

# Media release

## **UBS reports full-year 2007 loss of CHF 4,384 million and fourth quarter loss of CHF 12,451 million, in line with announcement on 30 January 2008**

### *Full-year 2007*

- **Full-year 2007 Group net loss attributable to UBS shareholders of CHF 4,384 million, with losses from US mortgage-related positions outweighing strong performance in other businesses**
- **Results in all businesses of Global Wealth Management & Business Banking were at an all-time high**
- **Global Asset Management did not fully meet its 2006 pre-tax profit. Excluding the costs for the closure of Dillon Read Capital Management, results would have been a record**
- **In the Investment Bank, both equities and the investment banking department recorded record revenues**
- **Net new money inflows in Global Wealth Management & Business Banking were up to CHF 156.3 billion, a strong 37% above 2006 levels. Global Asset Management, however, saw net outflows of CHF 15.7 billion, compared with inflows of CHF 37.2 billion in 2006**

### *Fourth quarter 2007*

- **Fourth quarter Group net loss attributable to shareholders of CHF 12,451 million, down from a net profit of CHF 3,407 million in fourth quarter 2006. Financial businesses contributed negative CHF 12,483 million, in comparison to positive CHF 3,055 million in fourth quarter 2006**
- **Net new money in Global Wealth Management & Business Banking was CHF 31.7 billion, whereas Global Asset Management had outflows of CHF 16.2 billion worldwide**

### *Positions related to US mortgage markets*

- **Most FICC businesses suffered from the credit market dislocation – losses of USD 13.7 billion (CHF 15.6 billion) were recorded on positions related to US sub-prime mortgages in fourth quarter**

Zurich/Basel, 14 February 2008 – UBS reports a Group net loss attributable to shareholders of CHF 4,384 million in full-year 2007, with a loss of CHF 4,785 million from continuing operations and a profit of CHF 401 million from discontinued operations.

For fourth quarter 2007, UBS reports a Group net attributable loss of CHF 12,451 million. Financial businesses contributed a loss of CHF 12,483 million to this result.

This is in line with the pre-announcement on 30 January 2008, where UBS forecast a CHF 4.4 billion loss for full-year 2007 and a fourth quarter 2007 net loss attributable to UBS shareholders of CHF 12.5 billion.

"Last year was one of the most difficult in our history. During the first six months of 2007, UBS produced a net profit of CHF 8,897 million, which was a record for any six month period. While most of our businesses continued to be very profitable, the sudden and serious deterioration in the US housing market, in combination with our large exposure in sub-prime mortgage-related securities and derivatives, has driven us into loss for the year," said Marcel Rohner, UBS Chief Executive Officer.

### **Strong results from client businesses offset by losses on mortgage-related positions**

UBS client businesses produced another outstanding quarter. In the Investment Bank, equities and investment banking produced good results and the wealth and asset management businesses performed at record levels. The wealth management business recorded total net new money inflows of CHF 31.5 billion in fourth quarter, with a full-year total of CHF 151.7 billion. Business Banking Switzerland recorded net new money inflows of CHF 0.2 billion in fourth quarter 2007 and a full-year net new money inflow of CHF 4.6 billion. Profitability of these businesses was high in fourth quarter, with record performances in all three units.

Global Asset Management reported strong results for fourth quarter, although results for net new money outflows of CHF 16.2 billion, mainly in the institutional business, were disappointing.

UBS's poor performance for both full-year and fourth quarter 2007 was entirely due to very weak trading results in its fixed income, currencies and commodities (FICC) area. Most FICC businesses suffered from the credit market dislocation and severe losses of USD 13.7 billion (CHF 15.6 billion) were recorded on positions related to the US residential mortgage market in fourth quarter.

