwoods, Illinois; member of the New York Stock Exchange Listed Company Advisory Committee; member of the National Security Telecommunications Advisory Committee
Joerg Wolle	Member	2009	President and CEO of DKSH (Diethelm Keller Siber Hegner) Holding Ltd., Zurich

4.1.2 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 approves all other GEB Members.

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

Group Executive Board of UBS AG

The GEB consists of eleven members¹:

Marcel Rohner	Group Chief Executive Officer
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
Joseph Scoby	Group Chief Risk Officer
Walter Stuerzinger	Chief Operating Officer, Corporate Center
Marco Suter	Group Chief Financial Officer
Rory Tapner	Chairman and CEO Asia Pacific
Raoul Weil	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.

4.1.3 Potential 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.

4.2 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.

4.3 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.

¹ On 12 August 2008 UBS announced that the BoD has appointed Markus U. Diethelm as Group General Counsel. He will join UBS during third quarter 2008. Marco Suter who had expressed his desire to step down from his role as Group Chief Financial Officer will hand over his position to John Cryan on 1 September 2008.

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 23 June 2008, UBS held acquisition positions relating to 144,426,836 voting rights of UBS AG which corresponds to 4.92 % of the total voting rights of UBS AG.

At the same time UBS held disposal positions relating to 575,390,973 voting rights of UBS AG, corresponding to 19.62 % of the total voting rights of UBS AG. These comprised largely 9.15% voting rights attached to employee options and 9.22% voting rights attached to the mandatory convertible notes (“MCNs”) issued to the Government of Singapore Investment Corporation Pte. Ltd, Singapore, and an investor from the Middle East on 5 March 2008. 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.

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 5-6 (inclusive) and on the website of UBS AG (http://www.ubs.com/1/e/investors/shareholder_details/distribution.html).

5. 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 18, the Balance Sheet of UBS AG (Group) on page 19, to the Statement of Cash Flows of the UBS AG (Group) on pages 23 - 24 (inclusive) and to the Notes to the Financial Statements on pages 25 - 120 (inclusive), and
- (ii) the Financial Statements of UBS AG (Parent Bank), in particular to the Income Statement of UBS AG (Parent Bank) on page 125, the Balance Sheet of UBS AG (Parent Bank) on page 126, to the Statement of Appropriation of Retained Earnings of UBS AG (Parent Bank) on page 127, to the Notes to the Financial Statements on page 128 and to the Parent Bank Review on page 124, and
- (iii) the sections entitled "Accounting Standards and Policies" on pages 3 - 8 (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 140 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 16-17 (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 the UBS's quarterly report for the second 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 June 2008 was not audited by UBS's auditor.

5.1 Legal and Arbitration Proceedings

UBS Group operates in a legal and regulatory environment that exposes it to potentially significant litigation and other 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, including the impact on the operations or financial statements, 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 into a settlement even though UBS denies any wrongdoing. The 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 legal proceedings which could be material to the Group:

- (a) **Tax Shelter:** 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.
- (b) **Municipal Bonds:** 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.
- (c) **HealthSouth:** UBS is defending itself in two purported securities class actions brought in the US District Court for the Northern District of Alabama by holders of stock and bonds in HealthSouth Corp. UBS also is a defendant in HealthSouth derivative litigation in Alabama State Court and has responded to an SEC investigation relating to UBS's role as a banker for HealthSouth.
- (d) **Parmalat:** UBS is involved in a number of proceedings in Italy related to the bankruptcy of Parmalat. UBS Limited and one current and one former UBS employee are the subject of criminal proceedings in Milan. 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.
- (e) **Auction Rate Securities:** UBS has been sued by three state regulatory authorities and is being investigated by the 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 announced a settlement in principle with the New York Attorney General (NYAG), the Massachusetts Securities Division, the SEC and other state regulatory agencies represented by the North American Securities Administrators Association to restore liquidity to all remaining clients' holdings of ARS. The agreement obligates UBS to offer to repurchase all remaining clients' holdings of ARS during specified future periods, to pay a fine totalling USD 150 million to state regulatory agencies and to reimburse all clients for losses incurred from sales of ARS holdings between 13 February 2008 and 8 August 2008. In connection with these matters, UBS established a provision of USD 900 million (CHF 919 million) in the second quarter.

