Olivant.

Mr Sergio Marchionne
Non-executive Vice Chairman
UBS AG
Bahnhofstrasse 45
8098 Zürich
Switzerland

3 April 2008

Dear Mr Marchionne

Olivant Limited
Regency Court
Glategny Esplanade
St Peter Port
Guernsey
GY1 3NQ
www.olivant.com

I am writing to you in your capacity as the sole non-executive member of the Chairman's Office and the senior non-executive director of UBS AG ("UBS").

We have followed with concern the developments at UBS and their impact on the reputation and share price of UBS. We welcome and support a number of decisions taken by the Supervisory Board earlier this week: the additional write-down of trading positions, the commitment to a rights issue, and the decision of the current Chairman not to stand for re-election. Nevertheless, fundamental issues remain and we believe that UBS needs to act with urgency to address them, as we remain cautious about the prospects for the US housing market and the outlook for credit markets. Raising these issues when the Supervisory Board has shown new determination may seem unfair, but precisely because of the leadership you have demonstrated, we have decided to submit our thoughts to you and your colleagues for consideration. I would appreciate the opportunity to meet with you prior to the UBS AGM to discuss the contents of this letter.

Olivant Limited ("Olivant") controls in excess of 0.7% of the ordinary undiluted share capital of UBS. This position is not hedged, thereby ensuring our alignment with other UBS shareholders.

Olivant is able to invest for the long term as it is funded with permanent shareholder capital. From this position of commitment, we look forward to establishing a productive and supportive dialogue with UBS. Olivant envisages a number of scenarios under which it will continue acquiring UBS shares to increase its percentage ownership, as we believe that, following the pursuit of the programme outlined in this letter, a substantial recapture of shareholder value will be achievable given the high quality of UBS's business franchises and the vast majority of its people.

The purpose of this letter is to set out a clear programme for rebuilding UBS's shareholder value and reputation, both in financial markets and with clients. There is an urgent need for effective and relevant leadership of UBS's Supervisory Board, the establishment of appropriate corporate governance, forward thinking about future capital needs, a clearer and more focused corporate strategy, a fundamental overhaul of risk discipline and more open and transparent communication both externally and within UBS itself.

We have the highest respect for the experience represented by the non-executive members of the Supervisory Board and believe that we could establish a strong understanding if given the opportunity by you. We also fully support the current CEO.

We recognise that you will have already considered a number of the ideas we set forth in this letter and would be pleased to hear your views.

Corporate Governance

We believe that the current construct of the Chairman's Office compromises the independence and clarity of roles of both the Supervisory Board and the Group Executive Board. Frequent transfers of executives between the Group Executive Board and the Chairman's Office within the Supervisory Board result in a situation where past executives exercise a unique level of influence at the Supervisory Board level. Until your appointment this year, all the members of the Chairman's Office – the Chairman and the two Executive Vice Chairmen of the Supervisory Board – were deemed to be executives of UBS and were paid as such; they were also all former members of UBS's management. In addition, the Chairman's Office was responsible for the compensation of the non-executive members of the Supervisory Board. This represented an extraordinary concentration of responsibility – and we would say accountability – in the hands of the Chairman's Office, particularly in the areas of risk management and supervision. We highlight this point below because it is relevant to the risk failures that have occurred.

UBS's 2007 Annual Report states that: *"The Chairman's Office acts as the Risk Committee of the BoD. In this capacity it has the highest approval authority for the following (within the risk capacity and principles approved by the BoD): allocation of responsibility for credit, market and other risk-related matters; setting of standards, concepts and methodologies for risk control; and allocation of the major risk limits to the business groups. It also acts as the supervisory body for Group Internal Audit. The Chairman's Office is responsible for shaping the corporate governance of the firm…".* Further to this clear description of the role and responsibilities of the Chairman's Office in relation to risk control and management, we would also note that the Chairman or an Executive Vice Chairman attended all meetings of the Group Executive Board and its Risk Committee and were therefore fully informed of all trading and risk exposures.

To ensure absolute clarity as to the respective responsibilities of the Supervisory Board and the Group Executive Board, we propose that all members of the Supervisory Board - and therefore the Chairman's Office - should be non-executive. This would avoid the current confusion and would also appear to be more in line with the spirit of Swiss Banking Law and Article 30 of UBS's own Articles of Association. We support market based compensation, and in the case of the Chairman, this would reflect the probable full time nature of this role in the immediate future – but the structure of the remuneration should be aligned with the interests of shareholders.

