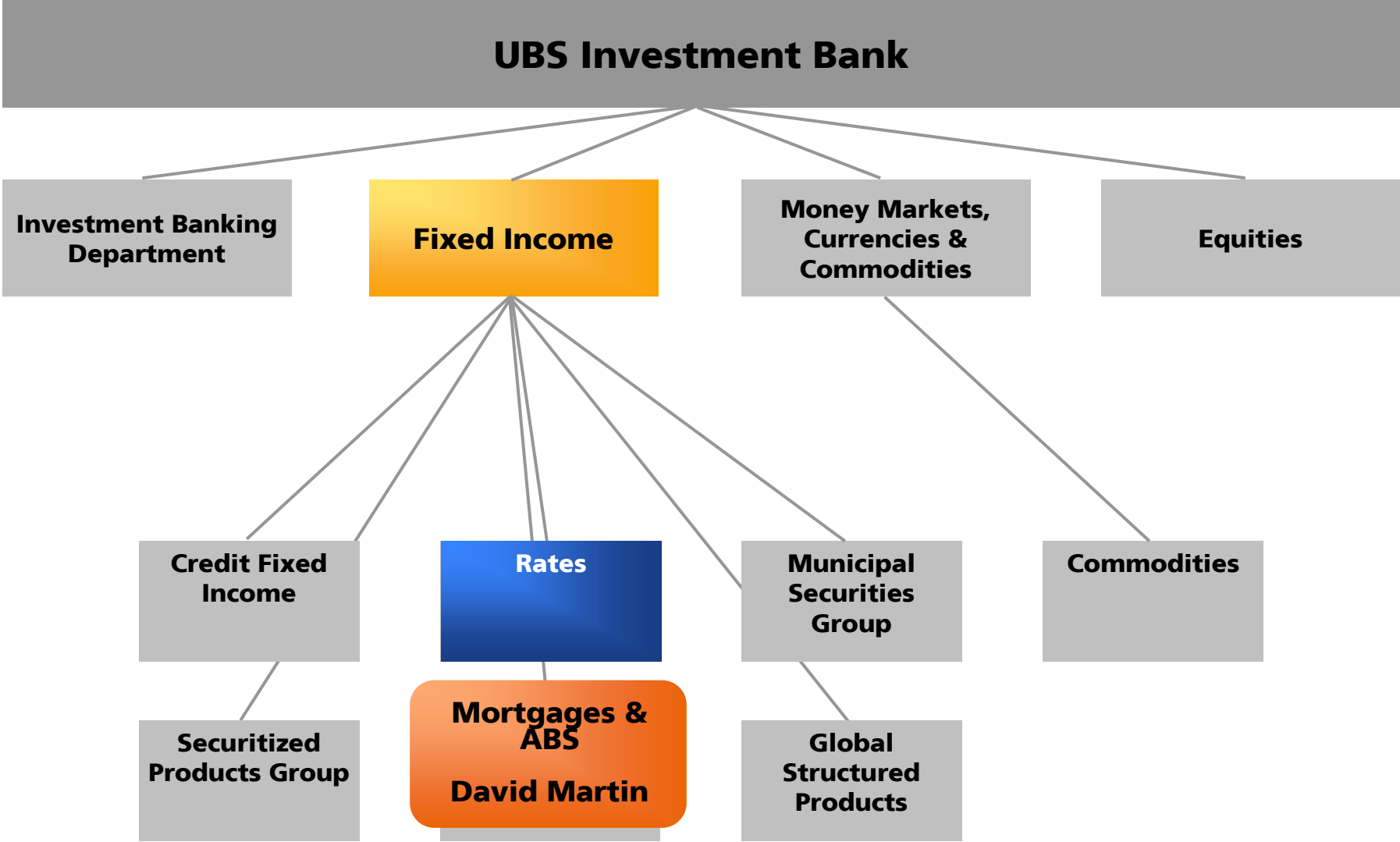


UBS Fixed Income Investor Day

Global MBS and ABS

David Martin, Global Head of Rates

Fixed Income organization



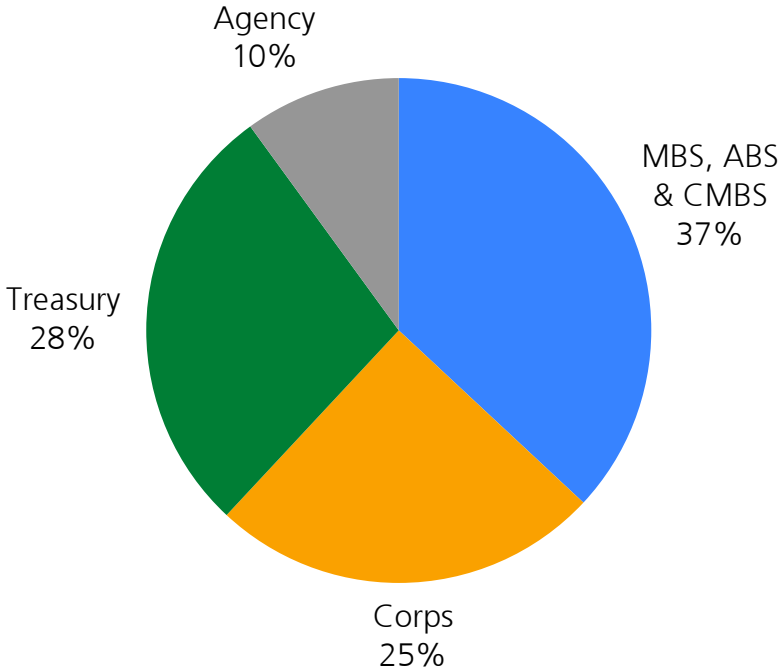
Executive Summary

- ◆ The global MBS and ABS markets are an important asset class to our client base and are still generally growing
- ◆ Our integrated securitization model compliments our risk management structure
- ◆ The market changes in 2006 are significant and have to be factored into strategic planning
