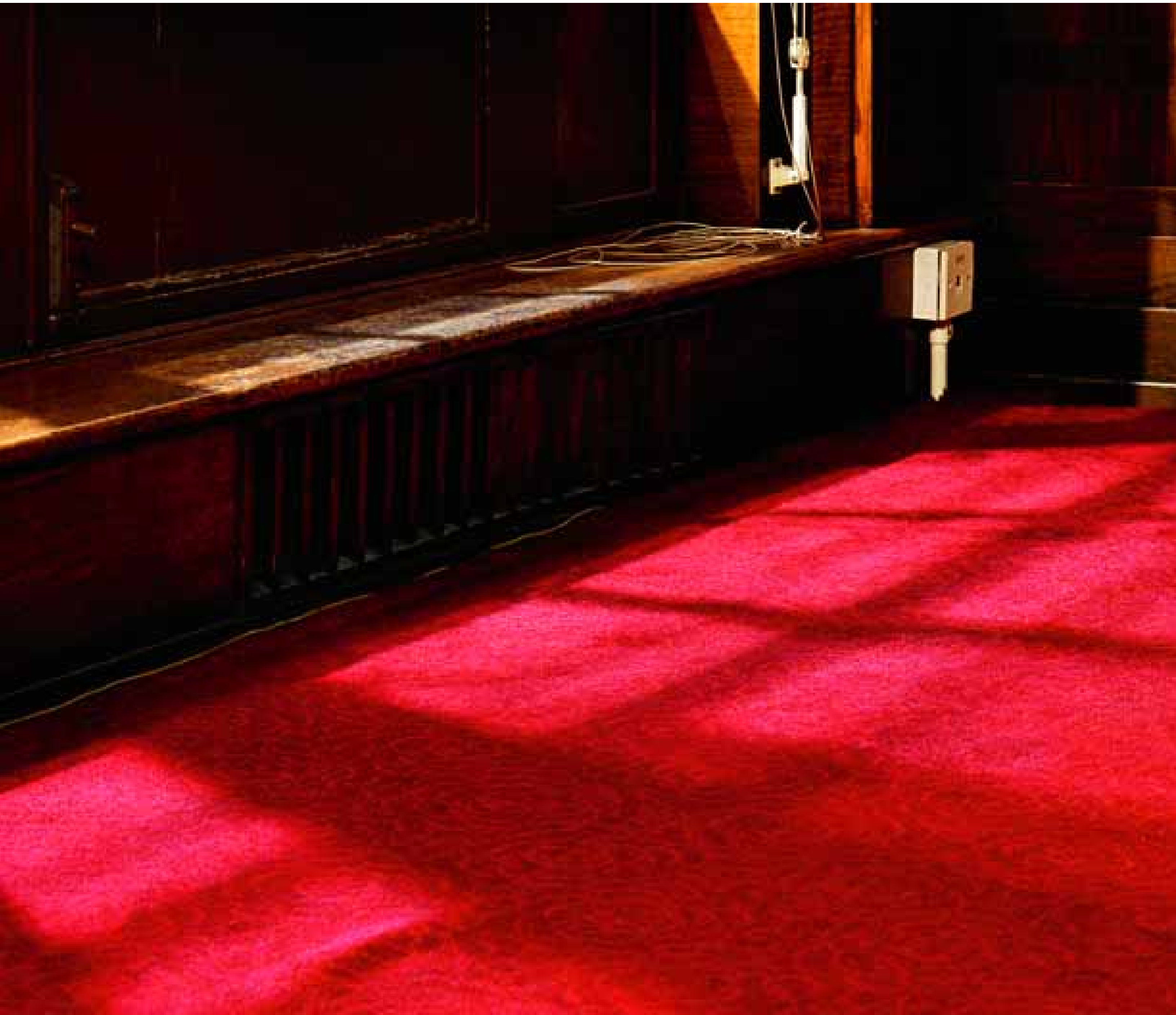
UBS

Handbook 2004/2005



Introduction

This is the fifth annual edition of our Handbook.

In it, we describe ourselves – our strategy, organization, and businesses. We outline the principles by which we manage risk, and report on last year's developments in our credit risk, market risk, and treasury management areas.

As in previous years, the Handbook also discusses our corporate governance arrangements and our relationships with regulators and shareholders, while providing detailed information on the UBS share.

You should read the Handbook in conjunction with the other information published by UBS, as described on page 4.

We sincerely hope that you will find our annual reports useful and informative. We believe that UBS is one of the leaders in corporate disclosure, and we would be very interested to hear your views on how we might improve the content, information and presentation of the reporting products we publish.

Mark Branson
Chief Communication Officer
UBS

UBS financial highlights

UBS income statement

CHF million, except where indicated	For the year ended 31.12.04	31.12.03	31.12.02	% change from 31.12.03
Net profit	8,089	6,239	3,530	30
Basic earnings per share *(CHF)*[1]	7.68	5.59	2.92	37
Diluted earnings per share *(CHF)*[1]	7.47	5.48	2.87	36
Return on shareholders' equity *(%)*[2]	24.7	17.8	8.9	
Performance indicators adjusted for significant financial events and pre-goodwill[3,4]				
Basic earnings per share *(CHF)*[5]	8.60	6.43	4.57	34
Return on shareholders' equity *(%)*[6]	27.7	20.5	13.9	
Financial Businesses[7]				
Operating income	37,402	33,790	34,107	11
Operating expenses	26,935	25,613	29,570	5
Net profit	8,044	6,239	3,530	29
Cost/income ratio *(%)*[8]	72.6	75.6	86.4	
Net new money, wealth management businesses *(CHF billion)*[9]	59.4	50.8	36.2	
Headcount *(full-time equivalents)*	67,424	65,929	69,061	2
Earnings adjusted for significant financial events and pre-goodwill[3,4]				
Operating income	37,402	33,629	33,880	11
Operating expenses	26,048	24,670	27,110	6
Net profit	8,931	7,180	5,524	24
Cost/income ratio *(%)*[8]	70.2	73.2	79.7	

UBS balance sheet and capital management

CHF million, except where indicated	As at 31.12.04	31.12.03	31.12.02	% change from 31.12.03
Balance sheet key figures				
Total assets	1,734,784	1,550,056	1,346,678	12
Shareholders' equity	34,978	35,310	38,952	(1)
Market capitalization	103,638	95,401	79,448	9
BIS capital ratios				
Tier 1 *(%)*[10]	11.8	11.8	11.3	
Total BIS *(%)*	13.6	13.3	13.8	
Risk-weighted assets	264,125	251,901	238,790	5
Invested assets *(CHF billion)*	2,250	2,133	1,959	5
Long-term ratings				
Fitch, London	AA+	AA+	AAA	
Moody's, New York	Aa2	Aa2	Aa2	
Standard & Poor's, New York	AA+	AA+	AA+	

1 For the EPS calculation, see note 8 to the financial statements. 2 Net profit / average shareholders' equity less dividends. 3 Excludes the amortization of goodwill and other intangible assets. 4 Details of significant financial events can be found in the measurement and analysis of performance section on page 9 in the Financial Report 2004. 5 Net profit less the amortization of goodwill and other intangible assets and significant financial events (after-tax) / weighted average shares outstanding. 6 Net profit less the amortization of goodwill and other intangible assets and significant financial events (after-tax) / average shareholders' equity less dividends. 7 Excludes results from Industrial Holdings. 8 Operating expenses / operating income less credit loss expense or recovery. 9 Includes Wealth Management and Wealth Management USA. Excludes interest and dividend income. 10 Includes hybrid Tier 1 capital. For more details, please refer to the capital management section on page 72.

From third quarter 2004 onwards, Motor-Columbus has been fully consolidated in UBS's financial statements. The reporting structure is split into two components: Financial Businesses and Industrial Holdings.

UBS at a glance

UBS is one of the world's leading financial firms, serving a discerning global client base. As an organization, it combines financial strength with a global culture that embraces change. As an integrated firm, UBS creates added value for clients by drawing on the combined resources and expertise of all its businesses.

UBS is present in all major financial centers worldwide, with offices in 50 countries. UBS employs 67,424 people, 39% in the Americas, 38% in Switzerland, 16% in Europe and 7% in the Asia Pacific time zone.

UBS is one of the best-capitalized financial institutions in the world, with a BIS Tier 1 ratio of 11.8%, invested assets of CHF 2.25 trillion, shareholders' equity of CHF 35.0 billion and market capitalization of CHF 103.6 billion on 31 December 2004.

Businesses

Wealth management

With more than 140 years of experience, an extensive global network of around 180 offices and almost CHF 800 billion in invested assets, UBS is the world's leading wealth management business. Some 3,700 client advisors provide a comprehensive range of services customized for wealthy individuals, ranging from asset management to estate planning and from corporate finance to art banking. In the US, UBS is one of the biggest private client businesses with a client base of nearly 2 million. Its American network of around 7,500 financial advisors manages roughly CHF 640 billion in invested assets and provide sophisticated services to affluent and high net worth clients.

Investment banking and securities

UBS is a global investment banking and securities firm with a strong institutional and corporate client franchise. Consistently placed in the top tiers of major industry rankings, it is a leading player in the global primary and secondary markets for equity, equity-linked and equity derivative products. In fixed income, it is a first-rate global player. In foreign exchange, it places first in many key industry rankings. In investment banking, it provides first-class advice and execution capabilities to its corporate client base worldwide. All its businesses are sharply client-focused, providing innovative products, top-quality research and comprehensive access to the world's capital markets.

Asset management

UBS, a leading asset manager with invested assets of slightly more than CHF 600 billion, provides a broad base of innovative capabilities stretching from traditional to alternative investment solutions for, among other clients, financial intermediaries and institutional investors across the world.

Swiss corporate and individual clients

Depending on segment, UBS holds roughly a quarter and a third of the Swiss banking market. It offers comprehensive banking and securities services for approximately 3.5 million individual and around 143,000 corporate clients, including institutional investors, public entities and foundations based in Switzerland, as well as 3,000 financial institutions worldwide. With a total loan book of nearly CHF 140 billion, UBS leads the Swiss lending and retail mortgage markets.

Corporate Center

The Corporate Center partners with the businesses, ensuring that the firm operates as a coherent and integrated whole with a common vision and set of values.

Sources of information about UBS

This Handbook contains a detailed description of UBS, its strategy, its organization and its businesses, as well as our financial management including credit, market and operational risk, our treasury processes, and details of our corporate governance.

Publications

This Handbook is available in English and German. (SAP no. 80532).

Annual Review 2004

Our Annual Review contains a description of UBS and our Business Groups, as well as a summary review of our performance in 2004. It is available in English, German, French, Italian, Spanish and Japanese. (SAP no. 80530).

Financial Report 2004

The Financial Report 2004 contains our audited financial statements for the year 2004 and related detailed analysis. It is available in English and German. (SAP no. 80531).

Quarterly reports

We provide detailed quarterly financial reporting and analysis, including comment on the progress of our businesses and key strategic initiatives. These quarterly reports are available in English.

The compensation report

Our compensation report provides detailed information on the compensation paid in 2004 to the members of UBS's Board of Directors (BoD) and the Group Executive Board (GEB). The report is available in English and German (SAP no. 82307). The same information can also be read in the Corporate Governance chapter on page 81.

The making of UBS

A brochure published in early 2005 outlines the series of transformational mergers and acquisitions that created today's UBS. It also includes brief profiles of the firm's antecedent companies and their historical roots. It is available in English and German. (SAP no. 82252)

How to order reports

Each of these reports is available on the internet at: www.ubs.com/investors, in the Financials section. Alternatively, printed copies can be ordered, quoting the SAP number and the language preference where applicable, from UBS AG, Information Center, P.O. Box, CH-8098 Zurich, Switzerland.

Information tools for investors

Website

Our Analysts and Investors website at www.ubs.com/investors offers a wide range of information about UBS, including financial information (including SEC filings), corporate information, share price graphs and data, an event calendar, dividend information and recent presentations given by senior management to investors at external conferences. Our information on the internet is available in English and German, with some sections in French and Italian as well.

Messaging service

On the Analysts and Investors website, you can register to receive news alerts about UBS via Short Messaging System (SMS) or e-mail. Messages are sent in either English or German and users are able to state their preferences for the topics of the alerts received.

Results presentations

Senior management presents UBS's results every quarter. These presentations are broadcast live over the internet, and can be downloaded on demand. The most recent result webcasts can be found in the Financials section of our Investors and Analysts website.

Form 20-F and other submissions to the US Securities and Exchange Commission

We file periodic reports and submit other information about UBS to the US Securities and Exchange Commission (SEC). Principal among these filings is Form 20-F; our Annual Report filed pursuant to the US Securities Exchange Act of 1934.

Our Form 20-F filing is structured as a "wrap-around" document. Most sections of the filing are satisfied by referring to parts of this Handbook 2004/2005 or to parts of the Financial Report 2004. However, there is a small amount of additional information in Form 20-F which is not presented elsewhere, and is particularly targeted at readers in the US. You are encouraged to refer to this additional disclosure.

You may read and copy any document that we file with the SEC on the SEC's website, www.sec.gov, or at the SEC's public reference room at 450 Fifth Street NW, Washington, DC, 20549. Please call the SEC at 1-800-SEC-0330 (in the US) or at +1 202 942 8088 (outside the US) for further information on the operation of its public reference room. You may also inspect our SEC reports and other information at the New York Stock Exchange, Inc., 20 Broad Street, New York, NY 10005.

Much of this additional information may also be found on the UBS website at www.ubs.com/investors, and copies of documents filed with the SEC may be obtained from UBS's Investor Relations team, at the addresses shown on the next page.

Corporate information

The legal and commercial name of the company is UBS AG. The company was formed on 29 June 1998, when Union Bank of Switzerland (founded 1862) and Swiss Bank Corporation (founded 1872) merged to form UBS.
UBS AG is incorporated and domiciled in Switzerland and operates under Swiss Company Law and Swiss Federal Banking Law as an Aktiengesellschaft, a corporation that has issued shares of common stock to investors.
The addresses and telephone numbers of our two registered offices are:
Bahnhofstrasse 45,
CH-8098 Zurich, Switzerland,
telephone +41-44-234 11 11;
and Aeschenvorstadt 1,
CH-4051 Basel, Switzerland,
telephone +41-61-288 20 20.
UBS AG shares are listed on the SWX Swiss Exchange (traded through its trading platform virt-x), on the New York Stock Exchange and on the Tokyo Stock Exchange.

Contacts

Switchboards

For all general queries.

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New York	+1-212-821 3000
Hong Kong	+852-2971 8888

Investor Relations

Our Investor Relations team supports institutional, professional and retail investors from our office in Zurich.

www.ubs.com/investors

Zurich		
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Matthew Miller	+41-44-234 4360	Investor Relations
Patrick Zuppiger	+41-44-234 3614	P.O. Box
Caroline Ryton	+41-44-234 2281	CH-8098 Zurich, Switzerland
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Media Relations

Our Media Relations team supports global media and journalists from offices in Zurich, London, New York and Hong Kong.

www.ubs.com/media

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Hong Kong	+852-2971 8200	sh-mediarelations-ap@ubs.com

Shareholder Services

UBS Shareholder Services, a unit of the Company Secretary, is responsible for the registration of the Global Registered Shares.

Hotline	**+41-44-235 6202**	UBS AG
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		P.O. Box
		CH-8098 Zurich, Switzerland
		sh-shareholder-services@ubs.com

US Transfer Agent

For all Global Registered Share-related queries in the US.

www.melloninvestor.com

Calls from the US	+1-866-541 9689	Mellon Investor Services
Calls outside the US	+1-201-329 8451	Overpeck Centre
Fax	+1-201-296 4801	85 Challenger Road
		Ridgefield Park, NJ 07660, USA
		sh-relations@melloninvestor.com

UBS

We have an ambitious vision – to be recognized as the best global financial services firm. We are the world's largest wealth manager, while in the investment banking and securities business we are in a select bracket of major houses. In Switzerland, we are the clear market leader in corporate and retail banking.

Strategy and structure

Our vision

We are determined to be recognized as the best global financial services company. We will earn this recognition from clients, shareholders and professionals through our ability to anticipate, learn and shape our future, while always delivering the very best quality in all that we do. We share a common ambition to succeed. Throughout our development as a leading global financial services group, we have evolved a distinct culture of ambition, performance and learning that has enabled us to continually innovate and broaden our expertise. By harnessing all our resources, we deliver smart solutions with and for our clients and partners, and enable them to make savvy financial decisions. Our ambitious, performance-driven working atmosphere attracts and retains the best talent in the market, and by growing our client and talent franchises, we add sustainable value for our shareholders.

Our strategy

We are a truly global firm, working with corporate, institutional and private clients around the world. Our strategy focuses on wealth management, investment banking and securities and asset management, all on a global scale, as well as retail and corporate banking in Switzerland. These areas have been our consistent strategic priorities for many years. This long-term perspective and commitment has helped us to become the successful firm we are today, with a broadly diversified business mix.

Growth

Our future is one of growth, and our industry offers plenty of opportunities – all of which are explained in detail in our sidebar on industry trends (see page 10).

We will continue to grow, organically and through add-on acquisitions, without radically changing our strategic positioning or our competitive profile. Our strategy, focused on securing global leadership positions in selected areas with above-average growth potential, is both successful and differentiated. As we already have significant scale in our areas of focus, we are in a position to concentrate on organic development, avoiding the execution risks and disruptions that large transactions entail. "Bolt-on" acquisitions that expand the position of our core businesses and deliver competitive advantages quickly and efficiently will continue to be part of our strategy. As an example, in 2004, we acquired Charles Schwab SoundView Capital Markets, the capital markets division of Charles Schwab Corp. – a deal that has positioned us at the front rank of NASDAQ stock traders, complementing our top-tier position on the New York Stock Exchange (NYSE). In wealth management, we made several small acquisitions, particularly towards the end of 2004, including deals which propelled us into top-five positions in the onshore private banking markets of the UK and Germany. During the year, we announced acquisitions that brought UBS around CHF 40 billion in new invested assets in key wealth management markets. Our European wealth management business, which we started building up four years ago, continues to grow strongly. The CHF 82 billion in invested assets it held at the end of 2004 represents more than 10% of our Wealth Management business. We also continue to expand our wealth management presence in Asia, the fastest-growing market in the world. Our new branch in Beijing marked a milestone in our long-term strategy for China. We also opened a new representative office in Kuala Lumpur, Malaysia, and re-entered the Japanese market with an office in Tokyo.

Our brand, a key differentiating factor in the industry, is another critically important component in our growth strategy – and our recent efforts are starting to pay off. In 2004, for the first time, UBS featured as one of the 100 top brands in the Global Brand Scoreboard, published by *BusinessWeek*. In the survey, which is widely regarded as the marketing industry's benchmark, UBS ranked as the world's 45th most valuable brand, ahead of many household names. We continue to invest in building familiarity with our brand in our key markets. Our global "You & Us" advertising campaign, launched in 2004, shows how UBS delivers global financial resources through personal relationships based on intimate understanding.

Financial success, risk and capital management

Our approach to capital management has been a trademark of UBS. Our focus when managing capital is to employ all the tools at hand, ensuring attractive value creation for shareholders while protecting our strong capitalization and credit ratings. Our earnings generation capacity means that, in normal circumstances, we continue to generate capital well in excess of our requirements. As a first priority, this capital is used for investment in the growth of our businesses. In the absence of attractive re-investment opportunities, we return excess capital to our shareholders, through either direct distributions or share buybacks.

Because taking risk is an integral part of our business, our overriding goal is to achieve an appropriate balance between risk and return, limiting the scope for adverse variations in our earnings from exposure to major individual "stress" events.

Credit and market risks have long been regarded as the primary risks of any banking business. In future, operational risk – the consequential risk of being in business – will play an equally important role. Our operational risk framework, into which we are investing considerable management time and effort, aims to contain the levels of these risks and ensure we have sufficient information to make informed decisions about adding or adjusting controls.

Business strategies

In the *wealth management business,* our services are targeted at high net worth and affluent clients around the world, whether investing internationally or in their home country. Many of our potential clients have become increasingly sophisticated in their financial needs – giving us an opportunity to provide them with premium wealth and asset management services, which have more attractive margins than standardized services in retail or consumer finance. Individualized service and a wide range of choices are central to our client offering, with our in-house range of products enhanced by a quality-screened selection of third-party products.

In Asia Pacific, our reputation for wealth management is unmatched, helping us to capture a substantial share of the current growth in wealth. Another key region for growth is Europe. We have established a strong platform in all our five target markets – France, Germany, Italy, Spain and the UK – which we continue to develop by investing in qualified advisory staff and selective acquisitions. In the US, we continue to benefit from the strong presence of the former PaineWebber, which we acquired in 2000. And, as the lines between banking and brokerage continue to blur, we see ourselves increasingly benefiting from our strong position as a holistic wealth manager.

In the *investment banking and securities businesses* we aim to be the global leader and the most profitable service provider to corporate clients, institutional investors and intermediaries. Our diversified business portfolio gives us an ability to shift focus according to market opportunities – capitalizing on revenue opportunities where they arise and withdrawing resources at the right moment, when conditions change. We will continue to build our competitive strength, focusing on growth opportunities and on winning market share.

Our equities business is a leading player in the global primary and secondary markets for equity, equity-linked and equity derivative products. In particular, we see our prime brokerage business as an important growth opportunity here.

Over the past three years, we have significantly expanded and diversified our fixed income, rates and currencies business. Here, we aim to enhance our credit derivatives business into one of the market's leading players.

In investment banking, we continue to invest in our growing US franchise and focus on enhancing our strong positions in the European and Asia Pacific markets. In mergers and acquisitions, we currently have one of the fastest-growing market shares for transactions led by private equity firms. That growth, combined with our already strong relationships with the largest companies in the US, should help us achieve one of the top positions in the North American market.

As one of the world's leading asset managers, we are competitively positioned in the *institutional and wholesale asset management businesses.* Our record of strong investment performance and our solid reputation will help us to benefit from the growth expected in institutional and wholesale markets because of the increased need for private savings to supplement public pension systems. We expect client demand to become increasingly polarized. There will be increasing pressure on fees for commoditized products, but there will also be clients willing to pay for added value. As a major global manager with a wide range of traditional and alternative capabilities, we are well placed to benefit from this.

For the *Swiss retail and corporate banking business,* our strategy concentrates on strengthening our position as the country's leading bank, taking advantage of business opportunities that arise in order to grow our share in selected market segments. We choose to limit our retail banking activities to the Swiss market.

Industry trends

Long-term perspectives

Economic growth is a key indicator of the potential for financial services in the different regional markets. The world economy is expected to grow at around 3.5% a year over the coming decade. The principal driving forces for this are continued productivity gains due to the diffusion of new technologies, and trade liberalization. These developments will, however, further increase global competition. Additionally, these favorable effects may be somewhat dampened by slowing employment growth due to demographic shifts towards older populations in certain countries.

We expect the largest absolute GDP increase over the next 10 years to occur in North America, followed by Asia and Western Europe. Even though North America is set to grow at a slower rate than Asia, the absolute GDP increase will be higher. This demonstrates the importance in our industry of having a significant presence in the US. However, Asia is also a market with huge potential.

The financial services sector has been a growth industry for decades now, expanding faster than GDP. Financial innovations, closely linked to the evolution of securities markets, will be the engine for further development in the financial sector. In addition, we see several factors determining the development of our industry over the coming five to ten years:

– financial liberalization and deregulation
– wealth accumulation
– retirement provisioning
– securitization
– equitization
– corporate restructuring

Each of these factors has a distinct impact on our businesses, as described below.

Financial liberalization and deregulation

Over the past few decades, the trend towards deregulation and liberalization in financial services has contributed significantly to the industry's expansion. It has triggered considerable improvements in the quality and variety of new financial services. This reform process is now well advanced in many countries, and in some markets, for example the US, we do not expect any further notable deregulation. Further liberalization is, however, likely in emerging market countries where domestic markets are still highly protected. At the same time, the World Trade Organization's (WTO) multilateral trade negotiations under the Doha Round could improve market access and cross-border supply in financial services. The success of the Doha Round, however, is still uncertain (the Doha Round is named after the November 2001 WTO declaration at its Fourth Ministerial Conference, which took place in Doha, Qatar).

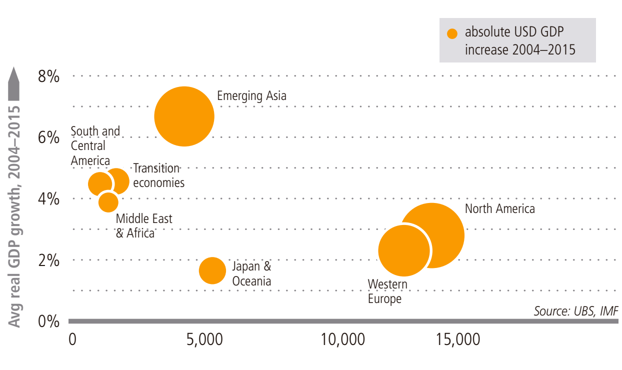
In general, further liberalization of financial markets is expected to benefit investment banking and securities firms which are positioned to take advantage of any further opening of individual domestic capital markets. Asset managers with a global platform could benefit from the facilitation of cross-border mutual fund business, and possibly from a trend towards harmonized pension fund regulation, for example across Europe.

Wealth accumulation

In many economies, a notable shift is taking place away from labor-intensive production to more capital-intensive activity. Based on this development,

Projected growth in all of UBS's key markets

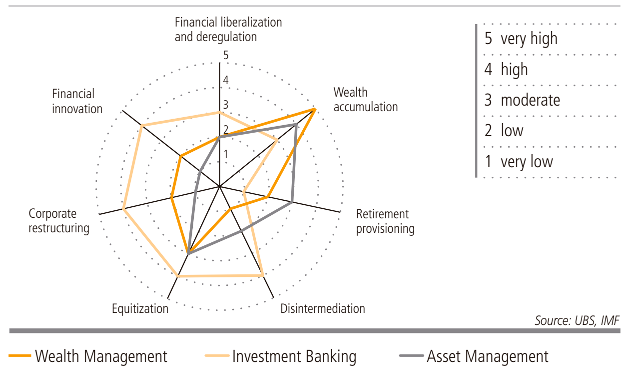
Regional GDP growth forecasts



Source: UBS, IMF

Key drivers of revenue growth in next 5–10 years

Impact on UBS Business Groups



Source: UBS, IMF

we see a clear secular trend towards wealth accumulation that is likely to continue over the next decade, with wealth expected to grow faster than GDP in most developed countries. In addition, the ratio of wealth to GDP in many other economies (for example, in emerging markets) is currently low and may increase, due, among other factors, to generally higher saving rates. This development will hugely benefit wealth management businesses across the world. It will also help the asset management industry as private wealth is a key driver for institutional asset growth. Investment banks and securities businesses will also benefit thanks to rising capitalization levels in global financial markets and higher trading volumes.

Retirement provisioning

In coming decades, most developed countries will be confronted with significant demographic shifts. Thus, pension reform is on the agenda of many governments across the world. The strong reliance in Continental Europe and Japan on unfunded schemes will make reform increasingly inevitable. Even in the US, where aging is at an earlier stage, reform is under way. Although each country will follow its own regulatory agenda, we believe that a gradual shift from public unfunded to private funded pension schemes is likely to take place. Institutional asset management will be the sector most impacted by this trend. In wealth management, we believe that these developments may influence the demand for retirement and estate planning, but they are not expected to accelerate asset growth.

Securitization

The transformation of financial services over the last ten to twenty years has been driven primarily by the increasing de-emphasis of traditional lending activities combined with the increasing importance of securities trading and financial markets. That means that corporations are frequently in a position to directly finance their funding needs by accessing the capital markets. This has driven the long-term expansion of corporate bond markets, replacing traditional bank lending services. At the same time, an increase in bank assets such as loans, mortgages and receivables has fueled growth in the securitization of these assets, increasing the volume of asset-backed securities.

We expect these trends to continue, for several reasons. The ability of financial market participants to assess counterparty risk will further improve, facilitating financing by way of the securities market. As the number of listed companies increases, they will have to fulfill the transparency standards required by listing, and thereby meet requirements for also issuing debt securities. And, while Basel II capital requirements might somewhat reduce the incentive to securitize, they may at the same time promote a more widespread use of more sophisticated internal risk rating systems – which is an incentive for banks to manage their assets more actively.

Equitization

In spite of the bursting of the "new economy" bubble, the underlying trend towards an increasing role of equity financing and equity investments remains intact. Over the past ten years, global equity market capitalization has grown at an annual rate of 9.9% on a US dollar basis (8.4% in Swiss franc terms). Institutional and individual market participants will tend to invest a greater share of their assets into equity products and the corporate sector will increasingly rely on equity financing. Because of the relatively low level of stock market capitalization in the emerging markets, their growth potential is highest. In Western Europe, however, we also see significant growth potential because of continued financial market integration. Equitization is expected to provide growth opportunities not only to investment banking and securities businesses but also to wealth and asset managers, as assets are increasingly shifted into higher-margin asset classes.

