



Product Day 2005 Prime Brokerage

Stamford, 12th May 2005
Alex Ehrlich, Global Head of
Prime Services



Caution regarding forward-looking statements

This communication contains statements that constitute “forward-looking statements”, including, but not limited to, statements relating to the implementation of strategic initiatives, such as the European wealth management business, and other statements relating to our future business development and economic performance.

While these forward-looking statements represent our judgments and future expectations concerning the development of our business, a number of risks, uncertainties and other important factors could cause actual developments and results to differ materially from our expectations.

These factors include, but are not limited to, (1) general market, macro-economic, governmental and regulatory trends, (2) movements in local and international securities markets, currency exchange rates and interest rates, (3) competitive pressures, (4) technological developments, (5) changes in the financial position or creditworthiness of our customers, obligors and counterparties and developments in the markets in which they operate, (6) legislative developments, (7) management changes and changes to our Business Group structure and (8) other key factors that we have indicated could adversely affect our business and financial performance which are contained in other parts of this document and in our past and future filings and reports, including those filed with the SEC.

More detailed information about those factors is set forth elsewhere in this document and in documents furnished by UBS and filings made by UBS with the SEC, including UBS’s Annual Report on Form 20-F for the year ended 31 December 2004. UBS is not under any obligation to (and expressly disclaims any such obligations to) update or alter its forward-looking statements whether as a result of new information, future events, or otherwise.



Prime Brokerage

Prime Brokerage historically

- ◆ *Prime Brokerage* is the provision of clearing, custodial, financing, and stock lending services to hedge funds
- ◆ Additional “value added” services may include capital introduction, office facilitation, start-up advisory services, and risk management consultative services
- ◆ Fees are not explicit; they are primarily derived from spreads on financing and stock lending

Prime Brokerage redefined

- ◆ *Prime Brokerage* is what *our* Investment Bank can do for *your* Hedge Fund
- ◆ Fees are not explicit; they are derived from the fees across the overall relationship between *you* and *us*

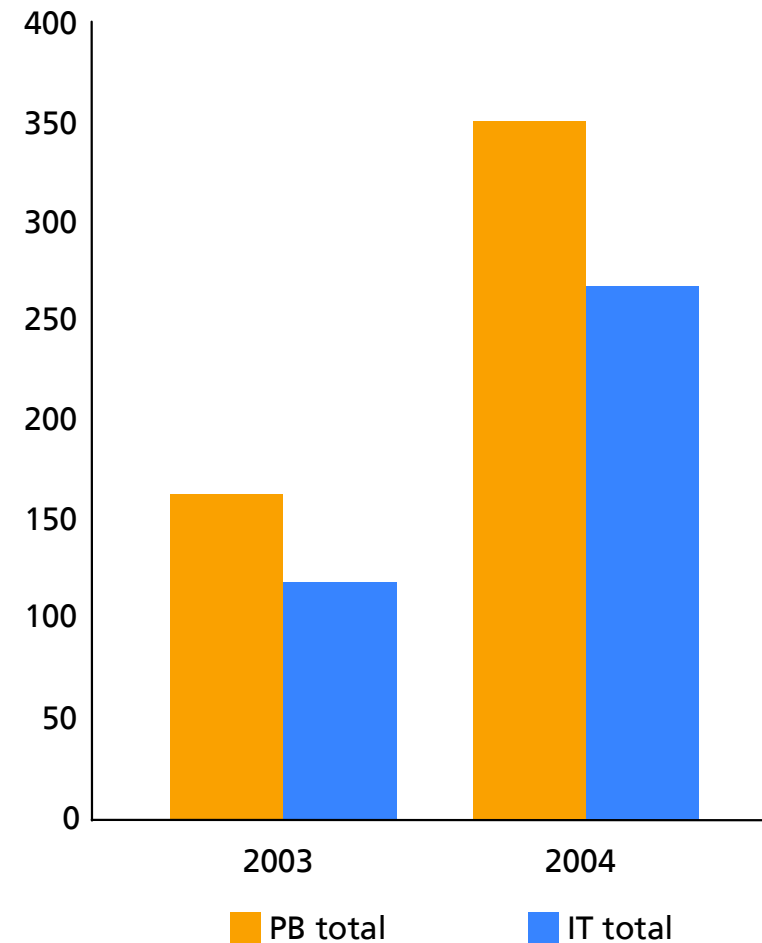
Our objectives

- ◆ To be the world's leading provider of profitable Prime Brokerage services to the hedge fund client segment
- ◆ To deliver our service across all investment products, across the globe
- ◆ To compete effectively globally for premium start-up hedge funds, with top league table results in each region
- ◆ To capitalize on our global group-wide franchise
- ◆ To achieve client satisfaction in everything we do

