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Media release

UBS ANNOUNCES COMPREHENSIVE SETTLEMENT, IN PRINCIPLE, FOR ALL CLIENTS HOLDING AUCTION RATE SECURITIES AT THE ESTIMATED COST OF USD 900 MILLION

New York, Aug. 8, 2008 – UBS announced today a settlement, in principle, with the New York Attorney General (NYAG), the Massachusetts Securities Division, the Securities and Exchange Commission (SEC) and other state regulatory agencies represented by North American Securities Administrators Association (NASAA) to restore liquidity to all remaining clients' holdings of auction rate securities (ARS).

Under the agreement in principle, UBS has committed to purchase a total of USD 8.3 billion of ARS, at par, from most private clients during a two-year time period beginning January 1, 2009. Private clients and charities holding less than USD 1 million in household assets at UBS will be able to avail themselves of this relief beginning Oct. 31, 2008. From mid-September, UBS will provide loans at no cost to the client for the par value of their ARS holdings.

In addition, UBS has also committed to provide liquidity solutions to institutional investors and will agree from June 2010 to purchase all or any of the remaining USD 10.3 billion, at par, from its institutional clients. Today's news is in addition to the firm's recently announced intention to repurchase USD 3.5 billion of tax-exempt Auction Preferred Stock.

"Today's solution provides further relief, beginning in September, to investors who have been understandably frustrated by the industry-wide failure of the ARS market. Our leading position in supporting the market and providing liquidity is clear, and now, we are the first firm to give all clients -- private, corporate and institutional the opportunity to be made whole," said Marten Hoekstra, Head of UBS Wealth Management Americas.

"Since the breakdown in the market, UBS clients have been offered multiple liquidity options. They have been able to borrow 100 percent against the value of their holdings. The solutions announced today provide our clients with the widest range of choices in the industry, including a two-year window during which clients can either continue to earn interest or redeem their ARS at any time," Hoekstra added.

The firm has also agreed to pay a fine of USD 150 million – USD 75 million to the state of New York and USD 75 million to other state regulatory agencies. UBS neither admits nor denies allegations of wrongdoing.

The full cost of the proposed settlement, taking into account the projected redemption patterns of clients, the difference between the purchase prices and the current market value of client ARS holdings, and the regulatory fine related to the settlements, is estimated to be in the range of USD 900 million on a pre-tax basis, to be booked in the second quarter results. This includes reimbursements to all clients for losses incurred from sales of ARS holdings between Feb. 13 and Aug. 8, 2008.

A provision for the costs of this settlement will be included in the firm's second quarter financial results, which will be announced on Aug. 12, 2008.

Results, including this settlement, for UBS AG for the second quarter will be consistent with guidance given by the firm on July 4, 2008.

UBS is one of the world's leading financial firms, serving a discerning international client base. Its business, global in scale, is focused on growth. As an integrated firm, UBS creates added value for clients by drawing on the combined resources and expertise of all its businesses.

UBS is the leading global wealth manager, a leading global investment banking and securities firm, and one of the largest global asset managers. In Switzerland, UBS is the market leader in retail and commercial banking.

UBS is present in all major financial centers worldwide. It has offices in 50 countries, with about 38% of its employees working in the Americas, 33% in Switzerland, 16% in the rest of Europe and 13% in Asia Pacific. UBS employs more than 80,000 people around the world. Its shares are listed on the Swiss Stock Exchange (SWX), the New York Stock Exchange (NYSE) and the Tokyo Stock Exchange (TSE).

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