Corporate restructuring

Despite the drastic market setbacks experienced in the corporate finance sector over the last few years, we see long-term secular trends pointing towards an ongoing demand for advice on corporate restructuring. Trade liberalization and technological progress will increase global competition for corporations, pressuring them to restructure and consolidate their activities and structures. The same factors are likely to support cross-border consolidation in some industries – in particular within the EU. Additionally, as economies mature and their structure moves gradually from traditional sectors to more sophisticated ones, the restructuring of companies may follow.

Operating as "one firm"

We firmly believe our integrated business model creates more value than our businesses would as stand-alone units. Our clients should effortlessly be able to access all the services our firm can provide, where and when they are required, and regardless of what combinations of teams lie behind the solutions. This "one firm" approach facilitates cross-selling through client referrals and the exchange of products and distribution services between businesses and thus contributes significantly to our revenue flows.

We form internal partnerships, helping us to leverage our intellectual capital and the proximity of content and distribution. This increases our ability to recognize trends across client and business segments, serve clients better – and ultimately create new revenue opportunities. For instance, the expertise of our investment banking and asset management businesses has helped us to successfully capture increased demand from our wealth management clients for structured products and alternative investments, generating additional revenues for all businesses involved. Over the past two years, the assets private clients have invested in alternative investment and structured products have grown from CHF 25 billion to CHF 91 billion, with growth rates of 126% in 2003 and of 62% in 2004. Another example is the joint venture between our wealth management and asset management businesses to target ultra-high net worth clients, whose needs are similar to those of institutional clients. Given the turbulent markets seen in the past three years, they are increasingly interested in preserving their capital while achieving reasonable returns at a competitive price. As a result, our asset management business started to develop products specifically for this client segment, such as an absolute return bond fund. With such targeted products and by linking the clients' family offices with our investment management professionals, we were able to attract significant additional invested assets.

In our US-based wealth management business, our "one firm" model is supporting a transformation from a traditional US brokerage firm into a holistic wealth management business. For instance, the expertise of our treasury and the strong lending practices developed in our Swiss business banking unit have been leveraged widely, particularly for our Utah-based UBS Bank USA, which opened in 2003. It now offers a variety of lending products, broadening the scope of our financial relationships with our US clients. UBS Bank USA is now one of the top 50 banks in the US, with one of the fastest-growing loan books.

Another advantage of our "one firm" model is that it helps us to capture synergies between different components of our businesses, eliminating redundant infrastructure, services,

Our values for action

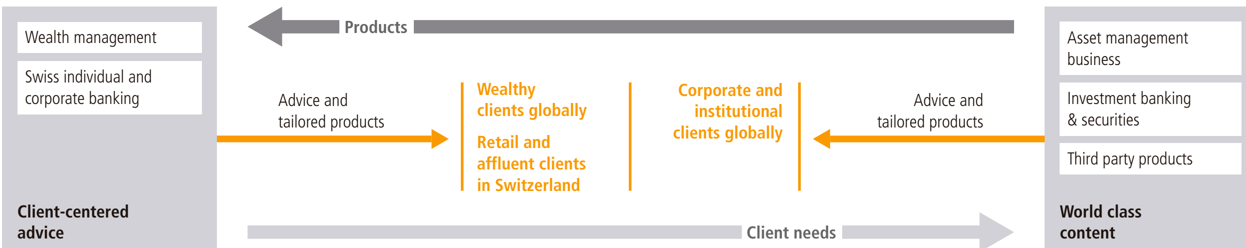
Striving for Excellence

Client focus: Our clients' success is our success. Through our consultative approach in advising clients, we understand their objectives, and unambiguously commit our resources to helping them meet their goals.
Entrepreneurial Leadership: Our leaders lead, and engender enthusiasm and commitment. It is through entrepreneurial leadership that we capture opportunities, and succeed in the marketplace. It is through leadership and accountability across our company that we establish direction, encourage creative collaboration and provide an inspiring environment for our people.
Ambition, Energy and Fun: Our business is exciting and full of opportunities for growth. Only with high ambitions and relentless commitment to work hard – while still having fun – can we realize these opportunities.
Innovation and Learning: Our expertise is built on experience, innovation and learning. Our distinctive creativity is recognized. We constantly strive to find better solutions for our clients' challenges and to leverage insights throughout the company.

Responsible Relationships

Partnership: Relationships among our staff members as well as with our clients are driven by the power of partnership. The power of partnership engenders involvement, respect, contribution and mutual support. We encourage the free exchange of ideas and demand teamwork.
Meritocracy: Our success calls for

Integrated client-service model



management and control. One example is our centralized treasury process which ensures that cash flows within UBS are pooled and netted before being funded through one access point to the money markets. At the same time, the way we embed the same approach to risk management deeply into all our businesses is one of our most important success factors. Another example underlining our "one firm" approach is our information technology infrastructure (ITI) unit launched successfully in 2004. This unit, housed within the Corporate Center, integrates all IT infrastructure functions across UBS – data networks, telephone and other communications systems, IT security, distributed computing and servers, mainframes and data centers, market data services, user services and desktop computing.

In all our businesses, technology is used to extend our reach to clients and markets we could not previously have accessed, enhancing client service and experience. We are committed to remaining at the forefront of technology, although we do not believe it should be pursued solely for its own sake. It is a tool that is an integral component of all our businesses.

entrepreneurial spirit and initiative from each individual. We actively strive to be the best at attracting, developing and retaining talented people. We invest in our people's development, and coach them to levels of performance and contribution beyond what they might believe possible.
Corporate Responsibility: We are a member of the global community and behave as a responsible corporate citizen. Our corporate governance ensures the implementation of our corporate responsibility agenda. We as a corporation, and our employees individually, strive to contribute positively and actively to the communities within which we do business.

High Ethical Standards
Integrity: Our firm and its employees conduct themselves in a manner that is above reproach. Our integrity is key to preserving our most valuable asset – our reputation.
Privacy: We respect our clients' right to privacy, and use information with appropriate discretion.
Diversity: Our strengths are leveraged by embracing a global diversity of cultures, perspectives, skills, and experiences.

UBS's business structure

UBS				
Peter A. Wuffli CEO **John P. Costas** Deputy CEO				
Wealth Management & Business Banking	**Investment Bank**	**Global Asset Management**	**Wealth Management USA**	**Corporate Center**
Marcel Rohner Chairman and CEO	**John P. Costas** Chairman and CEO	**John A. Fraser** Chairman and CEO	**Mark B. Sutton** Chairman and CEO	**Clive Standish** Head and UBS CFO

Managing our business

Board structure

The management and oversight structure of UBS is based on two separate boards – the Board of Directors and the Group Executive Board.

The Board of Directors is the most senior body, with ultimate responsibility for the strategy and the management of the company, as well as the supervision of executive management. The Board of Directors also defines UBS's risk framework, principles and overall risk taking capacity. A clear majority of the Board of Directors is non-executive and fully independent.

The Group Executive Board, on the other hand, assumes overall responsibility for the daily management of UBS, for the implementation of strategy and for business results. Together with the Chairman's Office of the Board of Directors (the Chairman and the Vice Chairmen), it is responsible for developing UBS's strategies.

Our dual board structure establishes a system of checks and balances, ensuring the Board of Directors and executive management are institutionally independent of each other. In particular, the functions of Chairman of the Board of Directors and Chief Executive Officer are conferred on two different people. Moreover, no member of one board may be a member of the other. More information on our Corporate Governance structures and principles can be found in the relevant chapter of this Handbook.

Organizational structure

UBS is structured into four Business Groups and a Corporate Center, but managed as an integrated firm, making the whole worth more than the sum of the parts. Each Business Group is led by a member of the Group Executive Board, each of whom is individually responsible for the performance of his Business Group.

Changes in senior management communicated in 2004 and early 2005

The continuous strengthening of our leadership and clear succession planning are among our key priorities. In that context, we were pleased to announce a number of appointments in 2004 and early 2005, as listed below:

– On 1 October 2004, Georges Gagnebin stepped down from the Group Executive Board of UBS to fully focus on his role as Vice Chairman of the board of the holding company housing our independent private banks and GAM. At this time, Marcel Rohner assumed the title of Chairman of Wealth Management & Business Banking, in addition to his role as CEO.
– With the election of Stephan Haeringer to the Board of Directors of UBS on 15 April 2004, John Costas became Deputy CEO of UBS, in addition to his role as Investment Bank CEO.
– Effective 1 March 2005, Walter Stuerzinger, our Chief Risk Officer since 2001, will be appointed to UBS's Group Executive Board, reporting to Peter Wuffli, Chief Executive Officer. Walter Stuerzinger will assume firm-wide responsibility for market, operational and credit risk control.
– As of the Annual General Meeting (AGM) on 21 April 2005, Alberto Togni, whose term of office expires in 2005, is stepping down from the Board as he has reached retirement age. The Board of Directors will propose the following new members for election: Marco Suter, currently UBS Chief Credit Officer, as executive director, and Peter R. Voser, Chief Financial Officer of the Royal Dutch/Shell Group of Companies and Managing Director of The "Shell" Transport and Trading Company, plc., London, as non-executive director. After their election, the Board of Directors should comprise eleven members.

The making of UBS

All the firms that have come to make up today's UBS look back on a long and illustrious history. Both the two Swiss predecessor banks and PaineWebber came into being in the second half of the 19th century while SG Warburg's roots go back to 1934. But it is in the 1990s that UBS's current identity began to take concrete shape.

In the early 1990s, the two Swiss banks that are part of the current UBS, Swiss Bank Corporation and Union Bank of Switzerland, were commercial banks operating mainly out of Switzerland. The two banks shared a similar vision: to become a world leader in wealth management and a global bulge-bracket investment bank with a strong position in global asset management, while remaining an important commercial and retail bank in Switzerland.

Union Bank of Switzerland, the largest and best-capitalized Swiss bank, opted to pursue a strategy of organic growth, or expansion by internal means. In contrast, SBC, then the third-largest Swiss bank, decided to take another route by starting a joint venture with O'Connor, a leading US derivatives firm that was fully acquired by SBC in 1992. O'Connor was noted for its young, dynamic and innovative culture, its meritocracy and team-orientation. It brought SBC state-of-the-art risk management and derivatives technology.

In 1994, SBC acquired Brinson Partners – one of the leading US-based institutional asset management firms. Both the O'Connor and Brinson deals represented fundamental steps in the development of the firm's products and processes.

The next major step followed in 1995, when SBC merged with SG Warburg, the British merchant bank. The deal helped to fill SBC's strategic gaps in corporate finance, brokerage and research and, most importantly, brought with it an institutional client franchise, which is still at the core of today's equities business.

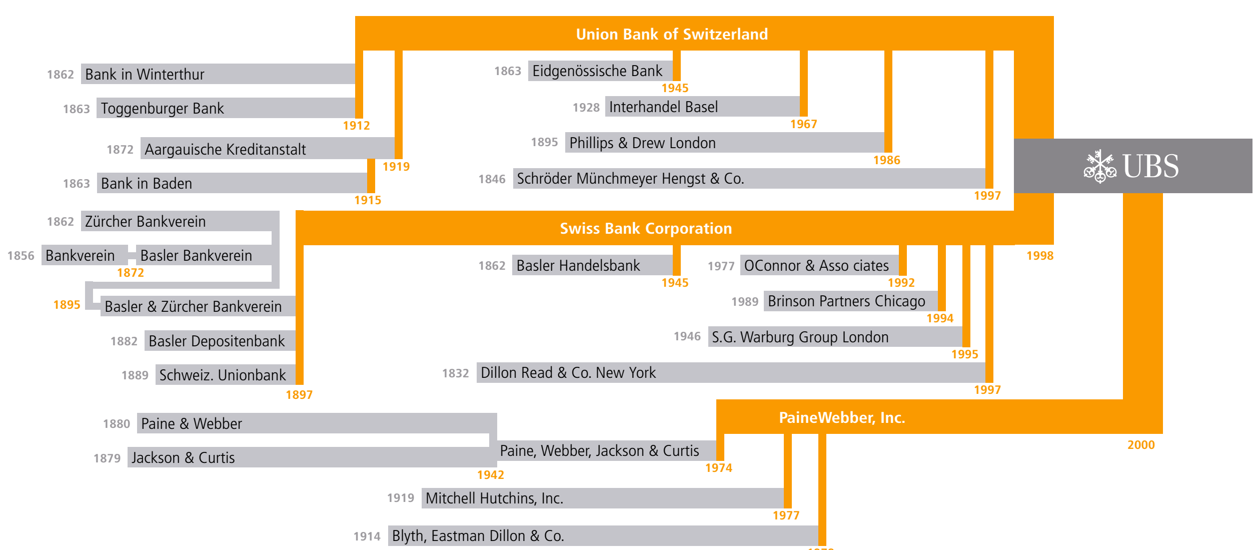
The 1998 merger of Swiss Bank Corporation and Union Bank of Switzerland brought together these two leading Swiss financial institutions, creating the world leader in wealth management and improving the new firm's chances of becoming a bulge-bracket investment bank, not to mention providing it with greater capital strength.

But there was still a major item left on the firm's broader strategic agenda. It needed to garner a significant presence in the key US market in order to be fully credible as a truly global player in investment banking and wealth management. That was achieved when PaineWebber became a part of UBS in 2000. Following its successful integration into our business, and a decade of transformational change, we adopted a strategy based primarily on organic growth aided by carefully chosen acquisitions.

Our determination to define the future as "one firm" was visibly demonstrated in 2003 when we introduced UBS as a single brand for all our businesses.

A brochure published in early 2005 outlines the series of transformational mergers and acquisitions that created today's UBS. It also includes brief profiles of the firm's antecedent companies and their historical roots. The report can be ordered on the internet at: www.ubs.com/investors.

The history of UBS



The Business Groups

We manage our Business Groups together to optimize shareholder value – making the whole worth more than the sum of the parts.

Wealth Management & Business Banking

Wealth Management & Business Banking is the number one provider of financial services for wealthy clients around the world and is the leading bank for individual and corporate clients in Switzerland.

Business Group / Business Unit reporting

CHF million, except where indicated	Wealth Management		Business Banking Switzerland		Wealth Management & Business Banking	
For the year ended or as at	31.12.04	31.12.03	31.12.04	31.12.03	31.12.04	31.12.03
Total operating income	7,693	6,793	5,038	5,120	12,731	11,913
Total operating expenses	4,258	4,184	2,993	2,975	7,251	7,159
Business Group / Business Unit performance before tax	3,435	2,609	2,045	2,145	5,480	4,754
Net new money *(CHF billion)*	42.3	29.7	2.6	2.5	44.9	32.2
Invested assets *(CHF billion)*	778	701	140	136	918	837
Headcount *(full-time equivalents)*	10,093	9,176	15,508	16,181	25,601	25,357

Business

Our global branch network delivers comprehensive financial services to wealthy private individuals around the world and to private and corporate clients in Switzerland. Our focus is to provide all our clients with the advice, financial products and tools that meet their individual needs.

Organizational structure

In 2002, we created the new Wealth Management & Business Banking organization. The Business Group is managed in a fully integrated way, whilst the results are reported for the following two segments:
– Wealth Management, serving wealthy and high-end affluent clients
– Business Banking Switzerland, serving retail and corporate clients in Switzerland.

Businesses focusing on client needs can only fully exploit their potential if they are provided with a reliable and efficient infrastructure. Thus, within Wealth Management & Business Banking the support areas provide products and services to the two abovementioned business units as well as to other UBS businesses.

One example for this is our Strategic Solution Program (SSP) in Switzerland, which is planned to be completed later this year. Already partially online, it is a wholly new IT platform that replaces a number of older platforms. The modular nature of the SSP platform lays a technical foundation that will help us further increase the overall flexibility of our products while providing our clients with more transparent information and data. It will allow for real-time processing around the clock, helping us lower operational and maintenance costs over the next few years.

The services provided by support areas are allocated – based on a transfer price mechanism – to Business Banking Switzerland, Wealth Management, and other UBS business units.

In 2003, our independent private banks were integrated into a new holding company which is now reported as part of Corporate Center.

Marcel Rohner | Chairman & CEO
Wealth Management & Business Banking

Wealth Management

With more than 140 years of experience, an extensive global network, and CHF 778 billion in invested assets on 31 December 2004, our more than 3,700 client advisors consistently deliver high-quality, individually tailored solutions to our clients worldwide.

Business

The Wealth Management unit provides a comprehensive range of products and services individually tailored for wealthy clients around the world via its global branch network and through financial intermediaries.

Our client advisors combine strong personal relationships with the resources that are available from across UBS, helping them provide a full range of wealth management services – from asset management to estate planning and from corporate finance advice to art banking. Our open product platform gives clients access to a wide array of pre-screened, top-quality products from third-party providers that complement UBS's own lines.

Organizational structure

We are organized into the two business areas of:

– Wealth Management – Swiss Clients, covering clients domiciled in Switzerland, and organized into eight geographic regions
– Wealth Management – International Clients, serving clients domiciled outside Switzerland. This area is organized into the seven regions of: Italy; Western Europe; Benelux (Belgium, Netherlands, Luxembourg), Germany and Central Europe; UK, North and Eastern Europe; Eastern Mediterranean, Middle East and Africa; Asia Pacific; and Americas International.

A number of global teams with specialized areas of expertise concentrate on the requirements of particular client groups. An example is our Islamic finance subsidiary in Bahrain, Noriba, which we opened in September 2002. It offers sharia-compliant products to institutions and high net worth individuals residing in the Middle East and around the world.

We also provide financial intermediaries, both inside and outside Switzerland, with our solutions, products and services, helping them to add substantial value to their client relationships.

Competitors

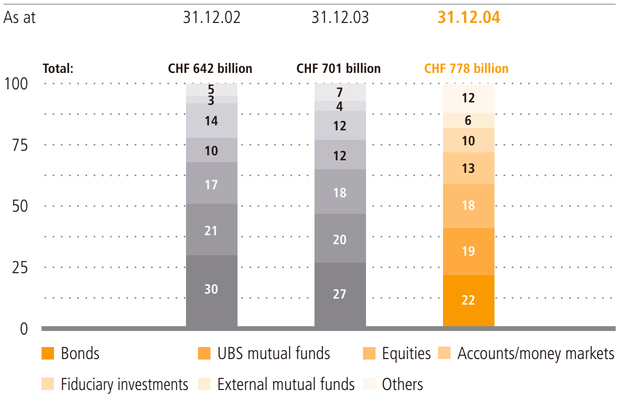
The Wealth Management unit's major competitors comprise all globally active wealth managers, such as the wealth management operations of Credit Suisse, HSBC, and Citigroup. We also compete with private banks that operate within their respective domestic markets, such as Pictet and Julius Baer in Switzerland, Coutts in the UK, Deutsche Bank and Sal. Oppenheim in Germany, and Unicredito in Italy.

Clients

Client focus is the main driver of all our activities. We are committed to proactively and consistently delivering tailored and unbiased financial solutions of the highest quality to our clients. We strive to create long-term personal relationships.

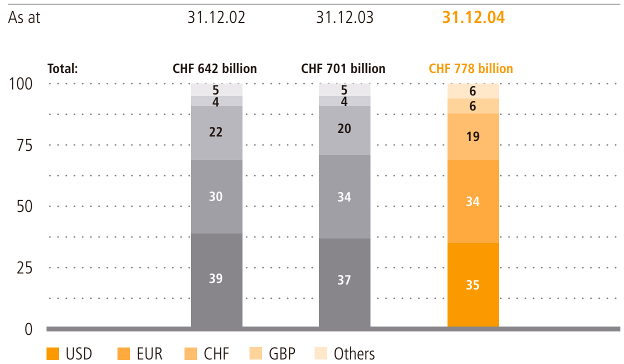
Invested assets by asset class

in %, except where indicated



Invested assets by currency

in %, except where indicated



A clearly structured advisory process helps client advisors add value at each step and provides our clients with a consistent and comprehensive experience. The consistent delivery of a truly consultative advisory experience combined with a complete product positioning framework is essential to putting our value proposition into action. Our approach can be broken down into four clear, mutually enhancing steps. In the *first*, our advisors take the time to understand what it is their clients want and need, and look at all the different factors that might affect their goals and willingness to take risk. As a *second* step, the advisor formulates investment proposals crafted for that client's specific requirements by selecting from the best products and services available. In the *third* step, the advisor agrees with the client which of the solutions should be implemented. The *fourth* step rounds out the whole experience with comprehensive monitoring and reporting of investment performance to the client by the advisor, as well as regular communication between the two in which goals and strategies are constantly evaluated, and adjusted as required. Our extensive training programs ensure that client advisors become fully versed in all aspects of this structured, four-step advisory experience. In a recent survey, almost 90% of our wealth management clients in Switzerland said their main banking relationship with UBS had lasted for more than 10 years.

Growth initiatives

European wealth management

The European wealth management business was launched in early 2001, and is aimed at wealthy clients in the five target countries of France, Germany, Italy, Spain and the UK. We also made further strong progress on a number of other fronts, with growth potential underlined by the continued hiring of new client advisors, who helped bring in net new money of CHF 13.7 billion. This result represents an annual net new money inflow rate of 30% of the underlying asset base. In the same period, invested assets were up 78% at CHF 82 billion on 31 December 2004.

In our European wealth management business, a total of 838 client advisors currently operate out of 42 offices, up from 177 advisors and 15 offices at the beginning of 2001. After having successfully established our physical presence, the focus in the next two years will be on keeping our growth momentum.

Wealth Management in Asia Pacific

Asia Pacific is the fastest-growing wealth management market in the world. According to an internal UBS estimate, the liquid assets held by individuals in the region (excluding Japan) will grow by 7.6% annually between 2004 and 2007. The global growth rate will be 6.0% for the same period.

UBS is already represented in twelve Asian locations and plans to expand its network of branches and offices into further high-potential locations. By cooperating with the other Business Groups in the region, wealth managers can draw on a wide array of products and services already on offer and share infrastructure, delivering significant cost savings.

In 2004, we opened a branch in Beijing, marking a milestone in our long-term strategy for China. The branch will enable us to offer foreign currency deposits, remittances and certain loan services, placing UBS an essential step closer to securing a renminbi (China's local currency) license that would allow us to conduct business in that currency. We also re-entered the wealth management market in Japan with an office in Tokyo and opened a new representative office in Kuala Lumpur, Malaysia.

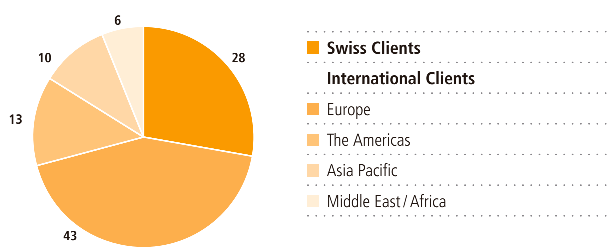
Bolt-on purchases

Although our business is focused on organic growth, we also exploit strategic acquisition opportunities, taking advantage of the consolidation underway in wealth management markets around the world. In 2004, we bought Julius Baer's North American wealth management operations, Dresdner

Invested assets by client domicile

in %, except where indicated

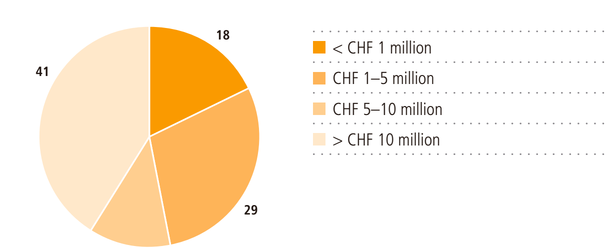
As at 31.12.04 **Total: CHF 778 billion**



Invested assets by client wealth

in %, except where indicated

As at 31.12.04 **Total: CHF 778 billion**



European wealth management office locations

France

1	Bordeaux	New location since 2001
2	Cannes	New location since 2001
3	Lille	New location since 2001
4	Lyon	New location since 2001
5	Marseille	New location since 2001
6	Nantes	New location since 2001
7	Paris	Location end 2000
8	Strasbourg	New location since 2001

Germany

9	Bad Homburg	Location end 2000
10	Berlin	New location since 2001
11	Bielefeld	New location since 2001
12	Cologne	Location end 2000
13	Dusseldorf	Location end 2000
14	Frankfurt	Location end 2000
15	Hamburg	Location end 2000
16	Munich	Location end 2000
17	Offenbach	Location end 2000
18	Stuttgart	New location since 2001

Italy

19	Bologna	Location end 2000
20	Brescia	New location since 2001
21	Florence	New location since 2001
22	Milan	Location end 2000
23	Naples	New location since 2001
24	Padua	New location since 2001
25	Rome	Location end 2000
26	Turin	New location since 2001

Spain

27	Barcelona	Location end 2000
28	Madrid	Location end 2000
29	Marbella	Location end 2000
30	Seville	New location since 2001
31	Valencia	New location since 2001

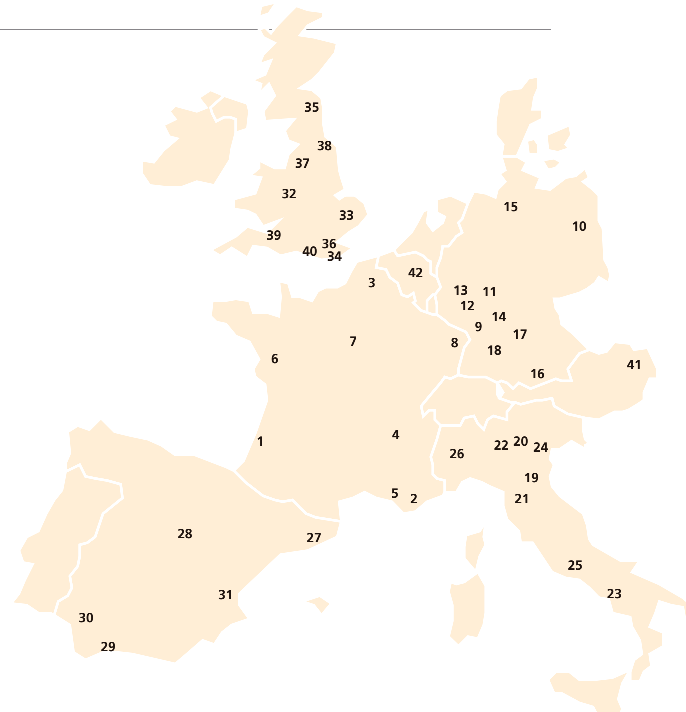
United Kingdom

32	Birmingham	New location since 2001
33	Bury St Edmunds	New location since 2001
34	Eastbourne	New location since 2001
35	Edinburgh	New location since 2001
36	London	Location end 2000
37	Manchester	New location since 2001
38	Newcastle	New location since 2001
39	Taunton	New location since 2001
40	Worthing	New location since 2001

Other countries

41	Austria (Vienna)	New location since 2001
42	Belgium (Brussels)	New location since 2001

Locations end 2000
New locations since 2001



Bank Lateinamerika's wealth management business, and American Express Bank's private banking activities in Luxembourg. These businesses primarily serve international or offshore clientele. We also made a number of acquisitions in our domestic European wealth management business, including the merger of our German wealth management business with Sauerborn Trust. In the UK, we acquired Laing & Cruickshank Investment Management and Scott Goodman Harris. In early 2005, we also purchased the Italian financial intermediary firm Etra.

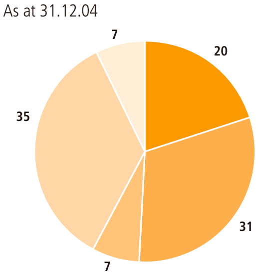
Products and services

Our clients can count on the expertise of more than 2,000 professionals worldwide dedicated to developing wealth management solutions. We ensure that our private clients get access to what we judge as high-quality investments. We source internally at UBS when we believe we have the requisite expertise. Otherwise, we screen the market for the best products. By aggregating private investment flows into institutional flows, we are in a position to offer our private clients access

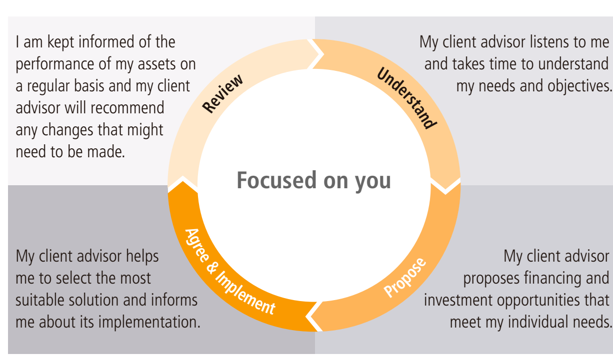
European wealth management: Invested assets by client domicile

in %, except where indicated

As at 31.12.04 — Total: CHF 82 billion



Four-step advisory experience



to investments that would otherwise only be available to institutional clients.

