

UBS mortgages in the current interest rate environment

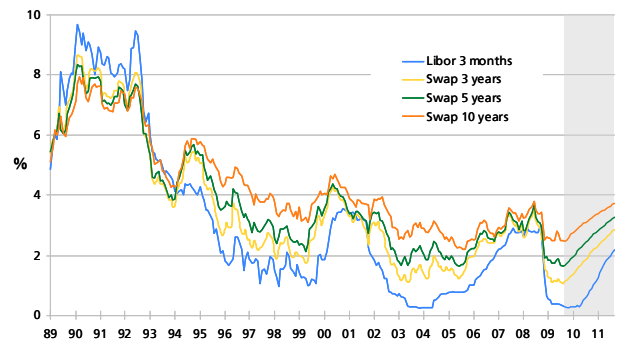
Recovery in sight for Swiss economy

The global financial crisis and worldwide economic downturn have left their mark on the Swiss economy. However, we expect the Swiss economy to stage a recovery in the next year. Overall we anticipate that Swiss GDP will contract by a further 1,4% in 2009 and return to growth in 2010 at a rate of 1,7%.

The Swiss National Bank will maintain its 3-month LIBOR rate hovering at around the 0% mark for the foreseeable future, raising rates at the end of 2010 in step with the US and European central banks.

Medium and long-term rates are expected to start rising in the coming months.

Long-term interest rate trend



Interest-rate forecast in figures

	03.11.09	Mar 10	Sep 10	Mar 11	Sep 11
Libor 3 months	0.26	0.33	0.80	1.58	2.17
Swap 3 years	1.20	1.55	2.03	2.46	2.85
Swap 5 years	1.74	2.14	2.57	2.94	3.27
Swap 10 years	2.51	2.89	3.20	3.48	3.73

Overview of UBS mortgage products

Current interest rates can be considered 'low' from a long-term perspective. How are UBS mortgages positioned in this environment?

- UBS Fixed-Rate Mortgages remain attractive, especially those with longer maturities that allow clients to secure low interest rates for years to come.
- For mortgage clients with financial leeway or for short-run temporary financing the UBS Libor Mortgage is still an attractive proposition.

UBS mortgages offer attractive combination opportunities for all mortgage profiles under any interest-rate conditions

Interest rate level	UBS Fixed-Rate Mortgage			UBS Libor Mortgage
	short	medium	long	
high	▲	●	●	■
decreasing	▲	●	●	■
normal	■	■	■	■
rising	▲	■	■	▲
low	▲	■	■	■

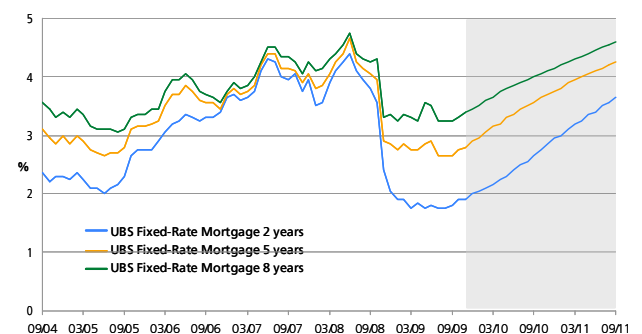
■ suitable
 ▲ suitable under certain conditions
 ● not suitable

UBS Fixed-Rate Mortgages: Still attractive

Fixed mortgages at between 4% and 5% look to be in line with the long-term average. We recommend taking out UBS Fixed-Rate Mortgages with longer maturities – that way you can be sure of the currently low interest rates for years to come.

To limit the risk of a change in interest rates before maturity, we recommend dividing the mortgage into several tranches and thereby staggering the maturity dates.

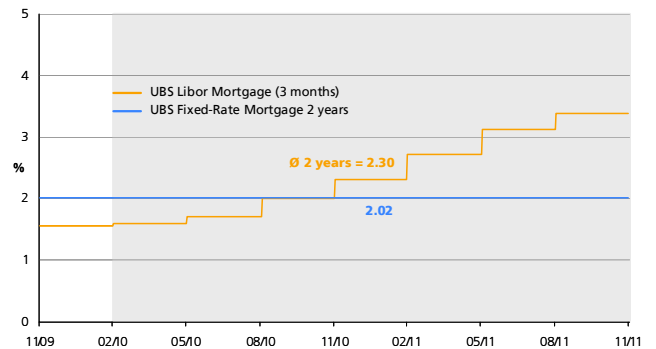
Lock in attractive interest rates - security



UBS Libor Mortgage: Accepting risk continues to pay off

The UBS Libor Mortgage continues to offer favourable conditions for the coming quarters. UBS Libor Mortgages thus remain an attractive proposition for clients with a certain amount of financial leeway. Protection against a sharp rise in interest rates is available either through the option of switching to a longer-term product free of charge every three months or by hedging the interest-rate risk through the purchase of UBS Libor Cap Warrants, which UBS also offers to private clients.

Low average interest-rate burden with UBS Libor Mortgage



The right mix for every mortgage profile

We recommend that wherever possible our clients combine different products and maturities, thus diversifying the interest-rate risk.

- Staggering the durations means you can avoid a situation whereby, upon maturity, you have to renew all your financing in an unfavourable interest rate situation.
- Combining products means that the risk of interest-rate movements can be diversified among different underlying interest rates.

Your UBS advisor will be happy to explain the various options available to you.

Product recommendation – combine

Mortgage profile	Financing proposal				
Stable	<table border="1"> <tr> <td>30 - 40 %</td> <td>60 - 70 %</td> </tr> <tr> <td>UBS Fixed-Rate Mortgage 3 years</td> <td>UBS Fixed-Rate Mortgage 5 - 8 years</td> </tr> </table>	30 - 40 %	60 - 70 %	UBS Fixed-Rate Mortgage 3 years	UBS Fixed-Rate Mortgage 5 - 8 years
30 - 40 %	60 - 70 %				
UBS Fixed-Rate Mortgage 3 years	UBS Fixed-Rate Mortgage 5 - 8 years				
Balanced	<table border="1"> <tr> <td>25 - 35 %</td> <td>65 - 75 %</td> </tr> <tr> <td>UBS Libor Mortgage (3 months)</td> <td>UBS Fixed-Rate Mortgage 4 - 7 years</td> </tr> </table>	25 - 35 %	65 - 75 %	UBS Libor Mortgage (3 months)	UBS Fixed-Rate Mortgage 4 - 7 years
25 - 35 %	65 - 75 %				
UBS Libor Mortgage (3 months)	UBS Fixed-Rate Mortgage 4 - 7 years				
Market-oriented	<table border="1"> <tr> <td>35 - 55 %</td> <td>45 - 65 %</td> </tr> <tr> <td>UBS Libor Mortgage (3 months)</td> <td>UBS Fixed-Rate Mortgage 3 - 6 years</td> </tr> </table>	35 - 55 %	45 - 65 %	UBS Libor Mortgage (3 months)	UBS Fixed-Rate Mortgage 3 - 6 years
35 - 55 %	45 - 65 %				
UBS Libor Mortgage (3 months)	UBS Fixed-Rate Mortgage 3 - 6 years				

These financing proposals are reviewed continuously and adjusted suit changing market conditions.



UBS AG
P. O. Box
CH-8098 Zurich

www.ubs.com/hypo

This publication is for your information only and is not intended as an offer – or a solicitation of an offer – to buy or sell any mortgage or other specific products. Although all information and opinions expressed in this document were obtained from reliable sources, no representation or warranty, express or implied, is made as to their accuracy or completeness. The opinions presented in this report may differ from official UBS policy. November 04, 2009.