In detail, UBS recorded losses in fourth quarter 2007 related to:

- US sub-prime residential mortgages: USD 10.8 billion (CHF 12.3 billion) – largely attributable to losses on super senior tranches of collateralized debt obligations (CDO). UBS's sub-prime exposure further includes residential mortgage-backed securities and components of structured credit programs (Reference-Linked Notes);
- US Alt-A mortgages: USD 2.0 billion (CHF 2.3 billion) – residential mortgage-backed securities (RMBS), and CDOs backed by US RMBSs (RMBS CDO). UBS's Alt-A position consists primarily of AAA rated RMBSs, backed by first lien mortgages; and
- Credit protection on US RMBS CDOs, purchased from monoline insurers: USD 871 million (CHF 993 million) – primarily on credit default swaps purchased from a monoline insurer whose credit rating was downgraded to "non-investment grade".

In fourth quarter, UBS also recorded losses of USD 0.5 billion (CHF 0.6 billion) on positions related to US commercial real estate and of USD 0.2 billion (CHF 0.2 billion) on highly leveraged underwriting commitments.

(Further details on these losses and related exposures can be found in UBS's fourth quarter report on pages 18 to 21 and in the fourth quarter 2007 presentation).

## **Cost control**

For UBS as a whole, cost growth began to slow in 2007. Despite lower average bonus payments, personnel expenses for the year were up compared with 2006. This reflected charges for restructuring and accelerated amortization for deferred compensation as well as an increase in staffing levels, mainly in wealth management, despite the Investment Bank's staff reductions in line with earlier announcements. In 2007, general and administrative expenses were up, driven by business volumes and staff levels as well as higher legal fees. Cost management is a high priority for 2008.

## **Capital improvement measures**

UBS places high emphasis on its capital strength, as expressed in a high level of liquidity and strong capital ratios, and puts top priority on fully ensuring client, employee and investor confidence. On 10 December 2007, UBS announced a range of capital improvement measures. In addition, in fourth quarter, UBS successfully reduced its total balance sheet and, as a result, its risk weighted assets. These measures allowed UBS to end the year in a strong capital position. UBS's total BIS capital ratio stood at 12.0% and its BIS Tier 1 ratio was 8.8%. These ratios do not yet take into account the issuance of the CHF 13 billion mandatory convertible issues, which will become effective upon shareholder approval.

## **Risk control**

UBS has made a number of important changes in regards to risk management.

In the Investment Bank, these changes include approval of across-the-board reductions in market risk limits, reductions in credit for higher risk portfolios and reduced approval authorities. Moreover, every effort is being made to lower exposure in home equity-linked portfolios – these have been moved into a specifically created workout group (for the mortgage-backed securities, asset-backed securities and CDO portfolios) and no increase in risk is permitted.

UBS has also taken steps to strengthen its market risk control framework. Some aspects of the older framework proved inadequate in the extreme conditions in the second half of 2007 – both in regards to identifying the risks being carried and preventing losses. In response to these events, UBS has also accelerated other developments already planned for its market risk control framework, including an improvement of its Value at Risk (VaR) measure to capture the increased market volatility seen earlier in the third quarter. Further updates have been made as part of the regular cycle. Shocks applied in UBS's stress scenarios have also been updated.

## **Funding framework**

UBS has implemented a new funding framework. Until November 2007, the Investment Bank was able to fund many of its assets on a short-term basis using short-term rates – this allowed the individual business lines in the Investment Bank to benefit from the low funding rates available to UBS. Now, the liquidity of the Investment Bank's positions are assessed based on current market conditions and stress scenarios and the Investment Bank is required to fund the illiquid portion of its assets on a long-term basis.

## **FICC restructuring**

UBS began restructuring its fixed income, currencies and commodities (FICC) area in January 2008 in order to strengthen the client-facing businesses, improve cooperation with other parts of UBS and introduce stronger risk discipline. In addition to the workout group mentioned above, measures include repositioning certain business areas to foster a focus on meeting client needs and the addition of a dedicated risk management position for real estate and securitization. Moreover, FICC plans to

exit selected proprietary credit businesses in the US, Asia and Europe, in order to help reduce risk and balance sheet utilization.

