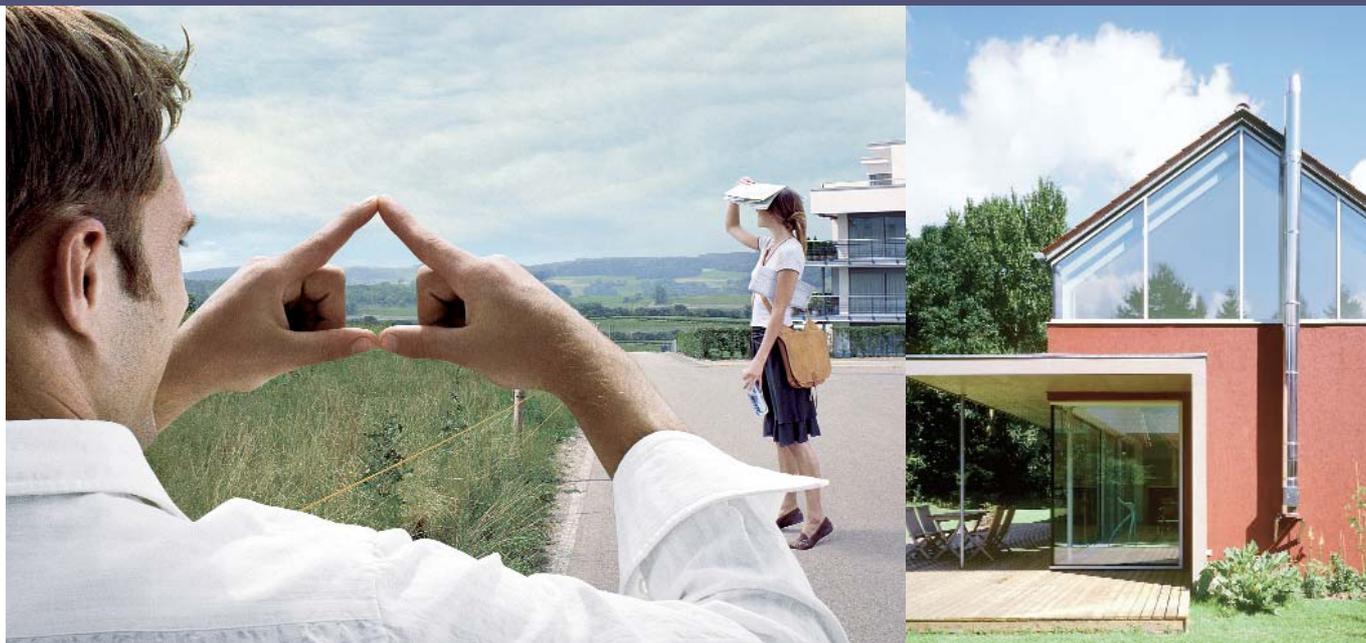


UBS immo news



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Swiss real estate market

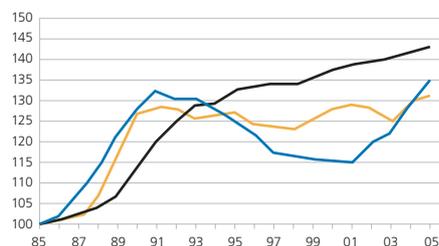
Further price increases on the housing market.

The transaction prices* for owner-occupied apartments and single-family homes have risen in Switzerland this year (as of mid-August) by 4.3% and 1.2% respectively. These figures reflect the continued strength of the housing market. Unlike a number of housing markets abroad, signs of over-inflated prices are few and far between. Only in the premium areas around Zurich and Lake Geneva and particularly in the top tourist locations such as St. Moritz and Zermatt can the prices be considered very high.

In many places, demand for property is continuing to outstrip supply, despite the fact that residential construction activity has stepped up considerably in certain areas. Easily over 40,000 residences, mostly for home owners, will have come on to the market in Switzerland in 2005. This equates to a peak figure when compared to statistics from the recent past. Due to this high level of building activity, the market now slowly appears to be reaching saturation. A growing number of vacated properties has been reported in Mittelland, southern Switzerland, throughout the entire area of northern Switzerland, and even in the canton of Zurich. However, the percentage of empty properties in

these regions generally remains low and, in most cases, is well under 1%. In the majority of regions, further moderate price increases can therefore be expected in the short and medium term, though this will not be the case in all segments. Prices on the single-family home market, and also for large owner-occupied apartments, are beginning to stabilize or even drop slightly. Significant interest rate hikes could lead to a decrease in overall housing demand, thereby lessening the potential for price increases. However, a slump on the property market is not expected and not very likely at the present time.