We offer discretionary and non-discretionary management mandates. Clients that opt for a discretionary mandate delegate the management of their assets – including investment decisions – to a team of professional portfolio managers who work according to an agreed investment strategy. Clients that prefer to be actively involved in the management of their assets can choose a non-discretionary mandate, where our investment professionals provide analysis and monitoring of portfolios, together with tailor-made proposals to support investment decisions. For both types of mandates, we offer relative return programs based on a symmetrical risk concept. For discretionary mandates, we also offer absolute return programs. These focus on preserving capital, while still participating in market upturns. At the end of 2004, around 21% of Wealth Management assets were discretionary.

All our clients can trade in a full range of financial instruments – from single securities such as equities and bonds, to structured products and alternative investments. We also fulfill their basic banking needs with a wide range of products – ranging from cash accounts and savings accounts to credit cards, mortgages, and securities-backed lending.

Our offering includes expert financial advice supporting our clients throughout the different stages of their lives. We give financial planning advice that covers topics such as education funding and gifts to children, inheritance and succession planning, tax planning, insurance, trusts and foundations, and art banking. We also offer corporate finance advice to support clients in the process of acquiring or disposing of assets.

Overall, our products and services offering is a comprehensive selection that covers the wide-ranging banking needs of our clients.

Distribution

Our extensive wealth management branch network comprises 3,744 client advisors, 110 offices in Switzerland and 67 offices worldwide.

Business Banking Switzerland

Business Banking Switzerland, UBS's retail and commercial banking unit, is the market leader in Switzerland and provides a complete set of banking and securities services for individual and corporate clients.

Business

We are the leading bank in Switzerland. At the end of 2004, clients had CHF 140 billion in invested assets with us. With a total loan book of CHF 137 billion on 31 December 2004, we lead the Swiss lending and retail mortgage markets.

Our aim is to provide our clients with optimal levels of convenience and service by continuously expanding our comprehensive range of distribution channels. Together with our successful e-banking offering and customer service centers, our 1,249 automated teller machines (ATMs) and 301 branches across Switzerland provide a network that is more extensive than that of any of our domestic competitors.

One of our key objectives is to increase profitability by continuously realizing cost savings, and by improving revenues through rigorous implementation of our risk-adjusted pricing model. We aim to create additional value by providing integrated financial solutions for our clients' individual requirements.

Organizational structure

The Business Banking Switzerland unit comprises the domestic branch network for corporate and individual clients, which is organized into eight regions.

Competitors

Business Banking Switzerland's major competitors are banks active in the retail and corporate banking markets in Switzerland. This group includes Credit Suisse, the country's cantonal banks, Raiffeisen Bank, and other regional or local Swiss banks.

Clients and products

Business Banking Switzerland offers high-quality, standardized products to the retail market for individual and small company clients, as well as more complex products and advisory services for larger corporate and institutional clients and financial institutions.

Individual clients

We serve around 3.5 million individual client accounts in Switzerland, offering a wide range of products and services. Supported by a complete set of distribution channels (ATMs, phone services, e-banking), our branches are a key driving force in serving our clients effectively and efficiently.

Our range of products and services for private clients includes a comprehensive selection of cash accounts, savings products, wealth management services, residential mortgages, pensions and life insurance. We have a leading position in many Swiss markets. In the mortgages segment for individual clients, we have a share of 26%, in the savings market for individuals 24%, and in the credit card business 32%.

Corporate clients

Business Banking Switzerland services around 143,000 corporate clients, including institutional investors, public entities and foundations based in Switzerland.

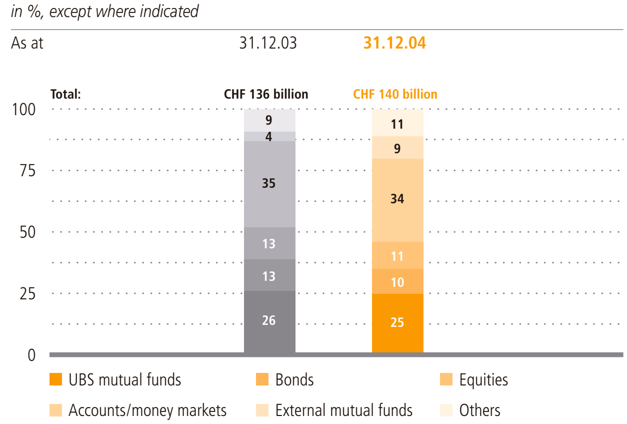
Of our corporate client base, around 200 are major companies, with operations that span a broad range of markets and geographical regions. These clients require our advanced financing and risk management skills and comprehensive access to the capital markets for funding needs.

Around 7,200 of our clients are large companies that utilize our expertise in handling complex financial transactions. We provide them with a wide range of financial advice, from the selection and design of investment products to assisting in complex mergers and acquisitions or providing structured financing, often working in close co-operation with specialists from other parts of UBS.

The remaining corporate clients (some 136,000) are small and medium-sized enterprises requiring local market expert-

Invested assets by asset class

in %, except where indicated



ise and access to our full range of products and services.

We also provide substantial business process support to our clients, ranging from transactional payments and securities services to facilitating cross-border transactions with trade finance products.

Our global custody services offer institutional investors the opportunity to consolidate multiple agent bank relationships into a single, cost-efficient global custodial relationship. This simplifies their processing and administration arrangements and allows them to take advantage of our value-added services, such as flexible consolidated performance reporting, and powerful portfolio management tools. Over 2004, assets under global custody for institutional clients grew to CHF 157 billion from CHF 133 billion.

Financial institutions

We also offer payments, securities, and custodial services to more than 3,000 financial institutions worldwide and play a leading role, together with the Investment Bank, in the firm's "Bank for Banks" strategy. This focuses on offering state-of-the-art services to other banks, allowing us to optimize the utilization of our infrastructure. Other banks that lack our scale can outsource their payment, security or custodial services, benefiting from UBS's wide-ranging expertise.

Distribution

Our private clients' needs have changed in recent years. Today, they want the flexibility of being able to access their accounts using the full range of modern communication technology when it is convenient for them, without restrictions imposed by regular business hours.

To meet these needs, we pursue an integrated, multichannel strategy. We use technology to complement, rather than replace, the traditional physical branch network. Standard transactions can be conveniently executed using one of the electronic channels, enabling client advisors to focus on providing advice and developing financial solutions. For basic products and services, technology is used to ensure around-the-clock availability. Our customer service centers in five locations provide basic information and support 24 hours a day by telephone. Additionally, in 56 of our branches in Switzerland, we have implemented a two-zone concept where standard transactions are executed via ATMs, while client advisors, sitting in an open plan desk area next to the automated tellers, focus on giving clients value-added advice. Our customers make extensive use of our e-banking channels. On 31 December 2004, almost 400,000 clients had active e-banking contracts and payment orders via electronic channels comprised 78% of all payments made.

Loan portfolio

On 31 December 2004, Business Banking Switzerland's loan portfolio was CHF 137 billion. Of the total, mortgages represented CHF 110 billion, around 80% of them being residential mortgages. Continued discipline in implementing our risk-adjusted pricing model has resulted in a strengthened focus of origination efforts on higher quality exposures with an attractive risk / return relationship. Thanks to the introduction of this model, the risk profile of our portfolio has clearly improved in recent years. For more details of the UBS credit portfolio, please refer to the credit risk section of this Handbook.

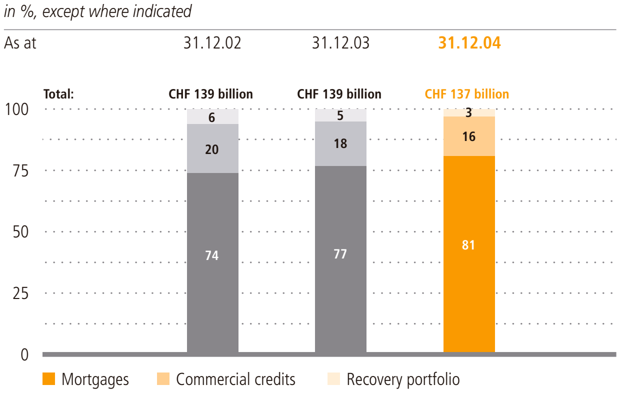
Recovery portfolio

Because there will always be a certain percentage of clients unable to meet their financial obligations, we have dedicated teams of recovery specialists to help them pursue a possible economic recovery. This can be achieved through restructuring or, alternatively, by achieving the best possible value through liquidation of available collateral in order to limit financial loss on the loan.

Our recovery portfolio amounted to CHF 4.4 billion on 31 December 2004. Since the end of 1998, the portfolio has been cut by 83% thanks to our successful recovery efforts. Over the same six-year period, non-performing loans decreased from CHF 14.0 billion to CHF 3.2 billion, resulting in a non-performing loans to gross loans ratio of 2.3%.

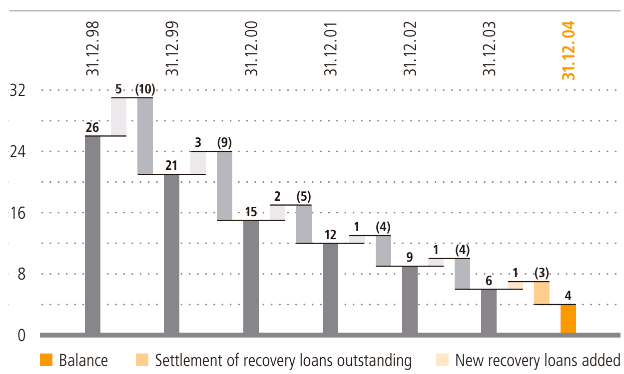
Loan portfolio by loan category

in %, except where indicated



Development of UBS's recovery portfolio, 1999–2004

CHF billion



Global Asset Management

The Global Asset Management Business Group is one of the world's leading asset managers, providing traditional and alternative investment solutions to financial intermediaries and institutional investors.

Business Group reporting

	For the year ended or as at	
CHF million, except where indicated	**31.12.04**	31.12.03
Total operating income	**2,022**	1,737
Total operating expenses	**1,478**	1,405
Business Group performance before tax	**544**	332
Net new money – institutional *(CHF billion)*	**23.7**	12.7
of which: money market funds – institutional (CHF billion)	***(1.2)***	*(5.0)*
Invested assets – institutional *(CHF billion)*	**344**	313
of which: money market funds – institutional (CHF billion)	***17***	*14*
Net new money – wholesale intermediary *(CHF billion)*	**(4.5)**	(5.0)
of which: money market funds – wholesale intermediary (CHF billion)	***(20.6)***	*(23.0)*
Invested assets – wholesale intermediary *(CHF billion)*	**257**	261
of which: money market funds – wholesale intermediary (CHF billion)	***64***	*87*
Headcount *(full-time equivalents)*	**2,665**	2,627

Business

The breadth, depth and scope of our varied investment capabilities enable us to offer innovative solutions in nearly every asset class. Our approach combines the global expertise of our investment professionals with sophisticated risk management processes and systems, helping us provide clients with products and services that meet their specific needs.

Invested assets totaled CHF 601 billion on 31 December 2004, making us one of the largest global institutional asset managers, the second largest mutual fund manager in Europe, and the largest mutual fund manager in Switzerland.

The *traditional investments* business offers equities and fixed income, risk management, asset allocation and currency capabilities. Our central investment approach is based on rigorous fundamental analysis to identify intrinsic value.

The *alternative and quantitative investments* business has two distinct offerings: a multi-manager or funds of hedge funds business and a single manager business, which operates its own hedge funds. The multi-manager business constructs portfolios of hedge funds (operated by third-party managers) to give clients diversified exposure to a range of hedge fund strategies. The single manager business includes O'Connor, a hedge fund specialist, and DSI, a provider of en-

John A. Fraser | Chairman and CEO
Global Asset Management

Diversifying investment capabilities

Traditional investments			Alternative and quantitative investments	Real estate	Fund services
Equities	**Fixed income**	**Global investment solutions**			
Global	Global	Global	Single manager hedge funds	Private strategies	Hedge fund services
Country and regional	Country and regional	Country and regional	Multi manager hedge funds	Real estate securities	Investment fund services
Sector specific	Sector specific	Currency management	Quantitative	Agriculture	
Emerging markets	Emerging markets	Return and risk targeted	Enhanced index		
Style oriented	High yield	Structured portfolios			
Socially responsible investments (SRI)	Liquidity / short duration	Risk management and advisory services			
	Indexed				
Indexed					
Global investment solutions initiative					

hanced equity index and quantitatively-based hedge fund products.

The *real estate* business invests in properties in the US, UK, Continental Europe and Japan and in publicly traded real estate securities worldwide. It actively manages investments in property, including office, industrial, retail, multi-family residential, hotel and farmland real estate.

We also have a global fund administration unit providing services to both internal and external client bases. It encompasses stand-alone businesses for investment funds in Switzerland, Luxembourg and the UK and for hedge funds in the Cayman Islands and Ireland.

Organizational structure

Our main offices are in London, Chicago, New York, Tokyo and Zurich. We have around 2,600 employees located in 20 countries.

We report revenues and key performance indicators according to our two principal asset management client segments of institutional and wholesale intermediary clients.

Competitors

In the institutional arena, we compete against other global asset managers including Capital Group, Wellington Management, Alliance Bernstein, Barclays Global Investors and PIMCO as well as a range of regional and local firms in particular markets. In the wholesale market, our main global competitors include Fidelity Investments, DWS Investments, Merrill Lynch Investment Managers, INVESCO and Allianz Dresdner Asset Management, among others.

Clients

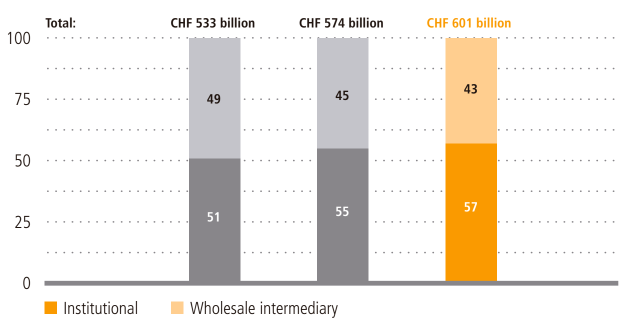
We aim to provide our clients with the most appropriate investment solutions for their needs through our combination of investment expertise, risk management, and local delivery.

We place great importance on maintaining an ongoing dialogue with our clients. As well as the advisory and reporting aspects of our client relationships, we keep clients informed of the latest investment and business issues through a range of publications, events and training.

Invested assets by client type

in %, except where indicated

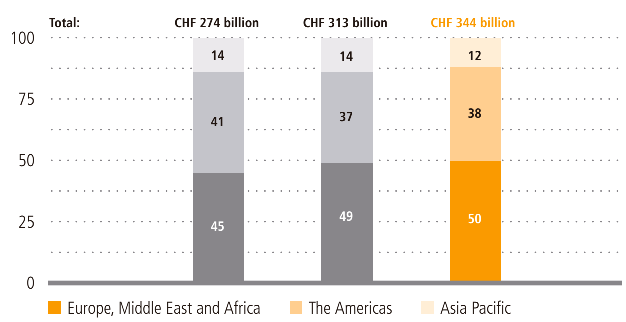
As at 31.12.02 31.12.03 **31.12.04**



Institutional invested assets by client domicile

in %, except where indicated

As at 31.12.02 31.12.03 **31.12.04**



Distribution

Institutional

The institutional business has a diverse worldwide client base that includes:

– corporate and public pension plans
– endowments, municipalities, charities and private foundations
– insurance companies
– governments and their central banks; and
– supranationals.

In consultant-driven markets, such as the US and UK, we rely on developing and maintaining strong relationships with the major consultants that advise corporates and institutions. We also dedicate resources to generating new business directly with clients.

Wholesale intermediary

The wholesale intermediary business offers some 400 investment funds, exchange traded funds and other investment vehicles, across all asset classes in diverse country, regional and industry sectors.

Our investment funds are mainly distributed through the Wealth Management & Business Banking and Wealth Management USA Business Groups, financial intermediaries and selected third parties in key markets.

Products and services

Investment management products and services are offered in the form of segregated, pooled and advisory mandates and a range of registered investment funds.

In response to a changed investment environment featuring lowered projected returns for equities and increased market volatility, we have developed a number of investment solutions to meet the needs of wholesale and institutional clients. These include value-added services such as absolute return and dynamic alpha products. We can also combine traditional and alternative investments and services into one integrated package. For selected clients, we provide training and education services where clients send employees from their organization to spend extended internships with our investment and risk management teams.

With demand for outsourcing and administration services set to increase, we are well positioned to benefit by providing a range of professional services from legal fund set-up to full reporting and distribution support.

Investment performance

Markets experienced greater volatility in 2004 than they did in 2003 because of the rise in oil prices and continued geopolitical instability. Still, equity markets made progress, with strong gains seen in fourth quarter. Over the year, most major global and regional equity strategies outperformed their benchmarks, with particularly strong performances in Europe and the US.

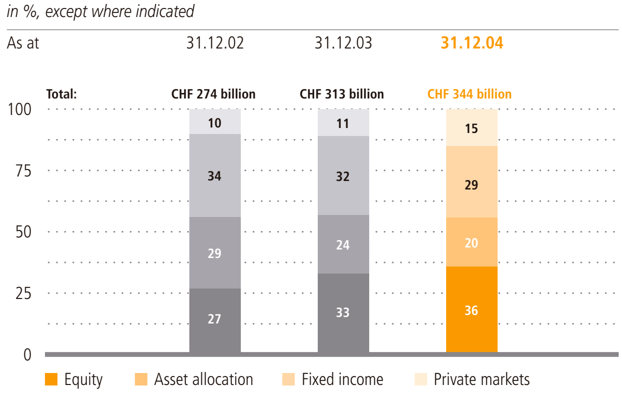
Bond markets in the major industrialized countries displayed a surprising resilience in 2004, posting solid returns, overcoming investor fears following intermittent interest rate hikes by a number of central banks. European bonds were the best performers as investors saw the surge in oil prices acting as a potential drag on economic growth rather than raising inflationary expectations. A positive economic environment in the US and elsewhere supported corporate bonds and drove spreads to very narrow levels. Overall, our active interest rate strategies continued to outperform their benchmarks, particularly in the US.

Asset allocation portfolios outperformed their benchmarks by significant amounts, with market allocation providing much of the added value.

In the alternative and quantitative investments business, performance was generally positive in 2004. All key equity-oriented strategies recorded positive returns, while a difficult macroeconomic environment contributed to slightly negative returns for our core "macro" trading strategy. Despite ongo-

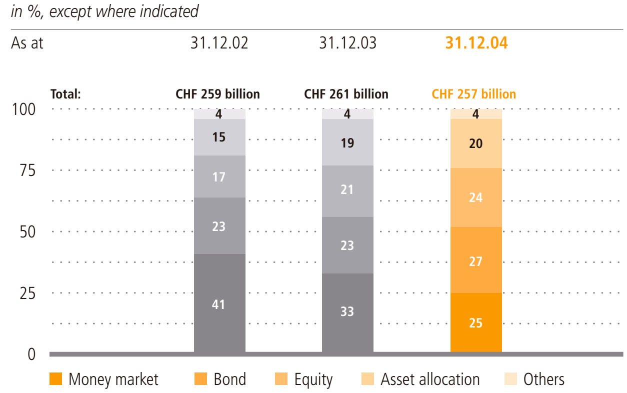
Institutional invested assets by client mandate

in %, except where indicated



Wholesale intermediary invested assets by fund type

in %, except where indicated



ing political and economic uncertainty, the multi-manager teams were able to generate positive returns from most strategies. Overall, funds of hedge funds performance was positive, buoyed by strong fourth quarter performance.

Real estate portfolios in the US, UK and Japan continued to perform strongly during 2004. Successful new private fund launches by our UK and European teams further diversified our real estate offering. In publicly traded real estate equities, excellent performance was achieved, with assets doubling in Europe due to a combination of inflows and performance.

Strategic opportunities

The long-term outlook for the asset management industry remains positive, as pension reforms and the need for increased private savings encourage higher money inflows across the developed world. Industry profitability has generally improved, due to the recovery in equity markets and widespread industry restructuring.

Regulation will remain a key issue for the industry. The mutual funds investigation in the US led to record fines and other regulatory investigations are expected to impact the asset management industry. These developments will increase fund administration and compliance costs.

In distribution, open architecture remains a dominant trend in wholesale markets, with the US and UK most advanced. This, along with the development of guided architecture, where financial intermediaries choose products from a select panel of providers, offers advantages for managers with multiple capabilities, such as UBS. In most major markets, institutional business remains consultant-driven. Our consistently strong investment performance has resulted in an increasing number of positive endorsements from consultants.

While we continue to increase our efforts in developed markets such as the US, Germany and Japan, our attention is also turning towards potential opportunities in emerging markets such as China and India. In China, we recently announced our intention to form a joint venture fund management company with the Chinese State Development Corporation.

On a product level, client demands are becoming increasingly polarized. This has meant a move away from traditional active products in favor of indexed products that offer market exposure at lower cost, and absolute return or other alternative products that aim for high alpha returns. Management fees are mirroring this trend. There is increasing pressure on fees for commoditized products, yet clients remain willing to pay for added value. As a major global manager with a wide range of traditional and alternative capabilities, including real estate, we are well placed to benefit from this. We will continue to diversify and enhance our capabilities in order to offer a full range of products capable of satisfying client needs in all market cycles.

The hedge fund market is experiencing increased activity, with growing interest especially from institutional clients. The increased proliferation of hedge funds is putting a strain on the supply of investment talent in our industry. Our priority is to maintain competitive advantage by attracting and retaining high-caliber people.

Investment Bank

UBS is one of the world's leading firms in the investment banking and securities business, providing a full spectrum of services to institutional and corporate clients, governments and financial intermediaries.

Business Group Reporting

	For the year ended or as at	
CHF million, except where indicated	**31.12.04**	31.12.03
Total operating income	**15,977**	13,936
Total operating expenses	**11,437**	10,081
Business Group / Business Unit performance before tax	**4,540**	3,855
Headcount *(full-time equivalents)*	**16,568**	15,277

Business

UBS's Investment Bank operates globally as a client-driven investment banking and securities firm. Our salespeople, research analysts and investment bankers provide products and services to the world's key institutional investors, intermediaries, banks, insurance companies, corporations, sovereign governments, supranational organizations and private investors.

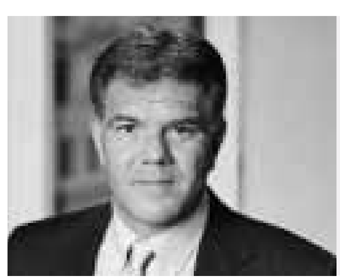
For both our own corporate and institutional clients and the individual clients of other parts of UBS, the Investment Bank provides product innovation, research and advice, and comprehensive access to the world's capital markets.

We have a significant corporate client financing and advisory business, whose particular strengths lie in providing advice on cross-border mergers and acquisitions and raising capital for our corporate and governmental client base. Historically, we have been among the leaders in European corporate finance, and in recent years we have also been one of the few investment banks experiencing strong growth in the US and Asia Pacific regions.

We are an important partner for institutional clients, with strengths in equities research and distribution as well as in structuring and distributing fixed income cash and derivatives products. Our risk management skills run across all product areas, covering cash and derivative products, and we leverage them to provide a broad array of risk management products for our institutional and corporate clients.

We also manage cash and collateral trading and interest rate risks on behalf of UBS, while executing the vast majority of securities, derivatives and foreign exchange transactions for the firm's individual clients.

To our core clients, we offer lending products to support their financing needs although risk / return considerations are paramount drivers in determining balance sheet usage. We also occasionally provide them with bridge financing to help them complete their financing needs.



John P. Costas | Chairman and CEO
Investment Bank

Organizational structure

We are headquartered in London and New York and employ roughly 16,000 people in 31 countries around the world.

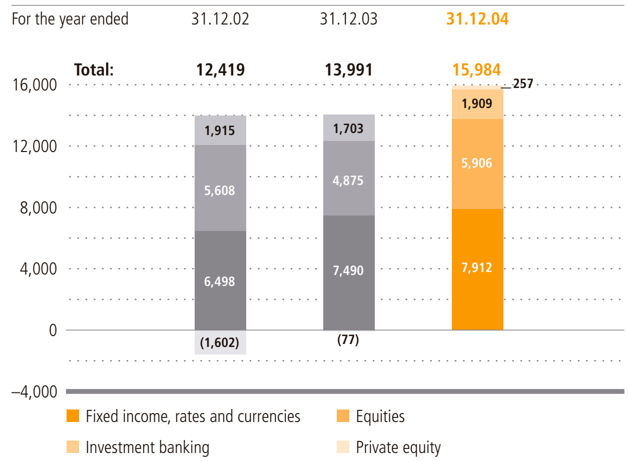
Our businesses are run on a global basis and organized into the four distinct areas of:

- Equities
- Fixed income, rates and currencies (FIRC)
- Investment banking
- Private equity

Although we pursue a strategy of organic growth, we have also taken the opportunity of enhancing our franchise with acquisitions over the last few years. In 2003, we strengthened our equities business by acquiring ABN Amro's prime brokerage business in the US. In 2004, we bought Charles Schwab SoundView Capital Markets, the capital markets division of Charles Schwab Corp.

Operating income by business area[1]

CHF million



1 Before credit loss expense.

Legal structure

The Investment Bank operates through branches and subsidiaries of UBS AG. Securities activities in the US are conducted through UBS Securities LLC, a registered broker-dealer.

Competitors

As a global investment banking and securities firm, we compete against other major international players such as Citigroup, Credit Suisse First Boston, Goldman Sachs, Deutsche Bank, JP MorganChase, Merrill Lynch and Morgan Stanley.

Products and services

Equities

The Investment Bank is a leading player in the global primary and secondary markets for equity, equity-linked and equity derivative products. We sell, trade, finance and clear cash equity and equity-linked products. We also structure, originate and distribute new equity and equity-linked issues and provide research on companies, industry sectors, geographic markets and macroeconomic trends. We are a member of more than 80 stock exchanges in 31 countries and have a local presence in 40 offices around the world. This multi-local approach allows our client teams to deliver the advantages of our scale and global reach to individual clients regardless of their home market. In 2004, for the second year running, we were named the "World's Best Equity House" by *Euromoney* – exemplifying the continued industry recognition of the excellence of our client service.

Our equity research supplies independent assessments of the prospects for approximately 3,020 companies (corresponding to 80% of world market capitalization) across most industry sectors, and all geographical regions, as well as economic, strategy, quantitative and derivative research. More of our analysts made the top rankings in 2004's *Institutional Investor* surveys than at any other firm, and we ranked among the top three in all the magazine's surveys around the world.

By carefully co-ordinating the efforts of our regional and product distribution teams, we have built a global cash equities franchise that is second to none. We offer liquidity, and efficient completion in executing orders in every major world market.

In order to expand our US trading capabilities, in August 2004 we acquired Charles Schwab SoundView Capital Markets, the capital market division of Charles Schwab Corp. This purchase increases our equity sales and trading offering, adding a state-of-the-art technology platform and NASDAQ trading system. As a result, we have become one of the top volume traders in NASDAQ securities in the US – in addition to our number two ranking in NYSE-listed securities.

We are also a recognized market leader in derivatives, winning the "Overall Equity Derivatives" award from *Thomson Extel Risk Magazine* in 2004. Our risk management products continue to grow very strongly as we keep our focus on providing innovative and customized investment solutions to institutional and corporate clients, as well as clients of UBS's asset management and wealth management businesses.

Our equity capital markets team manages many of the world's largest and most complex transactions, demonstrating the cross-border nature of our relationships and the strength of our distribution network. We have built a leading global position as a distributor of block trades, rights offerings, initial public offerings, and hybrid and convertible issues to both institutional and private clients in every regional market.

We continue to make significant investments in our technology platform, and are recognized as a market leader in providing a number of electronic services to our clients such as equity research and trading. Our front-to-back focus on technology allows us to adapt and continuously improve our business processes and client services.

Our hedge fund services business provides integrated global services, including stock borrowing and lending, prime brokerage and exchange-traded derivatives to the rapidly expanding universe of hedge fund clients. The business continues to invest in both staff and technology, in order to position itself as an industry leader.

Fixed income, rates and currencies

Our fixed income, rates and currencies (FIRC) business delivers a broad spectrum of products and solutions to corporate and institutional clients in all major markets. With professionals working out of North America, Europe and Asia Pacific, we offer our clients global service. The major business lines include:

– credit fixed income, incorporating credit trading and credit derivatives
– foreign exchange and cash & collateral trading
– rates, incorporating interest rate derivatives, residential mortgages, government bonds and energy trading
– principal finance and commercial real estate.

Our global origination and distribution platforms, as well as our highly regarded research capabilities, underpin our major business lines. In research, we ranked first in fixed income strategy in *Thomson Financial's* Extel survey for the second year running, and first in the *Institutional Investor* All American research poll 2004 for mortgage-backed securities (MBS) strategy.

