



UBS (Luxembourg) S.A.
Annual Report 2007



UBS (Luxembourg) S.A.

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UBS (Luxembourg) S.A. Annual Report 2007

Annual Accounts
and
Report of the Board of Directors
and
Independent Auditor's report
as of
December 31, 2007

Key Facts

CHF million, except where indicated	UBS (Luxembourg) S.A.			UBS Group		
	As of or for the year ended 31.12.07	31.12.06	change from 31.12.06	As of or for the year ended 31.12.07	31.12.06	change from 31.12.06
Financials						
Operating income	1,498	1,188	26%	31,980	47,736	(33%)
Net profit attributable to shareholders	275	186	48%	(4,384)	12,257	(136%)
Total balance sheet assets	25,105	20,750	21%	2,272,579	2,346,362	(3%)
Tier 1 ratio (%) ¹	9.68	8.73	11%	8.80	11.90	(26%)
Economic						
Tax expense ²	39	51	(24%)	1,017	2,751	(63%)
Distribution to shareholders (dividends & buybacks)	125	86	45%	5,075	5,889	(14%)
Salaries & bonuses	111	84	32%	20,057	19,011	6%
Social						
Personnel (FTE)	498	469	6%	83,560	78,140	7%
Women in ranked positions (% of total officer population)	27.9	28.3	(1%)	26.5	25.5	4%
Long-term ratings and benchmarks						
Fitch, London	-	-		AA	AA+	
Moody's, New York	-	-		Aaa	Aa2	
Standard & Poors, New York	-	-		AA	AA+	
Dow Jones Sustainability index ³	-	-		√	√	
FTSE4Good ³	-	-		√	√	
Climate leadership index ³	-	-		√	√	
Interbrand: rank among 100 most valuable global brands	-	-		39	42	
Ratios						
Cost/income ratio of the financial businesses (%)	37.87	33.50	13%	110.30	69.70	58%
Return on equity as reported (%)	49.00	40.45	21%	(9.40)	28.20	(133%)

¹ Includes hybrid Tier 1 capital. ² Excludes Industrial Holdings. ³ Indicates UBS is included in the index.

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Board of Directors

Arthur Decurtins Chairman	General Manager UBS AG Member of the Group Managing Board
Peter Faes Member	Managing Director UBS AG
Gerhard Fusenig Member	Managing Director UBS AG
Hans Karl Held Member	Managing Director UBS AG
Andreas Przewloka Member	Managing Director UBS AG
José F. Sierdo Member	Managing Director UBS (Luxembourg) S.A.

Executive Board

José F. Sierdo Chairman of the Board	Managing Director Chief Executive Officer (CEO) UBS (Luxembourg) S.A. Head Business Unit Benelux/Nordics
Marcel Bruehwiler Member	Managing Director Head Markets, Deputy CEO
Viviane De Angelis Member	Managing Director Head Global Key Clients
René Egger Member	Managing Director Head Products & Services
Juergen Gerber Member	Managing Director Chief Financial Officer, Deputy CEO
Alain Hondequin Member	Executive Director Head Legal & Compliance
Franco De Bortoli Member	Executive Director Head Human Resources & Education
Hermann Kranz Member	Managing Director Head Change Management Unit
Ralf Schroeter Member	Managing Director Chief Operations Officer

Report of the Board of Directors

April 8, 2008

Review

UBS experienced in 2007 one of the most difficult years in its history. While we achieved strong record results from our client businesses, 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 our group into a loss for the year.

Despite the market turmoil and the difficulties our group has faced, UBS (Luxembourg) S.A. achieved record results, and once more, was nominated "Best Private Bank" in Luxembourg by Euromoney.

For UBS (Luxembourg) S.A., 2007 was indeed an excellent year both in terms of financial results and overall development. We have continued to enjoy a solid growth, which was reflected by a 33% increase in invested assets. Private banking clients demand an increasingly higher quality of service from their wealth manager. To meet their expectations, the company increased the number of employees by nearly 5% to reach 459 full time equivalents in Luxembourg. We also expanded our business in Austria with the opening of a new UBS branch office in Salzburg at the end of the year. Today, UBS (Luxembourg) S.A. can be proud to employ over 600 people including our subsidiaries in Belgium, and our branches in Austria and Ireland.

As growth requires space, the UBS House Project was born. The project actually started in 2005 when UBS (Luxembourg) S.A. and UBS Fund Services (Luxembourg) S.A. decided to pursue a one building strategy due to their substantial growth and development. In summer of 2007, both entities moved together into their new office premises on the Kirchberg plateau, at the heart of the financial district. The new four building complex called "UBS House" provides approx. 18,000 sqm of office space, capacity for over 1,000 employees, an employee cafeteria, as well as a large and modern client meeting area which includes full catering capabilities. The move to the new building demonstrated our commitment to the Luxembourg financial marketplace as a booking centre and service hub of choice. The integrated facilities have provided for increasing efficiency and numerous synergy benefits.

Another major milestone and a challenging bank wide project for UBS (Luxembourg) S.A. was the Markets in Financial Instruments Directive (MiFID). MiFID was designed by the European Union to create an integrated single market across the member states of the European Economic Area. It has had a fundamental impact on the financial services industry across Europe as the new directive fosters an open and secure market and enhances investor protection. MiFID was transposed into national law in July 2007 and entered into force on November 1, 2007. It replaces the Investment Services Directive, the key European legislation for investment intermediaries and financial markets since 1995.

As a result, all of our clients were provided with a MiFID information package containing the client classification letter, the MiFID leaflet and brochure and the updated General Terms and Conditions. The bank provided an extensive MiFID training to their back and front unit employees.

Part of UBS (Luxembourg) S.A. success can certainly be attributed to the performance of the Luxembourg financial marketplace, recognized as an international centre of excellence for Private Banking and Investment Funds. The local market demonstrated, once again, dynamic performance and a substantial inflow of private wealth.

The Luxembourg financial industry is constantly aware of the necessity to modernize and keep ahead of international competitors. In February 2007, a new law on investment funds called Specialised Investment Funds Law (or: SIF Law) was introduced, replacing the 1991 Law on institutional funds.

SIF Law refers to the investment funds which are distributed to "informed investors" and it brings in significant simplification of the rules for setting up fund structures such as hedge funds, real estate funds, and private equity funds. This structure is suitable for both traditional and alternative investment types.

On November 30, 2007, after 24 years with UBS, including 7 years with UBS (Luxembourg) S.A., Roger H. Hartmann handed over his duties as Chief Executive Officer of UBS (Luxembourg) S.A. to José François Sierdo who will be heading the bank and be responsible for the development of the Benelux and Nordic markets as well.

Profit and Loss Account

In the year 2007, total net revenues amounted to CHF 497.4 million, compared to CHF 364.3 million in 2006. Commissions and fees contributed the main portion to overall revenues and increased by 21.9% over the previous year. Net revenues interests increased by 42.7%. General administrative expenses increased from CHF 117.1 million in 2006 to CHF 172.6 million in 2007 as a consequence of the increase in headcounts in both Austria and Luxembourg locations. After deduction of depreciation and other operating expenses a profit before tax of CHF 313.8 million was reported. The net profit after income tax of CHF 38.9 million amounts to CHF 274.9 million. This total compared to CHF 186.2 million in the previous year represents an increase of 47.6%.