These changes will allow FICC to focus resources on client-driven businesses such as global syndicated finance and the flow credit businesses (investment grade, high yield trading and loans sales and trading).

### **EGM on 27 February 2008**

UBS's capital position is strong, both in absolute terms and relative to its peers. However, as communicated earlier, UBS is determined to strengthen its capital position further. This is important to support UBS's client franchise and is also a precautionary move in anticipation of continued uncertain market conditions. The measures requiring shareholder approval at the Extraordinary General Meeting on 27 February 2008 – the issuance of a mandatory convertible note and the granting of a stock dividend (as opposed to a cash dividend) – are believed to be appropriate and therefore ultimately beneficial to all stakeholders, in particular UBS shareholders.

Today, UBS published its answers to the questions submitted by Ethos, Swiss Foundation for Sustainable Development, to the Board of Directors of UBS AG on [www.ubs.com/investors/egm](http://www.ubs.com/investors/egm).

**Outlook** – In the first few weeks of 2008, equity markets worldwide have fallen by an average 12% and credit spreads have continued to widen as investors have become increasingly risk averse. Economic data has deteriorated, especially, but not only, in the US. The Federal Reserve has cut US interest rates. While such policy action will, in time, ease pressures in both the real and the financial economy, it is uncertain when this will be. UBS expects 2008 to be another difficult year.

"Our employees and senior management are committed to managing our business in a disciplined fashion, while continuing to deliver outstanding services to clients – and we believe this is the best way to earn the confidence of our shareholders," said Marcel Rohner, UBS Chief Executive Officer.

### **Performance against targets**

UBS focuses on four key performance indicators, designed to measure the continuous delivery of improving returns to shareholders. Each indicator is calculated based on results from continuing operations. The first two indicators, return on equity and diluted earnings per share, are calculated on a full UBS basis. The remaining two indicators, cost / income ratio and net new money, are limited to the financial businesses. On this basis, performance indicators in fourth quarter 2007 show:

- return on equity for full-year 2007 at negative 10.2%, down from positive 26.4% in the same period a year earlier. Strong results posted by UBS's wealth and asset management businesses and higher profits from equities and the investment banking department were more than offset by substantial losses in the Investment Bank.
- negative diluted earnings per share of CHF 6.53, compared with positive CHF 1.54 in fourth quarter 2006.
- a cost / income ratio that is not meaningful in fourth quarter 2007 due to negative income.
- net new money of CHF 15.5 billion, down from CHF 25.5 billion in fourth quarter a year earlier. The decrease was driven by net outflows in the asset management business of CHF 16.2 billion, down from net inflows of CHF 5.5 billion a year earlier. CHF 15.3 billion of the outflow was from institutional clients in equities, fixed income and multi-asset products. These outflows were more than offset by strong inflows into the wealth management units. These reported net new money inflows of CHF 31.5 billion in fourth quarter 2007, up from CHF 21.7 billion in fourth quarter 2006, reflecting strong inflows from Europe, as well as increased inflows in the domestic wealth management business in the US. Overall, UBS's net new money for full-year 2007 was CHF 140.6 billion, down from a record CHF 151.7 billion in full-year 2006. The decrease was mainly driven by full-year outflows in institutional asset management of CHF 16.3 billion. The Swiss and international wealth management businesses (up CHF 27.5 billion) and the domestic wealth management business in the US (up CHF 10.9 billion) recorded very strong inflows in the same period.