Our approach to specific products and markets varies. Where potential for sufficient risk-adjusted returns exists, we seek market share leadership in high-volume, liquid markets, using our capital and economies of scale to generate returns. As an example, according to *Euromoney*'s FX poll 2004, we have once again taken the leading market share in the foreign exchange trading market (12.4%), where we execute roughly one in three of all online FX trades. While there are no definitive surveys or overall measures of market share in the broadly defined fixed income business, our achievements continue to be recognized. We were named "Interest Rate Derivatives House of the Year" and "Currency Derivatives House of the Year" by *Risk* magazine, and "Best Overall FX Service" for the third year running in *The Banker* FX poll. Our sales and trading platform achieved the number two ranking in "Overall Sales and Overall Trading in the US" from *Institutional Investor*.

Investment banking

In the investment banking business, we provide first-class advice and execution capabilities to a global corporate client base. Our services encompass advising on mergers and acquisitions, strategic reviews and corporate restructuring solutions. In conjunction with other business areas of the Investment Bank, and other Business Groups, we also arrange the execution of debt and equity issues on a global basis. In 2004, we assisted our corporate clients in a range of successful merger and acquisition transactions and capital market issues. Some of the more notable mandates included:

– joint financial advisor to the Westfield Group, an Australian listed retail property group, on the USD 20 billion merger of its three entities (Westfield Trust, Westfield America Trust, and Westfield Holdings)
– exclusive financial advisor to Wachovia, the US financial services company, in its USD 14.3 billion stock-for-stock acquisition of South Trust Corporation
– joint global coordinator and joint bookrunner on the largest IPO in 2004, the EUR 3.6 billion IPO for Belgacom, Belgium's largest telecom company
– joint bookrunner on the second largest IPO in 2004 and the largest IPO in Japan in six years, the USD 3.4 billion global initial public offering of Japanese power utility, J-Power
– joint bookrunner for Pacific Gas & Electric on a USD 6.7 billion bond offering, the largest capital market transaction in the history of the US utility industry
– joint bookrunner on a three tranche GBP 2.25 billion benchmark issue for Network Rail as part of its GBP 20 billion multicurrency debt issuance program for which UBS is the global coordinator
– joint lead arranger and bookrunner on a USD 1.9 billion senior credit facility and USD 0.9 billion senior subordinated bridge facility for Rockwood Specialties Group, a global specialty chemicals company.

We participated in some of the industry's largest and most complex transactions last year, reflecting our strategic goal to expand our global corporate client franchise. To maintain our competitive position, we continue to invest in our growing US franchise and focus on protecting and enhancing our strong positions in the European and Asia Pacific markets. Our results this year, achieved against a background of fluctuating market conditions and corporate activity levels, highlight our strong competitive position.

We believe the market fee pool will continue to recover in 2005, although we do not expect a return to the extraordinarily high levels of activity experienced in 1999 and 2000. We anticipate increased activity in mergers and acquisitions and primary equity issuance, but this is likely to be partly offset by a flat to slightly smaller fee pool in debt capital markets.

Private equity

The private equity business seeks to maximize the value of its investments through active portfolio management and to capitalize on orderly exit opportunities. The portfolio comprises majority and minority stakes in substantially privately owned companies. The investments were made either directly or as a limited partner in third-party funds and in a number of different regions and sectors. In our direct investments, we support management teams in their efforts to grow earnings, rationalize costs and enhance the value of the company before selling to a trade or financial buyer, or through an IPO.

Around 20% of our portfolio is invested in third-party funds.

Private equity had a total investment portfolio of CHF 1.9 billion on 31 December 2004, measured by the historical cost of investments less divestments, returns of capital and permanent impairments. The fair value of the portfolio was CHF 2.7 billion. In line with the bank's aim of reducing exposure to the private equity asset class, undrawn commitments were reduced to CHF 0.8 billion on 31 December 2004 from CHF 1.5 billion a year earlier.

The business will continue to focus on managing existing assets in order to maximize value for UBS shareholders and for investors in UBS funds. Consistent with the de-emphasis of our role as principal investor in this asset class, we continue to capitalize on orderly exit opportunities for investments when they arise and to reduce exposure to private equity funds. As the portfolio shrinks, our performance will continue to be linked to the economic conditions prevailing in the markets of our underlying investments. In first quarter 2005, our private equity investments will be moved to the Industrial Holdings segment. Current management will continue to look after the portfolio.

Private equity investment portfolio

Aging (based on date of initial investment)

	As at		
CHF million [1]	31.12.04	31.12.03	31.12.02
pre-1994	23	46	54
1994	3	4	97
1995	12	40	112
1996	7	44	63
1997	60	95	134
1998	63	91	373
1999	163	258	636
2000	703	986	1,119
2001	207	284	438
2002	26	79	58
2003	419	386	
2004	165		
Total	1,851	2,313	3,084

Geographical region (by headquarters of investee)

	As at		
CHF million [1]	31.12.04	31.12.03	31.12.02
North America	1,027	1,157	1,302
Europe	579	794	1,238
Latin America	52	108	189
Asia Pacific	193	254	355
Total	1,851	2,313	3,084

Industry sector (based on industry classification codes)

	As at					
CHF million, except where indicated [1]	31.12.04	% of Portfolio	31.12.03	% of Portfolio	31.12.02	% of Portfolio
Consumer related	326	18	383	17	517	17
Transportation	16	1	17	1	85	3
Communications	127	7	170	7	240	8
Computer related	88	5	132	6	342	11
Energy	11	1	0	0	83	3
Other electronics related	131	7	145	6	174	6
Other manufacturing	59	3	59	3	286	9
Chemicals and materials	2	0	2	0	8	0
Industrial products and services	199	11	422	18	746	24
Others	892	47	983	42	603	19
Total	1,851	100	2,313	100	3,084	100

1 Investments are valued at cost less disposals and permanent impairments.

Strategic opportunities

Our diversified business portfolio demonstrates our ability to shift focus according to market opportunities – taking advantage of and capitalizing on revenue opportunities where they arise and withdrawing resources at the right moment, when conditions change. We will continue to build our competitive strength, focusing on growth opportunities and winning market share.

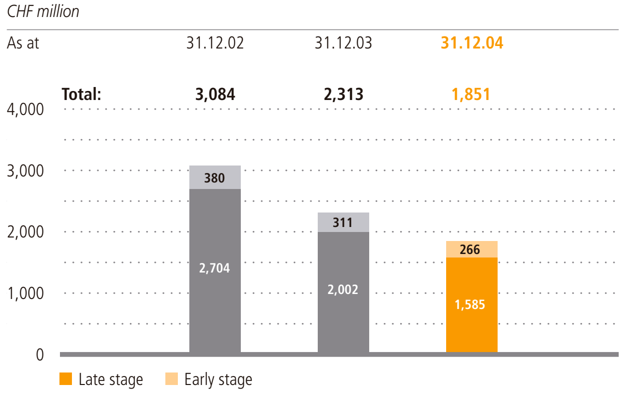
We currently have plans to expand all our businesses in Asia Pacific. We will continue growing our prime brokerage franchise globally, which we see as a high-margin business where we enjoy a competitive advantage due to the large scale of our activities and the efficiency of our business processes. We also see areas in which to expand our structured products business, especially in Asia Pacific and the US, while further enhancing our credit derivatives business into one of the market's leading players.

In investment banking, we intend to further leverage our global platform while making strategic investments when we see opportunities to do so. Combining the growth we are experiencing in mergers and acquisitions transactions led by private equity firms with the strong relationships we have with the largest companies in the US should help us achieve one of the top positions in the North American market over the next few years.

More generally, we also intend to shift the emphasis of the human resources strategy that we have had since 2000 – from a franchise that seeks talent in the market to a business that forges talent internally.

**Private equity:
Investment portfolio by investment stage**[1]

CHF million



1 Investments are valued at cost less disposals and permanent impairments.

Wealth Management USA

As one of the top wealth managers in the US, we provide a complete set of sophisticated wealth management services to our affluent and high net worth clients.

Business Group reporting

	For the year ended or as at	
CHF million, except where indicated	**31.12.04**	31.12.03
Total operating income	**5,093**	5,182 [1]
Total operating expenses	**4,914**	5,187
Business Group performance before tax	**179**	(5)
Business Group Reporting excluding acquisition costs and significant financial events		
Total operating income	**5,093**	5,021 [2]
Add: Net goodwill funding	**180**	231
Operating income excluding acquisition costs	**5,273**	5,252
Total operating expenses	**4,914**	5,187
Retention payments	**(99)**	(263)
Amortization of goodwill and other intangible assets	**(304)**	(336)
Operating expenses excluding acquisition costs	**4,511**	4,588
Business Group performance before tax and excluding acquisition costs	**762**	664
KPI's and additional information		
Net new money (CHF billion)	**17.1**	21.1
Interest and dividend income (CHF billion)	**16.0**	15.8
Invested assets (CHF billion)	**639**	634
Headcount (full-time equivalents)	**17,388**	17,435

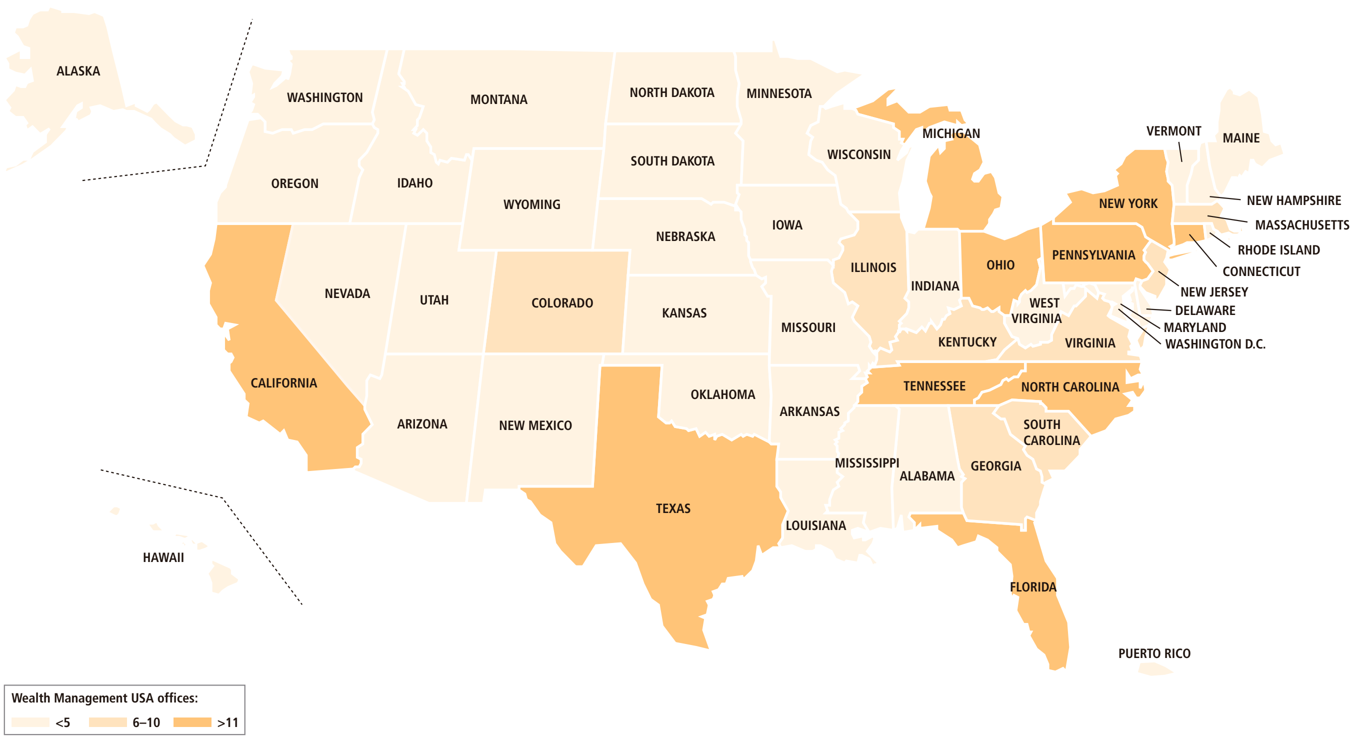
1 Includes significant financial event: gain on disposal of Correspondent Services Corporation of CHF 161 million. 2 Excludes significant financial event: gain on disposal of Correspondent Services Corporation of CHF 161 million.

Business

With CHF 639 billion in invested assets and nearly 2 million private client relationships, our focus is on wealth management services to the core affluent (clients with more than USD 500,000 in investable assets) and to high net worth individuals (clients with more than USD 5 million in investable assets). We have more than 7,500 financial advisors in 366 branch office locations that build and maintain consultative relationships with their clients.

Mark B. Sutton | Chairman and CEO
Wealth Management USA

Geographical presence in key markets



Organizational structure

PaineWebber merged with UBS in November 2000 and its US private clients business became a separate business unit within UBS's Investment Bank. At the same time, PaineWebber's Capital Markets Group was integrated within the Investment Banking & Securities business unit while its asset management unit (then called Mitchell Hutchins) moved into the Global Asset Management Business Group. Most non-US private client businesses became part of our Wealth Management business unit. The US private client business became an independent Business Group on 1 January 2002.

In 2003, we sold our wholly owned subsidiary Correspondent Services Corporation (CSC) to Fidelity Investments. CSC provided investment products and services (including clearance, execution, settlement, administrative and management information services) to the clients of 148 US broker dealer firms.

That same year, we launched UBS Bank USA. The bank, headquartered in Salt Lake City, Utah, offers collateralized lending products and bank deposits insured by the Federal Deposit Insurance Corporation (FDIC).

Legal structure

In the US, we operate through direct and indirect subsidiaries of UBS and securities activities are conducted through three registered broker-dealers.

Competitors

Our major competitors include Citigroup's Smith Barney business, as well as the private client group businesses of Morgan Stanley, Merrill Lynch and Wachovia.

Clients and strategy

We aim to meet the investment needs of core affluent and high net worth clients in the US by providing them with a holistic wealth management service embracing both their assets and liabilities. Our asset-gathering strategy emphasizes the importance of generating recurring fees from advice and products, as fee-based relationships provide us with a source of regular, low volatility revenues.

As a visible example of the success of our strategy, a leading industry survey based on a select sample of peers indicated our share of the US private clients market grew to 15.6% in 2004, up from 13.2% in 2000.

The heart of the relationship between our clients and their financial advisors is our consultative process, during which each advisor profiles and creates an investment plan for his or her client based on individual needs and goals. It takes the client's risk tolerance into account, and follows an appropriate asset allocation strategy. The plan is designed to help the client accumulate, preserve or transfer wealth. Once the plan is put in place, advisors hold regular portfolio reviews that help ensure the client's long-term goals are met.

We continually commit considerable resources to further develop and expand the expertise of our financial advisors. All new advisors undergo a training program that is designed to provide them with the necessary financial planning, analysis, client relationship management, and legal and compliance knowledge. Moreover, this process does not end when an advisor starts working at a branch – it is continuous. We believe experience shows that our training programs are a key factor in helping to develop long-term, mutually beneficial relationships with clients.

Our dedication to and emphasis on training is one of the reasons why our financial advisors are among the most productive in the industry. A leading industry survey put our revenue per financial advisor at 15% above the industry average in 2004.

Products and services

We offer clients wealth management services that meet individual investment needs with an open architecture product platform giving them investment products from both UBS and third-party providers. Financial advisors and clients have a comprehensive source of investment solutions at their disposal. Our array of wealth management services includes financial planning and wealth management consulting. It also comprises transaction-based services such as securities brokerage, as well as discretionary and non-discretionary portfolio management. We also provide money market accounts and fiduciary products, FDIC-insured deposits and lending products, including collateralized loans and mortgages.

Added to that, our Private Wealth Management Group (PWMG) focuses on managing and serving our ultra-high net worth clients with a complete range of planning solutions. It provides customized solutions in trust and estate planning, philanthropic services, concentrated stock management and tax planning services. PWMG's financial advisors work from nearly 60 of our offices throughout the country, and are supported by a group of highly skilled technical professionals in New York, San Francisco and Miami.

Our Corporate Employee Financial Services group provides stock option services to many of the largest US corporations and their executives.

Investment products

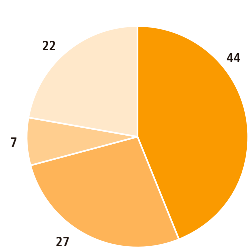
We offer core affluent and high net worth clients a wide range of products ranging from equities and fixed income to fee-based money management programs and alternative investments.

Our equity products comprise basic common stock and option offerings, as well as more sophisticated structured securities, among them principal protected notes, enhanced appreciation securities and hedge fund investments. Working

Invested assets by client wealth

in %, except where indicated

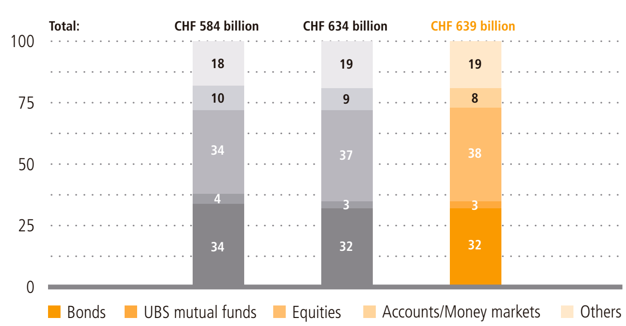
As at 31.12.04 — **Total: CHF 639 billion**



Invested assets by asset class

in %, except where indicated

As at 31.12.02 31.12.03 **31.12.04**



with UBS's investment banking business, we have also developed customized equity products for select high net worth clients whose unique investment needs require innovative and individualized solutions.

Our clients have a wide selection of fixed income securities to choose from, including government, mortgage-backed, corporate and municipal bonds, as well as preferred stock. As one of the leading US underwriters of municipal bonds, an asset class that is particularly attractive to many core affluent and high net worth investors, we give clients access to new issue offerings as well as the secondary market. Our municipal securities unit is a complete origination, structuring and distribution team. It assists municipalities and agencies in addressing their funding needs by accessing the debt markets, and distributing securities through our network. In 2004, we were ranked first in senior negotiated volume, gaining from the second rank we achieved in the past few years.

We offer a broad range of fee-based money management programs that utilize the expertise of professional money managers, both within UBS and through third parties. Indicative of the scope of investment products available to our clients, we have selling arrangements with over 100 mutual fund companies, many of which are leaders in the industry.

Because of high investor interest in hedge funds and funds of funds, we have also built up a capability to create, structure and manage a broad array of alternative investments for qualified high net worth individuals and institutions.

Lending products

In 2002, we broadened the scope of our financial relationship with clients by entering the lending business in the US and introducing a number of securities-based borrowing solutions for a variety of investor and business needs. As part of our initiative, we progressively rolled out the Premier Fixed and Premier Variable Credit Lines, which are revolving lines of credit that offer competitive interest rates secured by the client's investment portfolio.

The launch of UBS Bank USA in 2003 significantly increased our lending capabilities by providing FDIC-insured deposits and enhanced collateralized lending services. By the end of 2004, the bank had over USD 17.6 billion in assets, of which USD 7.2 billion were client borrowings under Fixed and Variable Credit Lines. Deposits of USD 14.9 billion provide most of the funding for the bank's assets.

In addition, our financial advisors can offer a full array of mortgage products that help meet our clients' home financing needs.

Industry trends

Today, our extensive distribution network makes us one of the premier US wealth managers. In 2005, we plan to remain focused on increasing our market share by capitalizing on our enhanced lending and wealth management capabilities as well as the strengths of UBS's global resources. A key to achieving further growth will be a continued commitment to recruiting and retaining top financial advisors and providing them with the resources they need to sustain increased productivity.

We believe that the long-term outlook for our business is strong. Several trends present significant opportunities for growth. The aging of the "baby boom" generation suggests an increased need for retirement and estate planning. The line between banking and brokerage continues to blur, giving us opportunities to further expand our business. We believe that our strategy positions us well to exploit these market trends.

Corporate Center

Corporate Center partners with the Business Groups to ensure that the firm operates as an effective and integrated whole with a common vision and set of values.

Business Group / Business Unit reporting

CHF million, except where indicated	Private Banks & GAM		Corporate Functions		Corporate Center	
For the year ended or as at	**31.12.04**	31.12.03	**31.12.04**	31.12.03	**31.12.04**	31.12.03
Total operating income	**1,139**	878	**440**	144	**1,579**	1,022
Total operating expenses	**696**	670	**1,159**	1,111	**1,855**	1,781
Business Group / Business Unit performance before tax	**443**	208	**(719)**	(967)	**(276)**	(759)
Invested assets *(CHF billion)*	**92**	84			**92**	84
Net new money *(CHF billion)*	**7.7**	7.2			**7.7**	7.2
Headcount *(full-time equivalents)*	**1,649**	1,672	**3,553**	3,561	**5,202**	5,233

Aims and objectives

Our commitment to a strongly integrated business model means that our complementary businesses must be managed together to optimize shareholder value, making the whole worth more than the sum of its parts.

The Corporate Center supports the Business Groups in pursuing their objectives to position UBS competitively, enabling them to operate effectively within the framework of this integrated philosophy.

It fosters the long-term financial stability of UBS by maintaining an appropriate balance between risk and reward, and we manage UBS's corporate governance processes including compliance with related regulations. The functional heads within the Corporate Center exercise authority across UBS's businesses for their area of expertise.

They are responsible for UBS's financial, tax, and capital management and its risk control, legal and compliance activities. The Corporate Center is also responsible for communicating to all UBS stakeholders, for branding, and for positioning the firm as the employer of choice. It coordinates activities critical to the firm's reputation and assumes responsibility for certain shared services, such as information technology infrastructure (ITI).

Corporate Center also holds the Private Banks & GAM unit, which comprises our independent Private Banks – Ehinger & Armand von Ernst, Banco di Lugano and Ferrier Lullin – as well as GAM, a specialist asset manager.

Organizational structure

Corporate Center is reported in two separate business units: Corporate Functions and Private Banks & GAM. The CFO is head of the Corporate Center, leading its business planning, budgeting and human resources core processes. Effective 1 March 2005, a new Group Executive Board (GEB) position was established for the Chief Risk Officer. His mandate will be to develop and implement the group's risk control processes across credit, market, and operational risk.

Clive Standish | UBS Chief Financial Officer
Head, Corporate Center

Corporate Functions

Chief Financial Officer (CFO)
The CFO is responsible for transparency in the financial performance of the Group and its individual businesses, for its financial reporting, planning, budgeting and controlling processes as well as providing advice on financial aspects of strategic plans and mergers and acquisitions transactions. He is also responsible for UBS's tax and capital management. Together with the CEO, the CFO defines the standards for accounting, reporting and disclosure and manages relations with investors and regulators. He also co-ordinates working relationships with internal and external auditors.

Chief Risk Officer (CRO)
The CRO is responsible for developing UBS's risk management and control principles and for formulating its risk policies and control processes for market risk and operational risk, ensuring that UBS's approach is consistent with best market practice. He develops risk quantification methods and associated limits where appropriate, and he ensures complete and consistent recording and aggregation of risk exposures and continuous monitoring and pro-active control of risks.

Chief Credit Officer (CCO)
The CCO is responsible for formulating and implementing UBS's credit risk policy. He ensures that counterparty and country risks conform to approved risk profiles. The CCO controls exposures to individual counterparties and counterparty groups and monitors, sets and controls concentration risk limits, ensuring adequate risk diversification. He provides the tools required for consistent quantification of credit risk across UBS and monitors credit and country exposures, exercising direct approval authority for counterparty credit and country limits.

Group Controller
The Group Controller has UBS-wide responsibility for financial control. He is responsible for production and analysis of accurate and objective regulatory, financial and management accounts and reports. The Group Controller provides consistent and appropriate communication to the Board of Directors, Group Executive Board (GEB), Group Managing Board (GMB), the Audit Committee, internal and external auditors, and Business Group controllers. He establishes and enforces Group-wide financial and management accounting policies, and manages relations with external auditors, and accounting standard bodies. He coordinates the Group's planning and budgeting process and coordinates and controls tax issues.

Group Treasurer
The Group Treasurer is responsible for the management of UBS's financial resources and financial structure. He is responsible for UBS-wide governance of treasury processes, which relate to our corporate legal structure, regulatory capital, balance sheet, funding and liquidity, and non-trading currency and interest rate risk. He manages the Group's equity, with a view to maintaining strategic flexibility, sound capitalization and strong ratings. He manages UBS's holdings of its own shares.

Chief Communication Officer
The Chief Communication Officer is responsible for managing UBS's communication to its various stakeholders, ensuring that a positive and powerful image of UBS is established and broadcast to all stakeholders globally. He develops strategy, content and positioning of communications of corporate importance, emphasizing transparency, consistency, speed and integrity. He presents UBS and its businesses to the media, enhancing and protecting the firm's reputation. To employees, he promotes understanding of the firm's strategies, performance and culture. He presents UBS to investors, analysts and rating agencies and is responsible for preparing and publishing quarterly and annual reporting products. He manages and promotes the UBS corporate brand via advertising, sponsorship, art, and visual design, represents UBS's interests to policy-makers, and co-ordinates UBS's approach to corporate responsibility.

Group General Counsel
The Group General Counsel has Group-wide responsibility for legal affairs and compliance. He defines the strategy, the goals and the organizational structure of the legal function, and sets and monitors quality standards for handling legal affairs across UBS. He supervises the Group Head of Compliance and the General Counsels of the Business Groups, ensuring that UBS meets relevant regulatory and professional standards. He issues group-wide policies and guidelines relating to legal, compliance, and, together with the Group CRO, on regulatory matters. He develops and formulates the Group's policies and control processes for legal risks and acts as a legal advisor to the Chairman, the Executive Vice Chairmen, and the CEO, CFO and other members of the Group Executive Board. He supports all functions of the Corporate Center and the Business Groups with respect to legal matters having Group-wide relevance – or which need to be coordinated across UBS.

Group Head Human Resources
The Group Head Human Resources has UBS-wide responsibility for the human resources function. He is responsible for shaping a high-performance culture and work environment, while at the same time being the promoter of UBS's values. He builds UBS's capacity to attract and retain a diverse employee base across the globe while fostering an innovative and flexible culture ensuring that all talented UBS employees have a chance to succeed. He supports the succession planning process for senior executives and designs and administers global compensation and benefits programs.

The Leadership Institute

The UBS Leadership Institute contributes to the development of leadership capabilities at senior management level, designing, developing and delivering development programs targeted at current and future senior leaders.

Chief Technology Officer (CTO)

The CTO is the head of the information technology infrastructure (ITI) unit. ITI encompasses all IT infrastructure teams across UBS, covering management of data networks, telephone and other communications systems, IT security, distributed computing and servers, mainframes and data centers, market data services, user services and desktop computing. The new unit has set its focus on serving all UBS's businesses in a client-driven and cost-efficient way, as well as building towards a consistent technical architecture.

Private Banks & GAM

Private Banks & GAM comprises the fully owned private banking subsidiaries Ehinger & Armand von Ernst, Banco di Lugano, and Ferrier Lullin as well as GAM, its specialist asset manager.

Ehinger & Armand von Ernst was founded in 2003 through the merger of Cantrade Private Bank, Bank Ehinger, and Armand von Ernst. With a head office in Zurich and branches in Basel and Bern, it is one of the most important providers of wealth management services and investment advice to the German speaking region of Switzerland.

Banco di Lugano is a private bank based in the Ticino region of Switzerland with a branch in Jersey and a subsidiary in Singapore, offering private clients individualized long-term financial planning and asset management services.

Ferrier Lullin, founded in 1795, is the oldest private bank in Geneva. With branches in Lausanne and Sion and a subsidiary in Nassau, it provides advisory and wealth management services to discerning domestic and international private clients.

From its nine offices worldwide, GAM delivers active investment management services to private clients, institutions and intermediaries. GAM's funds and strategies cover a broad range of asset classes, currencies and market conditions. It has extensive and longstanding expertise in managing hedge funds and funds of hedge funds.

Giving the private label banks and GAM a common platform has equipped and encouraged them to grow faster, helping them to deliver their full value creation potential. They have also been able to target economies of scale not achievable by each organization on its own.

Industrial Holdings

The Industrial Holdings segment is where our majority stakes in industrial companies and large non-financial businesses are held.

Industrial Holdings

Income statement[1]

	For the year ended[2]
CHF million, except where indicated	31.12.04
Total operating income	3,667
Total operating expenses	3,460
Operating profit before tax and minority interests	**207**

As at	31.12.04
Headcount *(full-time equivalents)*	8,020

1 Industrial Holdings consists of Motor-Columbus, a Swiss holding company, whose only significant asset is a 59.3% interest in Atel, a Swiss-based European energy provider. 2 Results shown for the six month period beginning on 1 July 2004.

Business

On 31 December 2004, the Industrial Holdings segment was made up by Motor-Columbus, a financial holding company whose only significant asset is a 59.3% interest in the Atel Group. Atel, based in Olten, Switzerland, is a European energy provider focused on domestic and international power generation, electricity transmission and energy services as well as electricity trading and marketing. Motor-Columbus also holds several other small finance and property companies.