The Board of Directors has approved the payment of a dividend of CHF 275.0 million and a reduction of CHF 0.1 million of retained earnings.

Balance Sheet

Client asset inflow with related cash positions and additional short-term loans granted to third parties led to a balance sheet increase of 21% during 2007. Total assets amounted to CHF 25.1 billion (CHF 20.7 billion as of 31.12.2006). The remaining CHF 130 million of debt securities were sold in January 2007.

Liabilities owed to customers increased by CHF 4.7 billion. In direct relation to customer loans, the Bank has outstanding bond structures of CHF 3.3 billion as of year-end 2007.

As of 31 December 2007, the Bank's subscribed capital and reserves stood at CHF 560.1 million. 2006 profit was allocated as follows: CHF 86 million in the payment of dividends, CHF 100 million as a reserve and CHF 0.5 million as profit to be carried forward.

After the 31 December 2007 year-end, no significant events took place until now.

As of December 31, 2007, the Bank has not acquired any of its own shares.

Proposal of the Board of Directors to the General Meeting

The Board of Directors recommends that the financial statements for 2007 be approved and that the amount of CHF 275.4 million available to the General Meeting be allocated as follows:

- Net profit according to Profit & Loss Account	CHF	274,870,368
- Profit brought forward from previous year	CHF	506,781
	CHF	275,377,149
Proposed allocation:		
- Dividend payment	CHF	275,000,000
- Distribution to reserves	CHF	0
- Profit to be carried forward	CHF	377,149
	CHF	275,377,149

Risk Management

The various risks of the Bank are monitored through various tools, committees and reports. The risks are monitored by the Risk Control department together with the risk managers of the different departments. A Risk Committee composed of Risk Control and the risk managers takes place on a monthly basis to monitor the risks identified.

On a monthly basis, Risk Control produces a risk report summarising all the major risks identified with risk owner and deadline for solving the issue. This report is submitted to the Management Committee for information and approval. Checks, limits and controls have been put in place to control the Bank on a daily basis, according to the Risk Management and control principles set-up by the UBS Group. All Management controls are also entered into the local Control Tool and regularly monitored by Risk Control. A complete set of policies regulates the businesses conducted by the Bank.

Finally the Bank has set-up an Operational Risk Framework and a semi annual self-certification process in order to ensure that all the risks are properly managed and controlled and compliant with the Sarbanes Oxley Act (Section 404). All risks are tracked and monitored in the Risk Inventory tool set-up by Risk Control and all operational gains or losses are entered in a specific application for adequate follow-up.

Liquidity and funding risks

During 2007, the liquidity ratio of the Bank slightly increased from 72.4%, as of December 31, 2006, to 76.5% as of December 31, 2007, exceeding the required minimum of 30%.

The capital adequacy ratio was always above 11% in 2007, except on 31.12.2007 where it dropped to 10.99%.

In December 2007, two subordinated loans, for a total amount of CHF 240 million, were redeemed after approval by the CSSF. A new one of CHF 25 million was approved in December 2007.

Credit risk

In its credit business, the Bank maintains a strict policy in selecting its various credit counter parties. All credits are granted in accordance with applicable policies approved locally or globally.

In general, Lombard loans and other credit exposures are secured by assets pledged in favour of the Bank. Pledged assets always require a lending value in excess of the Bank's commitment. The lending value assigned to client assets is re-valued daily and margin calls are initiated when required. All drawings and payments are based on the four-eye principle. To ensure proper segregation of duties, limits for each credit facility are approved and reviewed on a regular basis by an independent department. Within the rules and based on a dedicated system in place Client Advisors can handle themselves standard Lombard facilities up to a limited credit amount. The monitoring of all limits and of exposures in the system is carried out by the dedicated department daily within the monitoring framework.

The Bank also performs securities lending operations for investment funds and large customers by acting as an agent.

Commitments towards UBS Group entities represent a significant part of the total credit business.

Market risk

The Bank has limited exposure with very limited FX and interest rate limits. The main task of the trading desk is to

handle execution of client orders. The Bank deals in all financial products requested by clients and matches respective product with the brokers that are approved and monitored by UBS AG. In addition, the Bank is engaged in routing orders as many as possible for execution with UBS AG, in accordance with the Bank's MiFID Best Execution policy. A small business inventory limit is in place to enable a minimal handling room for the daily flows.

As at December 31, 2007, the Bank held a bond portfolio of CHF 223.3 million completely hedged with identical notes issued by UBS (Luxembourg) S.A. The bank also held other equity and variable-yield securities of CHF 0.3 million. Nevertheless, none of these positions are trading positions, as the bank does not actively manage a proprietary trading book. Due to the limited FX and sensitivity limits available to the Bank, almost all money market and foreign exchange exposures are refinanced/hedged with UBS AG.

As of 31 December 2007, the Bank had an approved sensitivity limit of CHF 60,000 per basis point; this limit will be reduced to CHF 30,000 per basis point on January 1, 2008. As of 31 December 2007, the utilisation of the sensitivity limit was CHF 17,109 per basis point, which represents 29% of the limit. Average use of the limit over the year was approximately 40%. The sensitivity limit was never exceeded in 2007. The sensitivity is part of the global UBS limit framework and is controlled daily on a local and group wide basis. The Bank has also a small FX spot limit of CHF 3 million intra-day and CHF 1.5 million overnight (limited to single currency positions of CHF 200,000). These positions are monitored daily by the risk control department and all overdrafts must be explained to them. As a matter of principle, no derivative instruments are used for proprietary trading or leveraging purposes. All OTC transactions are executed through UBS AG. The sole purpose of derivatives held by the Bank is to cover derivative transactions made by the Bank on behalf of its clients and to hedge interest rate risks.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external causes (deliberate, accidental or natural). The losses may be direct financial losses, or indirect, in the form

of revenue forgone as a result of business suspension. They may also result from damage to our reputation and our franchise, which have longer term financial consequences.

Unlike credit and market risks, operational risks are not risks that are actively entered into but, rather, risks that arise as a consequence of our business activity. The operational risk is composed of the following categories: transaction processing risk, compliance risk, legal risk, liability risk, security risk and tax risk.

In order to manage Operational Risk at group level, but also to comply with a number of fundamental regulatory requirements, most notably the new Basel capital accord (Basel II) and the Sarbanes-Oxley Act section 404, UBS Group designed and implemented an Operational Risk Framework (ORF).

All the risks detected in the context of the ORF are tracked and monitored within the Operational Risk Inventory. Furthermore, all operational gains and losses must be entered into a monitoring tool and properly approved by the management and by Risk Control.

Subsidiaries and branches of UBS (Luxembourg) S.A.