Growing the team

- ◆ 165 people at May 2003
 - 90 from Paine Webber
 - 75 from UBS/SBC/Warburg
- ◆ 160 people joined via acquisition of ABN Amro PB – Integrated 03/04
 - Retention rate 96%
- ◆ 100+ people hired “organically” since May 2003
 - Retention rate 96%
- ◆ The above excludes Technology, which has hired over 100 employees and 100 consultants since 2003
- ◆ 15 new MDs have joined via internal transfer (3), promotion (5), recruitment (6), and acquisition (1)

Team growth: 2003-2004



Key investments 2003-2005

Business priorities

- ◆ **Technology**
- ◆ **Product breadth**
- ◆ **Risk management**
- ◆ **Securities lending**
- ◆ **Franchise**
- ◆ **Capital introduction**

Strategic solutions

Over 300 dedicated technologists, creating probably the largest development commitment in the industry

Leading FX Prime Brokerage franchise + our award-winning Fixed Income Prime Brokerage product + full cross-product equity coverage

Global team of 10 professionals covering 100% of exposure to PB clients across all covered markets

Acquiring strategically important exclusive portfolios to augment our Swiss and U.S. "pools"

Acquired ABN Amro Prime Brokerage business in 12/03 for \$250 million

Over 20 capital introduction professionals in 5 countries, managed globally and regionally

Competitive analysis

- ◆ Investor inflows will continue, over the next several years, to “expand the pie” for prime brokers
- ◆ New inflows accrue to the benefit of proven hedge fund managers and start-up firms
- ◆ Global Prime Brokerage leadership is expensive. Success will require a strong global franchise, a substantial ongoing commitment of investment capital, a strong balance sheet, and a sound credit foundation
- ◆ The “global duopoly” of Morgan Stanley and Goldman Sachs is unsustainable

Exploding myths

"...If you're serious, you need to use Goldman or Morgan. Investors expect to see it..."

Consultant quote in "Bloomberg Markets"

Gandhara Capital – Successfully launched May 2nd 2005. Over \$1 billion raised in Europe, where UBS managed all capital introduction

"...The ABN business bought by UBS was all about selling PE to start-ups..."

Over a dozen UBS clients have Prime Brokerage balances over \$1 billion

"...We've missed the line...It costs too much to build this business..."

Jamie Dimon, JP Morgan

It costs too much not to build this business. PB success is not an option for a global investment bank with a commitment to the hedge fund client segment

"...The only way to compete against the established leaders is on price..."

"...business points, quoting GS & MS Salespeople

Premium clients demand premium service, cut-rate pricing will get us nowhere



How are we doing?

The challenge

- ◆ In 2004, every known launch of \$1 billion or more chose one or both of GS and MS as initial Prime Broker
- ◆ Our top competitors have a daunting lead. Many of them entered this business in the 1980s and 90s
- ◆ We are having to manage growth, change, technology investment, and infrastructure development... while servicing current clients and adding new ones
- ◆ The UBS brand is "new" to the US full-service hedge fund market

Progress

In 2005, UBS has won lead or joint lead appointment on two of the first three billion-dollar launches of the year

Our Prime Brokerage AUM are growing at a pace significantly ahead of market growth in 2004-05

Invested hundreds of millions of dollars into PB from 2003-2005

Over 100 U.S. based start-up hedge funds chose UBS as their sole Prime Broker in 2004



Summary – how will we grow market share?