Organizational structure

UBS owns a 55.6% stake in Motor-Columbus after purchasing an additional 20% stake on 1 July 2004. As a result, UBS, as majority owner, consolidated Motor-Columbus into its accounts, revaluing its assets and liabilities. Motor-Columbus employed 8,020 staff on 31 December 2004.

In first quarter 2005, our private equity investments, currently within the Investment Bank, will move to the Industrial Holdings segment. This represents a further step in our strategy of de-emphasizing and reducing exposure to this asset class while capitalizing on orderly exit opportunities when they arise.

It also adds transparency to our accounts as it helps us more clearly separate our core financial businesses from the stakes held in industrial holdings.

Financial Management

Taking risks is an integral part of our business. Our aim is to achieve an appropriate balance between risk and return not only in normal circumstances but also under stressed conditions.

Risk management and control

Good risk management and control lie at the heart of any business, particularly a financial services firm – they are integral parts of providing consistent, high-quality returns to shareholders. If we fail to adequately manage and control our risks we may suffer financial losses. Potentially more important is the resultant damage to our reputation, which could undermine our share price by reducing our client base, and impairing our ability to retain talented employees. Ultimately, regulators might be forced to impose constraints upon our business.

We recognize that taking risk is core to our financial business and that operational risks are an inevitable consequence of being in business. Our aim is to achieve an appropriate balance between risk and return. Thus, in our day-to-day business and in the strategic management of our balance sheet and capital, we seek to limit the scope for adverse variations in our earnings and control exposure to "stress events".

We base our approach to risk management and control on five principles.

Business management is accountable for all the risks assumed throughout the firm and is responsible for the continuous and active management of all risk exposures to ensure that risk and return are balanced. This responsibility applies not only to the traditional banking risks of credit and market risk but also to the many and varied operational risks that potentially arise from inadequate or failed internal processes, people or systems or from external causes, which may be deliberate, accidental or natural.

An *independent control process* is implemented when required by the nature of the risks, in particular to balance short-term profit incentives and the long-term interests of UBS. The control functions are responsible for providing an objective check on risk-taking activities.

Comprehensive, transparent and objective *risk disclosure* to our senior management, the Board of Directors, shareholders, regulators, rating agencies and other stakeholders is the cornerstone of the risk control process.

We *protect our earnings* by controlling risk at the level of individual exposures, at a portfolio level and in aggregate, across all risk types and businesses, relative to our risk capacity – the level of risk we are capable of absorbing, based on our earnings power.

We *protect our reputation* by managing and controlling the risks incurred in the course of our business, and for this reason we avoid concentrations of exposure and limit potential stress losses, not only from credit, market and liquidity risks but also from operational risks. We avoid extreme positions in transactions that are sensitive for tax, legal, regulatory or accounting reasons, and adopt a cautious approach to any risks that cannot be sensibly evaluated or priced. We adopt the highest standards in protecting the confidentiality and integrity of our client information, and aim to maintain the highest ethical standards in all our business dealings.

All employees, but in particular those involved in risk decisions, must make UBS's reputation an overriding concern. Responsibility for our reputation cannot be delegated or syndicated.

Key responsibilities

Excellence in risk management is fundamentally based upon a management team that makes risk identification and control critical components of its processes and plans. Responsibility therefore flows from the top.

The *Board of Directors* is responsible for the firm's fundamental approach to risk, for approving our risk principles and for determining our risk capacity.

The *Chairman's Office* oversees the risk profile of the firm on behalf of the Board of Directors and has ultimate authority for credit, market and other risk related matters.

The *Group Executive Board (GEB)* is responsible for implementing the risk principles, including approval of core risk policies, for appointing Business Group management that demonstrates both business and control competence, and for managing the risk profile of UBS as a whole.

The *Group Chief Risk Officer (CRO)* has overall responsibility for the development and implementation of the Group's risk control principles, frameworks, limits and processes across market, credit and operational risk. Effective 1 March 2005, a new GEB position was established for the Group Chief Risk Officer.

The *Group Chief Financial Officer (CFO)* is responsible for transparency in the financial performance of UBS and its Business Groups, including high-quality and timely reporting.

The *Group Chief Credit Officer (CCO) and Group General Counsel*, in their areas of responsibility, develop the risk control principles, formulate risk policies, and determine methodologies for measuring and assessing risks.

The *Group Treasurer* is responsible for management of UBS's financial resources and financial structure and for governance of treasury processes and transactions, including funding and liquidity risks.

The *Group Controller* is responsible for the production, analysis and delivery of accurate and objective financial and regulatory accounts and reports, for establishing accounting policies, and for global control and co-ordination of tax issues.

Within the Business Groups, the control functions are empowered to enforce the risk principles and are responsible for the implementation of independent control processes.

The risk control process

There are five critical elements in our independent risk control process:

- we *identify risk*, through the continuous monitoring of portfolios, by assessing new businesses and complex or unusual transactions, and by reviewing our own risks in the light of external events
- we *measure quantifiable risks*, using methodologies and models which have been independently validated and approved
- we establish *risk policies* to reflect our risk principles, risk capacity and risk appetite, and consistent with evolving business requirements and international best practice
- we have comprehensive *risk reporting* to stakeholders, and to management at all levels, against the approved risk control framework and, where applicable, limits
- we *control risk* by monitoring and enforcing compliance with the risk principles, and with policies, limits and regulatory requirements.

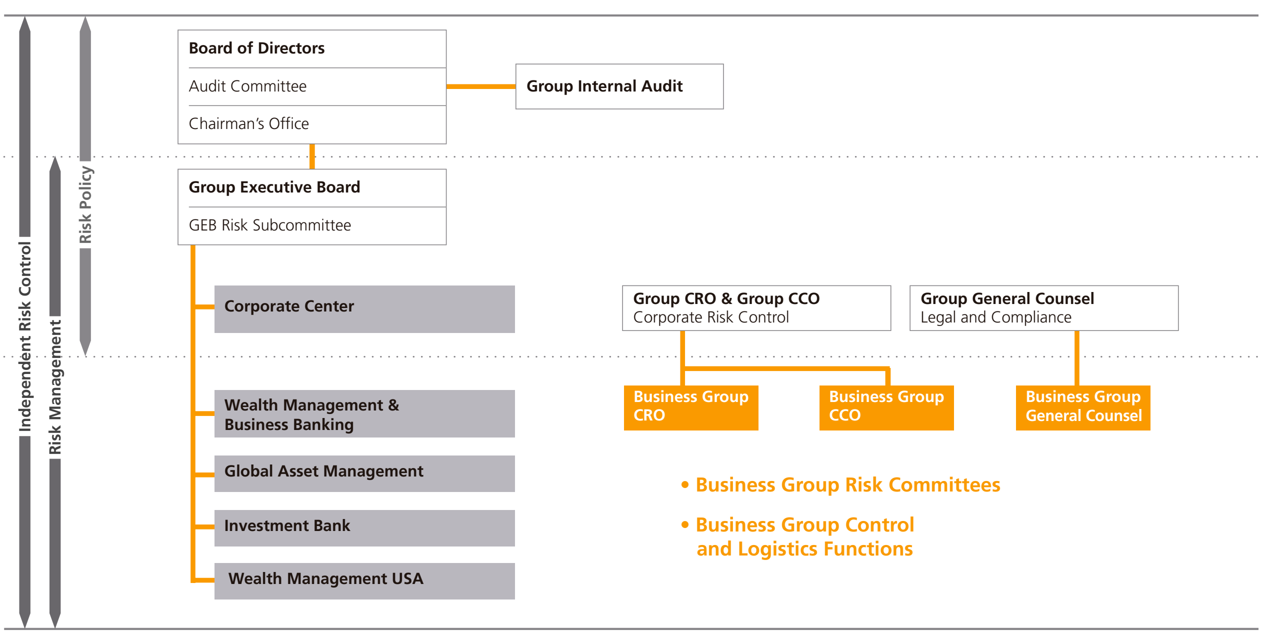
Coordinated processes involving all relevant control and logistics functions are applied before commencement of any new business or significant change in business, and before the execution of any transaction which is complex or unusual in its structure or is sensitive to tax, legal, regulatory or accounting considerations. These processes, which involve the business, risk control, legal, compliance, financial control and logistics functions, ensure that all critical elements are addressed in a holistic way, including the assurance that transactions can be booked in a way that will permit appropriate ongoing risk monitoring, reporting and control.

The risks we take

Business risks are the risks associated with a chosen business strategy, including business cycles, industry cycles, and technological change. They are the sole responsibility of the relevant business, and are not subject to an independent control process. They are, however, factored into the firm's planning and budgeting process and the assessment of our risk capacity and overall risk exposure.

The primary and operational risks inherent in our business activities are subject to independent risk control. Primary risks are exposures deliberately entered into for business reasons, which are actively traded and managed. Operational risks arise as a consequence of business undertaken and as a consequence of internal control gaps, which cannot be entirely eliminated.

Risk management and control framework



Primary risks are credit risk, market risk and liquidity and funding risk:

– *credit risk* is the risk of loss resulting from client or counterparty default and arises on credit exposure in all forms, including settlement risk
– *market risk* is exposure to market variables such as interest rates, exchange rates and equity markets, and to price movements on securities and other obligations which we trade
– *liquidity and funding risk* is the risk that we are unable to meet our payment obligations when due, or that we are unable, on an ongoing basis, to borrow funds in the market on an unsecured, or even secured basis at an acceptable price to fund actual or proposed commitments.

Risk categories

Inherent risks		
Primary risks	**Operational risks**	
Credit risk	Transaction processing risk	Compliance risk
Market risk	Legal risk	Liability risk
Liquidity and funding risk	Security risk	Tax risk
Reputational risk		

Operational risk can arise in a number of ways:

– *transaction processing risk* arises from errors, failures or shortcomings at any point in the transaction process, from deal execution and capture to final settlement
– *compliance risk* is the risk of financial loss due to regulatory fines or penalties, restriction or suspension of business, or mandatory corrective action. Such risks may be incurred by not adhering to applicable laws, rules, regulations, accounting standards, local or international best practice, or our own internal standards
– *legal risk* is the risk of financial loss resulting from the nonenforceability of our actual or anticipated rights arising under law, a contract or other arrangement
– *liability risk* is the risk that we, or someone acting on our behalf, fail to fulfill the obligations, responsibilities or duties imposed by law or assumed under a contract and that claims are therefore made against us
– *security risk* is the risk of loss of confidentiality, integrity or availability of our information or other assets
– *tax risk* is the risk of additional tax arising from technically incorrect positions taken on tax matters, or failure to comply with tax withholding or reporting requirements on behalf of clients or employees; and the risk of claims by clients or counterparties as a result of our involvement in tax sensitive products or transactions.

Failure to identify, manage or control any of these risks, including business risks, may result not only in financial loss but also in loss of reputation, and repeated or widespread failure compounds the impact. Reputation risk is not directly quantifiable and cannot be managed and controlled independently of other risks.

How we measure risk

In principle, for risks that are quantifiable, we measure the potential loss at three levels – expected loss, statistical loss and stress loss.

Expected loss is the loss that is expected to arise on average in connection with an activity. It is an inherent cost of such activity and is budgeted and, where permitted by accounting standards, deducted directly from revenues.

Statistical loss (also known as "unexpected loss") is an estimate of the amount by which actual loss can exceed expected loss over a specified time horizon, measured to a specified level of confidence (probability).

Stress loss is the loss that could arise from extreme events.

Our primary day-to-day quantitative controls, which govern normal periodic adverse results (statistical loss) and protect us from stress events, are the limits we apply to individual risk types, to portfolios and sub-portfolios, and to specific concentrations of risk and individual exposures. The identification of stress events and scenarios to which we are vulnerable and an assessment of their potential impact, and in particular the danger of aggregated losses from a single event through concentrated exposures, is therefore a key component of the risk control process.

To complement these operating controls, we also monitor and constrain our aggregate risk exposure across all risk types and businesses, relative to our risk capacity. In this context, we define our risk exposure as the level of potential loss inherent in our business in the current economic cycle, across all business lines, and from all sources, including operational and business risks. It is measured against a severe, low probability but nevertheless plausible constellation of events. Our risk capacity is the level of risk we are capable of absorbing based on our earnings power, without unacceptable damage to our dividend paying ability, our strategic plans and, ultimately, our reputation and ongoing business viability.

Although measurement of risk is clearly important, quantification does not always tell the whole story, and not all risks are quantifiable. We therefore pay equal attention to "soft" risks, avoiding the temptation to ignore risks that cannot be properly quantified. We also place great emphasis on qualitative controls and rigorous risk control processes to ensure that both quantifiable and unquantifiable risk is identified, assessed and reported.

Stress situations can arise from many sources and when extreme events occur, quantitative and qualitative risk assessments alone are not sufficient. The essential complements are a tried and tested process which can be invoked immediately in response to any crisis, and well prepared business continuity management processes and plans. We continue to develop and refine these processes as we learn from our own and others' experience.

Credit risk

Credit risk represents the loss which UBS would suffer if a client or counterparty failed to meet its contractual obligations. It is an integral part of many of our business activities and is inherent in traditional banking products – loans, commitments to lend and other contingent liabilities, such as letters of credit – and in "traded products" – derivative contracts such as forwards, swaps and options, and repo and securities borrowing and lending transactions.

Some of these products are accounted for on an amortized cost basis while others are recorded in the financial statements at fair value. Banking products are generally accounted for on an amortized cost basis, but loans which have been originated by the Group for subsequent syndication or distribution via the cash markets are carried at fair value. Within traded products, OTC derivatives are carried at fair value, while repos and securities borrowing and lending transactions are carried at amortized cost. Regardless of the accounting treatment, all banking and traded products are governed by the same risk management and control framework – the Group Credit Policy Framework and our detailed credit policies and procedures.

All Business Groups taking material credit risk have independent credit risk control units, headed by Chief Credit Officers (CCOs) reporting functionally to the Group CCO. They are responsible for counterparty ratings and credit risk assessment. Credit risk authority, including authority to establish allowances and provisions or credit valuation adjustments for impaired claims, is vested in the Chairman's Office and the GEB and from there is further delegated on an ad personam basis to the Group CCO and credit officers in the Business Groups. The level of credit authority delegated to authority holders varies according to the quality of the counterparty and any associated security, and takes into account the seniority and experience of the individual.

Credit risk of counterparties and groups

We set limits on our credit exposure to both individual counterparties and counterparty groups. In the Investment Bank, where it is most relevant, we differentiate between "take and hold" and "temporary" exposures, the latter being those accepted with the intention of syndicating, selling or hedging within a short period.

We manage and control concentrations of credit risk wherever we identify them, in particular to individual counterparties and groups and to industries and countries. Disciplined processes are in place within the Business Groups and Corporate Center to ensure prompt identification, accurate assessment, proper approval and consistent monitoring and reporting of credit risk.

Exposure is measured for banking products as the face value amount of the loan or commitment. For most traded products we determine the future exposure profile by modeling the potential evolution of the value of the portfolio of trades with each counterparty over its life (potential credit exposure), taking into account legally enforceable close-out netting agreements where applicable. Credit limits for individual counterparties are applied to the "maximum likely exposure", a statistical measure derived from this model.

The Investment Bank has also developed, primarily as a management tool at this stage, a measure which translates all exposures into a benchmark loan equivalent, taking into account expected changes in exposure profile of traded products and credit rating migration of the counterparty. Maximum counterparty concentration guidelines are set for each rating class. Credit exposure is monitored against these guidelines and exposure reduction through syndication, sale or hedging may be required if a guideline is exceeded.

Credit portfolio risks

Credit risk exists in every credit engagement, and credit losses must be expected as an inherent cost of doing business. But the occurrence of credit losses is erratic in both timing and amount and those that arise usually relate to transactions entered into in previous accounting periods. In order to reflect the fact that future credit losses are implicit in today's portfolio, we use the concept of "expected loss".

Expected loss

Expected loss is a forward-looking, statistically based concept from which we estimate the annual costs that will arise, on average over time, from positions in the current portfolio that become impaired. It is derived from the probability that a given counterparty will default, our current and likely future exposure to that counterparty and the likely severity of the loss should default occur.

We assess the default probabilities of individual counterparties using rating tools tailored to the various categories of counterparty, and from these we derive a credit rating. Clients are segmented into 15 rating classes, two being reserved for assets that are already impaired or defaulted. The UBS rating scale, which is shown in the table on page 48, is not only an ordinal ranking of our counterparties – we have assigned to each rating class a range of default probabilities, and thus, in principle, clients migrate between rating classes as our assessment of their probability of default changes. As shown in the table, we map the ratings of the major rating agencies to our rating classes based on the long-term average default obser-

UBS internal rating scale and mapping to external ratings

UBS Rating	Description	Moody's Investor Services equivalent	Standard & Poor's equivalent
0 and 1	Investment grade	Aaa	AAA
2		Aa1 to Aa3	AA+ to AA–
3		A1 to A3	A+ to A–
4		Baa1 to Baa2	BBB+ to BBB
5		Baa3	BBB–
6	Sub-investment grade	Ba1	BB+
7		Ba2	BB
8		Ba3	BB–
9		B1	B+
10		B2	B
11		B3	B–
12		Caa to C	CCC to C
13	Impaired and defaulted	D	D
14		D	D

vations for each external grade. Observed defaults per rating category vary year-on-year, especially over an economic cycle, and therefore this mapping does not imply that UBS expects this number of defaults in any given period.

We determine exposure at default based on the expected amounts owed at the time of default. For traded products, for example, this is based on the expected exposure profile, derived from the same model as the maximum likely exposure used to measure credit limit utilization.

Loss severity or loss given default (LGD) represents our expectation of the extent of loss on a claim should default occur. It is expressed as percentage loss per unit of exposure and typically varies by type of counterparty, type and seniority of claim, and availability of collateral or other credit mitigation.

This measurement of expected loss is broadly consistent with the concepts of Basel II under which future minimum regulatory capital requirements for credit risk will be determined.

Expected loss is the basic measure for quantifying credit risk in all our credit portfolios. Not only is it an important risk indicator in itself, it is also the starting point for further portfolio analyses (statistical and stress loss). Additionally, for products carried at amortized cost, it is used for risk adjusted pricing, and to assess credit loss for management accounting purposes, which differs from the credit loss expense reported in the financial statements.

Statistical and stress loss

Our credit portfolio is heterogeneous, varying significantly in terms of client type, sector, geographical diversity and the size of exposures. For the assessment of both statistical loss and

Total credit exposure

	Wealth Management			Business Banking Switzerland		
CHF million	**31.12.04**	31.12.03	31.12.02	**31.12.04**	31.12.03	31.12.02
Loans utilization (gross)	**43,571**	36,238	29,615	**137,147**	138,534	139,491
Contingent claims	**3,444**	3,154	4,238	**7,570**	8,270	7,210
Unutilized committed lines	**669**	408	350	**1,275**	1,392	1,634
Total banking products	**47,684**	39,800	34,203	**145,992**	148,196	148,335
Unsecured OTC products	**0**	0	0	**1,226**	1,385	1,682
Other derivatives (secured or exchange-traded)	**2,087**	853	563	**322**	337	149
Securities lending / borrowing	**0**	0	0	**3,953**	1,093	917
Repo / reverse-repo	**1**	0	0	**37**	26	14
Total traded products[3]	**2,088**	853	563	**5,538**	2,841	2,762
Total credit exposure, gross	**49,772**	40,653	34,766	**151,530**	151,037	151,097
Total credit exposure, net of allowances and provisions	**49,744**	40,637	34,697	**149,213**	147,911	147,141

1 Includes Global Asset Management and Corporate Center including Private Banks & GAM. 2 Excludes CHF 764 million from Industrial Holdings for the year ended 31 December 2004. 3 Traded products exposure is based on internal measurement methodology.

stress loss in material credit portfolios, we make an initial analysis based on sub-portfolios with more homogeneous characteristics.

We aggregate statistical loss across these portfolios using our own proprietary credit Value at Risk (credit VaR) methodology. This provides an indication of the level of risk in the portfolio and the way it changes over time.

Modeling extreme credit losses is complex because they are driven much less by systematic factors than is generally the case for market risk. We apply scenarios which allow us to assess the impact of variations in default rates and asset values, taking into account risk concentrations in each portfolio. We also measure industry and geographical contributions to stress loss results.

Composition of credit exposures

Our credit exposure arises principally in Wealth Management & Business Banking and Investment Bank and, to a lesser extent, in Wealth Management USA.

The credit exposure of Wealth Management & Business Banking is mainly comprised of traditional loans to private individuals and corporations. Loans to private individuals are typically secured by either residential real estate or portfolios of marketable securities. Loans to corporations may, depending on our assessment of the credit capacity and quality of the borrower, be extended on an unsecured basis, but often benefit from collateral in the form of real estate or other assets.

In Investment Bank, credit exposure arises from both traditional banking products and traded products. Traded products exposure to lower rated counterparties is generally collateralized or otherwise supported.

The table below provides an overview of the aggregate credit exposure of UBS in gross terms, i.e. without recognition of credit hedges, collateral or other risk mitigation.

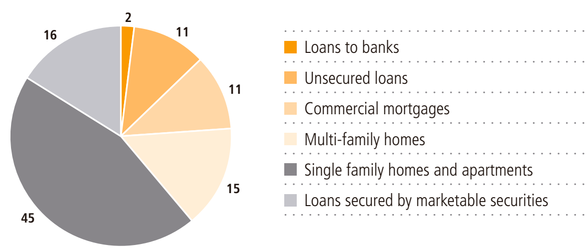
Wealth Management & Business Banking

Wealth Management & Business Banking's gross loans on 31 December 2004 amounted to CHF 181 billion. Loans to customers increased by CHF 5.9 billion – secured lending in Wealth Management rose by CHF 7.3 billion while Business Banking's loan book fell by CHF 1.4 billion. 71% or CHF 129 billion of gross loans are secured by real estate. The pie chart below shows that exposure to the real estate sector is well

Wealth Management & Business Banking
Composition of loan book

in %

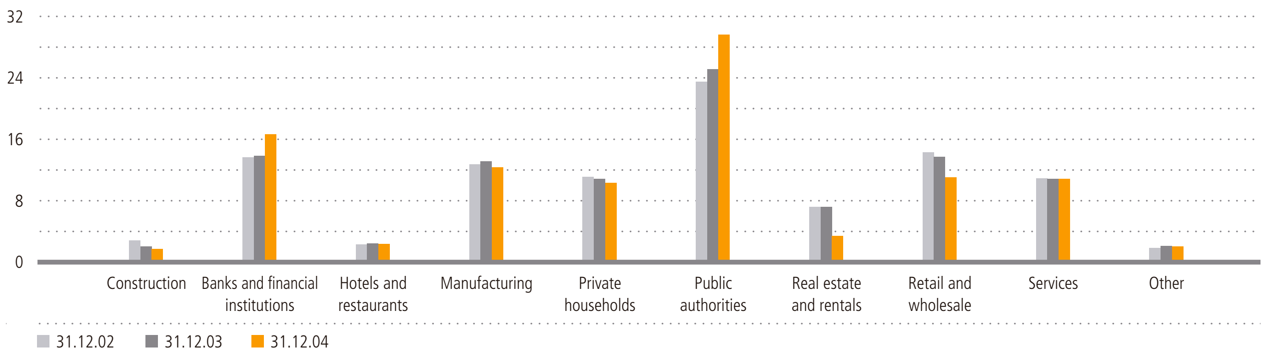
As at 31.12.04



Wealth Management & Business Banking			Investment Bank			Wealth Management USA			Others[1]			UBS		
31.12.04	31.12.03	31.12.02	31.12.04	31.12.03	31.12.02	31.12.04	31.12.03	31.12.02	31.12.04	31.12.03	31.12.02	31.12.04	31.12.03	31.12.02
180,718	174,772	169,106	68,653	55,154	61,449	14,652	13,116	12,857	5,495	4,953	5,689	269,518[2]	247,995	249,101
11,014	11,424	11,448	3,391	3,201	4,407	274	355	430	215	583	309	14,894	15,563	16,594
1,944	1,800	1,984	51,224	44,670	36,439	0	80	811	0	73	72	53,168	46,623	39,306
193,676	187,996	182,538	123,268	103,025	102,295	14,926	13,551	14,098	5,710	5,609	6,070	337,580	310,181	305,001
1,226	1,385	1,682	53,372	53,649	55,002	0	0	0	329	573	0	54,927	55,607	56,684
2,409	1,190	712	15,741	14,535	10,850	0	1	3	0	0	0	18,150	15,726	11,565
3,953	1,093	917	27,301	22,220	11,962	0	0	0	0	0	0	31,254	23,313	12,879
38	26	14	20,305	19,546	21,744	171	151	439	0	0	0	20,514	19,723	22,197
7,626	3,694	3,325	116,719	109,950	99,558	171	152	442	329	573	0	124,845	114,369	103,325
201,302	191,690	185,863	239,987	212,975	201,853	15,097	13,703	14,540	6,039	6,182	6,070	462,425	424,550	408,326
198,957	188,548	181,838	239,529	212,195	200,697	15,079	13,675	14,498	5,977	6,178	6,061	459,542	420,596	403,094

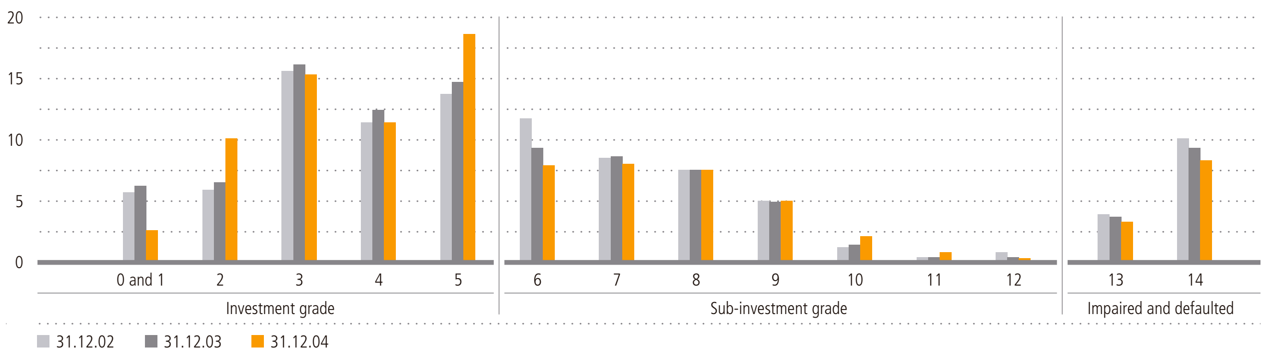
Business Banking Switzerland: gross loans (excluding mortgages) by industry sector

As a % of Business Banking Switzerland loan exposure (excluding mortgages)



Business Banking Switzerland: gross loans (excluding mortgages) by counterparty rating

As a % of Business Banking Switzerland loan exposure (excluding mortgages)



Wealth Management & Business Banking:
distribution of banking product exposure across counterparty rating and loss given default (LGD) buckets

		Loss given default buckets				
CHF million	Gross exposure	0–25%	26–50%	51–75%	76–100%	Weighted average LGD *(%)*
0	1,057	156	244	632	25	48
1	405	2	228	167	8	45
2	22,463	17,209	4,371	827	56	24
3	14,674	8,442	3,482	2,386	364	30
4	7,812	659	4,977	2,159	17	40
5	97,325	85,137	7,729	2,313	2,146	27
6	12,090	2,396	7,830	1,742	122	36
7	14,120	1,473	9,737	1,673	1,237	40
8	11,713	446	9,216	1,782	269	38
9	5,257	321	3,778	1,053	105	40
10	1,307	234	639	420	14	41
11	564	321	101	116	26	35
12	735	272	298	161	4	36
Total non-impaired	**189,522**	**117,068**	**52,630**	**15,431**	**4,393**	**30**
Investment grade	143,736	111,605	21,031	8,484	2,616	
Sub-investment grade	45,786	5,463	31,599	6,947	1,777	
Impaired and defaulted	4,154					
Total banking products	**193,676**					

diversified with 45% of loans being secured on single-family homes and apartments, which, historically, have exhibited a low risk profile. The 15% of exposure secured on residential multi-family homes consists of rented apartment buildings. Loans and other credit engagements with individual clients, excluding mortgages, are predominantly extended against the pledge of marketable securities to which we apply conservative standards in determining the amount we are prepared to lend against them.

Unsecured loans consist predominantly of exposures to corporate clients. They are widely spread across rating categories and industry sectors, reflecting our position as a market-leading lender to this segment of predominantly small- to medium-sized enterprises in Switzerland. During 2004 we have continued to focus on improving the quality of our credit portfolio, reducing both individual and sector concentrations.

The table on the previous page shows credit exposure across counterparty ratings and loss given default (LGD) buckets. The concentration in the rating grade 5 and LGD bucket 0–25% reflects the dominant residential mortgage business.

Investment Bank

A substantial majority of the Investment Bank's credit exposures falls into the investment grade category (internal counterparty rating grades 0 to 5), both for banking products gross (63%) and for traded products (95%). The counterparties are primarily sovereigns, financial institutions, multinational corporate clients and investment funds.