In December 2007, UBS (Luxembourg) S.A. operated three banking units. The risk framework of all, UBS Belgium SA/NV, UBS (Luxembourg) S.A. Austrian Branch and UBS (Luxembourg) S.A. Dublin Branch, is based on the same standards as those applicable to the Bank. All three locations have implemented a properly working Local Risk Control Committee and are monitored by Risk Control Luxembourg. UBS Belgium SA/NV and UBS (Luxembourg) S.A. Austrian Branch have their treasury operations carried out by the Bank in Luxembourg. Both entities have small FX spot and sensitivity limits (respectively a FX spot limit of EUR 300,000 and CHF 400,000 and a sensitivity limit of CHF 500 per basis points for each entity). These limits are monitored on a daily basis.

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 U.S.

Our group expects 2008 to be another difficult year and a year of consolidation. Looking ahead, our efforts will focus on restoring client, employee and investor confidence.

For UBS (Luxembourg) S.A., it will mean that we will pursue to manage our business in a disciplined fashion, while continuing to deliver outstanding services to our clients. Having experienced over the years increasing growth, it is time for us to reflect on our strategy and ensure we have a solid and scalable base to sustain future growth. Early 2008, the Management team launched a full business review encompassing a comprehensive analysis of internal structures, processes and functions. The business review will permit us to create operational leverage by focussing on top initiatives which have the most impact for our business and to expand where there are clear growth opportunities. We also intend to strengthen our leadership position in Luxembourg and continue to attract key talents.

Although market conditions might be difficult, we still have performing businesses, our capital base is one of the strongest in the market and UBS was named the world's best private bank for the fifth time in a row, which also shows recognition of the banking industry and the strong brand image we have. This solid base will allow us to continue executing on our strategy and seizing the opportunities in our markets. In this context, we can be very optimistic about the future of our company.

The Board of Directors and the Executive Board members of UBS (Luxembourg) S.A. would like to take this opportunity to thank all our clients for their trust and loyalty as well as the staff members for their excellent performance in 2007.



Arthur Decurtins
Chairman of the Board
UBS (Luxembourg) S.A.



José F. Sierdo
Member of the Board and
Chief Executive Officer
UBS (Luxembourg) S.A.

Independent Auditor's Report

To the Board of Directors of
UBS (Luxembourg)
Société Anonyme
Luxembourg

Report on the annual accounts

Following our appointment by the Board of Directors, we have audited the accompanying annual accounts of UBS (Luxembourg) S.A., which comprise the balance sheet as at December 31, 2007 and the profit and loss account for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Board of Directors' responsibility for the annual accounts

The Board of Directors is responsible for the preparation and fair presentation of these annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts. This responsibility includes: designing; implementing and maintaining internal control relevant to the preparation and fair presentation of annual accounts that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Responsibility of the "Réviseur d'Entreprises"

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted by the "Institut des Réviseurs d'Entreprises". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the judgment of the "Réviseur d'Entreprises", including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the "Réviseur d'Entreprises" considers internal control relevant to the entity's preparation and fair presentation

of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the annual accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the annual accounts give a true and fair view of the financial position of UBS (Luxembourg) S.A. as of December 31, 2007, and of the results of its operations for the year then ended in accordance with the Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts.

Report on other legal and regulatory requirements

The management report, which is the responsibility of the Board of Directors, is in accordance with the annual accounts.

ERNST & YOUNG
Société Anonyme
Réviseur d'Entreprises

Christoph Haas
Luxembourg, April 8, 2008

Balance Sheet

December 31, 2007
(expressed in Swiss francs)

Assets

	2007	2006
Cash, balances with central banks and post office banks	418,814,580	346,231,374
Loans and advances to credit institutions (Notes 3, 4)	18,899,259,147	14,910,451,794
a) repayable on demand	10,689,725,912	2,195,781,917
b) with agreed maturity dates or periods of notice (Note 4)	8,209,533,235	12,714,669,877
Loans and advances to customers (Notes 3, 4)	5,060,642,759	4,887,449,779
Debt securities and other fixed-income transferable securities (Note 5)	223,300,485	130,000,000
a) issued by credit institutions	72,446,445	130,000,000
b) issued by other borrowers	150,854,040	-
Shares and other variable-yield securities (Notes 3, 5)	121,293	25,391
Shares in affiliated undertakings (Notes 3, 6)	37,664,285	36,611,784
Intangible assets (Note 6)	5,506,875	8,679,667
Tangible assets (Note 6)	42,578,348	32,812,048
Other assets (Note 7)	38,809,913	7,962,636
Prepayments and accrued income	378,569,003	389,651,611
Total Assets	25,105,266,688	20,749,876,084

The accompanying notes form an integral part of the annual accounts.

Liabilities

	2007	2006
Amounts owed to credit institutions (Notes 3, 8)	1,768,292,759	2,267,822,494
a) repayable on demand	706,031,027	399,163,330
b) with agreed maturity dates or periods of notice (Note 8)	1,062,261,732	1,868,659,164
Amounts owed to customers (Notes 3, 8)	18,687,672,221	13,950,319,406
Other debts		
a) repayable on demand	11,242,393,657	9,107,790,026
b) with agreed maturity dates or periods of notice (Note 8)	7,445,278,564	4,842,529,380
Debts evidenced by certificates (Note 8)	3,303,815,616	3,132,220,680
Bonds issued	3,303,611,564	3,132,025,480
Other debt securities	204,052	195,200
Other liabilities (Note 9)	52,046,647	17,835,207
Accruals and deferred income	357,112,579	390,092,042
Provisions	25,809,717	44,939,474
a) Provisions for taxation	16,958,017	40,397,262
b) Other provisions (Notes 10, 17)	8,851,700	4,542,212
Subordinated liabilities (Note 11)	75,000,000	300,000,000
Shareholders' equity (Note 14)	835,517,149	646,646,781
a) Subscribed capital (Note 12)	150,000,000	150,000,000
b) Reserves (Note 13)	410,140,000	310,140,000
c) Profit brought forward	506,781	272,234
d) Profit for the financial year	274,870,368	186,234,547
Total Liabilities	25,105,266,688	20,749,876,084

Off - Balance Sheet

Contingent liabilities (Notes 3, 16)	107,006,010	159,277,164
of which:		
- Guarantees and assets pledged as collateral security	107,006,010	159,277,164
Commitments	-	-
Fiduciary transactions	1,258,138,884	915,297,952

Profit and Loss Account

For the financial year ended
December 31, 2007
(expressed in Swiss francs)

Charges

	2007	2006
Interest payable and similar charges	974,975,222	801,526,796
Commission payable	25,478,799	22,081,139
General administrative expenses	172,695,167	117,069,705
a) Staff costs (Note 22)	111,299,471	83,884,584
of which: - wages and salaries	95,281,326	69,338,808
- social security costs	11,050,760	8,762,514
of which: - related to pensions	8,648,636	7,361,847
b) Other administrative expenses	61,395,696	33,185,121
Value adjustments in respect of tangible and intangible assets	7,576,329	6,721,384
Other operating charges (Note 18)	3,311,453	3,175,991
Value adjustments in respect of loans and advances and provisions for contingent liabilities and for commitments	-	-
Value adjustments in respect of transferable securities held as financial fixed assets, participating interests and shares in affiliated undertakings	-	-
Tax on profit on ordinary activities (Note 18)	38,934,543	51,159,944
Profit on ordinary activities after tax	274,870,368	186,234,547
Extraordinary result	-	-
Tax on extraordinary result	-	-
Other taxes not shown under the preceding items	-	-
Profit for the financial year	274,870,368	186,234,547
	1,497,841,881	1,187,969,506

The accompanying notes form an integral part of the annual accounts.