- (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", and he remains in the United States until his status as a witness is resolved. 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 IRS has issued a civil summons to UBS AG requesting information relating to its US clients and also submitted corresponding legal and administrative assistance requests to the competent Swiss authorities. UBS is seeking to address these requests with both Swiss and US government authorities within the legal framework for intergovernmental cooperation and assistance established between Switzerland and the United States. 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 crossborder servicing of US private clients under Swiss Banking Supervisory legislation. The investigations are also focused on the management supervision and control of the US cross-border 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.
- (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, write-downs, 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, and other regulators 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.

- (h) **Insight One:** In early July 2007, UBS agreed to a settlement of the InsightOne case after the New York State Attorney General filed a civil complaint regarding UBS's fee-based brokerage program for private clients in the United States in December 2006. UBS denied that the program was part of a scheme to disadvantage clients, but chose to settle to bring the proceedings to an end. Under the settlement, UBS paid a total of USD 23.3 million, of which USD 21.3 million was paid to certain current and former InsightOne customers pursuant to an agreed upon remediation plan, and USD 2 million was paid in penalties. In 2006, UBS established provisions sufficient to cover the settlement, and therefore the settlement did not impact UBS's Net profit in 2007.
- (i) **Bankruptcy Estate of Enron:** In June 2007, UBS and Enron settled adversarial proceedings in the US Bankruptcy Court for the Southern District of New York brought by Enron to avoid and recover payments made prior to filing for bankruptcy in connection with equity forward and swap transactions. UBS believed it had valid defences to all of Enron's claims, but chose to settle to eliminate the uncertainty created by the proceeding. Under the terms of the settlement, UBS paid Enron USD 115 million and waived a proof of claim for approximately USD 5.5 million that UBS filed in Enron's bankruptcy case. In 2006, UBS recognized a provision for more than half of the settlement amount, with the difference recognized in 2007. Therefore, the settlement did not materially impact UBS's Net profit in 2007.

Besides the proceedings specified above under (a) through (i) 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.

5.2 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.

5.3 Significant Changes in the Financial Situation of the Issuer

Unless disclosed in the sections entitled "Recent Developments", "Board of Directors" and "Group Executive Board" above, there has been no material change in the financial or trading position of the Issuer since the publication of the 2nd quarter report of UBS AG (not audited) for the period ending 30 June 2008.

5.4 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 2nd 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.

SELECTED FINANCIAL DATA (From the UBS AG 2006 Financial Report, the 2007 Financial Report and the 2008 2nd Quarter Financial Report):

UBS income statement

CHF million, except where indicated	As of or for the year ended			% change from 31.12.05
	31.12.06	31.12.05	31.12.04	
Net profit attributable to UBS shareholders	12,257	14,029	8,016	(13)
Diluted earnings per share (CHF) ¹	5.95	6.68	3.70	(11)
Basic earnings per share (CHF) ¹	6.20	6.97	3.89	(11)
Return on equity attributable to UBS shareholders (%) ^{2,3}	28.2	39.7	25.8	

Performance indicators from continuing operations

Diluted earnings per share (CHF) ¹	5.58	4.66	3.49	20
Return on equity attributable to UBS shareholders (%) ^{4,4}	26.5	27.7	24.3	

Financial Businesses⁵

Operating income	47,171	39,896	35,971	18
Operating expenses	32,782	27,704	26,149	18
Net profit attributable to UBS shareholders	11,253	13,517	7,656	(17)
Net profit attributable to UBS shareholders from continuing operations	11,249	9,442	7,357	19
Cost/income ratio (%) ⁶	69.7	70.1	73.2	
Net new money (CHF billion) ⁷	151.7	148.5	89.9	
Personnel (full-time equivalents)	78,140	69,569	67,407	12

UBS balance sheet & capital management

Total assets	2,396,511	2,058,348	1,737,171	16
Equity attributable to UBS shareholders ³	49,686	44,015	33,632	13
Market capitalization	154,222	131,949	103,649	
BIS capital ratios				
Tier 1 (%) ⁸	11.9	12.8	11.8	
Total BIS (%)	14.7	14.1	13.6	
Risk-weighted assets	341,892	310,409	264,832	10
Invested assets (CHF billion)	2,989	2,652	2,217	13
Long-term ratings				
Fitch, London	AA+	AA+	AA+	
Moody's, New York	Aa2	Aa2	Aa2	
Standard & Poor's, New York	AA+	AA+	AA+	