Investment Bank: credit hedging, banking products

	As at 31.12.04					
CHF million	Gross exposure [1]	Funded risk participations and cash collateral	Risk transfers [2]	Specific allowances for credit loss and loan loss provisions	Adjusted credit exposure	Nominal amount of credit protection bought [3]
Investment grade	54,316	(212)	888	0	54,987	19,041
Sub-investment grade	31,295	(221)	(882)	0	30,193	2,806
Impaired and defaulted	794	0	(6)	(410)	391	0
Total banking products exposure	**86,405**	**(433)**	**0**	**(410)**	**85,571**	**21,847**

1 Gross exposure includes contingent claims and unutilized committed lines, but excludes CHF 36,863 million made up of cash collateral posted by UBS against negative replacement values and traded products and other reconciling items caused by different accounting (IFRS) treatment. 2 Risk transfers include unfunded risk participations. Risk participations are shown as a reduction in exposure to the original borrower and corresponding increase in exposure to the participant bank. 3 Notional amount of credit protection bought on adjusted credit exposure positions. Includes credit default swaps (CDSs) and the funded portion of structured credit protection purchased through the issuance of credit linked notes (CLNs).

Note: Columns cannot be totaled as adjusted credit exposure is set to zero in case of over-hedging.

Investment Bank: distribution of banking products exposure across counterparty rating and loss given default (LGD) buckets

			Loss given default buckets				
CHF million	Adjusted credit exposure	Exposure after application of credit hedges [1]	0–25%	26–50%	51–75%	76–100%	Weighted Average LGD *(%)*
Not rated	13	13		5	8		50
0 and 1	1,312	1,135	30	1,105			49
2	11,969	10,490	218	9,455	796	21	50
3	18,449	14,605	2,494	11,363	255	493	43
4	13,257	7,052	66	6,833	73	80	50
5	9,987	4,755	860	3,805	90	0	41
6	3,748	2,424	1,107	1,267	4	46	29
7	9,136	8,902	7,718	1,131	53	0	11
8	6,213	6,021	4,910	1,026	5	80	13
9	4,164	3,565	855	2,452	230	28	35
10	4,059	3,945	522	2,589	624	210	43
11	2,388	2,382	390	1,550	442	0	46
12	485	350	239	111	0	0	21
Total non-impaired loans	**85,180**	**65,639**	**19,409**	**42,692**	**2,580**	**958**	**37**
Investment grade	54,987	38,050	3,668	32,566	1,222	594	
Sub-investment grade	30,193	27,589	15,741	10,126	1,358	364	
Impaired and defaulted	391	391	12	333	19	27	
Total banking products	**85,571**	**66,030**	**19,421**	**43,025**	**2,599**	**985**	**37**
of which: temporary exposure		14,282	238	12,557	1,111	376	

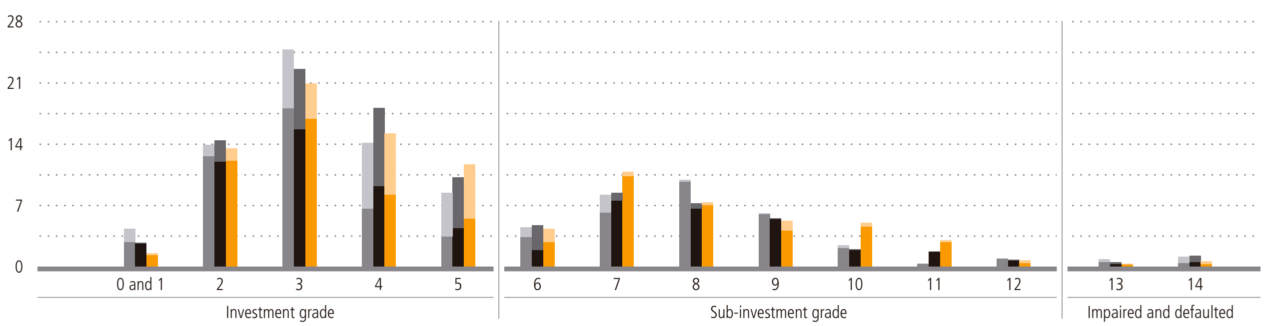
1 Exposure after application of credit hedges: adjusted credit exposure less nominal amount of credit protection bought.

The Investment Bank's total banking products exposure on 31 December 2004 was CHF 123 billion, as reported in accordance with IFRS, of which CHF 69 billion was loans, compared with CHF 103 billion total and CHF 55 billion loans on 31 December 2003 and CHF 102 billion total and CHF 61 billion loans on 31 December 2002. Part of the increase of CHF 20 billion over the course of 2004 was the result of our expanding prime brokerage and equity finance businesses, and part reflects increased underwriting activity as we capitalized on our strengthened business franchise in advising corporate clients. Note that disclosures in this section present the credit exposure from a risk management and control perspective, which differs from disclosure under IFRS. In particular, gross banking products exposure in risk terms amounts to CHF 86.4 billion, a difference of CHF 36.9 billion to the CHF 123.3 billion reported for the Investment Bank in the table on page 49. This difference is mainly made up of cash collateral posted by UBS against negative replacement values and other positions which, from a risk perspective, do not classify as loans but where the underlying credit risk is incorporated into our traded products measurement methodologies. On the other hand, in our internal risk control view we consider certain US residential mortgage financing conducted under repo-/reverse repo-like agreements as banking product exposures.

In the last few years, the Investment Bank has engaged in a substantial credit risk hedging program through which we have hedged our banking product exposure. This was achieved mainly by transferring the underlying risk to high-grade market counterparties using single name credit default swaps. In 2004 we also created credit-pooling vehicles to transfer a portion of our global credit risk portfolio via credit linked notes to outside investors. The table on page 51 shows that on 31 December 2004 an amount of CHF 21,847 million of credit hedges was in place against our banking products exposure. To illustrate the effects of credit hedging and other risk mitigation, the rating distribution graph below shows exposures

Investment Bank: banking products exposure by counterparty rating

As a % of Investment Bank banking products exposure [1]

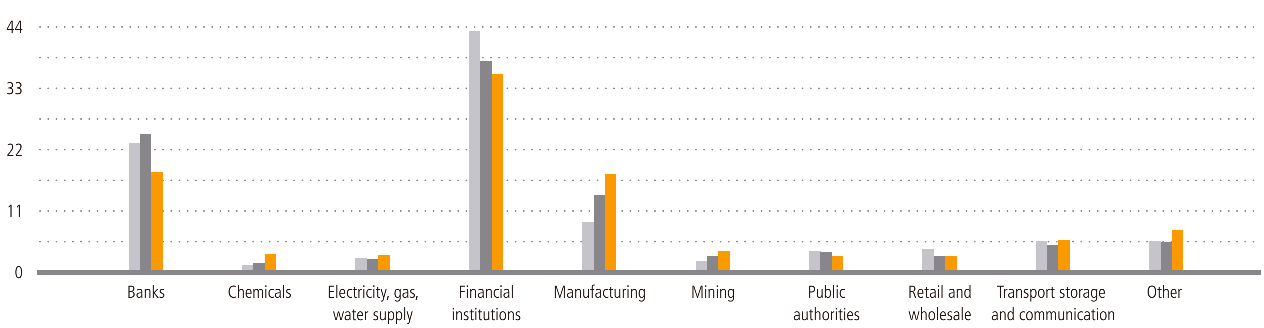


31.12.02 Gross | 31.12.02 Net[1] | 31.12.03 Gross | 31.12.03 Net[1] | 31.12.04 Gross | 31.12.04 Net[1]

1 Banking products exposure net of cash collateral and allowances/provisions, and after application of credit hedges.

Investment Bank: banking products exposure by industry sector

As a % of Investment Bank banking products exposure [1]



31.12.02 | 31.12.03 | 31.12.04

1 Banking products exposure net of cash collateral and allowances/provisions, and after application of credit hedges.

before and after application of risk mitigants. Additionally, in the matrix on page 51, we show the distribution of Investment Bank's banking products exposure after application of risk mitigants across rating grades and LGD buckets. LGDs in this portfolio are assigned based on benchmark LGDs which are 40% for senior secured claims, 50% for senior unsecured claims and 70% for subordinated claims. There is thus a concentration in the 26–50% bucket. The significant exposure in the sub-investment grade 0–25% bucket is mainly comprised of short term loans to US mortgage originators, secured on their mortgage portfolios, pending securitization. Note that exposure distribution across counterparty ratings shown elsewhere in this section refers only to gross exposure and probability of default, without reference to the likely severity of loss or loss mitigation from collateral or credit hedges.

Banking products exposure after application of credit hedges continues to be widely diversified across industry sectors. At 31 December 2004, the largest exposure (36%) was to financial institutions. Our well established and disciplined credit underwriting and distribution standards, our focus on asset quality and our avoidance of risk concentrations continued to be the cornerstones of our risk management strategy in an increasingly competitive landscape.

A significant proportion of the Investment Bank's credit risk arises from its trading and risk management activities and from the provision of risk management solutions to clients, which includes the use of derivative products. Transactions with counterparties of lower quality are generally conducted on a secured basis or for short tenors only. In line with general market trends, we have also entered into bilateral collateral agreements with other major banks and financial institutions to mitigate the potential concentrations of exposure arising from industry consolidation and the continuing increase in volumes of OTC derivatives traded.

The graph below shows the Investment Bank's traded products exposure by counterparty rating on 31 December 2004.

Further details of derivative instruments are provided in note 23 to the financial statements and details of securities borrowing, securities lending, repurchase and reverse repurchase activities can be found in note 10 to the financial statements.

Wealth Management USA

Consistent with a business focus on regulated, collateralized lending to high net worth individuals, credit risk in the Wealth Management USA portfolio is comparatively low. The lending portfolio on 31 December 2004 amounted to CHF 14.7 billion, spread across more than 100,000 individual positions, widely dispersed across the US. In order to provide a broader range of services to our US clients, we opened UBS Bank USA in late 2003. In 2004, its first full year of operation, it has become one of the 50 largest banks in the US with one of the fastest growing loan books.

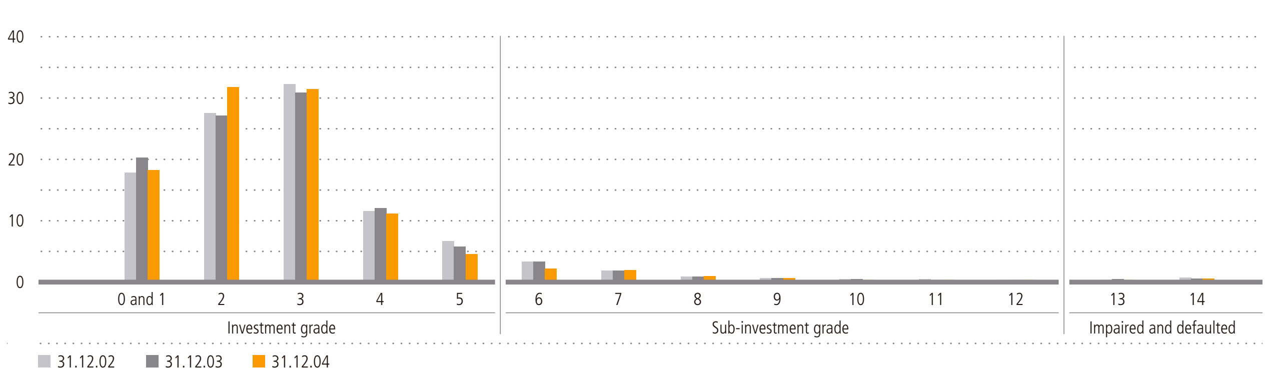
Settlement risk

Settlement risk arises in transactions involving exchange of value when we must honor our obligation to deliver without first being able to determine that we have received the countervalue. The most significant element of our settlement risk arises from foreign exchange transactions, but the Continuous Linked Settlement (CLS) system, an industry initiative which has now been in operation for over two years, allows transactions to be settled on a delivery versus payment basis, eliminating settlement risk. The volume of transactions settled through CLS has continued to increase throughout 2004, and by fourth quarter the proportion of our foreign exchange business being settled in this way had increased to 57% from 50% in fourth quarter 2003. Of the transactions settled through CLS, 82% by volume were with CLS Settlement Members and the remainder with so-called Third Party Members, who settle their eligible trades via CLS Settlement Members. While the number of CLS Settlement Members is relatively stable, the

Financial Management

Investment Bank: gross traded products exposure by counterparty rating

As a % of Investment Bank traded products exposure



Emerging market exposure by major geographical area and product type

CHF million	Total			Banking products			Traded products			Tradable assets		
As at	**31.12.04**	31.12.03	31.12.02	**31.12.04**	31.12.03	31.12.02	**31.12.04**	31.12.03	31.12.02	**31.12.04**	31.12.03	31.12.02
Emerging Europe	**2,878**	1,833	2,005	**683**	441	390	**955**	606	532	**1,240**	786	1,083
Emerging Asia	**11,853**	7,721	4,755	**4,790**	2,416	2,189	**2,438**	1,113	1,179	**4,625**	4,192	1,387
Latin America	**1,646**	1,849	1,711	**193**	425	618	**319**	568	330	**1,134**	856	763
Africa / Middle East	**2,219**	2,363	2,205	**842**	882	979	**842**	1,083	818	**535**	398	408
Total	**18,596**	13,766	10,676	**6,508**	4,164	4,176	**4,554**	3,370	2,859	**7,534**	6,232	3,641

number of Third Party Members we deal with has nearly doubled in 2004. CLS does not, of course, eliminate the credit risk arising on foreign exchange transactions from changes in exchange rates prior to settlement, which we continue to measure and control as for other traded products, as described on page 47 under credit risk of counterparties and groups.

Country risk

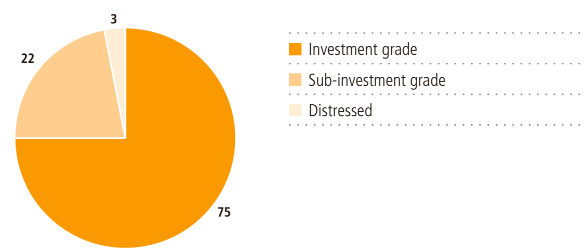
We assign ratings to all countries to which we have exposure. Sovereign ratings express the probability of occurrence of a country risk event that would lead to impairment of our claims. The default probabilities and the mapping to the ratings of the major rating agencies are the same as for counterparty credit risks (see table on page 48), the three lowest ratings being designated "distressed".

For all countries rated 3 and below, we set country risk ceilings approved by the Chairman's Office or under delegated authority. The country risk ceiling applies to all transactions with counterparties in these countries, and extension of credit may be denied on the basis of a country risk ceiling, even if adequate counterparty limits are available. Within this group of countries, those that have yet to reach a mature stage of economic, financial, institutional, political and social development or have significant potential for economic or political instability are defined as emerging market countries. The country data provided on this page cover only emerging market countries and not all countries which are subject to ceilings.

Counterparty defaults resulting from multiple insolvencies (systemic risk) or general prevention of payments by authorities (transfer risk) are the most significant effects of a country crisis, but in our internal measurement and control of country

Emerging market exposure by country rating category
in %

As at 31.12.04



risk we also consider the probable financial impact of market disruptions arising prior to, during and following a country crisis. These might take the form of severe falls in the country's markets and asset prices, longer-term devaluation of the currency, and potential immobilization of currency balances.

We measure the potential financial impact of severe emerging markets crises by stress testing. This entails identifying countries that may be subject to a potential crisis event, making conservative assumptions about potential recovery rates depending on the types of transaction involved and their economic importance to the affected countries, and thereby determining potential loss.

Country risk exposure

Our cross-border country risk exposure to emerging markets amounted to CHF 18.6 billion on 31 December 2004, compared with CHF 13.8 billion on 31 December 2003 and CHF 10.7 billion on 31 December 2002. Of this amount, CHF 13.9

Credit loss (expense) / recovery versus adjusted expected credit loss charged to the Business Groups

CHF million	Wealth Management			Business Banking Switzerland		
For the year ended	**31.12.04**	31.12.03	31.12.02	**31.12.04**	31.12.03	31.12.02
Total banking products exposure at year end	**47,684**	39,800	34,203	**145,992**	148,196	148,335
Credit loss (expense) / recovery	**(1)**	4	1	**92**	(71)	(239)
– as a proportion of total banking products exposure *(bps)*	**(0)**	1	0	**6**	(5)	(16)
Adjusted expected credit loss charged to the Business Groups[2]	**(8)**	(4)	(26)	**(25)**	(127)	(286)
– as a proportion of total banking products exposure *(bps)*	**(2)**	(1)	(8)	**(2)**	(9)	(19)

1 Includes Global Asset Management and Private Banks & GAM. 2 See note 2 to the financial statements of the 2004 Financial Report.

billion or 75% is to investment grade countries, compared to 62% a year earlier. The growth of CHF 4.8 billion in total emerging markets exposure arose to a large extent in Asia as we actively sought and captured market opportunities in targeted countries we consider to have long-term potential.

The table and graph on the previous page analyze the cross-border emerging market country exposures by country rating category, by major geographical area and by product type on 31 December 2004 compared to 31 December 2003 and 31 December 2002.

Impairment and provisioning policies

We classify a claim as impaired if we consider it probable that we will suffer a loss on that claim as a result of the obligor's inability to meet commitments (including interest payments, principal repayments or other payments due, for example, on a derivative product or under a guarantee) according to the contractual terms, and after realization of any available collateral. We further classify loans carried at amortized cost as non-performing where payment of interest, principal or fees is overdue by more than 90 days and there is no firm evidence that they will be made good by later payments or the liquidation of collateral, or where insolvency proceedings have commenced or obligations have been restructured on concessionary terms.

The recognition of impairment in the financial statements depends on the accounting treatment of the claim. For products carried at amortized cost, impairment is recognized through the creation of an allowance or provision, which is charged to the income statement as credit loss expense. For products recorded at fair value, impairment is recognized through a credit valuation adjustment, which is charged to the income statement through the net trading income line.

We have established policies to ensure that the carrying values of impaired claims are determined on a consistent and fair basis, especially for those impaired claims for which no market estimate or benchmark for the likely recovery value is available. The credit controls applied to valuation and workout are the same for both amortized cost and fair value credit products. Each case is assessed on its merits, and the workout strategy and estimation of cash flows considered recoverable are independently approved by the CCO organization.

We also assess portfolios of claims carried at amortized cost with similar credit risk characteristics for collective impairment. A portfolio is considered impaired on a collective basis if there is objective evidence to suggest that it contains impaired obligations but the individual impaired items cannot yet be identified. Note that such portfolios are not included in the totals of impaired loans in the table on page 56/57 or in note 9c in the financial statements.

Collective loan loss allowances and provisions also include a component for country risk. We establish country-specific scenarios, which are kept under review and updated as necessary, to evaluate the extent to which the value of our banking and traded product exposures would be affected by country risk incidents or country-specific systemic risks. Appropriate allowances and provisions are then determined by evaluating the type of credit exposure in the portfolio for each country and the loss severities that have been attributed to each exposure type. Where fair valued portfolios are affected by country risk, it is recognized in the fair values of individual claims.

Credit loss expense

Our financial statements are prepared in accordance with IFRS, under which credit loss expense charged to the financial statements in any period is the sum of net allowances and direct writeoffs minus recoveries arising in that period, i.e. the credit losses actually incurred. By contrast, in our internal management reporting and in the management discussion and analysis section of our financial report, we measure credit loss expense based on the expected loss concept described on page 47. To hold the Business Groups accountable for credit losses actually incurred, we additionally charge or refund them with the difference between actual credit loss expense and expected loss, amortized over a three-year period. The difference between the amounts charged to the Business Groups ("adjusted expected credit loss") and the credit loss expense recorded at Group level is reported in Corporate Functions (see note 2 to the financial statements).

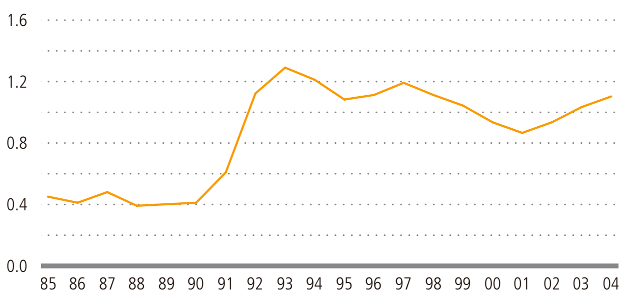
The table below shows both credit loss expense recorded under IFRS, and the adjusted expected credit loss charged to the Business Groups. The discussion which follows covers only the credit loss expense recorded under IFRS.

Wealth Management & Business Banking			Investment Bank			Wealth Management USA			Others[1]			UBS		
31.12.04	31.12.03	31.12.02	**31.12.04**	31.12.03	31.12.02	**31.12.04**	31.12.03	31.12.02	**31.12.04**	31.12.03	31.12.02	**31.12.04**	31.12.03	31.12.02
193,676	187,996	182,538	**123,268**	103,025	102,295	**14,926**	13,551	14,098	**5,710**	5,609	6,070	**337,580**	310,181	305,001
91	(67)	(238)	**240**	(4)	126	**3**	(3)	(15)	**(58)**	2	12	**276**	(72)	(115)
5	(4)	(13)	**19**	(0)	12	**2**	(2)	(11)	**(102)**	4	20	**8**	(2)	(4)
(33)	(131)	(312)	**(7)**	(55)	(90)	**(5)**	(8)	(13)	**(6)**	(2)	(2)	**(51)**	(196)	(417)
(2)	(7)	(17)	**(1)**	(5)	(9)	**(3)**	(6)	(9)	**(11)**	(4)	(3)	**(2)**	(6)	(14)

Financial Management

Swiss corporate bankruptcy rates (1985–2004)

As a % of total registered companies



Source: Creditreform

In 2004, we experienced a net credit loss recovery of CHF 276 million, compared to net credit loss expense of CHF 72 million in 2003 and CHF 115 million in 2002. This favorable result was achieved in a period which saw a very sanguine environment for credit markets globally. Economic expansion in the US provided a strong stimulus for growth worldwide. Almost without exception, credit spreads contracted in all the major developed and emerging capital markets, as healthy expansion of cash flows allowed the corporate sector to de-leverage and build liquidity.

Net credit loss recovery at Wealth Management & Business Banking amounted to CHF 91 million in 2004 compared to net credit loss expenses of CHF 67 million in 2003 and CHF 238 million in 2002. Our domestic credit portfolio demonstrated strong resilience in a Swiss economic environment which saw a 9.2% increase in corporate bankruptcies compared to 2003 (see the graph on this page). The measures taken in recent years to improve the quality of our credit portfolio have resulted in lower levels of new defaults and our success in managing the impaired portfolio has resulted in a higher than anticipated level of recoveries.

The Investment Bank experienced a net credit loss recovery of CHF 240 million in 2004, compared to net credit loss expense of CHF 4 million in 2003 and credit loss recovery of CHF 126 million in 2002. This continued strong performance was the result of minimal exposure to new defaults and strong recoveries of previously established allowances and provisions. Releases in country allowances and provisions were due partly to exposure reductions in the affected countries and partly to a more favorable outlook for emerging market economies. There was also a partial release of a sizeable allowance for a corporate counterparty which managed a turnaround during 2004.

Allowances and provisions for credit risk

CHF million	Wealth Management			Business Banking Switzerland		
As at	**31.12.04**	31.12.03	31.12.02	**31.12.04**	31.12.03	31.12.02
Due from banks	**300**	738	701	**3,052**	2,574	2,591
Loans	**43,271**	35,500	28,914	**134,095**	135,960	136,900
Total lending portfolio, gross	**43,571**	36,238	29,615	**137,147**	138,534	139,491
Allowances for credit losses	**(28)**	(16)	(66)	**(2,135)**	(2,876)	(3,649)
Total lending portfolio, net	**43,543**	36,222	29,549	**135,012**	135,658	135,842
Impaired lending portfolio, gross	**10**	8	17	**4,171**	6,382	8,347
Estimated liquidation proceeds of collateral for impaired loans	**(2)**	0	0	**(1,678)**	(2,460)	0
Impaired lending portfolio, net of collateral	**8**	8	17	**2,493**	3,922	8,347
Allocated allowances for impaired lending portfolio	**7**	8	14	**2,038**	2,822	3,559
Other allowances and provisions	**21**	8	55	**279**	304	397
Total allowances and provisions for credit losses	**28**	16	69	**2,317**	3,126	3,956
of which allowances and provisions for country risk	**15**	8	51	**119**	110	464
Non-performing loans	**4**	2	4	**3,161**	4,418	5,028
Allowances for non-performing loans	**4**	0	2	**1,883**	2,346	2,747
Ratios						
Allowances and provisions as a % of lending portfolio, gross	**0.1**	0.0	0.2	**1.7**	2.3	2.8
Impaired as a % of lending portfolio, gross	**0.0**	0.0	0.1	**3.0**	4.6	6.0
Allocated allowances as a % of impaired lending portfolio, gross	**70.0**	100.0	82.4	**48.9**	44.2	42.6
Allocated allowances as a % of impaired lending portfolio, net of collateral	**87.5**	100.0	82.4	**81.7**	72.0	42.6
Non-performing loans as a % of lending portfolio, gross	**0.0**	0.0	0.0	**2.3**	3.2	3.6
Allocated allowances as a % of non-performing loans, gross	**100.0**	0.0	50.0	**59.6**	53.1	54.6

1 Includes Global Asset Management, Private Banks & GAM and Corporate Functions. 2 Excludes CHF 764 million from Industrial Holdings for the year ended 31 December 2004.

Impaired loans, allowances and provisions

As shown in the table below, allowances and provisions for credit losses decreased by 27%, to CHF 2,883 million on 31 December 2004 from CHF 3,954 million on 31 December 2003 and CHF 5,232 million on 31 December 2002. Note 9b to the financial statements provide further details of the changes in allowances and provisions during the year. In accordance with IAS 39 we have assessed our portfolios of claims with similar credit risk characteristics for collective impairment. Allowances and provisions for collective impairment on 31 December 2004 amount to CHF 227 million, including CHF 161 million in allowances and provisions for country risk. Total allowances and provisions related to emerging market exposures were CHF 183 million on 31 December 2004, compared to CHF 262 million on 31 December 2003 and CHF 696 million on 31 December 2002.

Impaired loans have decreased to CHF 4,861 million on 31 December 2004 from CHF 7,209 million on 31 December 2003 and CHF 9,933 million on 31 December 2002. Over the same period, non-performing loans have also decreased, to CHF 3,696 million from CHF 4,901 million on 31 December 2003 and CHF 6,000 million on 31 December 2002. We applied a new definition of non-performing loans introduced by the Swiss regulator with effect from 31 December 2003. Prior period numbers have not been restated and are therefore comparatively lower than would otherwise be the case, which explains the relatively small reduction in our non-performing loans portfolio between 31 December 2002 and 31 December 2003.

The ratio of impaired loans to total loans has improved continuously over the past three years to 1.8% on 31 December 2004 from 2.9% on 31 December 2003 and 4.0% on 31 December 2002, while the non-performing loans to total loans ratio improved to 1.4% on 31 December 2004 from 2.0% on 31 December 2003 and 2.4% on 31 December 2002. This continuing positive trend is testament to our success in applying stringent risk management and control throughout the firm, resulting in few new impaired and non-performing loans, and to our efforts to conclude proceedings and reach settlement on existing non-performing loans.

In general, Swiss practice is to write off loans only on final settlement of bankruptcy proceedings, sale of the underlying assets, or formal debt forgiveness. By contrast, US practice is generally to write off non-performing loans, in whole or in part, much sooner, thereby reducing the amount of such loans and corresponding provisions recorded. A consequence of applying the Swiss approach is that, for UBS, recoveries of amounts written off in prior accounting periods tend to be small, and the level of outstanding impaired loans and non-performing loans as a percentage of gross loans tends to be higher than for our US peers.