Income

	2007	2006
Interest receivable and similar income	1,063,152,880	863,311,392
Of which income from debt securities and other fixed-income securities	3,748,106	8,698,579
Income from securities	3,055	2,697
Of which: income from shares and other variable-yield securities	55	697
Of which: income from shares in affiliated undertakings	3,000	2,000
Commission receivable	360,358,881	296,813,535
Net profit on financial operations	26,768,957	26,586,951
Value re-adjustments in respect of loans and advances and provisions for contingents liabilities and commitments	-	-
Value re-adjustments in respect of transferable securities held as financial fixed assets, participating interest and shares in affiliated undertakings	174,193	-
Other operating income (Note 18)	47,383,915	1,254,931
Income from the reversal of amounts included in the fund for general banking risks	-	-
	1,497,841,881	1,187,969,506

Notes to the Accounts

December 31, 2007

1. General

Union de Banques Suisses (Luxembourg) S.A. was incorporated as a "société anonyme" in the Grand-Duchy of Luxembourg on August 20, 1973. On May 29, 1998, as a consequence of the worldwide group merger process, Union de Banques Suisses (Luxembourg) S.A. and Swiss Bank Corporation (Luxembourg) S.A. decided to merge. Union de Banques Suisses (Luxembourg) S.A. absorbed Swiss Bank Corporation (Luxembourg) S.A., which became retroactively effective from an accounting point of view on January 1, 1998. The merged entity changed its name to UBS (Luxembourg) S.A. ("the Bank").

As of August 31, 2002, the merger between UBS (Luxembourg) S.A. as absorbing company and Banque Ferrier Lullin (Luxembourg) S.A. as absorbed company became effective. From an accounting point of view, this merger took effect as of January 1, 2002.

In January 2005 the Bank acquired selected client assets from American Express Private Banking (Luxembourg) S.A.. The Bank has opened a branch in Vienna, Austria, in May 2003 and a branch in Dublin, Ireland, in December 2005.

The main activities of the Bank are wealth management, investment advice and custodian bank services.

Consolidation

The Bank is a wholly owned subsidiary of UBS AG, which is incorporated in Switzerland. The annual accounts of the Bank are included in the consolidated financial statements of the UBS AG, which are available at UBS AG, P.O. Box, CH-8098 Zurich, Switzerland. As per Art. 82 of the law of 17th of June 1992, the bank is exempted to establish a consolidated short form report and a consolidated report of Board of Directors.

2. Summary of significant accounting policies

The annual accounts are prepared in accordance with Luxembourg legal and regulatory requirements.

The significant accounting policies applied by the Bank are as follows:

Foreign currencies

The Bank maintains a multicurrency accounting system, as a result of which assets and liabilities are recorded in the currencies in which they are denominated.

For the preparation of the annual accounts, amounts in foreign currencies are translated into Swiss francs on the following basis:

Assets and liabilities denominated in foreign currencies are translated into Swiss francs at exchange rates applicable at the balance sheet date.

Income, expenses and purchases of fixed assets are recorded in the currency in which they are collected or disbursed and are translated into Swiss francs at rates approximating those ruling at the time of the transaction.

Exchange gains and losses arising on the translation of foreign currencies are taken to the profit and loss account in the current year.

Unrealised exchange losses on forward foreign exchange contracts are recognised in the profit and loss account; unrealised exchange gains on forward foreign exchange contracts are not included, and are only recognised when ultimately realised, except when such contracts form an economic unit with off-setting foreign exchange transactions.

Gains and losses on currency swap transactions are accrued on the straight-line basis over the period of the currency swap contract and are included in interest receivable or payable in the profit and loss account, as appropriate.

Loans and advances

Loans and advances are stated at disbursement value less repayments made and any value adjustments required.

Appropriate value adjustments are made against specific loans where, in the opinion of management, a risk relating to their ultimate recovery has been identified.

Lump-sum provision

A general provision for possible losses on risk weighted assets and off-balance sheet items is recorded. This provision, which is tax deductible, is deducted from the related assets.

Portfolio securities

The Bank has divided its securities portfolio into two categories.

(i) Investment portfolio of financial fixed assets

This portfolio comprises fixed-income securities intended for use on a continuing basis in the Bank's activities. Such securities are valued at the lower of cost or market value.

It may also include participating interests and shares in affiliated undertakings of a fixed asset nature. These investments are valued at cost less permanent impairment in value.

In cases where fixed-income securities are acquired at a premium, the difference between acquisition cost and redemption value is written off in instalments to profit and

loss and recorded as "interest payable and similar charges". Instalments are charged prorata temporis over the remaining period of the related security.

In cases where fixed-income securities are acquired at a discount, the difference between acquisition cost and redemption value is taken in instalments to profit and loss and recorded as "interest receivable and similar income". Instalments are recorded prorata temporis over the remaining period of the related security.

(ii) Structural portfolio

This portfolio comprises securities purchased for their investment return or yield, or held to establish a particular asset structure or a secondary source of liquidity. It also includes securities not contained in the other category. Securities in this portfolio are valued at the lower of cost or market value.

The Bank records the cost of securities using the weighted average price method.

Intangible and tangible fixed assets

Intangible and tangible fixed assets are valued at historical acquisition cost less accumulated depreciation. Depreciation is calculated on the straight-line basis over the estimated useful life of individual fixed assets.

The following depreciation rates are used:

Intangible fixed assets	20%
Buildings	2%
Furniture	10%
EDP equipment	20%
EDP software	50%

Derivative instruments

Commitments resulting from operations on forward financial instruments on interest rates or foreign exchange rates, or on market rates are recorded in the statement of off-balance sheet items on the transaction date at the nominal value of the contracts.

(i) Interest rate swaps

Interest receivable or payable on interest rate swaps is included in the balance sheet captions "Prepayments and accrued income" and "Accruals and deferred income". It is credited or charged to interest receivable or payable in the profit and loss account. The Bank only enters into interest rate swaps for hedging purposes.

(ii) Options

Premiums paid/received on purchased/written OTC options are recorded on balance until the earlier of exercise or expiration date. The Bank does not enter into option positions for trading purpose.

Net realised and unrealised gains or losses on matched options traded on organised markets and net unrealised losses on matched positions on over-the-counter trades are recorded in the profit and loss account. Net unrealised gains on over-the-counter trades are recorded in the profit and loss account at realisation date, which is at the earlier of exercise or expiration date.

(iii) Forward exchange contracts

Unrealised exchange losses on forward foreign exchange contracts are recognised in the profit and loss account; unrealised exchange gains on forward foreign exchange contracts are not included, and are only recognised when ultimately realised, except when such contracts form an economic unit with off-setting foreign exchange transactions.

(iiii) Futures

Futures are contracted by the bank predominantly on behalf of clients. Related commitments towards clients and third parties are recorded off-balance sheet. The respective positions are revalued on a daily basis. The bank operates margin accounts with its clients, through which, unrealised and realised results are settled.