**UBS Financial Highlights**
**UBS Group**

<i>CHF million, except where indicated</i>	As of or for the quarter ended			% change from		Year ended	
	31.12.07	30.9.07	31.12.06	3Q07	4Q06	31.12.07	31.12.06
Operating profit before tax (from continuing and discontinued operations)	<b>(12,702)</b>	(726)	3,904			(2,800)	15,523
Net profit attributable to UBS shareholders	<b>(12,451)</b>	(830)	3,407			(4,384)	12,257
Net profit attributable to minority interests	<b>111</b>	117	96	(5)	16	539	493

**Performance indicators from continuing operations**

Diluted earnings per share (CHF) <sup>1</sup>	<b>(6.53)</b>	(0.49)	1.54			(2.49)	5.57
Return on equity attributable to UBS shareholders (%) <sup>2</sup>						(10.2)	26.4

**Financial Businesses<sup>3</sup>**

Operating income	<b>(4,135)</b>	6,169	12,272			31,032	47,171
Operating expenses	<b>8,594</b>	7,123	8,645	21	(1)	34,503	32,782
Net profit attributable to UBS shareholders from continuing operations	<b>(12,483)</b>	(1,086)	3,055			(5,235)	11,249
Cost / income ratio (%) <sup>4</sup>	<b>N/A<sup>5</sup></b>	115.2	70.6			110.3	69.7
Net new money (CHF billion) <sup>6</sup>	<b>15.5</b>	38.3	25.5			140.6	151.7
Personnel (full-time equivalents)	<b>83,560</b>	83,814	78,140	0	7		

**UBS balance sheet and capital management**
**Balance sheet key figures**

Total assets	<b>2,272,579</b>	2,484,235	2,346,362	(9)	(3)		
Equity attributable to UBS shareholders	<b>35,585</b>	48,229	49,686	(26)	(28)		
<b>Market capitalization</b>	<b>108,654</b>	127,525	154,222	(15)	(30)		

**BIS capital ratios**

Tier 1 (%) <sup>7</sup>	<b>8.8</b>	10.6	11.9				
Total BIS (%)	<b>12.0</b>	13.6	14.7				
Risk-weighted assets	<b>372,298</b>	390,320	341,892	(5)	9		
<b>Invested assets (CHF billion)</b>	<b>3,189</b>	3,265	2,989	(2)	7		

**Long-term ratings**

Fitch, London	<b>AA</b>	AA+	AA+				
Moody's, New York	<b>Aaa</b>	Aaa	Aa2				
Standard & Poor's, New York	<b>AA</b>	AA+	AA+				

<sup>1</sup> For the EPS calculation, see Note 8 of the fourth quarter 2007 report. <sup>2</sup> 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). <sup>3</sup> Excludes results from Industrial Holdings. <sup>4</sup> Operating expenses / operating income less credit loss expense or recovery. <sup>5</sup> The cost / income ratio is not meaningful this quarter due to negative income. <sup>6</sup> Excludes interest and dividend income. <sup>7</sup> Includes hybrid Tier 1 capital. Please refer to the BIS capital and ratios table in the capital management section of the fourth quarter 2007 report.

**UBS Financial Highlights (USD)**

USD-convenience translation (spot rate of CHF/USD as of 31.12.07):	1.13
<b>UBS income statement</b>	
	As of or for the quarter ended
<i>USD million, except where indicated</i>	<b>31.12.07</b>
Operating profit before tax (from continuing and discontinued operations)	<b>(11,241)</b>
Net profit attributable to UBS shareholders	<b>(11,019)</b>
Net profit attributable to minority interests	<b>98</b>
<b>Performance indicators from continuing operations</b>	
Diluted earnings per share (USD) <sup>1</sup>	<b>(5.78)</b>
Return on equity attributable to UBS shareholders (%) <sup>2</sup>	<b>(10.2)</b>
<b>Financial Businesses<sup>3</sup></b>	
Operating income	<b>(3,659)</b>
Operating expenses	<b>7,605</b>
Net profit attributable to UBS shareholders from continuing operations	<b>(11,047)</b>
Cost / income ratio (%) <sup>4,5</sup>	<b>N/A</b>
Net new money (USD billion) <sup>6</sup>	<b>13.7</b>
Personnel (full-time equivalents)	<b>83,560</b>
<b>UBS balance sheet and capital management</b>	
<b>Balance sheet key figures</b>	
Total assets	<b>2,011,132</b>
Equity attributable to UBS shareholders	<b>31,491</b>
<b>Market capitalization</b>	<b>96,154</b>
<b>BIS capital ratios</b>	
Tier 1 (%) <sup>7</sup>	<b>8.8</b>
Total BIS (%)	<b>12.0</b>
Risk-weighted assets	<b>329,467</b>
<b>Invested assets (USD billion)</b>	<b>2,822</b>

