

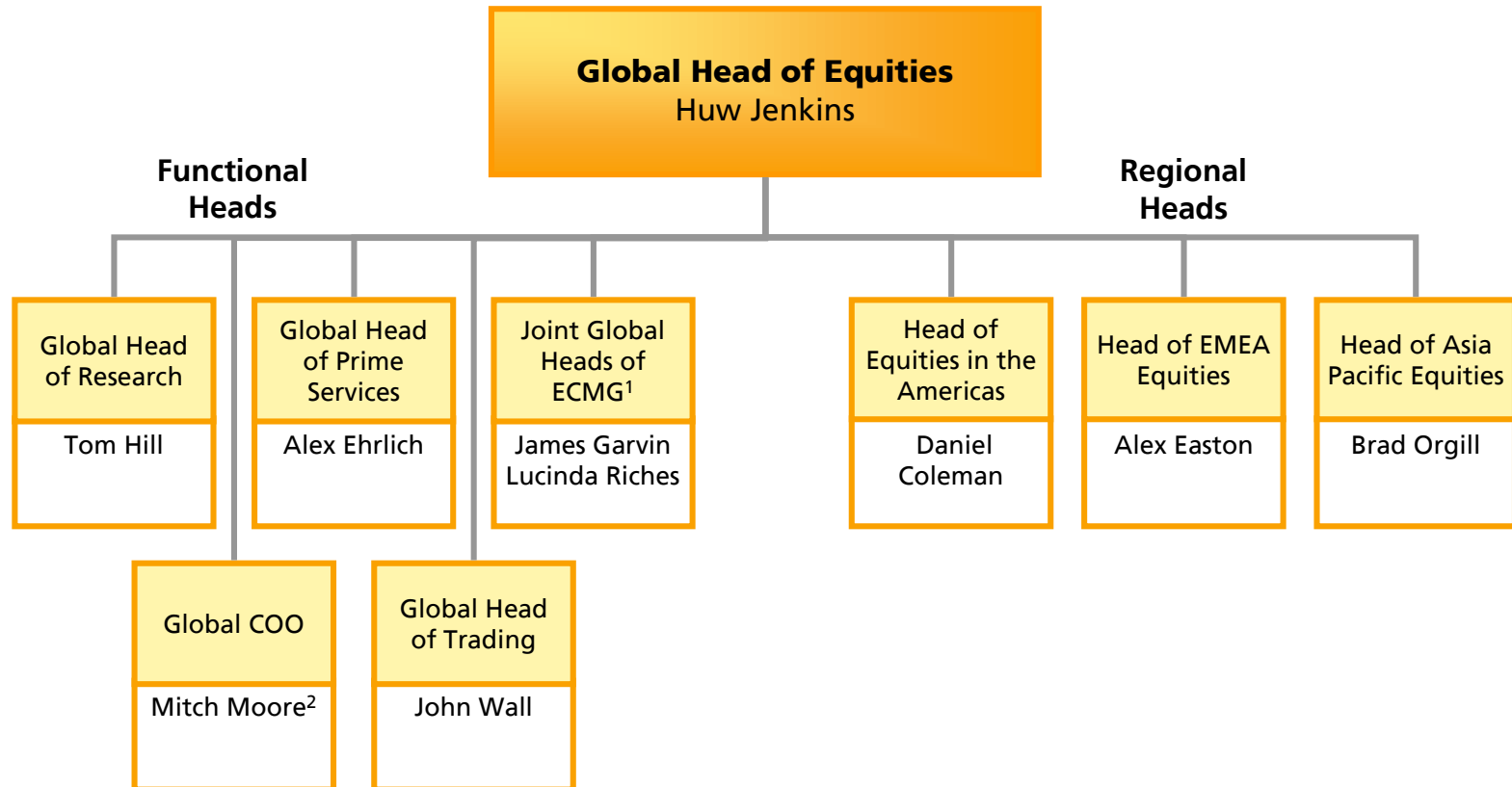


Product Day 2005 Equity Research

Stamford, 13th May 2005
Tom Hill, Global Head of Equity
Research



Equities management committee



Agenda

Challenges over the last five years ...