The departure of the current Chairman provides an outstanding opportunity to address the corporate governance weaknesses which contributed to the losses suffered by shareholders. We commend Peter Kurer for being prepared to accept the responsibility of leading the Supervisory Board; however, we note with disappointment that Peter Kurer is being proposed as an executive rather than non-executive member of the Supervisory Board and in addition that he is a former member of the Group Executive Board – a pattern referred to above. His appointment as Chairman perpetuates UBS's ineffective corporate governance and insular culture. His current boss is CEO of the Group; his former colleague, the then Chief Credit Officer, Marco Suter, was elevated in 2005 to Executive Vice Chairman of the Supervisory Board with special responsibility for risk; following the recent losses, Marco Suter was appointed to the Group Executive Board as CFO. This is not an appropriate way to ensure a radical review and correction of mistakes that led to the largest trading losses in European banking history.

We would strongly support an interim arrangement whereby you would act as non-executive Chairman and put your support behind a search by the Nominations Committee for an outstanding external Swiss candidate with proven strategic, risk management and communications experience – the critical skills required at this time. The previous search was handicapped by the continued presence of the current Chairman and the unrealistic preconditions placed on it, for example that the candidate would have to serve a period as his deputy. With the departure of the current Chairman and an unrestricted search, we strongly believe that candidates would come forward who would never have agreed to do so under the previous conditions. Perhaps it would be wise to provide an opportunity to test this view.

Capital strength

The quality of balance sheet and risk disclosure still requires further improvement, but it appears that there are realistic scenarios under which the announced rights issue of CHF15 billion on its own may not be sufficient to achieve finality. We doubt that shareholders would welcome an additional rights issue or a dilutive non-pre-emptive capital raise. We noted with interest the observations of the EBK as well as the downgradings – with negative outlook - this week by Moody's, Standard & Poor's and Fitch based on UBS's risk management failures, earnings volatility and reduced financial and strategic flexibility. In particular, we would support actions that would increase financial security and strategic flexibility.

We would therefore propose that UBS seriously evaluate disposals that could generate significant capital to put UBS's capitalisation beyond all doubt and reduce the size of any further capital required from existing shareholders. We recognise that potential disposals should fulfil two conditions: firstly, that their disposal must not materially damage UBS's global core business; and secondly, that they must attract buyers at acceptable valuations in this challenging market. Global Asset Management, Pactual and the Australasian businesses might meet these two criteria. In particular, the asset management business – which is not an essential hold given the open architecture wealth management strategy - would likely release a significant amount of capital to fill any shortfall left by the rights issue, thereby providing the Board with greater financial flexibility.

Business model and strategy

We are not convinced that the 'one bank' integrated business model that has served UBS well in the past will survive the damage inflicted by the proprietary trading losses and write-downs. Nor are we sure that it will meet with the support of clients and staff. We will be interested to hear why the Supervisory Board remains committed to the model. Subject to hearing your informed views of the business model and understanding the practical, operational, legal and tax constraints to any change, we would in principle favour at least a move towards greater separation and independence of the primary business units which remain after any disposals. Such steps take considerable time to execute and action taken now will increase the strategic flexibility open to the Supervisory Board in the future to maximise shareholder value once stability returns to the financial markets.

The Wealth Management franchise comprises the most important and valuable unit within UBS. It must be managed unequivocally for client service excellence and profitability without any conflicting priorities imposed by the integrated model. We propose that Wealth Management, together with Business Banking, be placed into a clearly defined and capitalised Swiss based and Swiss regulated holding company. As a low risk, high margin business and clear leader in its field globally, this business will command a premium rating. The proposed step provides assurance to clients as well as flexibility for its future development as a fully independent Swiss business.

The Investment Bank has leading positions in equities, corporate finance and many client businesses within FICC. We believe that these businesses will command an attractive valuation once markets have stabilised and after the excessive proprietary trading positions of FICC have been risk managed down. A strategy similar to that proposed above for the Wealth Management franchise could be appropriate to provide future strategic flexibility, although in the case of the Investment Bank we would suggest the UK or US as the appropriate jurisdiction, rather than Switzerland. We welcome the announcement of the formation of a separate unit to manage selected US real estate related positions and that this unit may cease to be wholly owned and financed by UBS over time – which would further improve strategic flexibility. It will be important not to allow the concentrated failure by a relatively small group of senior management and traders pursuing a single proprietary trading strategy to result in a general retreat from risk, with negative consequences for the investment banking client focused franchise and retention of talent.

