



Product Day 2005 Mortgage and Asset-Backed Securities

Stamford, 12th May 2005
David Martin, Global Head of
RMBS & ABS

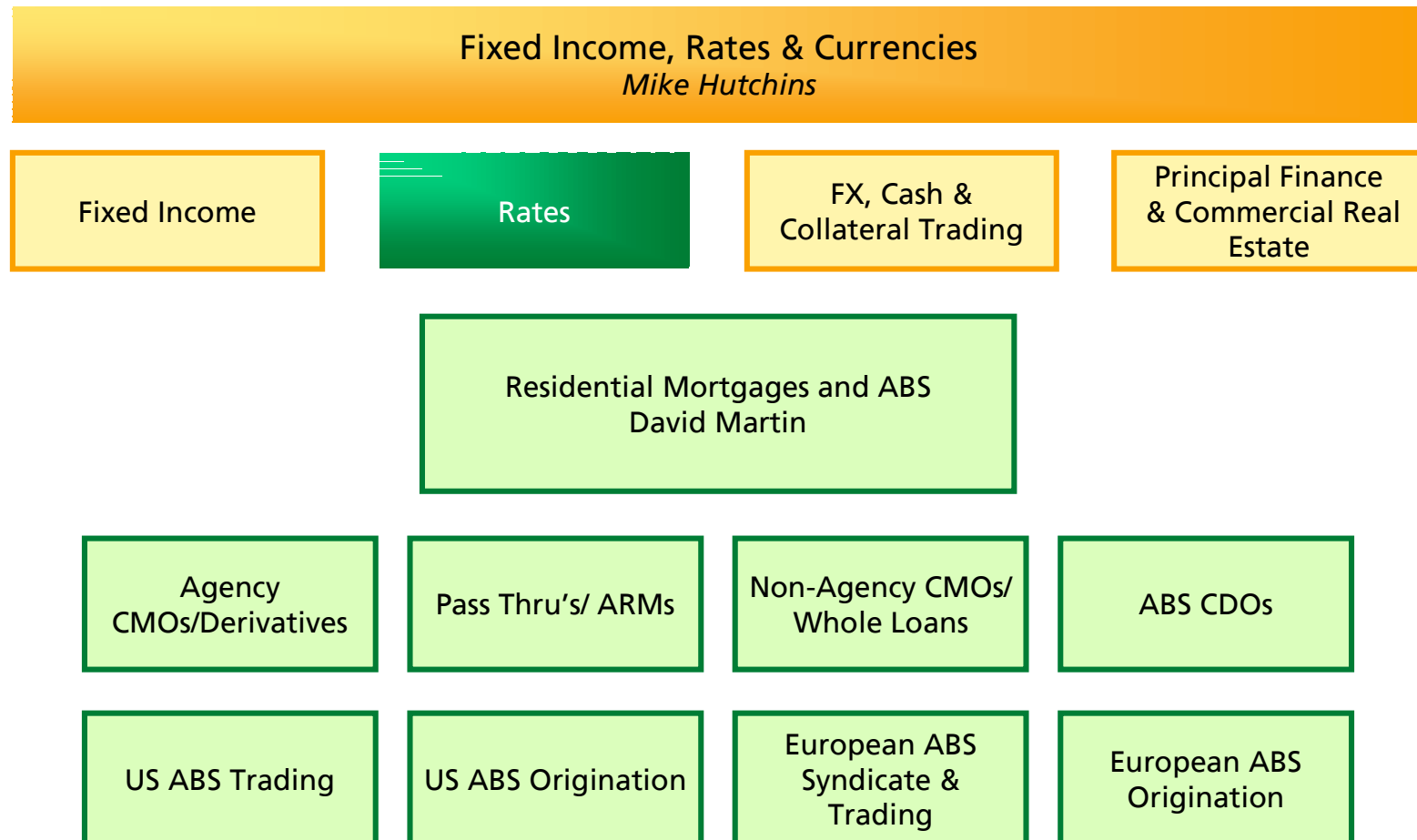


Mission statement

Mission:

To be the **dominant global intermediary** in the residential mortgage and asset-backed market

Organizational chart



Product basics

Agency mortgage market

- ◆ Pass-Thru's – fixed rate & adjustable rate (Agencies "Pass through" P&I less fees to investors)
- ◆ CMOs (Collateralized Mortgage Obligations)
- ◆ Derivatives – includes stripping MBS (Mortgage Backed Securities) into interest and/or principal only components

Non-agency mortgage market

- ◆ Prime & Alt-A (good credit quality, but limit excesses or documentation issues)
- ◆ Sub-prime (low credit quality)
- ◆ ABS (Asset Backed Securities)
- ◆ CDOs (Collateralized Debt Obligations)
- ◆ International RMBS (Residential Mortgage Backed Securities) /ABS

MBS issuers include agencies (GNMA, FNMA, FHLMC) and non-agencies, including commercial banks, mortgage companies, investment banking firms, private conduits and thrifts.

ABS originators include finance companies, commercial banks, credit card companies, mortgage bankers and securities firms.