¹ For the EPS calculation, see note 8 to the financial statements. ² Net profit attributable to UBS shareholders / average equity attributable to UBS shareholders less proposed distributions. ³ Equity attributable to UBS shareholders has been adjusted for the full-year periods ending 31 December 2006, 2005 and 2004 and is now different from the figure published in the Fourth Quarter 2006 Report. For more information, please refer to note 1 to the financial statements. ⁴ Net profit attributable to UBS shareholders from continuing operations / average equity attributable to UBS shareholders less proposed distributions. ⁵ Excludes results from Industrial Holdings. ⁶ Operating expenses / operating income less credit loss expense or recovery. ⁷ Excludes interest and dividend income. ⁸ Includes hybrid Tier 1 capital. Please refer to the BIS capital and ratios table in the capital management section and note 29 to the financial statements.

All share and earnings per share figures throughout this report, unless otherwise indicated, reflect the 2-for-1 share split made on 10 July 2006.

	As of or for the year ended		% change from
<i>CHF million, except where indicated</i>	31.12.07	31.12.06	31.12.06
UBS Group			
Operating profit before tax (from continuing and discontinued operations)	(2,800)	15,523	
Net profit attributable to UBS shareholders	(4,384)	12,257	
Net profit attributable to minority interests	539	493	9
Financial businesses¹			
Operating income	31,032	47,171	(34)
Operating expenses	34,503	32,782	5
Net profit attributable to UBS shareholders from continuing operations	(5,235)	11,249	
Personnel (full-time equivalents)	83,560	78,140	7
UBS balance sheet and capital management			
Balance sheet key figures			
Total assets	2,272,579	2,346,362	(3)
Equity attributable to UBS shareholders	35,585	49,686	(28)
Market capitalization	108,654	154,222	(30)
BIS capital ratios			
Tier 1 (%) ²	8.8	11.9	
Total BIS (%)	12.0	14.7	
Risk-weighted assets	372,298	341,892	9
Invested assets (CHF billion)	3,189	2,989	7
Long-term ratings			
Fitch, London	AA	AA+	
Moody's, New York	Aaa	Aa2	
Standard & Poor's, New York	AA	AA+	
UBS performance indicators			
RoE (%)³			
as reported	(9.4)	28.2	
from continuing operations	(10.2)	26.4	
Diluted earnings per share (CHF)			
as reported	(2.28)	5.95	
from continuing operations ⁴	(2.49)	5.57	
Cost/income ratio of the financial businesses (%) ⁵	110.3	69.7	
Net new money, financial businesses (CHF billion) ⁶	140.6	151.7	

¹ Excludes results from Industrial Holdings. ² Includes hybrid Tier 1 capital. ³ Net profit attributable to UBS shareholders / average equity attributable to UBS shareholders less distributions (where applicable). ⁴ Details of the earnings per share calculation can be found in Note 8 in Financial Statements 2007. ⁵ Operating expenses / operating income less credit loss expense or recovery. ⁶ Excludes interest and dividend income.

CHF million, except where indicated	As of or for the quarter ended			% change from		Year-to-date	
	30.6.08	31.3.08	30.6.07	1Q08	2Q07	30.6.08	30.6.07
Performance indicators from continuing operations							
Diluted earnings per share (CHF) ¹	(0.17)	(5.26)	2.36	(97)		(5.02)	3.70
Return on equity attributable to UBS shareholders (%) ²						(85.7)	31.8
Cost/income ratio (%) ³	200.7	N/A ⁴	61.9				65.4
Net new money (CHF billion) ⁵	(43.8)	(12.8)	34.0			(56.5)	86.8
Group results							
Operating income	4,021	(3,952)	16,014		(75)	69	29,500
Operating expenses	8,110	7,847	9,909	3	(18)	15,957	19,289
Operating profit before tax (from continuing and discontinued operations)	(4,030)	(11,679)	6,112	65		(15,710)	10,224
Net profit attributable to UBS shareholders	(358)	(11,535)	5,547	97		(11,893)	8,578
Personnel (full-time equivalents) ⁶	81,452	83,839	81,557	(3)	0		
UBS balance sheet and capital management							
Balance sheet key figures							
Total assets	2,077,635	2,231,019	2,540,057	(7)	(18)		
Equity attributable to UBS shareholders	44,283	16,386	51,146	170	(13)		
Market capitalization ⁷	62,874	59,843	151,203	5	(58)		
BIS capital ratios⁸							
Tier 1 (%)	11.6	6.9	12.3 ⁹				
Total BIS (%)	15.7	10.7	15.5 ⁹				
Risk-weighted assets	323,177	333,300	378,430 ⁹	(3)			
Invested assets (CHF billion)	2,763	2,759	3,265	0	(15)		
Long-term ratings							
Fitch, London	AA-	AA	AA+				
Moody's, New York ¹⁰	Aa2	Aa1	Aaa				
Standard & Poor's, New York	AA-	AA	AA+				