3. Affiliated Undertakings**Transactions with other Group Companies**

	2007	2006
	CHF	CHF
Assets (before lump-sum allocation)		
Loans and advances to credit institutions	17,262,082,133	13,431,117,282
Loans and advances to customers	17,704,941	31,622,456
Shares in affiliated undertakings	37,664,285	36,611,784
Liabilities		
Amounts owed to credit institutions	1,425,435,938	1,491,814,050
Amounts owed to customers	677,331,613	828,276,145
Subordinated Liabilities	75,000,000	300,000,000
Off-balance sheet		
Contingent liabilities		
- Guarantees and assets pledged as collateral security	387,064	151,126

Shares in affiliated undertakings

Shares in affiliated undertakings are recorded at cost less value adjustments for permanent impairment as estimated by the Board of Directors and can be summarised as follows:

Name	Registered office	Percentage owned	Acquisition cost CHF	31.12.2007 Shareholders' equity (unaudited) CHF **	Profit of the year 2007 (unaudited) CHF
UBS Belgium SA/NV	Belgium	99,00%*	37,664,285	32,631,495	2,450,528

* Capital paid-in at 100 %

** including the result of the year

As of December 31, 2007 and 2006, no value adjustment was recorded on the shares in affiliated undertakings as, according to the Management of the Bank, no permanent impairment in value has been incurred.

- UBS Belgium SA/NV is a credit institution incorporated in Belgium in 2002.
- UBS Belgium SA/NV is not quoted on an official Stock Exchange.
- The audited financial statements as at December 31, 2007 for the affiliated undertaking were not yet available at the date of completion of these annual accounts.

4. Maturity Structure of Certain Asset Categories

Loans and advances to credit institutions

	2007	2006
	CHF	CHF
	' 000	' 000
with agreed maturity dates or period of notice		
- not more than three months	6,840,312	11,242,553
- more than three months but not more than a year	211,542	229,661
- more than one year but not more than five years	1,154,186	1,238,822
- more than five years	3,493	3,634
	8,209,533	12,714,670

Loans and advances to customers

	2007	2006
	CHF	CHF
	' 000	' 000
with agreed maturity dates or period of notice		
- not more than three months	2,555,351	2,436,929
- more than three months but not more than a year	626,383	247,476
- more than one year but not more than five years	1,197,603	1,291,454
- more than five years	681,306	911,591
	5,060,643	4,887,450

5. Transferable Securities

Listed and unlisted securities

	2007	2006
	CHF	CHF
Debt securities and other fixed-income securities		
- listed on an official Stock Exchange	223,300,485	-
- unlisted	-	130,000,000
	223,300,485	130,000,000
Shares and other variable-yield securities		
- listed on an official Stock Exchange	108,492	12,933
- unlisted	12,801	12,458
	121,293	25,391

All listed and unlisted securities are attributed to the structural portfolio.

6. Movements in Fixed Assets

(Expressed in thousands of Swiss francs)

Movement during the year in fixed assets may be summarized as follow:

	Gross book value at January 1st, 2007	Additions	Disposals	Gross book value at December 31, 2007	Accumulated value of adjustments at December 31, 2007	Net book value at December 31, 2007	Net book value at December 31, 2006
1. Shares in affiliated undertakings	36,612	1,052	-	37,664	-	37,664	36,612
2. Intangibles assets	16,157	219	-	16,376	(10,869)	5,507	8,680
3. Tangibles assets							
a) Lands and buildings	47,855	28,388	(44,176)	32,067	(4,354)	27,713	27,306
b) Other fixtures and fittings, tools and equipment	29,043	12,083	(6,414)	34,712	(19,847)	14,865	5,506

The net book value of lands and buildings used by the Bank for its own operations amounts to CHF 27,713,294 as of December 31, 2007 (2006: CHF 26,933,875).

7. Other Assets

	2007	2006
	CHF	CHF
Option premiums	33,445,026	4,677,620
Short term receivables	5,013,606	531,674
Pension plan mathematical reserve	191,476	225,482
Other	159,805	2,527,860
	38,809,913	7,962,636

8. Maturity Structure of Certain Liability Categories

Amounts owed to credit institutions

	2007	2006
	CHF	CHF
	' 000	' 000
with agreed maturity dates or period of notice		
- not more than three months	762,749	1,410,464
- more than three months but not more than one year	159,005	323,176
- more than one year but not more than five years	135,881	131,385
- more than five years	4,627	3,634
	1,062,262	1,868,659

Amounts owed to customers

	2007	2006
	CHF	CHF
	' 000	' 000
with agreed maturity dates or period of notice		
- not more than three months	7,205,688	4,716,932
- more than three months but not more than one year	233,905	125,597
- more than one year but not more than five years	5,686	-
	7,445,279	4,842,529

Debts evidenced by certificates

	2007	2006
	CHF	CHF
	' 000	' 000
Deposit receipts and certificates of deposits		
- not more than three months	204	195
- more than three months but not more than one year	-	-
	204	195
Bonds issued		
- not more than three months	-	-
- more than three months but not more than one year	370,071	-
- more than one year but not more than five years	2,169,363	2,400,025
- more than five years	764,178	732,000
	3,303,612	3,132,025

As of December 31, 2007, the bonds issued can be summarized as follows:

Type	Currency	Amount	Date of Issuance	Interest Rate	Maturity
Bond	USD	17,234,000	16.06.2004	10.00 %	16.06.2009
Bond	USD	600,000,000	22.05.2006	8.25 %	23.05.2016
Bond	USD	200,000,000	14.07.2004	10.00 %	16.06.2009
Bond	USD	300,000,000	22.10.2004	8.375 %	24.10.2011
Bond	USD	300,000,000	11.02.2005	8.00 %	11.02.2010
Bond	USD	150,000,000	21.05.2003	8.50 %	21.05.2008
Bond	USD	150,000,000	08.02.2007	7.50 %	14.05.2008
Bond	USD	1,000,000,000	11.02.2005	6.23 %	11.02.2010
Bond	RUB	293,100,000	13.12.2007	9.20 %	01.06.2009
Bond	RUB	1,215,030,000	18.12.2007	7.23 %	12.02.2014
Bond	RUB	650,000,000	18.12.2007	8.00 %	30.06.2008
Bond	RUB	610,000,000	18.12.2007	7.00 %	27.10.2011
Bond	RUB	606,000,000	20.12.2007	7.40 %	05.12.2013
Bond	RUB	599,100,000	20.12.2007	7.10 %	08.12.2011
Bond	RUB	377,353,750	20.12.2007	7.85 %	16.02.2011
Bond	RUB	250,000,000	21.12.2007	8.20 %	05.10.2011
Bond	RUB	240,000,000	21.12.2007	10.50 %	20.03.2009

9. Other Liabilities

	2007	2006
	CHF	CHF
Option premiums	33,615,457	4,761,902
Senior debt	13,134,985	11,515,448
Short term payables	3,932,481	192,065
Pension plan book reserve	1,191,581	1,142,135
Other	172,143	223,657
	52,046,647	17,835,207

10. Other Provisions

	2007	2006
	CHF	CHF
Provision AGDL (Note 17)	4,297,223	4,297,223
Other provisions	4,554,477	244,989
	8,851,700	4,542,212

11. Subordinated Liabilities

Subordinated liabilities are governed by the following principles:

In the event of liquidation of the credit institution, the claim ranks after those of non-subordinated creditors. Any early redemption or repurchase or any debt substitution are

subject to prior authorisation by the Commission for the Supervision of the Financial Sector. The debt is subject to Luxembourg law.