- ◆ UBS's focused growth strategy leverages our institutional strengths and will deliver revenue growth in 2007 and beyond
- ◆ UBS's market presence and talent base allows us to reallocate resources to partially fund our growth initiatives

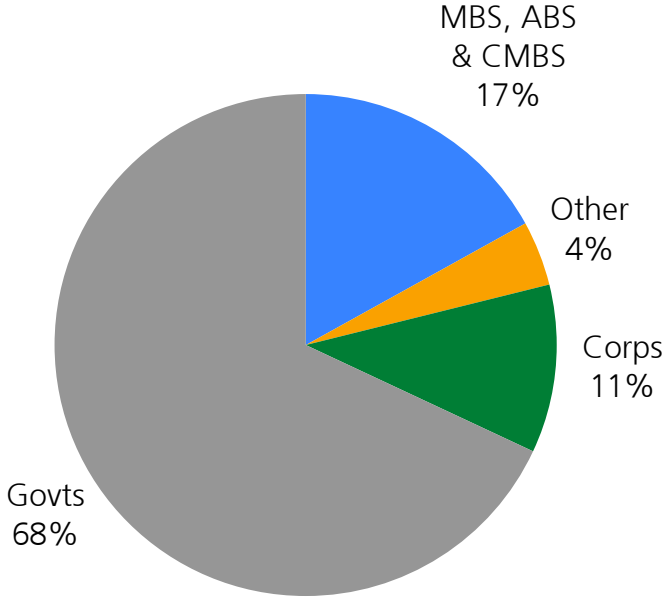
Mortgage and ABS market

Mortgages now represent the largest asset class in the US\$ bond market & are a significant element of global bond indices