- ◆ Directionless equity markets
- ◆ Changing regulatory environment
- ◆ Evolving investor demands

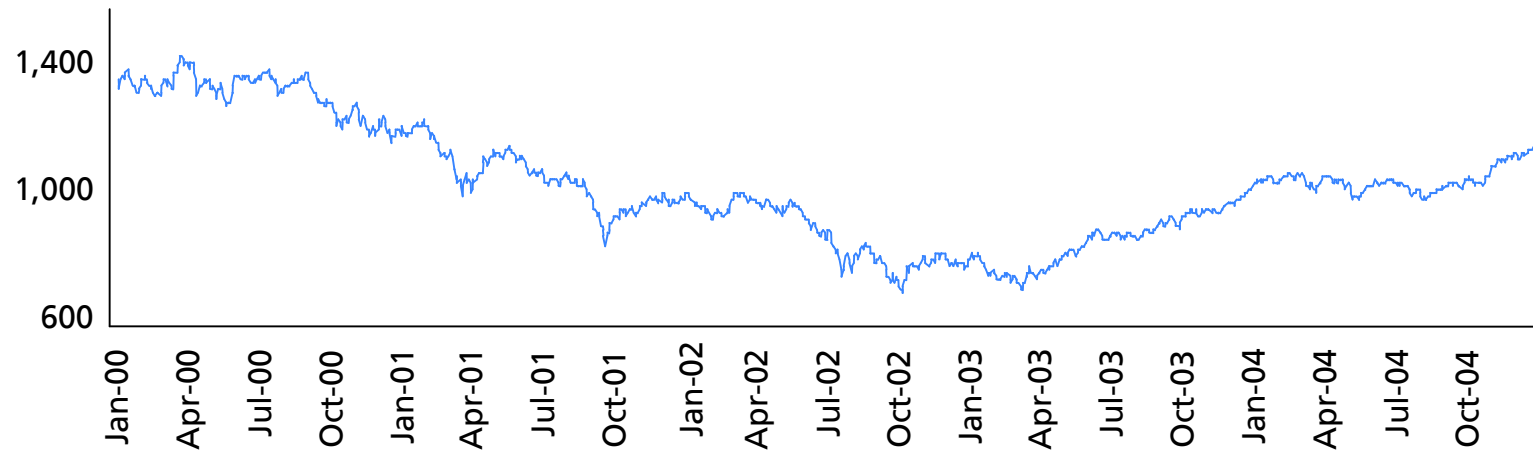
Today we have a leadership position which is commercially viable