<sup>1</sup> For the EPS calculation, see Note 8 in the fourth quarter 2007 report. <sup>2</sup> 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). <sup>3</sup> Excludes results from Industrial Holdings. <sup>4</sup> Operating expenses / operating income less credit loss expense or recovery. <sup>5</sup> The cost / income ratio is not meaningful this quarter due to negative income. <sup>6</sup> Excludes interest and dividend income. <sup>7</sup> Includes hybrid Tier 1 capital. Please refer to the BIS capital and ratios table in the capital management section of the fourth quarter 2007 report.

## Results from the Financial Businesses

In full-year 2007, net attributable loss in UBS's core operational businesses (financial businesses' net attributable loss from continuing operations) was CHF 5,235 million, down from a net profit of CHF 11,249 million in 2006.

In fourth quarter 2007, net attributable loss was CHF 12,483 million, down from a net profit of CHF 3,055 million a year earlier and a net loss of CHF 1,086 million in third quarter 2007.

## Global Wealth Management & Business Banking

Global Wealth Management & Business Banking's full-year pre-tax profit was CHF 9,484 million, up from CHF 8,141 million in 2006.

In fourth quarter 2007, pre-tax profit was a record CHF 2,511 million. This equals an increase of 5% from third quarter 2007 and reflects record results across all three business units.

*Wealth Management International & Switzerland's* full-year 2007 pre-tax profit, at a record CHF 6,306 million, rose 21% compared with 2006.

In fourth quarter 2007, pre-tax profit, at a record CHF 1,646 million, was up 2% from third quarter. Total operating income decreased 1% from CHF 3,315 million in third quarter, with both recurring and non-recurring income falling slightly. Operating expenses fell from third quarter. Personnel expenses decreased due to the final fixing of bonus accruals, while general and administrative expenses rose in line with business activity and strategic initiatives.

Pre-tax profit in the *Wealth Management US* business for full-year 2007 was CHF 718 million, up 23% from CHF 582 million in 2006. In US dollar terms, performance in 2007 was up 26% from 2006. Performance in 2007 benefited from record levels of recurring income and lower general and administrative expenses. This was partly offset by higher personnel expenses.

In fourth quarter 2007, pre-tax profit was CHF 205 million, up 13% from third quarter 2007. In US dollar terms, pre-tax profit increased 19% to a record USD 180 million. The improvement was due to higher transactional income related to increased market activity and a slight increase in recurring income. These were partly offset by increases in non-personnel costs.

Operating income, measured in US dollar terms, was 5% higher than in third quarter 2007. This reflects a record level of recurring income (driven by increased asset levels in managed account products) and higher transactional income. Operating expenses, also measured in US dollar terms, were up 4% from third quarter, driven by both personnel expenses and general and administrative expenses. Personnel expenses increased 2%, reflecting increased financial advisor compensation due to higher compensable revenue. Non-personnel expenses increased 7% from third quarter 2007, due to higher costs related to increased business activity and strategic initiatives.

*Business Banking Switzerland* reported full-year 2007 pre-tax profit of record CHF 2,460 million, 4% above the result achieved in 2006. In 2007, interest income rose on higher volumes and margins for liabilities, while non-interest income rose due to higher asset-based and brokerage fees.

In fourth quarter 2007, Business Banking Switzerland reported a record pre-tax profit of CHF 660 million, up 12% from the third quarter, due to higher interest and non-interest income. Total operating income increased by 3% in fourth quarter, while operating expenses fell by 3%, driven by a decline in personnel expenses. General and administrative expenses were almost unchanged.