As of December 31, 2007, the subordinated liabilities are composed as follows:

Type	Amount CHF	Date of Issuance	Interest Rate	Maturity
Subordinated Loan UBS AG	50,000,000	21.09.2005	2.66 %	unlimited
Subordinated Loan UBS AG	25,000,000	20.12.2007	2.66 %	unlimited

12. Subscribed Capital

As at December 31, 2007, and 2006 the authorised and issued share capital, which is fully paid, represents 150,000 registered shares, with no par value.

13. Reserves**Legal reserve**

In accordance with Luxembourg law, the Bank has transferred at least 5% of its annual profit to the legal reserve until it amounts to 10% of subscribed capital, which it does. The legal reserve is not distributable.

Free reserve

The free reserve represents profits of prior years, which have been appropriated by the Annual General Meeting of Shareholders. This reserve may be distributed after approval by the Annual General Meeting of Shareholders.

Other reserve

Luxembourg tax legislation provides for a reduction of the net worth tax on the condition that a special non-distributable reserve is established for a period of 5 years and for an amount equal to 5 times the net worth tax liability of a given year. This reserve is included under other reserves and amounts to EUR 103.9 million as of year end.

14. Shareholders' Equity

The movements of Shareholders' equity may be summarised as follows:

	Subscribed capital	Reserves	Profit brought forward	Profit for the financial year	Total
	CHF	CHF	CHF	CHF	CHF
Balance at December 31, 2006	150,000,000	310,140,000	272,234	186,234,547	646,646,781
Transfer	-	100,000,000	234,547	(100,234,547)	-
Dividend paid	-	-	-	(86,000,000)	(86,000,000)
Profit for the financial year	-	-	-	274,870,368	274,870,368
Balance at December 31, 2007	150,000,000	410,140,000	506,781	274,870,368	835,517,149

The profit allocation for 2006 was approved by the Shareholders of the Bank during the annual general meeting held on May 14, 2007.

15. Currency Positions

	2007	2006
	CHF	CHF
	' 000	' 000
Total assets in foreign currencies	22,203,099	17,427,490
Total liabilities in foreign currencies	22,209,462	17,456,627

16. Contingent Liabilities

Contingent liabilities included in off-balance sheet items at December 31 are as follows:

	2007	2006
	CHF	CHF
Guarantees and assets pledged as collateral security	107,006,010	159,277,164

17. The Luxembourg association for the guarantee of deposits

The Bank is a member of the non-profit making organisation "Association pour la Garantie des Dépôts, Luxembourg" (AGDL), which was established on September 25, 1989. The articles of association of the AGDL were revised following a general meeting of shareholders held on December 14, 2000.

The AGDL has as its sole objective the establishment of a mutual system for the guarantee of cash deposits for the benefit of customers of the member credit institutions of the Association and for claims arising from investment transactions in favour of investors with the credit institutions and investment firms which are members of the Association.

The guarantee of cash deposits and of claims arising from investment transactions in favour of clients, individuals and certain companies as defined by the regulators, is limited to a maximum amount fixed as the equivalent value in all currencies of EUR 20,000 per cash deposit and EUR 20,000 per claim arising out of investment transactions. If the guarantee is called, the annual payment to be made by each member is limited to 5% of shareholders' equity.

As at December 31, 2007, the Bank held a general provision available for potential liabilities under the guarantee amounting to CHF 4,297,223 (2006: CHF 4,297,223). The amount is included in the balance sheet under "Provisions".

18. Profit and loss account**Tax charge**

The Bank is liable to taxes on income and net assets. The Luxembourg tax authorities have issued assessments for the years up to and including 2003. Tax liabilities are recorded under "Provisions for taxation" in the balance sheet.

In order to comply with Luxembourg tax regulations, the Bank must prepare a fiscal balance sheet in Euro. In its fiscal balance sheet the Bank may neutralise unrealised currency gains on the investment of its shareholders' funds.

Other operating income

	2007	2006
	CHF	CHF
Release of over-accruals	24,291,553	425,261
Realised gain on sale of real estate	21,977,380	-
Transaction processing gains	1,114,982	829,670
	47,383,915	1,254,931

Other operating charges

	2007	2006
	CHF	CHF
Transaction processing losses	2,763,574	2,797,509
Other operating charges	547,879	378,482
	3,311,453	3,175,991

19. Financial Instrument Disclosures

As at December 31, 2007, the information is as follows (in CHF):

Primary non-trading financial instruments

	≤ 3 months	> 3 months ≤ 1 year	> 1 year ≤ 5 years	> 5 years	Total
Financial assets					
Cash, balances with central banks and post office banks	418,814,580	-	-	-	418,814,580
Loans and advances to credit institutions	17,530,037,842	211,542,075	1,154,185,765	3,493,465	18,899,259,147
Loans and advances to customers	2,555,351,675	626,382,712	1,197,602,692	681,305,680	5,060,642,759
Debt securities and other fixed-income securities	-	29,985,085	109,309,647	84,005,753	223,300,485
Shares and other variable-yield securities	121,293	-	-	-	121,293
				Total	24,602,138,264
Financial liabilities					
Amounts owed to credit institutions	1,468,779,543	159,005,198	135,880,933	4,627,085	1,768,292,759
Amounts owed to customers	18,448,080,590	233,905,416	5,686,215	-	18,687,672,221
Debt evidenced by certificates	204,052	370,071,115	2,169,362,636	764,177,813	3,303,815,616
Guarantees and other direct substitutes for credit	149,938	4,234,380	70,984,247	31,637,445	107,006,010
Subordinated Liabilities	-	-	-	75,000,000	75,000,000
				Total	23,941,786,606

Primary trading financial instruments

None.

As at December 31, 2006, the information is as follows (in CHF):

Primary non-trading financial instruments

	≤ 3 months	> 3 months ≤ 1 year	> 1 year ≤ 5 years	> 5 years	Total
Financial assets					
Cash, balances with central banks and post office banks	346,231,374	-	-	-	346,231,374
Loans and advances to credit institutions	13,438,334,475	229,660,688	1,238,822,519	3,634,112	14,910,451,794
Loans and advances to customers	2,436,929,141	247,476,328	1,291,453,625	911,590,685	4,887,449,779
Debt securities and other fixed-income securities	-	-	-	130,000,000	130,000,000
Shares and other variable-yield securities	25,391	-	-	-	25,391
				Total	20,274,158,338
Financial liabilities					
Amounts owed to credit institutions	1,809,626,910	323,176,327	131,385,145	3,634,112	2,267,822,494
Amounts owed to customers	13,824,721,968	125,597,438	-	-	13,950,319,406
Debt evidenced by certificates	195,200	-	2,400,025,480	732,000,000	3,132,220,680
Guarantees and other direct substitutes for credit	2,147,005	51,690,905	91,309,476	14,129,778	159,277,164
Subordinated Liabilities	-	-	-	300,000,000	300,000,000
				Total	19,809,639,744

Primary trading financial instruments

None.

