

Item 5

Capital reduction

5.1. Cancellation of shares repurchased under the 2003/2004 share buyback program and respective amendment of article 4 of the Articles of Association

A. Motion

The Board of Directors proposes that 59,482,000 shares repurchased under the buyback program approved by the 2003 AGM be cancelled and the share capital of the Corporation accordingly reduced by CHF 47,585,600.

Article 4 of the Articles of Association shall be amended as follows:

Current version	Proposed new version (<i>changes in italics</i>)
Article 4	
Share capital	
1 The share capital of the Corporation is CHF 946,437,411.20 (nine hundred and forty-six million, four hundred and thirty-seven thousand, four hundred and eleven Swiss francs and twenty centimes), divided into 1,183,046,764 registered shares with a par value of CHF 0.80 each. The share capital is fully paid up.	1 The share capital of the Corporation is <i>CHF 898,851,811.20 (eight hundred and ninety-eight million, eight hundred and fifty-one thousand, eight hundred and eleven Swiss francs and twenty centimes)</i> , divided into <i>1,123,564,764</i> registered shares with a par value of CHF 0.80 each. The share capital is fully paid up.
2 unchanged	

B. Explanations

The AGM on 16 April 2003 authorized the Board of Directors to buy back UBS shares in a maximum amount of CHF 5 billion via a second trading line on the virt-x exchange and subsequently to cancel them. Until 25 February 2004 a total of 59,482,000 shares with an overall market value of CHF 4,516,196,555.15 were repurchased. The average purchase price was CHF 75.93 per share.

The Board of Directors now proposes to the AGM to approve the cancellation of the 59,482,000 shares repurchased and to re-

duce the share capital in article 4 of the Articles of Association accordingly.

Ernst & Young Ltd. as Statutory Auditors have confirmed in a special audit report on behalf of the AGM that as at 31 December 2003 the claims of creditors were fully covered even after the reduction in capital and that the Bank has adequate liquidity.

5.2. Approval of a new 2004/2005 share buyback program

A. Motion

The Board of Directors proposes that the following resolution be approved:

“The Board of Directors shall be authorized to buy back a maximum amount of CHF 6 billion in UBS shares via a second trading line on the virt-x exchange. These shares are to be cancelled definitively and are not therefore regarded as own shares within the meaning of Article 659 of the Swiss Code of Obligations. The required amendment to the Articles of Association (reduction of share capital) will be submitted to the AGM in 2005 for approval.”

B. Explanations

Shares shall be repurchased for cancellation if the firm’s capitalization remains at its current high level. The Board of Directors requests the AGM to authorize the repurchase of a maximum

amount of CHF 6 billion in UBS shares. The new buyback program 2004/2005 was announced on 10 February 2004.

The Board of Directors has again decided to proceed in two stages, with shareholders taking the decision in principle at the first AGM and deciding on the definitive cancellation of the shares at the next AGM. By obtaining shareholders’ approval for the future cancellation of the repurchased shares, these shares no longer fall under the statutory limit of Swiss Company Law, which prohibits companies from holding more than 10% of their own shares. The proposed procedure provides greater flexibility, which UBS believes to be in the interests of efficient capital management and the ongoing trading activities of the Bank.

Ernst & Young Ltd. as Statutory Auditors have confirmed in a special audit report on behalf of the Board of Directors that the claims of creditors were fully covered even after this additional capital reduction and that the Bank has adequate liquidity.