Wealth Management & Business Banking			Investment Bank			Wealth Management USA			Others[1]			UBS		
31.12.04	31.12.03	31.12.02	31.12.04	31.12.03	31.12.02	31.12.04	31.12.03	31.12.02	31.12.04	31.12.03	31.12.02	31.12.04	31.12.03	31.12.02
3,352	3,312	3,292	26,559	24,486	24,495	1,532	1,493	1,327	3,313	2,733	3,797	34,756[2]	32,024	32,911
177,366	171,460	165,814	42,094	30,668	36,954	13,120	11,623	11,530	2,182	2,220	1,892	234,762	215,971	216,190
180,718	174,772	169,106	68,653	55,154	61,449	14,652	13,116	12,857	5,495	4,953	5,689	269,518[2]	247,995	249,101
(2,163)	(2,892)	(3,715)	(388)	(655)	(1,091)	(18)	(25)	(29)	(62)	(4)	(9)	(2,631)	(3,576)	(4,844)
178,555	171,880	165,391	68,265	54,499	60,358	14,634	13,091	12,828	5,433	4,949	5,680	266,887[2]	244,419	244,257
4,181	6,390	8,364	557	791	1,531	18	25	29	105	3	9	4,861	7,209	9,933
(1,680)	(2,460)	0	(33)	(3)	0	0	(2)	0	(45)	0	0	(1,758)	(2,465)	0
2,501	3,930	8,364	524	788	1,531	18	23	29	60	3	9	3,103	4,744	9,933
2,045	2,830	3,573	380	599	932	18	25	29	62	4	9	2,505	3,458	4,543
300	312	452	78	(184)	224	0	3	13	0	0	0	378	496	689
2,345	3,142	4,025	458	780	1,156	18	28	42	62	4	9	2,883	3,954	5,232
134	118	515	49	144	181	0	0	0	0	0	0	183	262	696
3,165	4,420	5,032	408	455	938	18	25	29	105	1	1	3,696	4,901	6,000
1,887	2,346	2,749	297	392	677	18	25	29	62	1	1	2,264	2,764	3,456
1.3	1.8	2.4	0.7	1.4	1.9	0.1	0.2	0.3	1.1	0.1	0.2	1.1	1.6	2.1
2.3	3.7	4.9	0.8	1.4	2.5	0.1	0.2	0.2	1.9	0.1	0.2	1.8	2.9	4.0
48.9	44.3	42.7	68.2	75.7	60.9	100.0	100.0	100.0	59.0	133.3	100.0	51.5	48.0	45.7
81.8	72.0	42.7	72.5	76.0	60.9	100.0	108.7	100.0	103.3	133.3	100.0	80.7	72.9	45.7
1.8	2.5	3.0	0.6	0.8	1.5	0.1	0.2	0.2	1.9	0.0	0.0	1.4	2.0	2.4
59.6	53.1	54.6	72.8	86.8	72.2	100.0	100.0	100.0	59.0	100.0	100.0	61.3	56.4	57.6

Market risk

Market risk is the risk of loss arising from movements in market variables, including observable variables such as interest rates, exchange rates and equity markets, and others which may be only indirectly observable such as volatilities and correlations. The risk of price movements on securities and other obligations in tradable form, resulting from general credit and country risk factors and events specific to individual issuers, is also considered market risk.

Market risk is incurred primarily through our trading activities, which are centered in the Investment Bank. It arises from market-making, facilitation of client business and proprietary positions in equities, fixed income and interest rate products, foreign exchange and, to a lesser extent, precious metals and energy. There is more limited trading activity, mainly due to the facilitation of client business, in our Wealth Management operations.

Our Treasury department assumes market risk as a result of its balance sheet and capital management responsibilities. This includes the management of long-term interest rate risk transferred from other Business Groups, our structural foreign exchange positions, funding of non-business items such as property and investments, and the investment of our equity. Other market risks arising from non-trading activities, predominantly interest rate risk, arise in the Business Groups, most notably in the independent private banks which manage their own balance sheets and capital, although these positions are not significant to UBS as a whole.

Each Business Group has a Chief Risk Officer (CRO), reporting functionally to the Group CRO. They are responsible for independent control of market risk, including monitoring of exposures against limits, assessment of market risk in new businesses and products and in structured transactions, and ensuring the complete capture of market risk in risk measurement and reporting systems.

Market risk authority, including both approval of market risk limits and approval of market risks in large or complex transactions and securities underwriting, is vested in the Chairman's Office and the GEB and from there is further delegated on an ad personam basis to the Group CRO and market risk officers in the Business Groups.

Risk measures

We apply market risk measures, limits and controls at the portfolio level, and we apply concentration limits and other controls, where necessary, to individual risk types, to particular books and to specific exposures.

Portfolio risk measures

The principal portfolio measures of market risk are Value at Risk (VaR), which is a measure of statistical loss, and stress loss. They are applied to significant market risks, whether they arise in trading or non-trading portfolios.

VaR is an estimate of the potential loss on the current portfolio from adverse market movements. It expresses the "maximum" amount we might lose, but only to a certain level of confidence (99%) and there is therefore a specified statistical probability (1%) that the loss could be greater than our VaR estimate. Our VaR model assumes a certain "holding period" until positions can be closed (10 days) and it assumes that market moves occurring over this holding period will follow a similar pattern to those that have occurred over 10-day periods in the past. Our assessment of past movements is based on data for the past five years and we apply these historical changes in risk factors directly to our current positions, a method known as historical simulation. Our approach is consistent with the regulatory measure of market risk capital and has been approved by the Swiss Federal Banking Commission (SFBC), our main regulator.

VaR is a statistical measure of potential trading revenue volatility, and a change in the general level of VaR would normally be expected to lead to a corresponding change in the volatility of daily trading revenues. However, the 10-day VaR measure takes no account of the mitigating action that can be – and in practice is – taken in the event of adverse market moves, nor does it express the worst result that could occur as a result of extreme, unusual or unprecedented market conditions. The absolute level of VaR should not, therefore, be interpreted as the likely range of daily trading revenues. We also measure VaR based on a 1-day holding period to provide a closer estimate of the maximum daily mark to market loss we are likely to incur on the current portfolio under normal market conditions, with a larger loss being statistically likely only once in a hundred business days. We further analyze the results beyond the 99% confidence level – the tails of the distribution – to better understand the potential risks of the portfolio and to help identify risk concentrations.

While most major financial institutions employ VaR models to measure their market risk, institutions may use different confidence levels or holding periods, and may have different sources of historical data or use longer or shorter time series. In addition, they may model the risks on a different basis, for example by approximating the changes in individual risk factors as normally distributed with given volatilities and correlations ("variance/co-variance") or by simulating more complex distributions for the risk factors ("Monte Carlo simulation"). Direct comparisons between VaR numbers produced by different institutions can therefore be misleading. Furthermore, conversions between different holding periods and confidence intervals typically rely on an assumption of statistical "normality", which is generally not fully valid, and will therefore tend to under- or over-estimate the actual risk. This can be seen from the 1-day and 10-day VaR figures for our Investment Bank shown in the tables on page 61.

All VaR models, while forward-looking, are based on past events and are dependent upon the quality of available market data. The quality of the VaR model is therefore continuously monitored by backtesting the VaR results for trading books. In backtesting we compare the actual revenues arising from the previous day's closing positions ("backtesting revenue", which excludes non-trading revenues such as commissions and fees, and revenues from intraday trading) with the 1-day VaR calculated for the previous day on these same positions. If the revenue is negative and exceeds the 1-day VaR, a "backtesting exception" is considered to have occurred and must be investigated. When VaR is measured at a 99% confidence level, a backtesting exception is expected, on average, one day in a hundred. Internally, we also conduct a similar investigation for any exceptional revenues on the profit side of the VaR distribution and all backtesting results are reported to senior business management, the Group CRO and Business Group CROs. As required by regulation, backtesting exceptions are notified to our internal and external auditors and relevant regulators. Although we apply VaR measures to market risk positions arising in non-trading books (generally those carried at amortized cost), we do not backtest the results because the basis of risk measurement is not consistent with the basis of revenue recognition.

The VaR limit for UBS (based on 10-day VaR) is allocated among the Business Groups, the largest allocation being to the Investment Bank. Within the Business Groups, limits are allocated to lower organizational levels as necessary. The 10-day VaR measure is also the basis of our market risk regulatory capital requirement.

Stress loss is assessed against a standard set of forward-looking scenarios, using stress moves in market variables which are regularly reviewed and approved by the Group CRO. Stress events modeled in our standard scenarios include crises in equity, corporate bond and emerging markets, and severe currency and interest rate movements. They are kept under constant review and fine-tuned as necessary to reflect changing market and economic conditions. We also monitor our positions against more specific scenarios that target individual sectors or are based on current concerns. Market risk stress loss limits have been set for all Business Groups.

Most major financial institutions employ stress tests, but their approaches differ widely and there is no benchmark or industry standard in terms of stress scenarios or the way in which they are applied to an institution's positions. Furthermore, the impact of a given stress scenario, even if measured in the same way across institutions, depends entirely on the make up of each institution's portfolio, and a scenario highly applicable to one institution may have no relevance to another. Comparison of stress results between institutions can therefore be highly misleading, and for this reason we do not publish quantitative stress results but provide only qualitative analysis.

Change in VaR model

Over the past two years, growth in asset backed securities has outpaced other sectors in the fixed income markets. At the same time, our Investment Bank's market share in this sector has grown, leading to an increase in exposure. These exposures were previously represented as corporate AAA securities in our VaR calculations, leading to an overstatement of credit spread risk, and a larger gap between our backtesting revenues and VaR than would generally be expected.

To better reflect the risk in VaR, we have increased the granularity of our risk representation of such securitized products. Having received approval from the SFBC in July 2004, we implemented the revised model during third quarter. As a result, the 10-day 99% confidence VaR reported for the Investment Bank declined notably and a retrospective impact analysis was published in third quarter. All numbers in the following tables are based on the revised model.

Concentration limits and other controls for trading books

The market risk VaR and stress loss limits are the principal portfolio controls on UBS's exposure to day-to-day movements in market prices, but complementary controls are also applied to prevent undue risk concentrations, taking into account variations in price volatility and market depth and liquidity. They include controls on exposure to individual market risk variables, such as individual interest and exchange rates, and to single name issuers – "issuer risk" positions.

Issuer risk is the risk of loss on securities and other obligations in tradable form, arising from credit-related and other "events" and, ultimately, default and insolvency of the issuer or obligor. We take a comprehensive approach to measurement, including both debt and equity not only in physical form but also synthetic positions arising from forwards, options, default swaps and other derivatives. Positions are controlled in the context of the depth and liquidity of the market in which they are traded, and all material positions are kept under constant scrutiny in light of changing market conditions and specific public issuer information, including relative spread movements.

Issuer risk positions for issuers domiciled in countries subject to country ceilings are also included in the measurement of country risk.

We adopt prudent valuation standards, and apply valuation adjustments where appropriate to reflect expected loss. Valuation adjustments are also made for positions which rely on complex models for valuation or on models incorporating unobservable parameters – for further details see the critical accounting policies section in the financial report.

Market risk developments – trading

The upturn in investor sentiment towards the end of 2003 continued into first quarter 2004, despite the expectation of higher interest rates. The start to the year also saw the fastest rate of global GDP growth in nearly two decades. However, increasing geopolitical uncertainty towards the end of the first quarter subdued investor sentiment, affecting equity and fixed income markets and energy prices.

The US dollar remained weak throughout the year and, despite central bank intervention, lost ground against major currencies, driven by concerns about the record US current account deficit and high oil prices. Oil prices increased substantially during 2004, reaching 21-year highs, following political uncertainty in the Middle East. This upward trend ceased towards the end of the year after better than expected oil inventory figures were released and the demand for heating oil fell, a reflection of mild weather in the US.

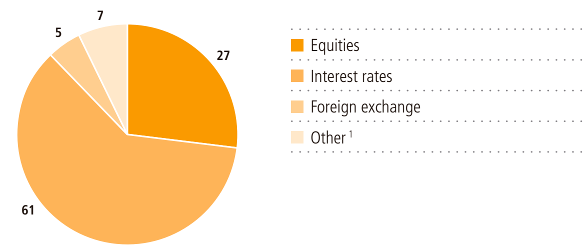
In the interest rate markets, major yield curves flattened over the second half of the year, and in particular US yields rose sharply during the second quarter of 2004 as the market anticipated the start of the Federal Reserve's tightening cycle. Long-dated yields retreated in the third and fourth quarters as economic data releases showed moderate inflation and growth, but yields at the short end of the curve continued to increase through to the end of the year, driven by consecutive increases in the Fed Funds rate, totaling 125 basis points by year-end.

Investment grade credit spreads started the year at or near historically tight levels. They were marginally wider by the end of first quarter and remained at that level through to mid-year. By the end of third quarter spread compression had resumed with a strong post-US election rally in fourth quarter. Most of the tightening came at the lower end of the credit spectrum as investors searched for yield and, as a consequence, the high yield market was very active with inflationary pressures subdued, corporate profits buoyant, and default rates low.

Investment Bank: average 10-day 99% confidence VaR by product type

in %

Year ended 31.12.04



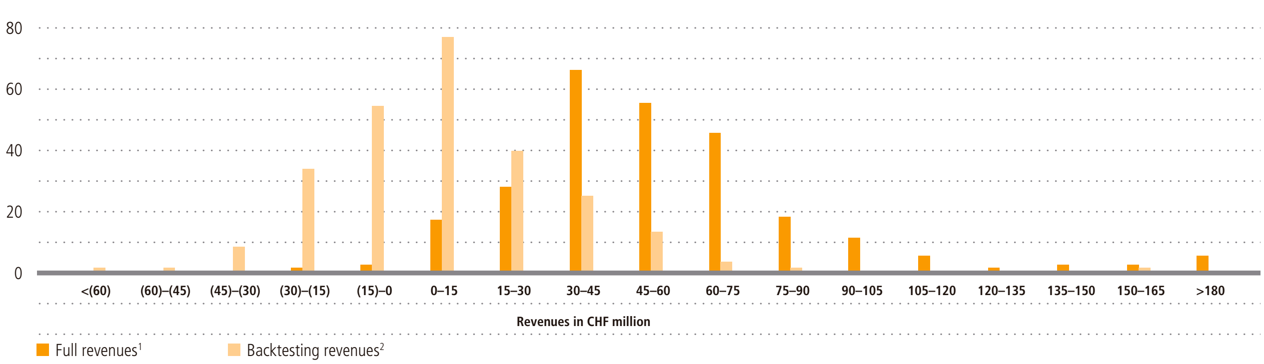
1 Includes precious metals and energy exposures.

Equity markets started the year well, but eased off towards the end of first quarter, affected by political uncertainty and a patch of soft US economic data over the summer months. Once the US election was over and better than expected corporate results were published in the final quarter, equity markets rallied strongly. The year as a whole also saw stronger equity issuance activity than in 2003.

As reported in fourth quarter 2003, we raised the VaR limit for the Group to CHF 750 million from CHF 600 million and for the Investment Bank to CHF 600 million from CHF 450 million in first quarter 2004. Market risk for the Investment Bank, as measured by 10-day 99% confidence VaR, ended the year at CHF 332 million and averaged CHF 358 million for 2004, in both cases a 13% increase on the 2003 values of CHF 295 million and CHF 317 million. While these increases are modest we have seen significant variations in the level of VaR during the year as we have continued to actively manage risk, responding to market conditions. Over the course of 2004 we

Investment Bank: distribution of daily revenues, 2004

Frequency in number of days



1 Excluding private equity revenues. 2 Excluding non-trading revenues, such as commissions and fees, and revenues from intraday trading.

Investment Bank: Value at Risk (10-day 99% confidence)

	Year ended 31.12.04				Year ended 31.12.03			
CHF million	**Min.**	**Max.**	**Average**	**31.12.04**	Min.	Max.	Average	31.12.03
Risk type								
Equities	**121**	**188**	**153**	**126**	142	194	171	160
Interest rates	**244**	**441**	**340**	**361**	166	403	278	254
Foreign exchange	**5**	**73**	**30**	**29**	7	82	31	28
Other[1]	**9**	**87**	**37**	**32**	7	51	15	10
Diversification effect	[2]	[2]	**(202)**	**(215)**	[2]	[2]	(177)	(157)
Total	**274**	**457**	**358**	**332**	236	470	317	295

1 Includes precious metals and energy exposures. 2 As the minimum and maximum occur on different days for different risk types, it is not meaningful to calculate a portfolio diversification effect.

UBS: Value at Risk (10-day 99% confidence)

	As at 31.12.04	Year ended 31.12.04				Year ended 31.12.03			
CHF million	Limits	**Min.**	**Max.**	**Average**	**31.12.04**	Min.	Max.	Average	31.12.03
Business Groups									
Investment Bank	600	**274**	**457**	**358**	**332**	236	470	317	295
Wealth Management USA	50	**12**	**27**	**17**	**16**	8	21	14	17
Global Asset Management[1]	30	**5**	**16**	**11**	**7**	7	16	11	8
Wealth Management & Business Banking	5	**1**	**1**	**1**	**1**	1	5	2	1
Corporate Center[2,3]	150	**35**	**69**	**47**	**38**	40	83	58	49
Reserve	170								
Diversification effect		[4]	[4]	**(69)**	**(62)**	[4]	[4]	(95)	(76)
Total	750	**274**	**453**	**365**	**332**	223	460	307	294

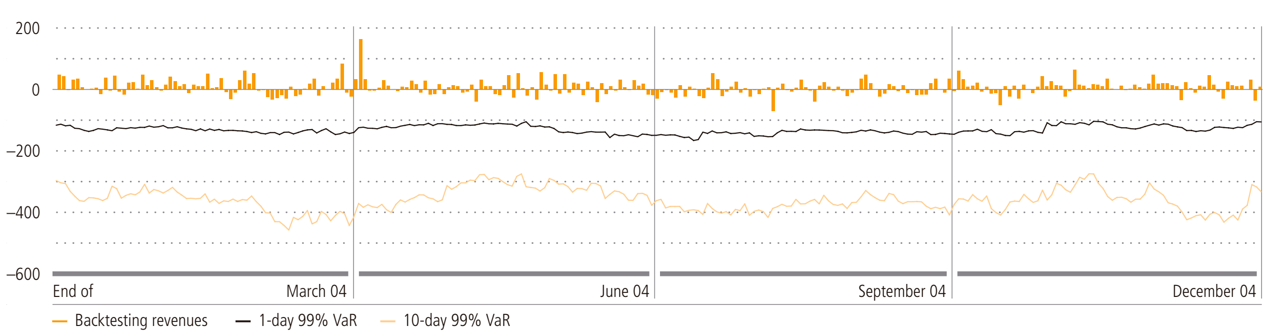
1 Only covers UBS positions in alternative & quantitative investment funds. 2 The private label banks are included in Wealth Management & Business Banking up to 30 June 2003 and in Corporate Center from 1 July 2003. 3 Includes interest rate exposures in the banking books of Treasury and, from 1 July 2003, the private label banks. 4 As the minimum and maximum occur on different days for different Business Groups, it is not meaningful to calculate a portfolio diversification effect.

UBS: Value at Risk (1-day 99% confidence)

	Year ended 31.12.04				Year ended 31.12.03			
CHF million	**Min.**	**Max.**	**Average**	**31.12.04**	Min.	Max.	Average	31.12.03
Investment Bank	**106**	**168**	**133**	**114**	94	146	111	116
UBS	**107**	**173**	**137**	**118**	94	152	113	123

Investment Bank: backtesting revenue[1] and VaR

CHF million *2 January 2004 – 31 December 2004*



1 Excluding non-trading revenues, such as commissions, fees and revenues from intraday trading.

have sometimes increased risk to take advantage of good trading opportunities, but have also reduced risk during periods of uncertainty.

Average interest rate VaR for the year increased to CHF 340 million from CHF 278 million in 2003, with a notable increase towards the end of the year as markets improved after the US elections. The main source of our interest rate VaR is the fixed income, rates and currencies business area, with increases primarily from credit spread exposures in industrialized markets and country spread exposures in emerging markets.

Equities VaR ended the year at CHF 126 million, CHF 34 million lower than the 2003 year-end figure of CHF 160 million, and averaged CHF 153 million compared to CHF 171 million for 2003. There was a significant fall in fourth quarter following the satisfactory conclusion of a number of arbitrage strategies.

In August 2004 UBS acquired Charles Schwab's capital markets division, as a result of which UBS is now one of the top traders in NASDAQ securities. Whilst this led to substantial growth in the equities business there was little impact on VaR levels.

Stress loss for the Investment Bank, defined as the worst-case outcome from our standard scenarios, ended the year at similar levels to 2003. Like VaR, average stress loss for 2004 was higher than in 2003.

Market risk positions in other Business Groups and Corporate Center have only a marginal impact on total VaR, as can be seen from the table on the previous page.

UBS had no regulatory backtesting exceptions in 2004, despite periods of market volatility. Note that the revenues shown in the VaR and backtesting revenue chart are so-called "backtesting revenues" – they exclude non-trading revenues, such as commissions and fees, and revenues from intraday trading, which are not relevant in the context of backtesting. In the histogram we show these backtesting revenues alongside the daily revenues from all sources in the Investment Banking and Securities unit ("full revenues").

Management of non-trading interest rate risk

Most material non-trading interest rate risks – the largest items being those arising from the Wealth Management & Business Banking Business Group – are transferred from the originating business units to one of the two centralized risk management units, Group Treasury or the Investment Bank's Cash and Collateral Trading unit (CCT). They manage the risks exploiting UBS's entire netting potential. The independent private banks are exceptions in that they manage their own non-trading interest rate risk, although the risk they hold is not material to UBS as a whole.

Risks from long-term Swiss franc transactions with fixed maturities are transferred to our Treasury department by individual back-to-back transactions. Risks from fixed maturity short-term Swiss franc and all non-Swiss franc transactions are generally transferred to CCT. Client current and savings accounts and many other products of Wealth Management & Business Banking have no contractual maturity date or direct market-linked rate, and their interest rate risk cannot be transferred by simple back-to-back transactions. Instead, they are transferred on a pooled basis via a "replication" portfolio – a portfolio of revolving transactions between the originating business unit and Treasury at market rates designed to approximate the average cash flow and re-pricing behavior of the pooled client transactions. The originating business units are thus immunized as far as possible against market interest rate movements, but retain and manage their product margins, while Treasury acquires market-based interest rate positions that can be managed within its approved limits. The structure and parameters of the replication portfolios are based on long-term market observations and client behavior and are reviewed periodically.

A significant amount of interest rate risk also arises from non-business related balance sheet items, such as the financing of bank property and equity investments in associated companies, and the investment of our own equity. The risk in most such non-business items is also transferred to Treasury through replicating portfolios, but in this case the replication is designed to approximate the desired funding or investment profile mandated by senior management.

In addition to the standard portfolio measures, VaR and stress loss, three key risk measures are applied to the interest rate risks managed by Treasury:

- Interest rate sensitivity, which expresses the impact of a one basis point (0.01%) parallel rise in interest rates on the fair value (net present value) of the interest rate positions
- Economic value sensitivity, which measures the potential change in fair value of Treasury's interest rate positions resulting from a large instantaneous shock to interest rates
- Net interest income at risk, which is defined as the potential change in net interest income resulting from adverse movements in interest rates over the next twelve months.

Interest rate sensitivity is a simple unit measure of sensitivity, which does not, in itself, provide an indication of potential loss. By contrast, the economic value sensitivity and net interest income at risk measures provide different, but complementary, views of potential loss from interest rate risk. Economic value sensitivity provides a long-term view covering the whole book, since it takes into account the present value of all future cash flows generated from existing balance sheet positions, whereas net interest income at risk considers only the re-pricing effect from positions maturing over the next twelve months, and thus provides a shorter-term view. In all three measures we assess the exposure both including and excluding the replication portfolio representing our equity. When this portfolio is excluded, the exposure under all three measures increases.

To the extent that Treasury needs to hedge its consolidated positions and exposures, it deals with the Investment

Bank's trading units, which are the sole interface to the external markets for both cash and derivative transactions.

Interest rate risk development

While the equity held by the parent bank is invested predominantly in Swiss francs, we decided in 2002 to diversify the investment of equity at the overall Group level into a portfolio of major currencies, in order to reflect the significant increase in our business activities denominated in foreign currencies. Accordingly, the consolidated equity, which includes the equity of subsidiaries, is now invested not only in Swiss francs but also in US dollars and, to a lesser extent, euro and UK sterling. At 31 December 2004 the Swiss franc portfolio had an average duration of approximately 3.1 years and an interest rate sensitivity of CHF 6.60 million per basis point. For the US dollar portfolio, the duration was 4.3 years and its sensitivity CHF 4.98 million per basis point. For the euro portfolio the duration was 3.1 years and its sensitivity CHF 0.52 million per basis point and for the UK sterling portfolio the duration was 3.1 years and its sensitivity CHF 0.51 million per basis point.

The interest rate sensitivity of these investments is directly related to the chosen investment duration. It should be recognized that, although investing in significantly shorter maturities would lead to a reduction in the apparent interest rate sensitivity and economic value sensitivity of our treasury positions, it would lead to higher net interest income at risk (when measured excluding the equity itself) and to higher volatility in our actual interest earnings.

The first table below shows the interest rate sensitivity of the Treasury book overall interest rate risk positions on 31 December 2004. The first total is the sensitivity including the equity replicating portfolio, while the final total, which is significantly larger, excludes this portfolio.

The second table below shows the change in risk under the economic value sensitivity and net interest income at risk measures between 31 December 2002 and 31 December 2004.

The net interest income at risk figure shown is the worst case among various interest rate scenarios that have been analyzed, and results from an assumed downward interest rate shock (parallel shift) of 200 basis points. On 31 December 2004, the difference in the projected outcome in this scenario from that projected in a constant market rate scenario represented a reduction of CHF 321 million in the year's total net interest income, compared with a reduction of CHF 233 million on 31 December 2003.

Economic value sensitivity shows the effect of a 100 basis point adverse interest rate shock. On 31 December 2004, a 100 basis point upward shock of interest rates would lead to a CHF 1,214 million decline in fair value, compared with an exposure of CHF 1,169 million to the same scenario on 31 December 2003.

Financial Management

Interest rate sensitivity of the Treasury book

	As at 31.12.04					
CHF thousands per basis point increase	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
CHF	(166)	1	(87)	55	81	(116)
USD	52	(20)	0	(96)	649	585
EUR	12	(4)	24	123	19	174
GBP	1	(2)	(18)	0	474	455
JPY	2	0	0	(4)	0	(2)
Others	(1)	0	0	(1)	(2)	(4)
Total [1]	**(100)**	**(25)**	**(81)**	**77**	**1,221**	**1,092**
of which equity replicating portfolio *(CHF)*	35	14	211	3,616	2,728	6,604
of which equity replicating portfolio *(USD)*	13	3	90	1,791	3,081	4,978
of which equity replicating portfolio *(EUR)*	2	1	17	287	213	520
of which equity replicating portfolio *(GBP)*	2	1	15	287	203	508
Total equity replicating portfolio	**52**	**19**	**333**	**5,981**	**6,225**	**12,610**
Treasury book without replicating portfolio *(total)*	(152)	(44)	(414)	(5,904)	(5,004)	(11,518)

1 Total risk position includes adjustments of the replication portfolios for variable-rate products.

Change in risk under the two methodologies

	As at		
CHF million	**31.12.04**	31.12.03	31.12.02
Net interest income at risk	**(321)**	(233)	(151)
Economic value sensitivity	**(1,214)**	(1,169)	(1,246)

Management of non-trading currency risk

We report our results in Swiss francs, the currency of the country in which we are incorporated, but a substantial proportion of our assets and liabilities, revenues and costs arise in other currencies. Our corporate currency management activities are designed to protect UBS's BIS Tier 1 capital ratio and expected future foreign currency earnings from adverse movements of the Swiss franc against the currencies of our assets, revenues and costs, while preserving the option to take advantage of opportunities which may arise.

To maintain the flexibility to divest foreign currency assets at any time without adverse currency impact, we match-fund where it is practical and efficient to do so, i.e. a US dollar asset is funded in US dollars, a euro asset in euros, etc. As noted above, at the Group level, the consolidated equity is invested in a diversified portfolio, broadly reflecting the currency distribution of our risk-weighted assets, in Swiss francs, US dollars, euro and UK sterling. This creates structural foreign currency exposures, the gains or losses on which are recorded through equity in the consolidated financial statements, leading to fluctuations in our capital base in line with the fluctuations in risk-weighted assets, thereby protecting our BIS Tier 1 capital ratio.

For financial accounting purposes, final profits or losses are translated each month from the original transaction currencies into Swiss francs at the prevailing rate at the end of the month. At the same time, Group Treasury centralizes profits or losses in foreign currencies and sells them into Swiss francs in order to reduce earnings volatility resulting from subsequent exchange rate movements. This monthly sell-down reduces the volatility in our Swiss franc results that would result from repeated re-translation, although it cannot protect the bank's earnings against a sustained downward or upward move of one of the main currencies against the Swiss franc.

In order to protect our future Swiss franc net profits against adverse currency fluctuations we first make use of natural hedge opportunities. Such opportunities exist because, overall, the currency composition of our net profit shows stable patterns of specific short and long positions in core foreign currencies such as UK sterling, euros and US dollars, and because some foreign currency pairs demonstrate high and stable correlations. This combination is exploited by offsetting core positions in certain currencies.

Our Treasury department from time to time proactively hedges the remaining currency exposures, in accordance with the instructions of the CFO in line with policies approved by the GEB. Economic hedging strategies employed include a cost-efficient options purchase program, which provides a safety net against unfavorable currency fluctuations while preserving upside potential. We are, however, willing to accept, within clearly defined tolerances, a certain volatility in our financial results due to currency fluctuations. The hedge program has a time horizon of up to twelve months and is not restricted to the current financial year. Although intended to hedge future earnings, these transactions are considered open currency positions and are included in VaR for internal and regulatory capital purposes.