Transaction price indexes Switzerland



1985 = Index 100
 — Owner-occupied apartments
 — Single-family homes
 — Consumer price index

Source: Wüest & Partner

*Net prices of direct private sales

Editorial



Adriaan Koppejan
Head of Product Management Mortgages

Are you looking for your dream home? Our partner ImmoScout24 has a comprehensive and high-quality selection of real estate on offer and can provide you with a whole host of tips concerning home living.

The purchase of residential property has long-term financial implications. Important aspects in this respect include retirement provision and insurance cover for families and partners. To help you deal with these issues, UBS offers the UBS Fiscalife pension product, which we tell you about in this edition.

I hope you enjoy reading the newsletter.

UBS mortgage – special offers

With the UBS “fifty fifty” mortgage and the UBS “family plus” mortgage you have two attractive special offers* to choose from.

The UBS “fifty fifty” mortgage enables you to benefit from an interest rate reduction of 0.5% on your entire mortgage for three years (total financing of at least CHF 200,000) provided your account or custody account assets correspond to at least half of the mortgage and are managed at UBS during the interest rate benefit period. You must also set up either your accounts (including custody accounts) or your mortgage with UBS. You are entirely free to choose whatever mortgage suits your requirements. If you wish, you can also combine different mortgage products.

Sample financing

Account and custody account assets	CHF 350,000
New mortgage	CHF 500,000
Interest rate reduction on total financing	0.5%
Interest savings in three years	CHF 7,500

The UBS “family plus” mortgage, on the other hand, takes your children into account. For each child (maximum of three in total), we will offer you an interest rate reduction of 0.8% on every CHF 100,000 worth of newly concluded mortgage

(total financing at least CHF 300,000). If you pay the amortizations indirectly via UBS Fisca (Pillar 3a), you will also save on taxes and invest in your pension at the same time. In order to take advantage of this attractive benefit, you must keep the accounts or deposit accounts for all family members at UBS. Again, you are entirely at liberty to select the mortgage product that suits your needs, and a combination of products is also possible. For financing over 65% of your residential property, we recommend that you take out an insurance policy.

Sample financing

Family with three children	
New mortgage	CHF 500,000
Interest reduction on mortgage of CHF 300,000	0.8%
Interest savings in three years	CHF 7,200

Interested? Your UBS advisor will be happy to develop a tailor-made financing solution for you.

**Non-cumulative*



UBS mortgages on the Internet: ImmoScout24

An efficient online real estate search platform.

Online market places are becoming increasingly popular as they allow for greater efficiency and enable offers to be compared. ImmoScout24 covers the most important areas of real estate both for providers and consumers thanks to its comprehensive and high-quality offering.

UBS has chosen ImmoScout24 as its partner in the online real estate market. The www.immoscout24.ch platform has the most extensive user group among real estate portals. An independent market research institute has confirmed that ImmoScout24 is the best known Swiss online market place for real estate. In addition, ImmoScout24 manages an extensive publication network with

partner portals such as Bluewin, MSN, immobilien.ch, NZZdomizil.ch and over 60 – mostly regional – market places based on the ImmoScout24 technology.

Well over 1,200 professional advertisers and 3,000 to 4,000 private individuals regularly post approximately 46,000 ads concerning residential, industrial and vacation properties for sale or rent throughout Switzerland. Such a large offering is bound to contain something that catches even your discerning eye. ImmoScout24 offers a plethora of information and tools that make it easier for you to decide on the right property. These include an interactive map with route planner, a tax calculator and, of

course, the UBS mortgage calculator. ImmoScout24 also allows you to offer your existing property for sale or for rent.

Guest article by ImmoScout24.

i Our professional tip: A search request will help to keep you up to date regarding the latest offers. ImmoScout24 will send you an e-mail free of charge, notifying you of any property that meets your search criteria. Visit www.immoscout24.ch now and try out the most effective real estate market place in Switzerland.

Save on taxes and protect against risks

Buying your own home represents a major milestone in your life. For the most part, it brings great happiness, but if misfortune strikes (death or disability), owning a home can become an unbearable burden. To protect you against the financial implications of such an eventuality, UBS offers the tax-privileged pension product UBS Fiscalife with additional

- life and disability insurance, or just
- term life insurance.

It is an excellent way of protecting yourself, your family or your partner from financial risk.

How does UBS Fiscalife work?

Life and disability insurance

When you sign up for term life and disability insurance you define a savings target that you would like to achieve on reaching AHV retirement age. You can choose from 10 savings targets (between CHF 25,000 and CHF 250,000). The savings target is also the sum for which you are insured, and your annual contribution, the size of which depends on your chosen savings target, is made up of

the amount you save and an insurance premium. The savings portion is invested in UBS Fiscainvest (securities investments).