The revenue synergies currently generated by the internal flows of the integrated model could still be captured following these proposed steps as the businesses, albeit more independent, would still remain, at least for the time being, under one roof and owned by one set of shareholders.

This proposed strategic approach would release capital through selected disposals, provide greater management focus, and should reduce the conglomerate and complexity discount which we believe is currently applied to UBS by the market. It would also clarify the Board's strategic thinking and end this damaging period of uncertainty, which is harmful both to the retention of clients but also the retention and motivation of staff. The latter point is a cause of concern and no doubt we can expect to hear from the Supervisory Board and management how they plan to rebuild the morale of staff and implement a talent retention programme, given the negative media and client feedback employees are receiving and the damaging financial losses that many employees have suffered personally as shareholders.

Board composition

With genuine regret we have raised the issue of whether the election of Peter Kurer to the Supervisory Board and appointment as Chairman is the best possible solution at this time. We fully understand why you and your fellow directors might have felt that an urgent decision was required. However, given the scale of strategic, risk, client franchise and staff morale challenges faced by UBS, it appears to us essential that an outstanding Swiss banker with proven strategic, risk management and communications skills be brought in as soon as possible to lead the Supervisory Board through this difficult period and to be seen by all – inside and outside the bank - as a permanent solution. Peter Kurer is known to the market and to me personally as an outstanding General Counsel and colleague but he lacks precisely those skills most relevant to the Supervisory Board at this time and which are most demonstrably lacking also in its current composition. His elevation as yet another member of executive management to the Supervisory Board also does not bode well for the fundamental review of UBS's corporate governance that is required.

Under the current AGM proposals, the maximum number of Supervisory Board members is reached without any room for additional external candidates that could strengthen the banking experience of the Supervisory Board and help it to make a clean break with its recent unsuccessful performance. We recognise that Peter Voser has the skills required as the incoming Chairman of the Audit Committee and that the only external candidate, David Sidwell, brings clearly relevant expertise.

Risk control environment and value destruction

UBS is unique amongst European banks in the scale of its trading losses of in excess of CHF40 billion. These are by far the largest trading losses in European banking history. I do not need to tell you that this has been a source of particular shock given UBS's historic reputation for strong risk management and the strategic imperative to protect its core wealth management businesses.

Although UBS's Tier 1 ratio may remain acceptable at 10.6% pro forma to the announced rights issue and therefore be acceptable from a regulatory viewpoint, it is important from a prudential risk management viewpoint to observe that UBS's leverage as measured by the ratio of total tangible assets to tangible equity doubled from approximately 40x at the end of 2002 to approximately 80x at the end of 2007; and that this leverage has increased again following the recently announced losses. UBS's reputation has been comprehensively destroyed by proprietary trading activities totally divorced from any client business; the trading strategy exposed the bank to extreme concentration risk based on the single bet that US house prices would not fall.

UBS's risk management challenges are far from being resolved. The fundamental rebuilding of an effective risk culture, as opposed to the announced *"further strengthening of risk control systems"*, is imperative. Given the lack of direct banking and risk management experience of the Supervisory Board and proposed Chairman, it will be difficult for UBS's risk culture to be rebuilt. This will be particularly acute given the degree of judgement required to achieve this without impacting the franchise and legitimate use of risk.

UBS's market capitalisation today is around its level in 1998 following the Swiss Bank Corporation/Union Bank of Switzerland merger; and UBS's 5 year Total Shareholder Return is very weak at around 28% (as compared, for example, to Credit Suisse at 155%). UBS has dropped from 7th place by market capitalisation in 2002 to 19th place among banks globally. The destruction of shareholder value over the last few months is around CHF 90 billion.

Citigroup and Merrill Lynch showed that to attract new talent following serious write-downs, the incumbent first has to go. This has now been achieved. The second step is to take this opportunity to appoint a candidate with the specific skills set and experience required – and if necessary to accept an interim arrangement until that person is identified and available. As you know, this issue is one of the heaviest responsibilities that the senior non-executive director of any Board faces and this is particularly true in the case of UBS following the disaster visited on it by the current Chairman.

I wish you, your fellow non-executive directors and the Group CEO every success in restoring UBS to its position as the global flagship of Swiss banking and would assure you of our strong support if we can assist in any way. I look forward to hearing from you and meeting you in the near future.

Yours sincerely

Luqman Arnold
Chairman