### **Global Asset Management**

Full-year 2007 pre-tax profit was CHF 1,315 million, down from CHF 1,392 million in 2006, primarily due to the CHF 384 million charge related to the closure of Dillon Read Capital Management booked in the second quarter. Excluding these costs, pre-tax profit in 2007 would have been CHF 1,699 million, an increase of 22% from 2006.

Pre-tax profit in fourth quarter 2007 was CHF 476 million, up 29% from third quarter 2007. This result mainly reflects increased performance fees, together with the final fixing of incentive-based compensation.

Operating income increased 14% from the previous quarter. Institutional revenues increased due to higher performance fees in the Brazilian asset management business and alternative and quantitative investments, while wholesale intermediary revenues decreased marginally.

Total operating expenses were CHF 601 million, up from CHF 573 million the previous quarter. While personnel expenses decreased to CHF 381 million in fourth quarter 2007 due to the final fixing of incentive-based compensation, general and administrative expenses rose to CHF 175 million in fourth quarter 2007. The rise in general and administrative expenses was mainly due to higher litigation expenses, IT costs, professional fees and travel and entertainment expenses.

## Investment Bank

In 2007, the Investment Bank recorded a pre-tax loss of CHF 15,525 million compared with a profit of CHF 5,943 million in 2006. This was primarily due to the losses recorded on positions related to the US mortgage market, which more than offset the solid performance in other areas.

In fourth quarter 2007, the Investment Bank recorded a loss of CHF 15,461 million. In contrast, the Investment Bank recorded a pre-tax profit of CHF 1,356 million in fourth quarter 2006.

Total operating income in fourth quarter 2007 was negative CHF 11,615 million, compared with total operating income of positive CHF 5,602 million in fourth quarter 2006.

The *equities* business posted revenues of CHF 2,672 million in fourth quarter 2007, up 5% from the same period in 2006. Despite difficult market conditions, cash equities revenues rose significantly, with strong volumes leading to record commissions across all regions. Prime brokerage revenues grew, driven primarily by the growth in client balances and an increase in securities lending. Exchange-traded derivatives grew on an increase in client balances and spreads. Proprietary trading revenues recorded a loss as all regions were impacted by the market dislocation. Equity-linked revenues were down as well, suffering in all regions due to difficult trading conditions that resulted in lower liquidity. A gain was recorded on both demutualization and mark-to-market gains of UBS's stake in Bovespa, the Brazilian stock exchange.

*Fixed income, currencies and commodities (FICC)* revenues were negative CHF 15,534 million in fourth quarter 2007, down from positive CHF 2,018 million in fourth quarter 2006. The credit market dislocation has continued to affect most FICC businesses, leading to losses on mortgage-related positions of USD 13.7 billion (CHF 15.6 billion). Generally, trading in fourth quarter was very weak. Credit recorded losses in both client and proprietary trading, as did structured products, largely driven by the negative impact of the credit dislocation.

These negative effects were only partially offset by positive results in certain areas. The emerging markets business result was driven by the demutualization and mark-to-market gains of the stake in the Brazil Mercantile & Futures Exchange. The underlying foreign exchange spot business saw very strong increases due to higher volumes.

*Investment banking* net revenues, at CHF 1,259 million in fourth quarter 2007, rose 24% from fourth quarter 2006 - to the highest level ever recorded in a fourth quarter. This was driven by double-digit growth in Asia Pacific and Europe, Middle East & Africa. Revenues in the advisory and equity capital markets businesses increased significantly. Debt capital market revenues grew while leveraged finance revenues were down due to the poor credit market conditions, which led to reduced transaction levels.

Total operating expenses in fourth quarter 2007 were CHF 3,846 million, down 9% from the same period in 2006.