Derivative instruments

The Bank carries out the following non-trading transactions on its own behalf:

Operations linked to currency exchange rates:
- cross currency interest rate swaps

Operations linked to interest rates:
- interest rate swaps

Operations linked to other market rates:
- options on securities

The Bank carries out the following transactions on behalf of its customers:

Operations linked to currency exchange rates:
- foreign exchange contracts
- futures on currencies
- options on currencies

Operations linked to interest rates:
- futures on interest rates
- options on interest rates

Operations linked to other market rates:
- futures on equities
- options on securities

19. Financial Instrument Disclosures - continued

As at December 31, 2007, the transactions in derivative instruments on customers' behalf are as follows:

	2007 by maturities (CHF)				Total
	≤ 3 months	> 3 months ≤ 1 year	> 1 year ≤ 5 years	> 5 years	
Foreign exchange contracts OTC (nominal value)					
currencies to be delivered to customers	4,358,389,671	8,908,916,172	72,621,623	-	13,339,927,466
currencies to be received from customers	4,362,926,291	8,812,207,603	70,850,938	-	13,245,984,832
currencies to be delivered to credit institutions	4,174,201,811	8,980,613,725	72,662,713	-	13,227,478,249
currencies to be received from credit institutions	4,172,464,163	9,079,482,726	74,444,495	-	13,326,391,384
Replacement values of foreign exchange contracts OTC					
positive replacement values					210,593,854
negative replacement values					205,621,997
Currency options (nominal value)					
purchase of call options - counterparty: credit institutions - strike price	13,650,941	21,576,717	-	-	35,227,658
purchase of call options - counterparty: customers - strike price	109,131,575	81,001,765	-	-	190,133,340
purchase of put options - counterparty: credit institutions - strike price	29,894,112	117,256,342	13,435,782	-	160,586,236
purchase of put options - counterparty: customers - strike price	105,764,990	2,340,586,543	-	-	2,446,351,533
sale of call options - counterparty: credit institutions - strike price	109,131,575	81,001,765	-	-	190,133,340
sale of call options - counterparty: customers - strike price	13,650,941	21,576,717	-	-	35,227,658
sale of put options - counterparty: credit institutions - strike price	105,764,990	2,340,586,543	-	-	2,446,351,533
sale of put options - counterparty: customers - strike price	29,894,112	117,256,342	13,435,782	-	160,586,236
Replacement values of currency options					
positive replacement values					119,185,924
negative replacement values					119,185,436

As at December 31, 2007, the transactions in derivative instruments on customers' behalf are as follows (continued):

	2007 by maturities (CHF)				Total
	≤ 3 months	> 3 months ≤ 1 year	> 1 year ≤ 5 years	> 5 years	
Bond Options					
<i>Organised Markets</i>					
purchase of call options - counterparty: customers - strike price	-	-	-	-	-
sale of call options - counterparty: credit institutions - strike price	-	-	-	-	-
Stock options					
<i>Organised Markets (nominal value)</i>					
purchase of call options - counterparty: credit institutions - strike price	105,265,991	11,589,381	-	-	116,855,372
purchase of call options - counterparty: customers - strike price	22,672	494,517,709	19,445,196	-	513,985,578
purchase of put options - counterparty: credit institutions - strike price	146,873,402	199,138,641	-	-	346,012,043
purchase of put options - counterparty: customers - strike price	4,462,813	17,563,461,627	12,355,204	-	17,580,279,643
sale of call options - counterparty: credit institutions - strike price	519,899,387	9,112,599	-	-	529,011,986
sale of call options - counterparty: customers - strike price	3,346,282	51,938,253	46,544,428	-	101,828,963
sale of put options - counterparty: credit institutions - strike price	17,622,330,487	2,432,749	-	-	17,624,763,236
sale of put options - counterparty: customers - strike price	1,612,766	194,974,412	104,941,273	-	301,528,451
Replacement values of stock options					
positive replacement values					17,593,496
negative replacement values					17,593,592

19. Financial Instrument Disclosures - continued

As at December 31, 2006, the transactions in derivative instruments on customers' behalf are as follows:

	2006 by maturities (CHF)				Total
	≤ 3 months	> 3 months ≤ 1 year	> 1 year ≤ 5 years	> 5 years	
Foreign exchange contracts OTC (nominal value)					
currencies to be delivered to customers	3,975,727,134	13,598,571,415	12,226,942	-	17,586,525,491
currencies to be received from customers	3,981,174,214	13,608,976,515	12,479,892	-	17,602,630,621
currencies to be delivered to credit institutions	4,347,529,626	13,607,988,980	12,479,892	2,157,576	17,970,156,074
currencies to be received from credit institutions	4,343,843,813	13,598,655,872	12,241,198	2,154,380	17,956,895,263
Replacement values of foreign exchange contracts OTC					
positive replacement values					263,000,935
negative replacement values					260,632,214
Currency options (nominal value)					
purchase of call options - counterparty: credit institutions - strike price	26,221,838	12,012,833	-	-	38,234,671
purchase of call options - counterparty: customers - strike price	31,923,360	14,582,833	-	-	46,506,193
purchase of put options - counterparty: credit institutions - strike price	22,857,775	7,346,137	-	-	30,203,912
purchase of put options - counterparty: customers - strike price	54,393,770	17,585,239	-	-	71,979,009
sale of call options - counterparty: credit institutions - strike price	31,923,360	14,582,833	-	-	46,506,193
sale of call options - counterparty: customers - strike price	26,221,838	12,012,833	-	-	38,234,671
sale of put options - counterparty: credit institutions - strike price	54,393,770	17,585,239	-	-	71,979,009
sale of put options - counterparty: customers - strike price	22,857,775	7,346,137	-	-	30,203,912
Replacement values of currency options					
positive replacement values					7,567,309
negative replacement values					7,566,909

As at December 31, 2006, the transactions in derivative instruments on customers' behalf are as follows (continued):

	2006 by maturities (CHF)				Total
	≤ 3 months	> 3 months ≤ 1 year	> 1 year ≤ 5 years	> 5 years	
Bond Options					
Organised Markets					
purchase of call options - counterparty: customers - strike price	-	-	-	-	-
sale of call options - counterparty: credit institutions - strike price	-	-	-	-	-
Stock options					
Organised Markets (nominal value)					
purchase of call options - counterparty: credit institutions - strike price	72,919,316	25,411,472	46,972,355	-	145,303,143
purchase of call options - counterparty: customers - strike price	1,475,931,394	104,053,500	27,216,217	-	1,607,201,111
purchase of put options - counterparty: credit institutions - strike price	55,470,680	40,852,688	9,412,282	-	105,735,650
purchase of put options - counterparty: customers - strike price	1,148,360,839	6,479,271,134	19,489,587	-	7,647,121,560
sale of call options - counterparty: credit institutions - strike price	1,483,595,673	106,253,901	34,981,983	-	1,624,831,557
sale of call options - counterparty: customers - strike price	65,255,036	23,211,072	39,206,589	-	127,672,697
sale of put options - counterparty: credit institutions - strike price	1,171,428,903	6,488,923,775	20,462,440	-	7,680,815,118
sale of put options - counterparty: customers - strike price	32,878,662	30,724,001	8,439,429	-	72,042,092
Replacement values of the stock options					
positive replacement values					129,357,277
negative replacement values					129,357,277