US Taxable Investment-Grade Bonds—2006*



Global Bonds—2006*

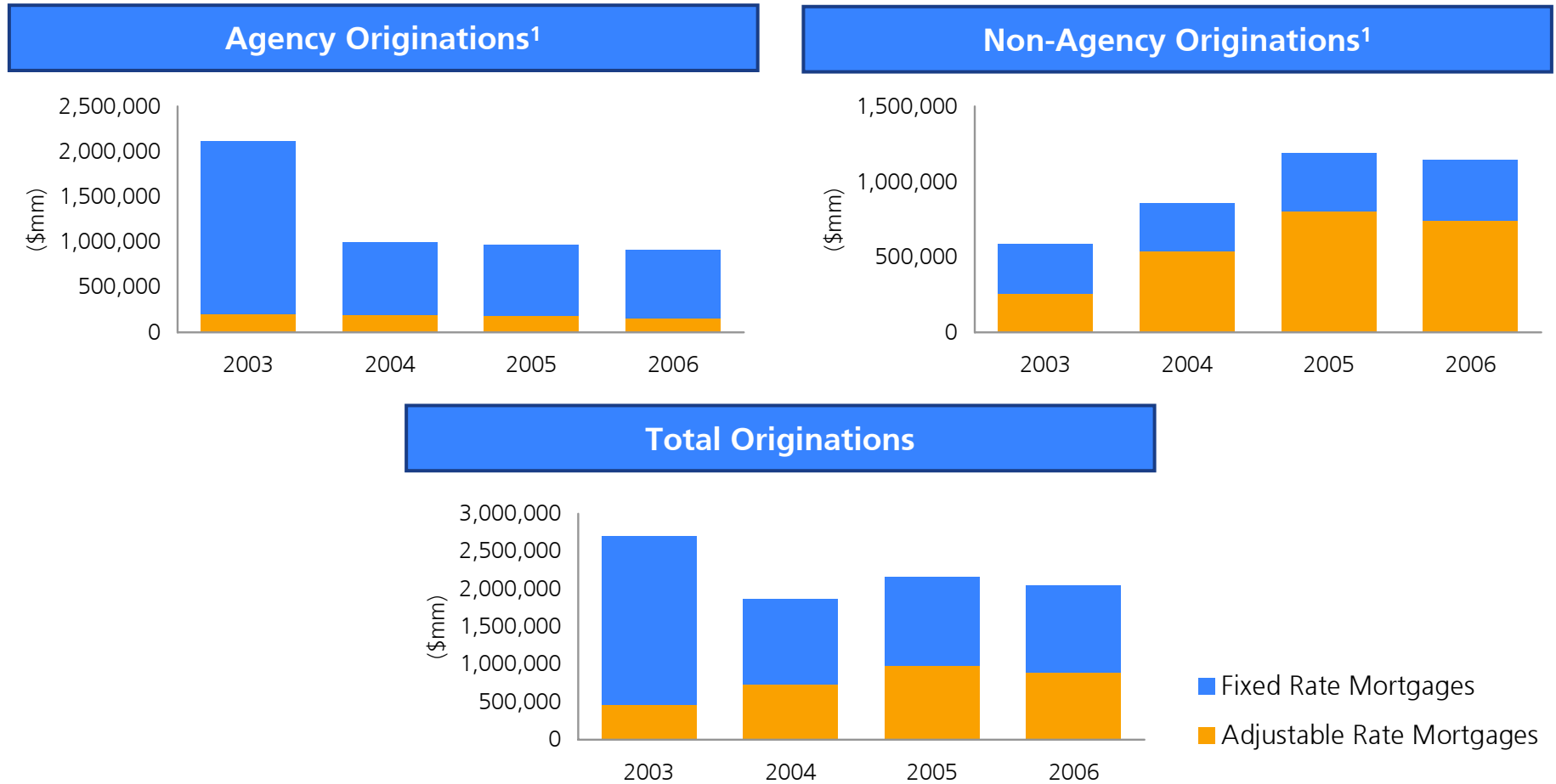


*As of 1/1/07

USD bonds comprised 41% of the global bond market in 2006

US Residential Mortgage Issuance—By Type (\$millions)

Within the market, the high margin non-agency sector has grown post 2003 refinance boom...



Note:

1 Please see Glossary in the Appendix for further definitions of "Agency" and "Non-Agency" for your information

...as product innovations occur
away from the Government Sponsored Entities (FNMA/FHMC/GNMA)