¹ For the earnings per share calculation, see Note 8 to the financial statements of this report. ² Net profit attributable to UBS shareholders from continuing operations year-to-date (annualized as applicable) / average equity attributable to UBS shareholders less distributions (estimated as applicable). ³ Operating expenses / operating income before credit loss expense or recovery. ⁴ The cost/income ratio is not meaningful due to negative income. ⁵ Excludes interest and dividend income. ⁶ Excludes personnel from private equity (part of Corporate Center). ⁷ For further details, refer to the share information on page 92 of this report. ⁸ For further details, refer to the capital management section of this report. ⁹ The calculation prior 2008 is based on the Basel I approach. ¹⁰ Moody's long-term rating was changed to Aa2 on 4 July 2008 and to Aa1 on 1 April 2008.

The 'Notes' referred to in the tables above can be found in the relevant UBS AG annual and quarterly reports, available for viewing at the following websites:

<http://www.ubs.com/1/e/investors/annualreporting.html>

http://www.ubs.com/1/e/investors/quarterly_reporting.html

INCORPORATION OF INFORMATION ABOUT UBS

Documents incorporated by reference

The following document is incorporated in and taken to form part of this Information Memorandum:

- (a) UBS's Annual Report (US Version) as set out in Amendment No.2 of Form 20-F/A for the year ended 31 December 2007, which UBS filed with the United States' Securities Exchange Commission (the "SEC") on 14 April 2008.
- (b) the unaudited financial statements for the 6-month period ended 30 June 2008 of the Issuer.

The documents incorporated by reference will be available free of charge at the office of the Luxembourg Listing Agent.

Any statement contained in this Information Memorandum or in a document incorporated or deemed incorporated by reference into this Information Memorandum will be deemed to be modified or superseded for purposes of this Information Memorandum to the extent that a statement contained in any subsequent document modifies or supersedes that statement. Any statement that is modified or superseded in this manner will no longer be a part of this Information Memorandum, except as modified or superseded.

You may request a copy, at no cost, of any or all of the documents that are incorporated by reference into this Information Memorandum, excluding exhibits (other than those that we specifically incorporate by reference into the documents that you request) by contacting us, orally or in writing, at the following address:

UBS AG
Investor Relations G41B
P.O. Box
CH-8098 Zurich, Switzerland
Phone: ++41-44-234 41 00
Fax: ++41-44-234 34 15
E-mail: SH-investorrelations@ubs.com
Internet: www.ubs.com/investors

USE OF PROCEEDS

The Issuer will use the net proceeds from the issuance of the Notes, AUD 432,000 for general corporate purposes.

OFFERING AND SALE

The Notes have been issued and subscribed by the Issuer and purchased by the investor at the issue price.

No action has been or will be taken by the Issuer that would permit a public offering of the Notes or possession or distribution of any offering material in relation to the Notes in any jurisdiction where action for these purposes is required. No offer, sale or delivery of the Notes, or distribution or publication of any offering material relating to the Notes, may be made in or from any jurisdiction except in circumstances which will result in compliance with any applicable laws and regulations and will not impose any obligations on the Issuer.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the "FSMA")) in connection with the issue or sale of the Notes may only be communicated or caused to be communicated in circumstances in which section 21(1) of the FSMA does not apply to the Issuer. All applicable provisions of the FSMA with respect to anything done in relation to the Notes in, from or otherwise involving the United Kingdom must be complied with.