Outlook

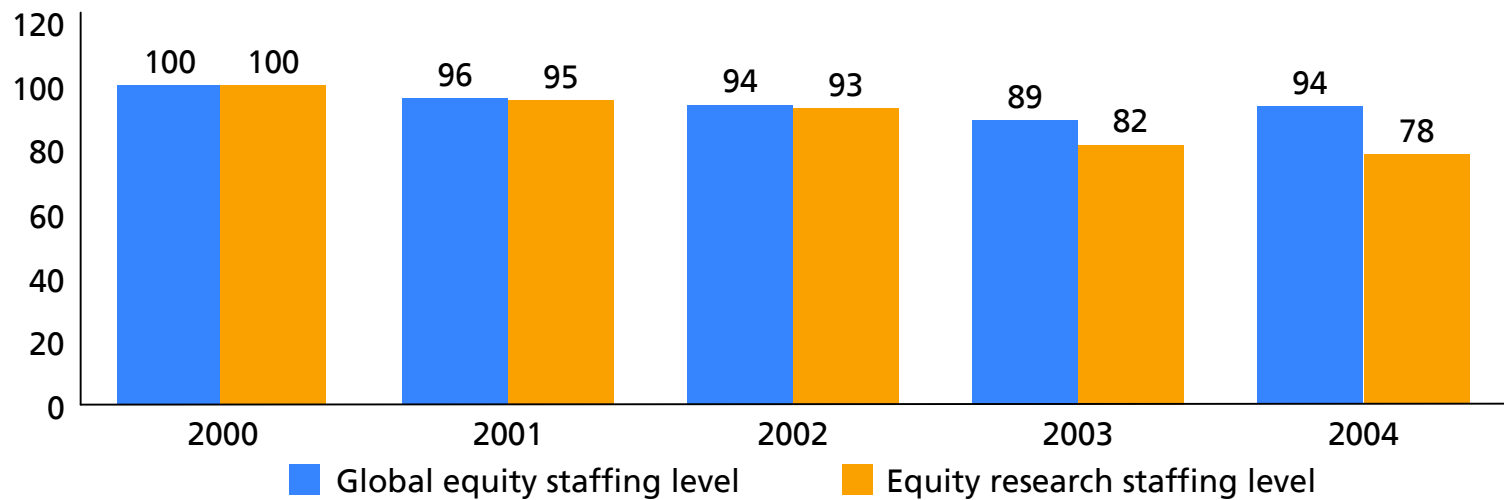
- ◆ Research remains central to the equities business
- ◆ Clients will continue to pay for quality research
- ◆ Regulation is stabilising
- ◆ Demand for sell side research correlates with market levels

Difficult equity markets

MSCI World Index



UBS Equities headcount (indexed to 100)



Changing regulatory environment

- ◆ UBS equity research principles remained unchanged
 - objectivity
 - independence
- ◆ Regulators require proof that these principles are always followed
- ◆ More machinery required to provide proof
 - Detailed procedures to ensure simultaneous dissemination, independence of views, compensation not influenced by investment banking
 - Extra cost
 - Increased investor confidence
- ◆ Has contributed to fall in analyst pay

Changes in investor demand

- ◆ Industry trend:
 - Move away from traditional long-only towards index and alternative investments. Hedge funds now as important as traditional long-only
- ◆ More demand for active, aggressive ideas; less demand for industry overviews
- ◆ Improved rating system
 - Analysts to think about share prices, not just companies
 - Distinguish between aggressive and maintenance recommendations
 - Recommendation performance growing part of analyst evaluation
- ◆ Diversify research metrics

A commercially viable leadership position

Survey success - UBS II results, 2000-2005

	2000	2001	2002	2003	2004	2005
Global sectors	5	1	4	1	1	
US	9 ¹	8	8	5	3	
Latin America	n/a	n/a	3	1	1	
Europe	3	4	1	1	1	1
EMEA Emerging	n/a	n/a	n/a	n/a	1	1
Asia	3	2	1	1	1	
Japan	6	6	6	5	2	2

The survey trap:

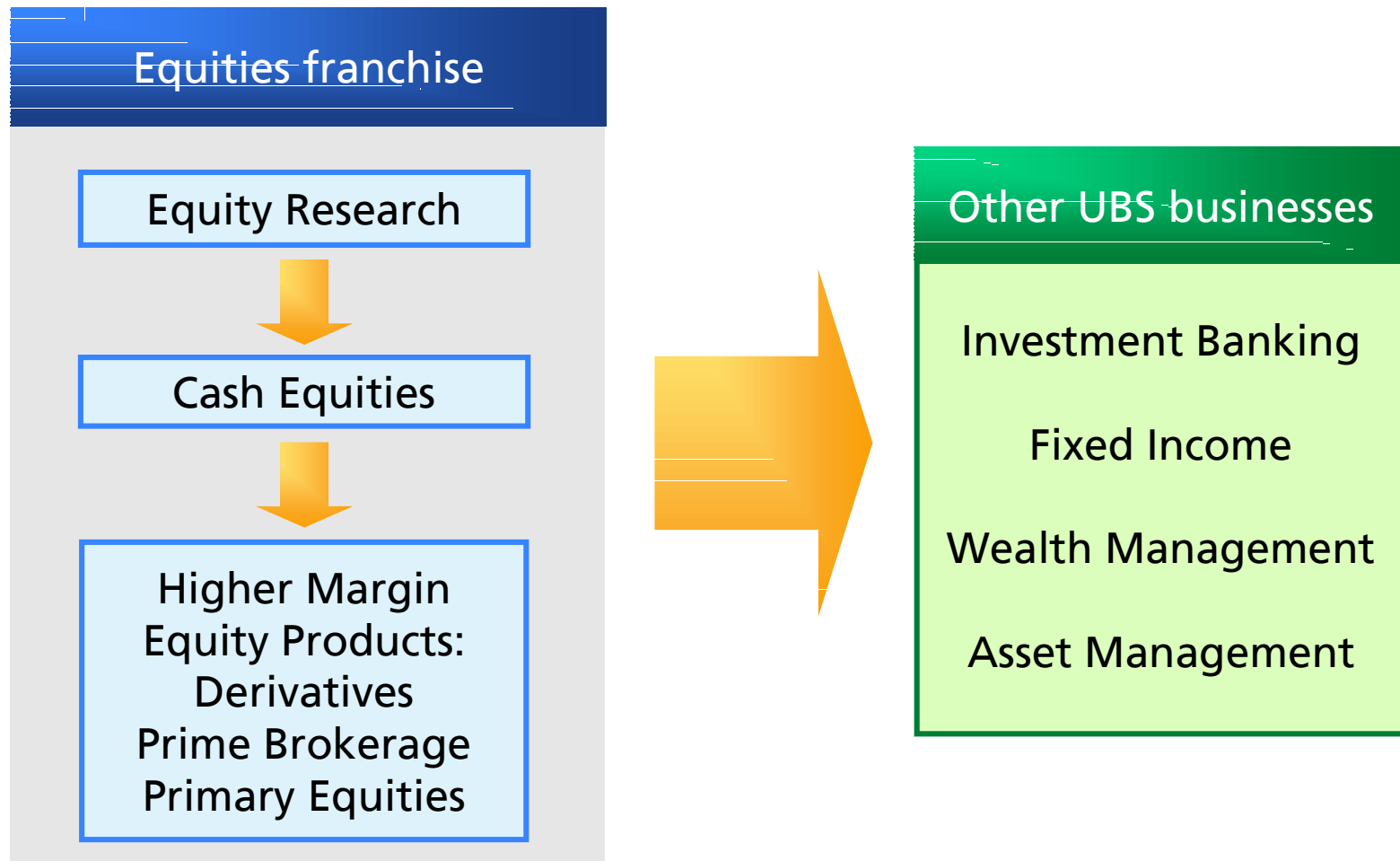
- ◆ Surveys reflect, imperfectly, our clients' views of our research. They are not an end in themselves.
- ◆ We expect each department to do well in public surveys, but will not allow our business to be distorted by pursuit of the II vote.

1 US 2000 represents PaineWebber. UBS Warburg outside top 16

New metrics

	Size	Starmine	Client reviews	II average
Europe	1	2.9	2.8	2.7
Asia	4	3.0	5.0	2.3
Australia	4	3.0	3.8	
Japan	6	3.0	3.4	4.1
South Africa	6	3.3		
US	6	3.1	4.4	6.3
Canada	8	3.1	3.0	
Global			3.5	
Russia		2.7		