On 20 January 2006 Fiscainvest will become UBS Vitainvest.

Life insurance

You can now also opt to just take out life insurance. The process is as described above. In addition, however, you can choose to set the insured amount at double the level of the savings target.

The benefits for you

Flexibility

You can cancel the insurance at the end of any calendar year and continue saving within the Pillar 3a system.

Transparency

The savings component and the insurance premiums are clearly shown in your annual statement of benefits.

Lump sum

If the insured event occurs, the savings target (or insured amount) is paid out.

Use the Fiscalife calculator at www.ubs.com/fisca to find out how Fisca invest could work for you.



UBS mortgages in the current interest rate environment

Interest rate increases seem inevitable.

The Swiss economy is currently on the course for a recovery, and in all probability this trend is likely to continue next year. In addition to exports, construction and private consumption are the key growth drivers. In addition, an expansive interest rate policy and an acceptable exchange rate for the Swiss franc are promoting growth in the economy. In light of these positive economic developments, the National Bank announced further interest

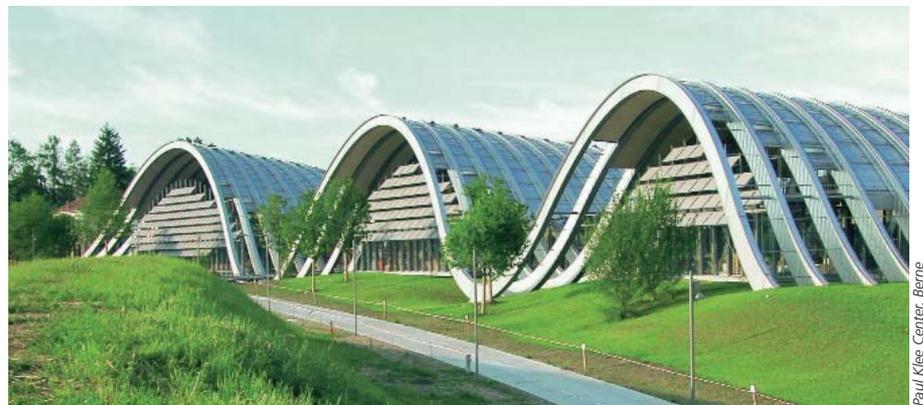
rate hikes in mid-October. A fresh intervention by the National Bank in December, which should result in the Libor rate (3 months) rising to 1%, is therefore more than likely. The National Bank's objective for 2006 will be to stabilize the Libor within the 1.25% to 1.5% range. We are confident that this goal will be achieved. However, such a result will be dependent on external factors such as the performance of the US dollar and the

price of oil. The previous increase in the Libor rate – and therefore additionally in the rate for money market and Libor mortgages – from 0.5% to 0.75% set the tone for an increase in long-term interest rates. As of mid-2007, we expect interest rates for 5-year and 10-year fixed-term mortgages to increase to around 3.8% and 4.4% respectively.

Paul Klee Center: an interplay between art and architecture

In the city of Berne, a center was recently opened that is dedicated to the presentation of and research into the life and work of the artist Paul Klee. The building, designed by Renzo Piano, houses a children's museum and auditoriums in addition to exhibition rooms.

The painter Paul Klee, who was also active as a musician, teacher and poet, is now considered one of the most important artists of the 20th century. His influence extends from French surrealism to the Constructivists. Now a new center has been established in Berne, creating a truly international monument to the artist. Klee was born near Berne and spent half of his life near the city. Almost half of the approximately 10,000 works that comprise the artist's total collection are brought together here under one roof. Exhibits include water colors and drawings as well as bibliographical material. The center holds what is considered to be the largest collection of monographs by a world-famous artist. The Paul Klee Center



Paul Klee Center, Berne

was designed by the renowned Italian architect Renzo Piano. Three "hills" made of steel and glass represent the main form of the building that is located on the eastern edge of the city. Not only is it a museum but it should also be regarded in the broader sense as a center of competence devoted to the painter and his work. It is used for the presentation of and research into his fascinating personality, and it houses exhibition facilities, a music and exhibition hall, a museum section for children aged four and upwards,

a multi-functional strolling mall with numerous communication possibilities, and auditoriums equipped with the very latest infrastructure. Fine arts, music, theater, dance, literature, art history and art education take place at the Paul Klee Center on the basis of reciprocal involvement, thereby achieving new forms of expression.

Guest article of the magazine IdealesHEIM, Archithema publishing company.

Paul Klee Center
Monument im Fruchtländ 3
3006 Berne
Phone: 031 359 01 01

For further information about the Paul Klee Center, please visit the website at www.zpk.org.

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