Trends in supply and demand

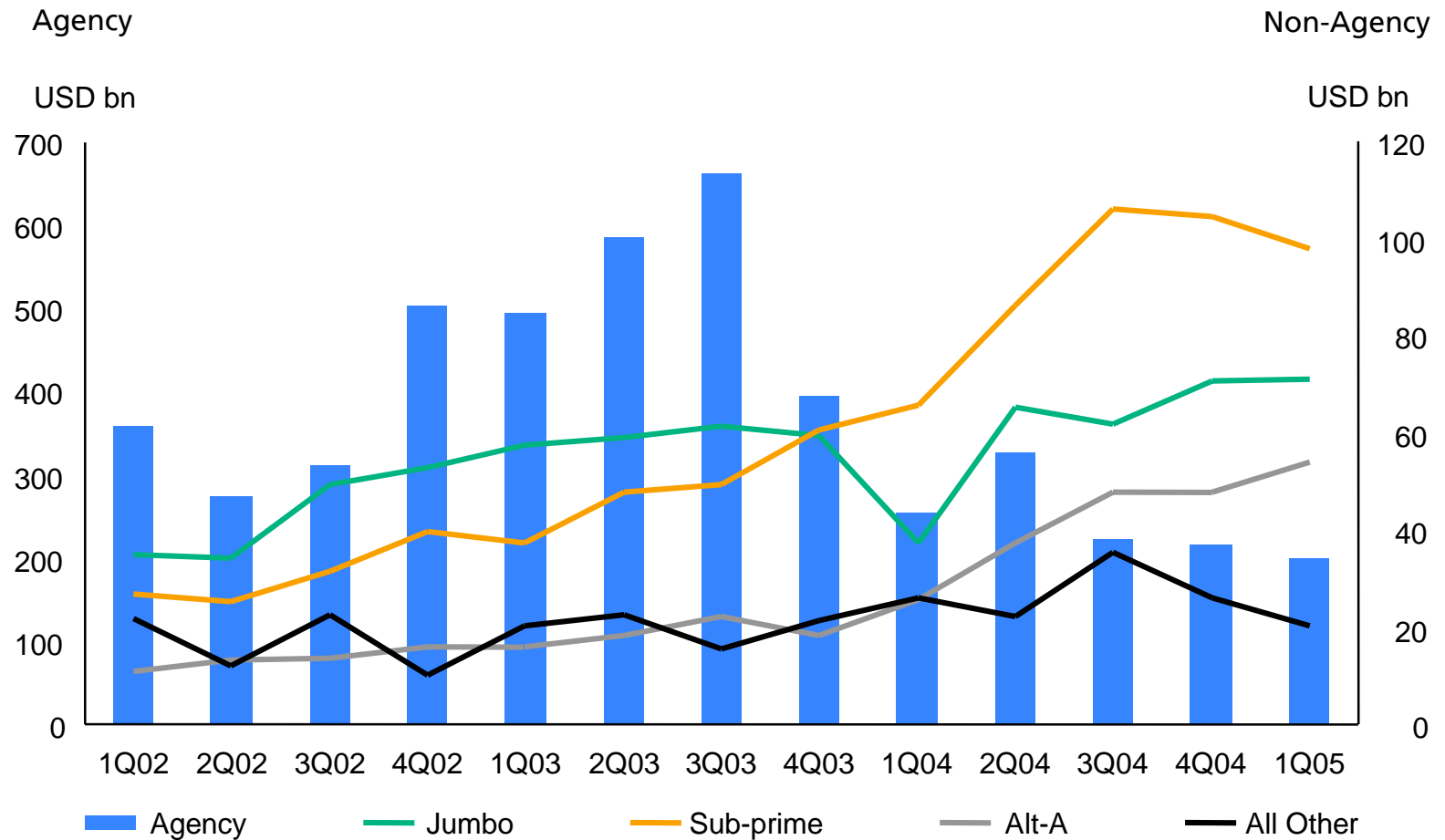
Supply

- ◆ Increasing non-agency product driven by explosive growth in sub-prime mortgages
- ◆ Growing importance of adjustable rate mortgages, especially interest only product

Demand

- ◆ Dramatic increase in international demand, especially in Asia
- ◆ Decreasing role of Government Sponsored Enterprises (GSEs)

Quarterly MBS issuance by sector¹



¹ Source: Inside MBS & ABS



UBS strengths

Global origination and distribution capabilities

Well capitalized and highly rated balance sheet

Deep and experienced RMBS/ABS sales, trading and research team

Well integrated rates and credit franchises

The past

- ◆ **2000:** UBS acquired core department from Paine Webber in conjunction with the merger
- ◆ **2001:** Became the top underwriter of global mortgage backed securities for the first time
- ◆ **2002:** Started a 5 year plan to broaden our product offerings by starting a whole loan conduit and growing our asset-backed business
- ◆ **2003:** Invested in European ABS business and broadened our global distribution of USD mortgage products
- ◆ **2004:** Became the #3 underwriter of US Collateralized Debt Obligations (CDOs)

The present

- ◆ 2004 **Institutional Investor** poll ranks the UBS trading desk #1 in Mortgage Pass-thru's and Agency CMOs
- ◆ 2004 **Institutional Investor** survey ranks UBS Structured Securities Distribution #1
- ◆ **Institutional Investor** ranked UBS Investment Bank #1 in 3 categories of Research in 2004 – Agency Pass-thru's, Agency Structured and MBS Overall
- ◆ UBS Investment Bank was the #2 underwriter of global structured mortgage products in 2004 and #1 over the preceding 3 years according to **Thomson Financial**
- ◆ Revenue growth in the non-agency business has been impressive – up 750% from 2002 to 2004

In progress

Slow developing ARM franchise largely missed 2003-2004 supply boom

Sub-prime market share is only 4%

No wholesale or retail origination channel in US

Limited non USD mortgage origination

Non mortgage ABS business is very small

The future

Maintain our dominant franchise in fixed rate residential products

Grow our market share in the ABS and sub prime business

Expand our product access and margins by getting closer to the borrower

Leverage global strengths to grow international mortgage business

Retain and grow talented employees

Mission statement

Mission:

To be the **dominant global intermediary** in the residential mortgage and asset-backed market



Product Day 2005 Mortgage and Asset-Backed Securities

Stamford, 12th May 2005
David Martin, Global Head of
RMBS & ABS



You & Us