19. Financial Instrument Disclosures - continued

As at December 31, 2007, the transactions in derivative instruments on customer's behalf are as follows:

	2007 by maturities (CHF)				Total
	≤ 3 months	> 3 months ≤ 1 year	> 1 year ≤ 5 years	> 5 years	
Forward currency transactions					
<i>Futures on an organized market</i>					
nominal amounts credit institutions	-	-	49,000,710	-	49,000,710
nominal amounts customers	-	-	49,000,710	-	49,000,710
Operations linked to interest rate					
<i>Interest rate futures</i>					
nominal amounts credit institutions	16,174,249,179	1,788,118,397	89,022,280	-	18,051,389,856
nominal amounts customers	16,174,249,179	1,788,118,397	89,022,280	-	18,051,389,856
Operations linked to other market rates					
<i>Futures</i>					
nominal amounts credit institutions	14,273,029,259	142,188	-	-	14,273,171,447
nominal amounts customers	14,273,029,259	142,188	-	-	14,273,171,447
Other rates					
<i>Futures</i>					
nominal amounts credit institutions	576,967	-	-	-	576,967
nominal amounts customers	576,967	-	-	-	576,967
<i>Replacement values of futures</i>					
positive replacement values					40,578,925
negative replacement values					40,578,925

As at December 31, 2006, the transactions in derivative instruments on customer's behalf are as follows:

	2006 by maturities (CHF)				Total
	≤ 3 months	> 3 months ≤ 1 year	> 1 year ≤ 5 years	> 5 years	
Forward currency transactions					
<i>Futures on an organized market</i>					
nominal amounts credit institutions	-	42,942,201	52,734,480	-	95,676,681
nominal amounts customers	-	42,942,201	52,734,480	-	95,676,681
Operations linked to interest rate					
<i>Interest rate futures</i>					
nominal amounts credit institutions	11,439,600,477	3,353,694,328	10,649,394,401	-	25,442,689,206
nominal amounts customers	11,439,600,477	3,353,694,328	10,649,394,401	-	25,442,689,206
Operations linked to other market rates					
<i>Futures</i>					
nominal amounts credit institutions	9,597,797,236	-	-	-	9,597,797,236
nominal amounts customers	9,597,797,236	-	-	-	9,597,797,236
Other rates					
<i>Futures</i>					
nominal amounts credit institutions	-	404,186	-	-	404,186
nominal amounts customers	-	404,186	-	-	404,186

19. Financial Instrument Disclosures - continued

As at December 31, 2007, the transactions in derivative instruments on the Bank's own behalf are as follows:

	2007 by maturities (CHF)				Total
	≤ 3 months	> 3 months ≤ 1 year	> 1 year ≤ 5 years	> 5 years	
Interest rate swaps ¹					
nominal amounts with positive replacement values	-	-	-	-	-
nominal amounts with negative replacement values ²	-	-	151,178,459	-	151,178,459
Replacement values:					
negative replacement values					10,836,347

¹ Shown at residual maturity date.

² Hedge of a loan, with fixed interest rate, which is funded by a deposit at floating rate of interests.

As at December 31, 2006, the transactions in derivative instruments on the Bank's own behalf are as follows:

	2006 by maturities (CHF)				Total
	≤ 3 months	> 3 months ≤ 1 year	> 1 year ≤ 5 years	> 5 years	
Interest rate swaps ¹					
nominal amounts with positive replacement values	-	-	-	-	-
nominal amounts with negative replacement values ²	-	-	-	179,590,685	179,590,685
Replacement values:					
negative replacement values					18,076,224

¹ Shown at residual maturity date.

² Hedge of a loan, with fixed interest rate, which is funded by a deposit at floating rate of interests.

Credit risk information – OTC derivative instruments

As at December 31, 2007, the information is as follows:

Counterparty	Credit risk on OTC derivative instruments (in CHF) (use of initial risk method)			
	Notional amount (1)	Risk-equivalent amounts (2)	Collateral (3)	Net risk exposure (4) = (2) - (3)
Credit institutions - Foreign exchange contracts	13,326,391,384	267,733,465	-	267,733,465
Customers - Foreign exchange contracts	13,245,984,832	265,864,595	- (*)	265,864,595
Credit institutions - Interest rate contracts	151,178,459	6,047,138	-	6,047,138
			Total	539,645,198

(*) Transactions are predominantly with investment funds where no collateral is taken by the Bank. Collateral held relating to private customers is not disclosed as this represents the minority of customer transactions.

As at December 31, 2006, the information is as follows:

Counterparty	Credit risk on OTC derivative instruments (in CHF) (use of initial risk method)			
	Notional amount (1)	Risk-equivalent amounts (2)	Collateral (3)	Net risk exposure (4) = (2) - (3)
Credit institutions - Foreign exchange contracts	17,956,895,263	360,031,635	-	360,031,635
Customers - Foreign exchange contracts	17,602,630,621	352,635,630	- (*)	352,635,630
Credit institutions - Interest rate contracts	179,590,685	897,953	-	897,953
			Total	713,565,218

(*) Transactions are predominantly with investment funds where no collateral is taken by the Bank. Collateral held relating to private customers is not disclosed as this represents the minority of customer transactions.

20. Geographical analysis of income

The Bank carries out operations in various geographic markets, with the majority of business in the countries of the European Union and other industrialised countries. The Bank does not consider that these markets differ substantially from one another.

22. Staff and Directors**Staff**

Average number of employees during the financial year:

	2007	2006
Senior management	40	38.5
Management	213	223
Employees	245	207
Workers	-	1
	498	469.5

Management and directors

During the financial year, the executive board (9 members) (2006: 9 members) received remuneration amounting to CHF 6,533,720 (2006: CHF 5,669,061) in respect of their duties. No specific remuneration was paid to the members of the Board of Directors in respect of their duties as such.

No expenses in respect of pensions were recorded for the members of the executive board and the members of the Board of Directors in 2007 or 2006.

No loans and guarantees have been given to the members of the executive board and the members of the Board of Directors in 2007 or 2006.

21. Management and agency services to third parties

The Bank has provided management and representative services to third parties in the normal course of its business during the financial year.

These services include:

- Portfolio management and advice
- Custody and administration of securities
- Fiduciary agency

23. Fees paid to external auditors

The Bank paid during the last two financial years following fees for external audit and other professional services rendered:

	2007 (CHF)	2006 (CHF)
Ernst & Young S.A.:		
audit fees	673,145	369,903
audit related fees	-	32,154
all other fees	41,353	56,966
	714,498	459,023

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