The Notes have not been offered or sold and may not be offered or sold in Hong Kong, by means of any document, other than to persons whose ordinary business is to buy or sell shares or debentures, whether as principal or agent, or in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32) of Hong Kong or to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance, or in other circumstances which do not result in the document being a "prospectus" within the meaning of the Companies Ordinance. In relation to the issue of the Notes, each purchaser represents and agrees that it has not issued and will not issue any advertisement, invitation or document relating to the Notes, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made thereunder.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"). The Notes may not be offered or sold within the United States or to or for the benefit of any U.S. person (as defined under Regulation S under the Securities Act ("Regulation S")) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and any other applicable securities laws. Each purchaser of Notes acknowledges that it has requested, and has received, information considered by it to be necessary in connection with its investment decision, (ii) it has not relied on UBS AG, London Branch or any person affiliated with UBS AG, London Branch in connection with its investigation of the accuracy and completeness of such information or its investment decision and (iii) no person has been authorised to give any information or to make any representation concerning UBS AG, London Branch or the Notes other than those contained herein and, if given or made, such other information or representation should not be relied upon as having been authorised by UBS AG, London Branch or any person affiliated with UBS AG, London Branch. If it is acquiring any Notes as a fiduciary or agent for one or more accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

This document relating to the Notes has not been registered as a prospectus with the Monetary Authority of Singapore (the "MAS") under the Securities and Futures Act (Cap. 289) of Singapore (the "Securities and Futures Act"). Accordingly, the Notes may not be offered or sold or made the subject of an invitation for subscription or purchase nor may this document or any other document or material in connection with the offer or sale, or invitation for subscription or purchase of such Notes be circulated or distributed, whether directly or indirectly, to the public or any member of the public in Singapore other than (1) to an institutional investor or other person falling within Section 274 of the Securities and Futures Act, (2) to a relevant person, or any person pursuant to Section 275 (1A) of the Securities and Futures Act and in accordance with the conditions specified in Section 275 of the Securities and Futures Act or (3) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the Securities and Futures Act.

In the event where the Notes are subscribed to or purchased by each of the following relevant persons specified in Section 275 of the Securities and Futures Act:

- (a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor,

then the shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for six months after that corporation or that trust has acquired the Notes under Section 275 of the Securities and Futures Act except:

- (1) to an institutional investor under Section 274 of the Securities and Futures Act or to a relevant person, or any person pursuant to Section 275(1A) of the Securities and Futures Act, and in accordance with the conditions, specified in Section 275 of the Securities and Futures Act;
- (2) where no consideration is given for the transfer; or
- (3) by operation of law.

For EEA jurisdictions (EU member states plus Norway, Iceland and Liechtenstein) that have implemented the EU Prospectus Directive, this Information Memorandum DOES NOT QUALIFY as a prospectus published in accordance with the requirements of the EU Prospectus Directive. Unless and until a prospectus has been published in accordance with the requirements of the EU Directive, these Notes may not be offered or sold in EEA jurisdictions that have implemented the EU Prospectus Directive other than 1) in minimum denominations of, or total consideration per investor of at least, EUR 50,000 (or equivalent in other currencies) or 2) only to Qualified Investors; and/or (aggregated for all distributors) to less than 100 offerees that are not Qualified Investors per EEA jurisdiction. A "Qualified Investor" is a legal entity that (i) is authorised or regulated to operate in the financial markets or has the sole purpose to invest in securities; or (ii) meets two of the following three criteria (as shown in its last annual or consolidated accounts): (a) an average number of at least 250 employees during the last financial year; (b) a total balance sheet of more than EUR 43,000,000; and (c) an annual net turnover of more than EUR 50,000,000.

Each purchaser of the Notes confirms that it will not on-sell or distribute the Notes in the Republic of China ("Taiwan") to Taiwanese residents or entities incorporated in Taiwan other than in accordance with laws and regulations of Taiwan.

GENERAL INFORMATION

1. The Notes have been accepted for clearance through Euroclear and Clearstream with Common Code: 35786678, ISIN: XS0357866788 and Telekurs: 3944090.