Country Demographics

There are significant residential mortgage opportunities globally

Rank by GDP	Country	2004 GDP € m	Outstanding Mortgage Balance € m	Mortgage Balance as a % of GDP	Average LTVs ⁵
1	United States ¹	9,459,925	10,472,400	110.7%	NA
2	Japan ²	3,015,100	1,317,016	43.7%	NA
3	Germany	1,901,646	1,157,026	60.8%	67.0%
4	France	1,398,459	432,300	30.9%	67.0%
5	United Kingdom	1,434,688	1,291,606	90.0%	69.0%
6	Italy	1,295,406	206,341	15.9%	55.0%
7	Russia ³	1,133,581	5,072	0.4%	NA
8	Mexico ⁴	809,931	38,645	5.9%	NA
9	Spain	754,862	384,631	51.0%	70.0%
10	Australia ²	492,480	535,879	108.8%	NA
11	Netherlands	387,334	435,654	112.5%	90.0%
12	Belgium	254,573	87,624	34.4%	NA
13	Switzerland	202,805	248,664	122.6%	NA
14	Sweden	205,623	145,491	70.8%	77.0%
15	Austria	206,025	48,078	23.3%	NA
16	Greece	182,275	34,052	18.7%	75.0%
17	Finland	121,731	58,125	47.7%	75.0%
18	Portugal	151,922	71,101	46.8%	NA

Source: CIA World Factbook, Hypostat 2005

Notes:

- 1 Mortgage data from Mortgage Bankers Association
- 2 Annualized from September 2006 YTD mortgage data. Japan mortgage data from Bank of Japan. Australia mortgage data from ABS/RBA
- 3 Mortgage data is of 2005
- 4 Mortgage data from Mortgage Bankers Association 2006 conference
- 5 Source: Citigroup equity research, dated September 2006

Securitization Model

An integrated securitization model...



- ◆ Cash products come from origination platforms
- ◆ Synthetic product can come from any source
- ◆ Vertical integration can help but can also cause business and culture clashes

- ◆ Experience, Experience, Experience
- ◆ Robust quantitative models important in risk transfer trades
- ◆ Capital is readily available in the market but risk is more scarce

- ◆ The more global the better
- ◆ Key part of the current capital markets model
- ◆ Hardest part to build from scratch

...allows a firm to service clients with superior risk management

What Creates a Superior Risk Management Structure?

- ◆ Experienced employees in key positions
- ◆ A culture that rewards proper risk taking but learns from mistakes
- ◆ Robust information flow to understand supply and demand dynamics
- ◆ Solid infrastructure to accurately reflect risks
- ◆ Desire to ask the next question

What changed in 2006

Major market events in 2006

- ◆ The synthetic market dramatically expanded with the sub-prime indices (ABX) and single name CDS trading leading the way
- ◆ Clients increasingly looked to the dealer community for help in growing their businesses in more complicated bespoke products as the competitive investing environment created a search for yield
- ◆ Two of the main drivers of origination volumes went away as home prices moderated and borrower saturation occurred
- ◆ Moderating home prices exposed the looser underwriting standards that developed through the US housing boom and delinquencies and losses began to rise dramatically
- ◆ Origination margins became negative in the high margin non-prime sector due to industry overcapacity and high early pay defaults (EPDs)

These changes create opportunities for those that can adapt their business models

US Sub-prime market – what happened?

- ◆ The mortgage market is largely a risk transfer market where originators rarely end up holding the end product.
- ◆ Natural origination volumes dropped in 2006 owing to lower purchase and cash-out refinance activity.
- ◆ Originators have high fixed costs and need to keep volumes high to remain profitable. They increased volumes by widening underwriting standards.
- ◆ High levels of early pay defaults (EPD) followed, creating a liquidity crisis for the industry and forcing rapid consolidation and rationalization.
- ◆ The long term impact on housing prices is significant. Nearly 40% of US mortgage originations in 2006 were non-prime—tighter underwriting standards in this sector will likely prolong the housing slump in the US and potentially endanger recent adjustable rate mortgage production.

Vertical Integration Issues

Vertical integration of origination and securitization makes good business sense...

◆ The distraction factor is significant

◆ The rise of the synthetic market

◆ Cultural and business differences

◆ Future of non-prime industry uncertain

...but the challenges are significant and promised synergies may be less than the true cost