Our growth will come from each of the 3 major segments, across the U.S., Europe, and Asia

- ◆ New Hedge Fund Management Companies
- ◆ Global Hedge Fund Complexes
- ◆ Inflection Point Opportunities at Successful Hedge Funds

Ensure that UBS is “The Best Investment a Hedge Fund Can Make”

- ◆ UBS has a World Class Prime Brokerage product
- ◆ UBS has a Global Franchise Advantage (Equities, Fixed Income, FX, Research, Wealth Management, Alternative Investing)
- ◆ UBS has a Cross-Product Advantage
- ◆ UBS has a Superior Credit Rating & Balance Sheet

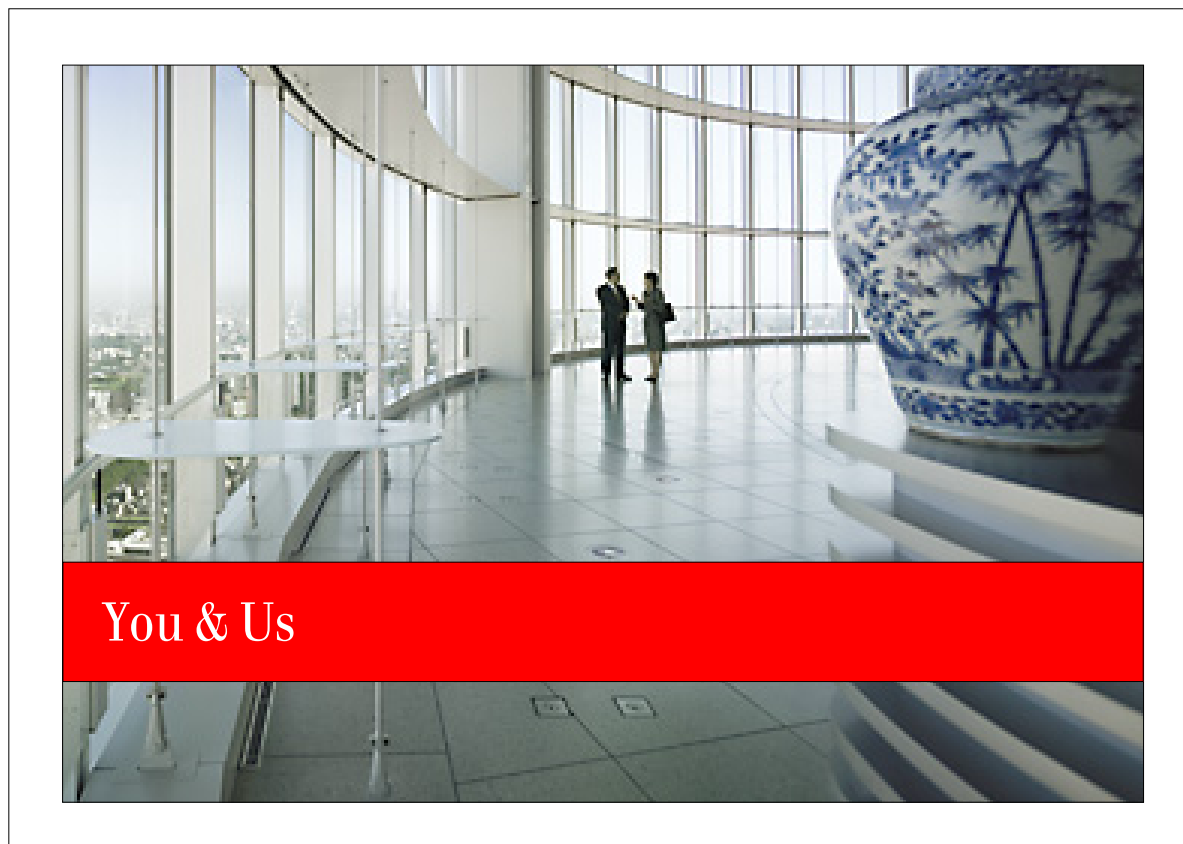
Don't be fooled by the old paradigm...
.... avoid the “Prime Brokerage Cold War”!

Drive culture which rewards service, teamwork, intellect, creativity, and energy: excellence, collaboration, innovation, clients, and people



"You and Us"

Ensure that UBS is "the best investment a Hedge Fund can make"





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