2. If there is a permanent breakdown or failure of the Clearing Systems, the Issuer will provide definitive Notes to the Holders. In this event, the Issuer will forthwith appoint a registrar (the “**Registrar**”) to act through an office in Luxembourg, which may or may not be the Paying Agent in Luxembourg appointed pursuant to Condition 2(f). The Registrar will keep a register of Holders (the “**Register**”). All payments in respect of the Notes will be made through the Paying Agents, by transfer to a U.S. dollar account maintained by the payee with a bank in New York if the details of such account is kept in the Register, or if no such account details are available, by U.S. dollar cheques drawn on a bank in New York mailed to the relevant Holder (at the Holder’s risks) at its address as recorded in the Register. After the issue of definitive Notes, the Holders entitled to any payment under the Notes are the persons shown on the Register to be holders of Notes at the close of business on the 7th day before the due date of payment. Transfers of Notes in definitive form will take place by the deposit of the Notes, together with a duly completed transfer form (forms are available at the office of the Registrar) at the office of the Registrar, and are effective upon the entry of the relevant details in the Register. The Registrar will issue new definitive Notes to the transferee.
3. The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes, and was authorised by the Issuer’s authorities on the Global Security issue date, being June 3, 2008.
4. Save as disclosed herein, there has been no material adverse change in the financial position of the Issuer or any of its subsidiaries since the last date of the period to which the latest audited financial statement relate (31 December 2007).
5. Neither the Issuer nor any of its subsidiaries is involved in any litigation, arbitration or administrative proceedings relating to claims, other than as disclosed herein, which are material in the context of the issue of the Notes and, so far as the Issuer is aware, no such litigation, arbitration or administrative proceedings are pending or threatened.
6. Copies of the audited consolidated financial statements for the years ended 31 December 2005, 2006 and 2007 of the Issuer were audited by Ernst & Young Ltd. in accordance with generally accepted accounting standards in Switzerland and the Issuer’s Annual Report (US Version) for the year ended 31 December 2007 and the unaudited financial statements for the 6-month period ended 30 June 2008 of the Issuer shall be incorporated by reference, and to form part of, this Information Memorandum save that any statement contained herein or in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Information Memorandum to the extent that a statement contained in any such subsequent document modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Information Memorandum.

The Issuer will provide, without charge, to each person to whom a copy of this Information Memorandum has been delivered, upon the request of such person, a copy of such financial statements which are deemed to be incorporated herein by reference unless such documents have been modified or superseded as specified above. Requests for such documents should be directed to the Issuer at its office set out at the end of this Information Memorandum. In addition, such documents will be available free of charge from the specified office of the Luxembourg Paying Agent set out at the end of this Information Memorandum.

Consolidated interim financial statements are published on a quarterly basis.

7. The Issuer has appointed the Fortis Banque Luxembourg S.A. to act as Listing Agent and Luxembourg Paying Agent. The Luxembourg Paying Agent shall, among other things, be the liaison between the Issuer and the noteholders.
8. Copies of the following documents may, so long as any of the Notes remains outstanding, be available during usual business hours on any business day (except Saturdays, Sundays and legal holidays) at the specified offices of the Listing Agent in Luxembourg:
 - (i) the Memorandum and Articles of Association of the Issuer;
 - (ii) the audited consolidated financial statements of the Issuer for each of the years ended 31 December 2005, 2006 and 2007 and quarterly interim financial statements at 30 June 2008 of the Issuer and the future consolidated audited annual and quarterly interim financial statements of the Issuer; and
 - (iii) the Global Security; and
 - (iv) the UBS Annual Report (US Version) for the year ended 31 December 2007.
9. The Notes shall cease to be admitted to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF market from the date originally scheduled to be the Maturity Date as set out in the definition of “Maturity Date” in the Conditions (the “**Scheduled Maturity Date**”), save where the Issuer has elected, on or prior to the 10th Exchange Business Day before the Scheduled Maturity Date, that the Notes shall continue to be listed beyond the Scheduled Maturity Date in the event that the Maturity Date of the Notes is extended beyond the Scheduled Maturity Date by reason of the occurrence or existence of a Redemption Disruption Event or FX Disruption Event. Such election shall be notified to the Luxembourg Stock Exchange on or prior to the 10th Business Day before the Scheduled Maturity Date, and a notice of such election shall be given to the Holders in accordance with the Conditions as soon as practicable thereafter.

ISSUER

UBS AG, London Branch
100 Liverpool Street

London EC2M 2RH
United Kingdom

PRINCIPAL PAYING AGENT AND CALCULATION AGENT

UBS AG, London Branch
100 Liverpool Street
London EC2M 2RH
United Kingdom

LUXEMBOURG PAYING AGENT AND LISTING AGENT

Fortis Banque Luxembourg S.A.
50 Avenue J. F. Kennedy
L-2951
Luxembourg

AUDITORS OF THE ISSUER

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CH-4002 Basel