In fourth quarter 2007, personnel expenses decreased by 8% from fourth quarter 2006, reflecting lower accruals of performance-related compensation as a result of a change in the composition of bonuses between cash and shares. This was partially offset by severance payments for redundancies in fourth quarter 2007 and higher salary costs. Expenses for share-based compensation were up 4% from fourth quarter 2006, reflecting accelerated amortization of deferred compensation for certain terminated employees.

General and administrative expenses declined by 9% from fourth quarter 2006, due to the legal provisions booked in fourth quarter 2006. Additionally, travel and entertainment and marketing costs were down in fourth quarter, while professional fees due to higher legal related expenditures in all businesses increased.

**Media release** available at [www.ubs.com/media](http://www.ubs.com/media)

**Further information** on UBS's quarterly results is available at [www.ubs.com/investors](http://www.ubs.com/investors)

- 4Q2007 Report (pdf and interactive version)
- 4Q2007 Results slide presentation
- Letter to shareholders (English, German, French and Italian)

**Webcast:** The results presentation, with Marcel Rohner, Chief Executive Officer, Marco Suter, Chief Financial Officer, and Tom Hill, Chief Communications Officer, will be webcast live on [www.ubs.com](http://www.ubs.com) at the following time on 14 February 2008:

- 0900 CET
- 0800 GMT
- 0300 US EST

*Webcast playback will be available from 1400 CET on 14 February 2008.*

#### **Cautionary statement regarding forward-looking statements**

This release contains statements that constitute "forward-looking statements", including, but not limited to, statements relating to the consummation of the measures to increase capital referred to in this report and our intentions with respect to future returns of capital. While these forward-looking statements represent our judgments and future expectations concerning the development of our business, a number of risks, uncertainties and other important factors could cause actual developments and results to differ materially from our expectations. These factors include, but are not limited to (1) the extent and nature of future developments in the subprime market and in other market segments, (2) the occurrence of other market and macro-economic trends, whether as a result of subprime market developments or due to other unanticipated market trends, (3) the impact of such future developments on positions held by UBS and on our short-term and longer-term earnings; (4) the successful consummation of certain of the measures to increase capital referred to in this report, (5) changes in internal risk control and/or regulatory capital treatment of US mortgage positions and (6) the impact of all these matters on UBS's BIS capital ratios and on the timing and amount of future returns of capital. In addition, these results could depend on other factors that we have previously indicated could adversely affect our business and financial performance which are contained in other parts of this document and in our past and future filings and reports, including those filed with the SEC. More detailed information about those factors is set forth elsewhere in this document and in documents furnished by UBS and filings made by UBS with the SEC, including UBS's Annual Report on Form 20-F for the year ended 31 December 2006. UBS is not under any obligation to (and expressly disclaims any such obligation to) update or alter its forward-looking statements whether as a result of new information, future events, or otherwise.

**Reporting by Business Group and unit**

<i>CHF million</i>	Total operating income			Total operating expenses			Performance before tax from continuing operations		
	31.12.07	31.12.06	% change	31.12.07	31.12.06	% change	31.12.07	31.12.06	% change
For the quarter ended	<b>31,12.07</b>	31.12.06	% change	<b>31,12.07</b>	31.12.06	% change	<b>31,12.07</b>	31.12.06	% change
<b>Global Wealth Management &amp; Business Banking</b>									
Wealth Management International & Switzerland	<b>3,292</b>	2,813	17	<b>1,646</b>	1,395	18	<b>1,646</b>	1,418	16
Wealth Management US	<b>1,678</b>	1,582	6	<b>1,473</b>	1,408	5	<b>205</b>	174	18
Business Banking Switzerland	<b>1,396</b>	1,305	7	<b>736</b>	708	4	<b>660</b>	597	11
<b>Global Asset Management</b>	<b>1,077</b>	943	14	<b>601</b>	543	11	<b>476</b>	400	19
<b>Investment Bank</b>	<b>(11,615)</b>	5,602		<b>3,846</b>	4,246	(9)	<b>(15,461)</b>	1,356	
<b>Corporate Center</b>	<b>37</b>	27	37	<b>292</b>	345	(15)	<b>(255)</b>	(318)	20
<b>Financial Businesses</b>	<b>(4,135)</b>	12,272		<b>8,594</b>	8,645	(1)	<b>(12,729)</b>	3,627	