Top Competitors in the MBS/ABS Space

Firm	US Rank	US Mkt. Share	Firm	Global Rank	Global Mkt. Share
Bear Stearns & Co Inc	1	9.9	Royal Bank of Scotland Group	1	9.1
Lehman Brothers	2	9.8	Lehman Brothers	2	8.5
Royal Bank of Scotland Group	3	9.2	Bear Stearns & Co Inc	3	7.4
Credit Suisse	4	7.3	Deutsche Bank AG	4	6.9
JP Morgan	5	6.9	Credit Suisse	5	6.7
Deutsche Bank AG	6	6.4	Citigroup	6	5.9
Banc of America Securities LLC	7	6.0	JP Morgan	7	5.6
Goldman Sachs & Co	8	5.8	Morgan Stanley	8	5.2
UBS	9	5.7	Goldman Sachs & Co	9	4.7
Morgan Stanley	10	5.5	UBS	10	4.7
Citigroup	11	5.0	Banc of America Securities LLC	11	4.5
Countrywide Securities Corp	12	4.6	Barclays Capital	12	4.0
Washington Mutual Inc	13	4.2	Merrill Lynch	13	3.6
Merrill Lynch	14	3.6	Countrywide Securities Corp	14	3.3
Wachovia Corp	15	2.4	Washington Mutual Inc	15	3.0

League Table Source: Thomson Financial

UBS competitive analysis






Understanding our market presence and growth potential in key segments...

Business Description	UBS Market Presence	Market Growth Potential
US Cash Residential Mortgages	Moderate	Low
European/Asian Cash Residential Mortgages	Low	High
Structured Products/Synthetics	High	High
Global ABS Business	Low	Moderate

...allows UBS to properly allocate resources where they have the greatest impact. The potential revenue impact of the high growth markets are \$150+mm annually post ramp up

UBS Growth Initiatives

Where do we stand on our key growth initiatives?

Initiative	Completion Status	Expected Pay-Off Timing
UBS Home Finance		2008
European Residential Mortgage Origination		2008
Global ABS Origination		2007
Global ABS/MBS Structured Products		2006
Talent Development		2007

UBS has made solid progress and the majority of our investment spend has already been made

What is UBS not going to do in 2007

By identifying what we want to do and don't want to do...

◆ Chase league tables

◆ Provide excess liquidity to drive high margin business

◆ Grow business lines that rapidly expand the balance sheet

◆ Keep talented employees in low growth businesses

...we can effectively resource our growth initiatives to meet our objectives efficiently

Risks to Plan

- ◆ Lower global liquidity for structured products
- ◆ Synthetic market leverage
- ◆ Speed of the market
- ◆ Vertical integration
- ◆ US Residential Mortgage legislation
- ◆ Rapid margin compression in European Residential Mortgage markets

Conclusion

- ◆ The global mortgage and asset-backed markets continue to grow and provide excellent opportunities for UBS to invest in
- ◆ The markets are changing rapidly and future success depends upon looking forward rather than at the past and adapting quickly
- ◆ Our client-centric, moving-not-storage model offers the best risk-return ratio in the current market environment
- ◆ UBS has a growth plan that focuses on the emerging global opportunities and our own unique strengths rather than on past successes
- ◆ UBS will fund our growth partially by doing less in areas we deem to have low value added to our client base and therefore the firm as a whole
- ◆ We anticipate growing our non-US revenues to 25% of total revenues in the long term

Appendix

Collateral Characteristics

US underwriting standards generally weakened post 2002 as US housing prices soared...

	Orig. Yr	Orig Amount (\$MM)	Loan Size (\$000)	Combined Loan to Value	CLTV > 80	Full Documentation	With Second Liens %	Interest Only %
Prime ARMs	2003	102,050	451.6	68.2	10.1	48.6	10.9	53.3
	2004	115,666	411.0	73.5	20.7	51.2	23.1	71.2
	2005	68,742	487.6	74.1	21.7	47.3	26.8	81.4
	2006	29,474	572.8	75.3	28.2	33.6	35.3	90.7
Alt-A ARMs	2003	29,384	307.8	78.0	33.3	28.1	23.4	56.4
	2004	111,406	272.3	82.6	46.8	32.6	39.1	75.0
	2005	110,942	291.3	83.5	49.6	28.3	46.9	82.6
	2006	36,590	335.8	85.0	55.4	19.0	55.4	87.2
Subprime ARMs	2003	122,486	168.9	83.5	55.6	63.5	9.9	5.3
	2004	247,975	184.7	85.3	61.1	59.9	19.1	19.5
	2005	323,963	204.1	86.6	64.4	55.9	28.1	31.6
	2006	102,236	212.9	86.7	64.0	54.6	31.0	19.9

...creating origination vintages with over leveraged borrowers who provided little or no documentation

60+ Day Delinq % of Outstanding—Alt-A & Subprime Mortgages