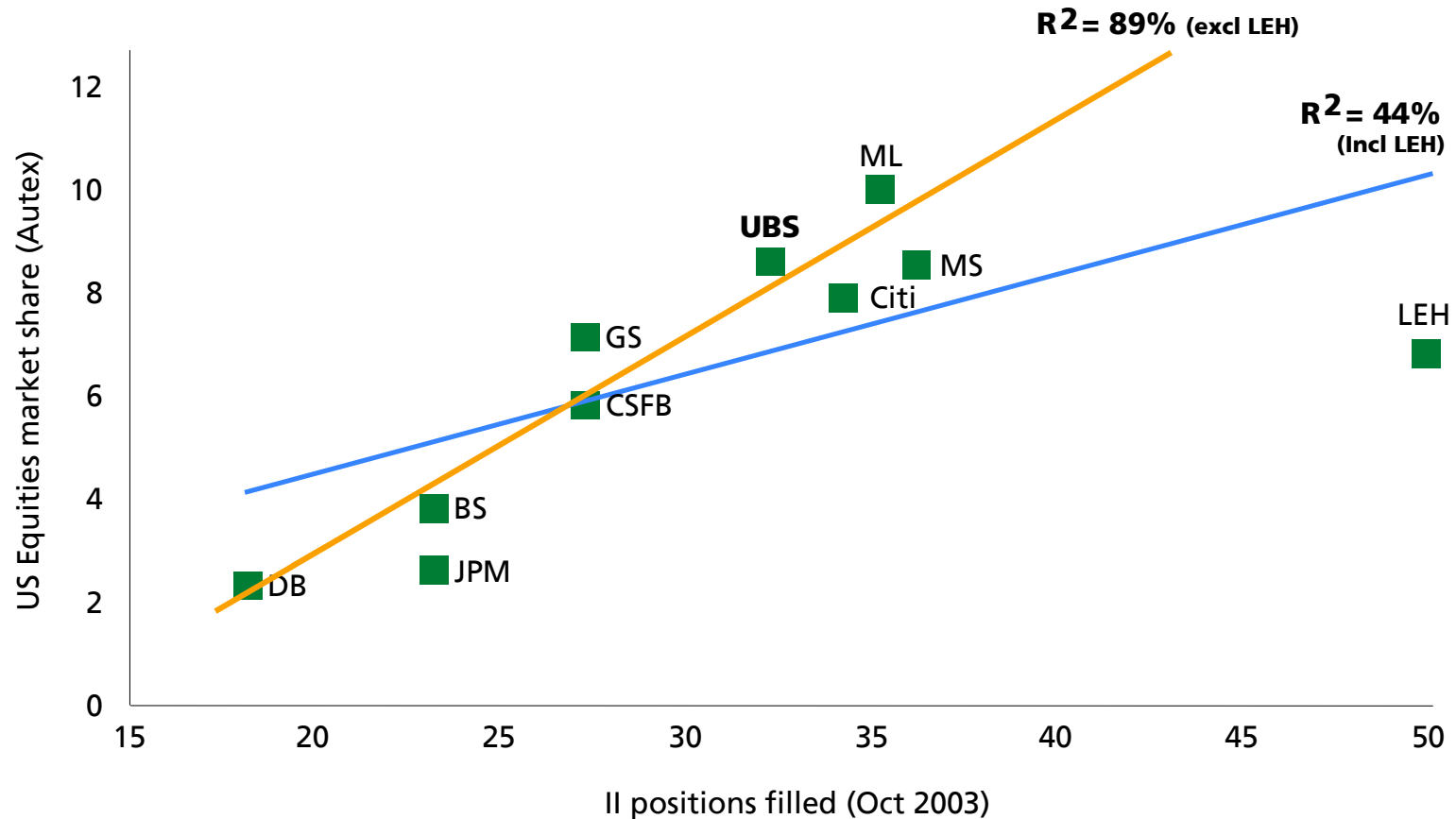
Research remains central to the equities business...



... and thus to UBS as a whole

Clients will continue to pay for quality research

**Fewer long only institutions can afford in house research.
II rankings and market share are connected**



Environment is stabilizing

- ◆ Regulatory shift is now nearing completion
 - Exact rules will continue to evolve and vary by jurisdiction
 - Principles have converged internationally
- ◆ Markets have been quiet to recovering
 - Corporate balance sheets strong so fewer reputation-busting disasters
 - Economic expansion slowing but continuing
- ◆ Balance between what clients can pay and what analysts expect to earn now restored
- ◆ Function now economically viable
- ◆ Upturn in Asian market activity has led to increased demand for research (and competitive recruitment activity)



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