**Income statement (unaudited)**

	Quarter ended			% change from		Year ended	
	31.12.07	30.9.07	31.12.06	3Q07	4Q06	31.12.07	31.12.06
<i>CHF million, except per share data</i>							
<b>Continuing operations</b>							
Interest income	25,820	28,339	24,405	(9)	6	109,112	87,401
Interest expense	(24,283)	(26,676)	(22,880)	(9)	6	(103,775)	(80,880)
Net interest income	1,537	1,663	1,525	(8)	1	5,337	6,521
Credit loss (expense) / recovery	(238)	(15)	21			(238)	156
Net interest income after credit loss expense	1,299	1,648	1,546	(21)	(16)	5,099	6,677
Net fee and commission income	7,727	7,797	7,016	(1)	10	30,634	25,456
Net trading income	(13,915)	(3,479)	3,520	(300)		(8,353)	13,743
Other income	755	386	312	96	142	4,332	1,598
Revenues from Industrial Holdings	67	67	66	0	2	268	262
<b>Total operating income</b>	<b>(4,067)</b>	<b>6,419</b>	<b>12,460</b>			<b>31,980</b>	<b>47,736</b>
Personnel expenses	5,991	4,824	6,026	24	(1)	24,798	23,591
General and administrative expenses	2,267	2,010	2,244	13	1	8,465	7,980
Depreciation of property and equipment	311	314	366	(1)	(15)	1,251	1,252
Amortization of intangible assets	68	63	53	8	28	282	153
Goods and materials purchased	29	30	29	(3)	0	119	116
<b>Total operating expenses</b>	<b>8,666</b>	<b>7,241</b>	<b>8,718</b>	<b>20</b>	<b>(1)</b>	<b>34,915</b>	<b>33,092</b>
<b>Operating profit from continuing operations before tax</b>	<b>(12,733)</b>	<b>(822)</b>	<b>3,742</b>			<b>(2,935)</b>	<b>14,644</b>
Tax expense	(362)	(14)	500			1,311	2,785
<b>Net profit from continuing operations</b>	<b>(12,371)</b>	<b>(808)</b>	<b>3,242</b>			<b>(4,246)</b>	<b>11,859</b>
<b>Discontinued operations</b>							
Profit from discontinued operations before tax	31	96	162	(68)	(81)	135	879
Tax expense	0	1	(99)	(100)	100	(266)	(12)
Net profit from discontinued operations	31	95	261	(67)	(88)	401	891
<b>Net profit</b>	<b>(12,340)</b>	<b>(713)</b>	<b>3,503</b>			<b>(3,845)</b>	<b>12,750</b>
Net profit attributable to minority interests	111	117	96	(5)	16	539	493
from continuing operations	111	117	96	(5)	16	539	390
from discontinued operations	0	0	0			0	103
<b>Net profit attributable to UBS shareholders</b>	<b>(12,451)</b>	<b>(830)</b>	<b>3,407</b>			<b>(4,384)</b>	<b>12,257</b>
from continuing operations	(12,482)	(925)	3,146			(4,785)	11,469
from discontinued operations	31	95	261	(67)	(88)	401	788
<b>Earnings per share</b>							
Basic earnings per share (CHF)	(6.50)	(0.43)	1.73			(2.28)	6.20
from continuing operations	(6.52)	(0.48)	1.60			(2.49)	5.80
from discontinued operations	0.02	0.05	0.13	(60)	(85)	0.21	0.40
Diluted earnings per share (CHF)	(6.51)	(0.44)	1.66			(2.28)	5.95
from continuing operations	(6.53)	(0.49)	1.54			(2.49)	5.57
from discontinued operations	0.02	0.05	0.12	(60)	(83)	0.21	0.38