For 2004 the net currency impact on UBS's Swiss franc financial net profit was significant but well within the agreed tolerances.

Non-trading currency risk VaR (10-day 99% confidence)

CHF million	**2004**	2003	2002
Minimum	**2.2**	0.7	0.7
Maximum	**41.9**	32.0	14.2
Average	**17.2**	12.3	3.0
End of period	**3.5**	28.3	0.7

Liquidity and funding management

UBS's business activities generate asset and liability portfolios which are intrinsically highly diversified with respect to market, product and currency. This reduces our exposure to individual funding sources, and also provides a broad range of investment opportunities, which in turn reduces liquidity risk. We adopt a centralized approach to liquidity and funding management to exploit these advantages to the full.

The liquidity and funding process is undertaken jointly by Group Treasury and CCT. Treasury establishes a comprehensive control framework, while CCT undertakes operational cash and collateral management transactions within the established parameters. This centralized cash and collateral management structure permits tight control on both our global cash position and our stock of highly liquid securities.

Liquidity approach

Our approach to liquidity management, which covers all branches and subsidiaries, is to ensure that we will always have sufficient liquidity to meet liabilities when due, under both normal and stressed conditions, without compromising our ability to respond quickly to strategic market opportunities. Our integrated framework incorporates an assessment of all expected cash flows and the level of high-grade collateral that could be used for additional funding purposes. Risk limits are set by the GEB and monitored by Group Treasury. Compliance with the risk limits and actual credit liquidity exposures are regularly reported to the GEB. Moreover, detailed contingency plans have been developed for liquidity crisis management and have been incorporated into our global crisis management concept, which covers all types of crisis events. Regional committees monitor the markets in which UBS operates for potential threats and regularly report any findings to Treasury. In the event of a liquidity crisis, regional crisis task forces would implement contingency plans under the direction of senior management.

The liquidity position is assessed and managed under a variety of potential scenarios, giving due consideration to stress factors. The range of scenarios analyzed encompasses both normal market conditions and stressed conditions, and considers both UBS-specific and general market crises.

The starting point for these analyses is a breakdown of the contractual maturity of our assets and liabilities. This is displayed in note 29 to the financial statements, which shows the profile of UBS's overall cash flow under a "business as usual" scenario on 31 December 2004.

We then consider the amount of secured contingency funding that could be raised from securities that are eligible for pledging at the major central banks, subject to crisis-level collateral margins. We do not take account of our additional stock of liquid securities that could be used to raise secured funding on the interbank market and it is assumed that no contingency funding would be raised on an unsecured basis.

The results constitute a worst-case scenario that comprises a simultaneous combination of severe impairments to UBS's overall liquidity situation across all markets, currencies and products, which assumes, inter alia, that we would be unable to renew any of our unsecured debt, including all our maturing money market papers (outstanding volume CHF 79 billion on 31 December 2004). Such a scenario could occur if we were to suffer a severe downgrading of our credit ratings. We factor in potential liquidity outflows due to contingent liabilities, in particular those due to the drawdown of committed credit lines. Exposures to other contingent commitments, such as guarantees and letters of credit, are also included in this analysis, although they are not as vulnerable since they are generally not unconditional but, rather, are linked to other, independent conditions being fulfilled. The scenario also assumes that the crisis would engulf UBS's source of retail deposits, thereby leading to heavy withdrawals from current accounts, savings accounts and deposits. Furthermore, access to the client collateral pool is assumed to be limited as a result of securities lending agreements being cancelled during such a crisis.

We regularly monitor unutilized committed credit facilities and latent liquidity risks that could materialize if we were to suffer a downgrading of our credit ratings. "Rating trigger" clauses, especially in derivative contracts, can result in an immediate cash outflow due to the unwinding of derivative positions, or the need to deliver additional collateral. Our contingent exposure arising directly from these rating triggers is judged not to be material.

While we engage in financial transactions that involve the utilization of non-consolidated special-purpose entities, our funding and liquidity capacity is not reliant upon these entities to any material extent. Additionally, should any or all of these financial channels become unusable, the impact on UBS's liquidity resources would be insignificant. All of UBS's major sources of liquidity are channeled through entities that are fully consolidated and are included in the scenario analyses described above.

We are continuing to strengthen our relationships with the major central banks, consistent with our general policy, which is to base our contingency plans on secured funding against pledges of high-quality collateral, rather than relying on third-party credit lines.

Funding sources and approach

With a broad diversification of funding sources (by market, product and currency), we maintain a well-balanced portfolio of liabilities, which generates a stable flow of financing and provides protection in the event of market disruptions. This, together with our centralized funding management, enables us to pursue a strategy to fund business activities at the lowest possible cost.

In this context, UBS's strong domestic retail business is a very valuable, cost-efficient and reliable source of funding. Furthermore, through the establishment of short-, medium- and long-term funding programs in Europe, the US and Asia, we can provide specialized investments to our customers while efficiently raising funds globally from both institutional and private investors, minimizing our dependence on any particular source.

We plan our medium- and long-term funding activities by assessing the overall funding profile of the balance sheet, taking due account of the effective maturity of our asset base and the amount of maturing debt that will have to be replaced. We also factor in our ability to continue to fund our ongoing business activities through periods of difficult market conditions.

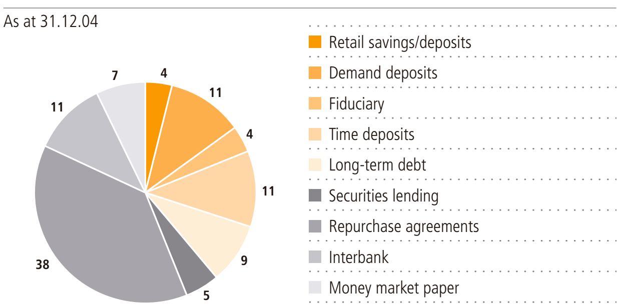
We make frequent use of asset-securitization structures, in particular in connection with the sale of corporate loans and retail mortgages. These do not, however, constitute a material portion of UBS's funding activities and our funding status would not be significantly affected if capital markets were to become inaccessible for such securitization transactions. UBS has no long-term commitments to continue to purchase the types of assets being securitized.

The charts below show a breakdown by product type and by currency of our secured and unsecured funding as at 31 December 2004. UBS has a strong secured funding base that reduces our exposure to periods of stressed market conditions when the ability to raise unsecured funding could be temporarily restricted. Of our total funding, 43% was raised on a secured basis and 57% unsecured. The unsecured funding base is well diversified, with 15% of total funding stemming from savings and demand deposits, 11% each from time deposits and short-term interbank borrowing, 9% from long-term debt, 7% from money market papers and 4% from fiduciary deposits. Most of our funding is originated in US dollars, with major portions also being raised in Swiss francs and in euros, roughly mirroring the currency breakdown of our assets. Around 12% of our funding was denominated in other currencies (primarily UK sterling and Japanese yen). UBS does not rely on buying committed credit facilities from third-party banks, but instead we base our contingent funding sources on our ability to raise secured funding through the use of high-quality collateral.

At the beginning of 2004, UBS decided to adopt the newly created fair value option under IAS 39. As a consequence, a significant part of our long-term debt portfolio has been reclassified to financial liabilities designated at fair value. See note 18 to the financial statements for information concerning long-term debt.

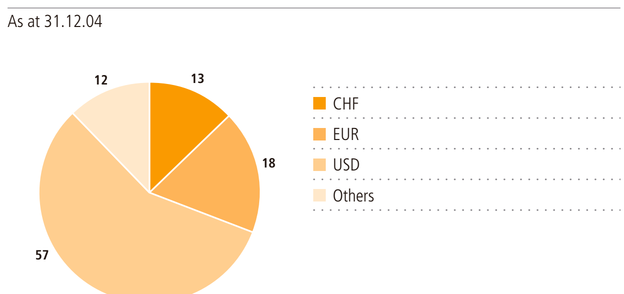
UBS: funding by product type

in %



UBS: funding by currency

in %



Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external causes, whether deliberate, accidental or natural. It is inherent in all our activities, not only in the business we conduct but also from the fact that we are a business – because we are an employer, we own and occupy property, and we hold assets, including information, belonging to ourselves and to our clients. Our approach to operational risk is not designed to eliminate risk per se but, rather, to contain it within acceptable levels, as determined by senior management, and to ensure that we have sufficient information to make informed decisions about additional controls, adjustments to controls, or risk mitigation efforts.

Operational risk framework

Every function, whether a front-end business or a control or logistics unit, must manage the operational risks that arise from its own activities. Because operational risk is all-pervasive, with a failure in one area potentially impacting many others, our framework is based on mutual oversight across all functions. To ensure the independence and objectivity of any risk decisions, overall governance authority lies with the Group CRO and Head of Operational Risk. In our Business Groups, we have integrated operational risk processes into the existing control and governance structures.

Every function defines its roles and responsibilities so that, collectively, they can ensure that there is adequate segregation of duties, complete coverage of risks and clear accountability. From this analysis, they develop control objectives and standards to protect our assets and interests, based on the types of operational risk event that might arise, ranging from every day reconciliation problems to potentially severe events such as fraud, and the potential impact of any such event. We recognize, however, that we cannot eliminate the risks completely, because errors and accidents will always happen, and that it may not always be cost effective to do so, even where it is theoretically possible. We therefore adopt a risk-based approach to the design and implementation of our internal control framework.

We monitor compliance with these controls and assess their operating effectiveness in several ways, including self-certification by staff, and evaluation of responses by Business Group management. Additionally, we track a wide-ranging set of metrics to provide potential early warning of increasing risk associated with non-attainment of our control objectives. These include numbers and characteristics (severity, size, age etc.) of, for example, client complaints and claims, deal cancellations and corrections, unreconciled items on cash and custody accounts, and systems failures.

As major operational risk events occur, we assess their causes and the implications for our control framework, whether or not they lead to direct financial loss. This includes non-UBS events that are relevant to our business if sufficient information is made public. In 2004, we conducted such investigations in response to a variety of internal and external events, among them customer complaints, virus attacks and power failures. It is important that we use all available information to test our control framework because, even if an internal event does not lead to a direct or indirect financial loss, it may indicate that our standards are not being complied with.

We also assess other sources of information such as internal and external audit findings.

Operational risk measurement

We maintain a database of financial events (both profits and losses) and their underlying causes, and use it in the quantitative modeling that will ultimately form the basis for our operational risk regulatory capital requirement under Basel II, for which we intend to use an advanced measurement approach. It is, however, important to understand that losses from a single event can arise in several ways, some of which may not translate directly into a monetary amount (for example losses caused by business disruption); that the impact of a loss may be large relative to its monetary amount (for example a regulatory fine); and that the level of risk at any time is not directly correlated to actual financial losses or their frequency of occurrence, which are, at best, only indicative.

As far as accounting for operational risks is concerned, many potential loss situations are identified before the probability, timing or amount of future expenditure are known with certainty. This uncertainty requires the exercise of judgement but it is best practice to make a provision, based on the best estimate of a liability, when it is probable that a payment will be required, even if the amount to be paid has not yet been exactly determined. Once we are able to quantify any potential operational risk more accurately, the corresponding provision is revised up or down.

Operational risk development

Operational risk has been high on our agenda throughout 2004 and will continue to be a priority for the foreseeable future. The appointment to the GEB of the Group CRO, who has overall responsibility for operational risk, alongside credit and market risk, is, in part, recognition of the importance we attach to the management and control of this risk. We have experienced a number of incidents, the most prominent of which were cases related to bank notes trading and to US withholding tax, both reported in second quarter 2004. These have highlighted the challenges we face in managing a complex, integrated, fast changing, global business, particularly against the backdrop of heightened regulatory and public sensitivity to shortcomings in corporate processes.

Recently, we have launched a number of special initiatives under the overall supervision of the Group CRO, focusing on areas prone to regulatory lapses and failures of management oversight, in an effort to prevent recurrence of past errors and ensure that we meet our obligations to regulators and maintain the standards they expect of us. A broad education program is part of these initiatives.

Motor-Columbus

The Atel Group, the operating arm of Motor-Columbus, is exposed to electricity price risk, interest rate risk, currency risk, credit risk, and other business risks.

Risk limits are allocated to individual risk categories and compliance with these limits is continuously monitored, the limits being periodically adjusted in the broad context of the company's overall risk capacity.

A risk policy has been established and is monitored by a risk committee composed of executive management. It was approved by the Board of Directors of Atel and is reviewed and ratified by them annually. The policy sets out the principles for Atel's business. It specifies requirements for entering into, measuring, managing and limiting risk in its business and the organization and responsibilities of risk management. The objective of the policy is to provide a reasonable balance between the business risks entered into and Atel's earnings and risk-bearing shareholders' equity.

A financial risk policy sets out the context of financial risk management in terms of content, organization and systems, with the objective of reducing financial risk, balancing the costs of hedging and the risks assumed. The responsible units manage their financial risks within the framework of this policy and limits defined for their area.

Energy price risk

Price risks in the energy business arise from, among others, price volatility, changing market prices and changing correlations between markets and products. Derivative financial instruments are used to hedge underlying physical transactions, subject to the risk policy.

Interest rate risk

Interest rate swaps are permitted to hedge capital markets interest rate exposure, with changes in fair value being reported in the income statement.

Currency risks

To minimize currency risk, Atel tries to offset operating income and expenses in foreign currencies. Any surplus is hedged through currency forwards and options within the framework of the financial risk policy.

Net investment in foreign subsidiaries is also subject to exchange rate movements, but differences in inflation rates tend to cancel out these changes over the longer term and for this reason Atel does not hedge investment in foreign subsidiaries.

Credit risk

Credit risk management is based on assessment of the creditworthiness of new contracting parties before entering into any transaction, giving rise to credit exposure, and continuous monitoring of creditworthiness and exposures thereafter. In the energy business, Atel only enters into transactions leading to credit exposure with counterparties that fulfill the criteria laid out in the risk policy. Concentration risk is minimized by the number of customers and their geographical distribution.

Financial assets reported in the balance sheet represent the maximum loss to Atel in the event of counterparty default at the balance sheet date.

Capital Management & the UBS Share

Our approach to capital management has been a trademark of UBS. It ensures attractive value creation for shareholders while protecting our strong capitalization and credit ratings.

Capital management

The approach we take to capital management is one of our trademarks. We dedicate ourselves to maintaining strong debt ratings and sound capital ratios (see capital strength box on the next page), assuring our position as one of the best-capitalized financial services firms in the world. Our strong capitalization allows us to invest in the growth of our businesses by making acquisitions or by growing organically. But in the absence of such opportunities, we will return any excess capital to our shareholders, while maintaining our BIS Tier 1 ratio at a high level.

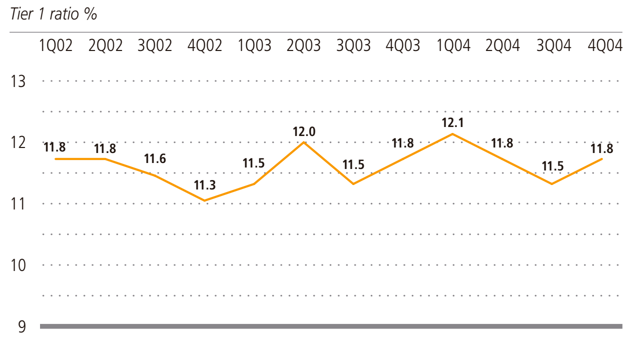
When managing our capital, we monitor eligible and required capital. We also forecast their future development. Our dividend payments to shareholders and share buyback programs are the main tools with which we manage our capital base. That, along with the capital securities we issue, gives us the means to manage our Tier 1 and total capital ratios, helping us protect our strong capitalization and credit ratings while ensuring we continue to create sustainable value for shareholders.

BIS Tier 1 capital increased to CHF 31.1 billion on 31 December 2004 from CHF 29.8 billion on 31 December 2003, as the increase was mainly due to the net profit being higher than the accrued dividend and performed share purchases.

Distribution of cash to shareholders in 2004

We transferred a total of CHF 6.6 billion of free equity to our shareholders in 2004. The total amount was split between our dividend payment of CHF 2.8 billion made in April 2004 and the CHF 3.8 billion in shares we repurchased during 2004 for purposes of cancellation. For more details on our dividend payments, see page 76 of this section.

UBS: BIS Tier 1 capital ratio



Capital securities

UBS placed CHF 2.0 billion in subordinated debt in public capital markets in 2004 to diversify the maturity profile of our capital securities. Outstanding Tier 2 capital securities accounted for CHF 5.0 billion of eligible capital on 31 December 2004. Additionally, we have USD 2.6 billion (CHF 3.0 billion) outstanding in trust preferred shares which count as Tier 1 capital under regulatory rules. Currently, no convertible debt on UBS shares is outstanding.

Capital requirement

The capital we are required to hold is determined by the credit risk we take weighted according to type of counterparty and collateral, as well as other asset and market risk positions based on VaR (for more details please refer to note 29 to the

Capital adequacy

	As at		
CHF million, except ratios	31.12.04	31.12.03	31.12.02
BIS Tier 1 capital	31,051	29,765	27,047
of which hybrid Tier 1 capital [1]	2,963	3,224	3,182
BIS total capital	35,866	33,581	33,009
BIS Tier 1 capital ratio *(%)*	11.8	11.8	11.3
BIS total capital ratio *(%)*	13.6	13.3	13.8
Balance sheet assets	217,769	212,176	205,401
Off-balance sheet and other positions	28,205	21,456	18,122
Market risk positions	18,151	18,269	15,267
Total BIS risk-weighted assets	264,125	251,901	238,790

1 Trust preferred securities.

financial statements). Most of our capital requirement arises from balance sheet assets. Off-balance sheet positions and market risk positions each represent less than 10% of risk-weighted assets and, correspondingly, of our total capital requirement.

The calculation of the capital requirement, as applicable to UBS under Swiss Federal Banking Commission (SFBC) regulations, differs in certain respects from the calculation under the Basel Capital Accord (BIS guidelines). The most important differences are:

- where BIS guidelines apply a maximum risk weight of 100%, the SFBC applies risk weights above 100% to certain asset classes (for example real estate, fixed assets, intangibles, non-trading equity positions)
- where the BIS guidelines apply a 20% risk weight to loans to OECD banks, the SFBC applies risk weights of 25% to 75%, depending on maturity.

On 31 December 2004, risk-weighted assets were CHF 264.1 billion, up 5% from CHF 251.9 billion a year earlier. The increase was mainly driven by higher capital requirements from our loan portfolio, especially at the Investment Bank, as well as an increase in our mortgage lending activities.

Capital ratios

The ratios we report measure capital adequacy by comparing our eligible capital (Tier 1 and total) with total risk-weighted assets. As a result of the differences in regulatory rules, UBS's risk-weighted assets are higher, and our ratios of total capital and Tier 1 capital to risk-weighted assets, are lower, when calculated under the SFBC regulations than under BIS guidelines. UBS has always had total capital and Tier 1 capital well in excess of the minimum requirements of both the BIS and the SFBC.

The combined effect of the moderate increase in eligible Tier 1 capital and the growth in risk-weighted assets resulted in a BIS Tier 1 ratio of 11.8% at end-December 2004, unchanged from a year earlier. The total capital ratio increased to 13.6% at end-December 2004 from 13.3% on 31 December 2003.

Capital strength

Our financial stability stems from the fact that we are one of the best-capitalized banks in the world. We believe that this financial strength is a key part of our value proposition for both our clients and our investors.

In August 2004, *Moody's* reaffirmed UBS's Aa2 long-term, Prime-1 short-term, and B+ bank financial strength ratings and commented that "the ratings of UBS are solidly underpinned by the Group's strong client franchises and healthy fundamentals. With leadership position in the majority of its core businesses, the Group's mix of businesses is well diversified across products and regions, the majority of which benefit from good growth prospects despite being in mature and competitive industries and markets."

In November 2004, the rating agency *Standard & Poor's* affirmed UBS's AA+ long-term, and A-1+ short-term ratings and commented: "The ratings on Switzerland-based UBS AG reflect the bank's strong market positions and franchises across a wide range of private banking and international securities activities. These support solid profitability, solid capitalization, and excellent liquidity."

In December 2004, *Fitch Ratings*, the international rating agency, affirmed UBS's AA+/F1+/A/B ratings and commented: "UBS's long-term, short-term and individual ratings reflect its excellent private banking/wealth management franchise, diversified revenue structure, solid underlying profitability, sound asset quality, and its strong capitalization."

UBS's ratings remain among the best of any major globally active financial institution. Well capitalized, with strong and balanced cash-flow generation, and a well-controlled risk profile, UBS is one of the soundest financial institutions worldwide.

UBS's long-term credit ratings are shown in the table below. Each of these ratings reflects only the view of the applicable rating agency at the time the rating was issued, and any explanation of the significance of a rating may be obtained only from the rating agency. A security rating is not a recommendation to buy, sell or hold securities and each rating should be evaluated independently of any other rating. There is no assurance that any credit rating will remain in effect for any given period of time or that a rating will not be lowered, suspended or withdrawn entirely by the rating agency if, in the rating agency's judgment, circumstances so warrant.

Long-term credit ratings

	As at		
	31.12.04	31.12.03	31.12.02
Fitch, London	**AA+**	AA+	AAA
Moody's, New York	**Aa2**	Aa2	Aa2
Standard & Poor's, New York	**AA+**	AA+	AA+

Capital Mgmt. & the UBS Share

Treasury shares

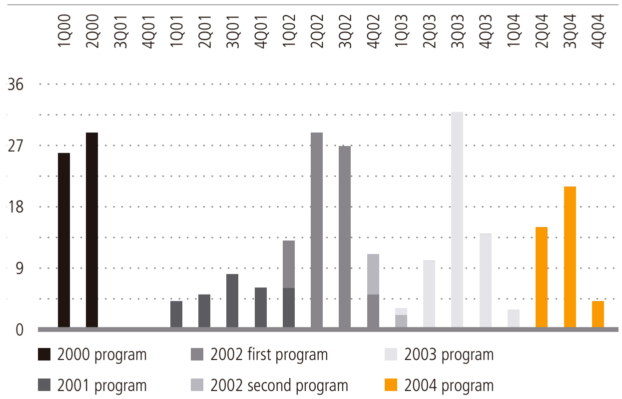
Under IFRS accounting rules, UBS shares held for trading or non-trading purposes are recorded as treasury shares and deducted from shareholders' equity. Our holding of treasury shares decreased to 103,524,971 or 9.2% of shares issued on 31 December 2004, from 111,360,692 or 9.4% on the same date a year ago. Of the currently held treasury shares, 39,935,094 are earmarked for cancellation whereas the other 63,589,877 cover employee share and option programs and, to a limited extent, market-making activities at the Investment Bank.

Treasury shares earmarked for cancellation (share buyback)

Strong earnings and careful management of our balance sheet allowed us to conduct a share buyback program for the fourth consecutive year in 2004 – giving us the opportunity to reduce the number of issued UBS shares, enhancing earnings per share. Under Swiss regulations, a company wishing to cancel shares must purchase them on the stock exchange under a special security code that clearly identifies to the market the time and quantity of shares repurchased for that specific purpose. As in previous years, we announced a maximum Swiss franc amount to be used for share purchases under the buyback program. Usage of the limit is determined by our capital management plan, which is adjusted throughout the year to reflect changes in business plans or acquisition opportunities. Our strong capitalization allows us to invest in the growth of our businesses by growing organically or making acquisitions. In the absence of such opportunities, we would return any excess capital to shareholders through share buybacks or dividends. UBS publishes the number of shares repurchased and the average price paid on a weekly basis on the internet at www.ubs.com/investors.

Share buyback

Shares (in millions)



Share buyback program 2004/2005

At the Annual General Meeting on 15 April 2004, shareholders gave the Board of Directors a mandate to set up a repurchase program in 2004/2005 for a maximum amount of CHF 6 billion. At the AGM on 21 April 2005, shareholders will be asked to approve the cancellation of 39,935,094 shares representing a total value of CHF 3.5 billion under the program, which ended in early March 2005. The shares will be cancelled in summer 2005 following the approval of the Annual General Meeting on 21 April 2005.

The table below shows the impact on basic earnings per share of the purchase of treasury shares through the second line buyback program.

New second line buyback program 2005/2006

As we continue to generate strong cash flow, we intend to continue to repurchase shares for capital reduction purposes

Effect of second line buyback program on basic earnings per share (EPS)

	For the year ended		
	31.12.04	31.12.03	31.12.02
Weighted average shares for basic EPS after treasury shares	**1,052,914,417**	1,116,953,623	1,208,586,678
Weighted average second trading line treasury shares	**236,970,415**	182,301,119	118,594,983
Basic EPS	**7.68**	5.59	2.92
Cumulative impact of treasury shares on basic EPS *(CHF)* [1]	**1.41**	0.79	0.26
Cumulative impact of treasury shares on basic EPS *(%)* [1]	**18.4**	14.1	8.9

1 From first share buyback program in 2000.

under a second line buyback program. The new program will start from 8 March 2005 and will run until 7 March 2006. It will allow for a maximum of CHF 5 billion in shares to be repurchased under the program.

Treasury share holdings for employee participation plans

UBS shares are also purchased and held for satisfying share delivery obligations under UBS's share and option-based participation plans that align the long-term interests of executives, managers, staff and shareholders. For share-based participation plans, UBS shares are purchased in the market and set aside for future distribution to employees once the holding period criteria have been met. For satisfying future share delivery obligations out of employee option plans, UBS shares are also purchased in the market and held to partially hedge the future obligations.

At year-end, a total of 100.9 million outstanding employee options at an average price of CHF 69 represented potential future share delivery obligations to employees, and which UBS mainly satisfies through the delivery of treasury shares purchased in the market. In 2004, a total of 29.4 million employee options were exercised and an additional 24.1 million new options were granted.

Treasury shares held by the Investment Bank

The Investment Bank, acting as liquidity provider to the equity futures market and as a market maker in UBS shares and derivatives, has issued derivatives linked to UBS stock. Most of these instruments are classified as cash-settled derivatives and are held for trading purposes only. For hedging the economic exposure, a limited number of UBS shares are held by the Investment Bank.

The presentation in the table below does not include movements in UBS share positions held by the Investment Bank.

Treasury shares – statutory limit

Under the Swiss Stock Exchange Act, treasury shares held by the company have to be reported once they rise above a certain threshold. In 2004, UBS holdings of its own shares were above the 5 % threshold requiring disclosure. This was primarily due to shares repurchased for subsequent cancellation. For more information, refer to page 85 in the corporate governance report.

Treasury share activities

	Share buyback program				Treasury shares purchased for employee share and option participation plans		Total number of shares	
Month of purchase	Number of shares	Average price in CHF	Remaining volume of share buyback program in CHF million		Number of shares	Average price in CHF	Number of shares	Average price in CHF
January 2004	2,775,000	90.25	2003/2004 program	484	328,414	86.84	3,103,414	89.89
February 2004	0	0.00	2003/2004 program	484	6,749	91.67	6,749	91.67
March 2004	0	0.00	2004/2005 program	6,000	17,787,364	94.32	17,787,364	94.32
April 2004	2,180,094	95.24	2004/2005 program	5,792	2,392,850	95.05	4,572,944	95.14
May 2004	2,750,000	91.81	2004/2005 program	5,540	11,688,596	91.14	14,438,596	91.27
June 2004	9,975,000	90.92	2004/2005 program	4,633	1,929,365	90.85	11,904,365	90.91
July 2004	8,765,000	86.21	2004/2005 program	3,877	725,308	88.14	9,490,308	86.36
August 2004	4,645,000	84.43	2004/2005 program	3,485	19,591	82.08	4,841,591	84.33
September 2004	7,300,000	88.29	2004/2005 program	2,841	164,430	89.06	7,464,430	88.30
October 2004	4,320,000	88.84	2004/2005 program	2,457	12,668	88.63	4,443,668	88.83
November 2004	0	0.00	2004/2005 program	2,457	6,287,543	93.05	6,287,543	93.05
December 2004	0	0.00	2004/2005 program	2,457	4,575,357	94.22	4,575,357	94.22

Note: This table excludes market-making and related hedging purchases by UBS. The table also excludes UBS shares purchased by investment funds managed by UBS for clients in accordance with specified investment strategies that are established by each individual fund manager acting independently of UBS and also excludes UBS shares purchased by pension and retirement benefit plans for UBS employees, which are managed by a board of UBS management and employee representatives in accordance with Swiss law guidelines. UBS's pension and retirement benefit plans purchased 47,506 UBS shares during the year and held 2,493,173 UBS shares as of 31 December 2004.

Program	Announcement	Beginning	Expiration	Cancellation	Maximum volume CHF billion	Amount CHF billion	Total shares purchased	Average price CHF	Unutilised volume CHF billion
2000/2001	14.12.99	17.01.00	02.03.01	13.07.01	4	4.0	55,265,349[1]	72.37	0
2001/2002	22.02.01	05.03.01	05.03.02	05.07.02	5	2.3	28,818,690	79.46	2.7
2002/2003	14.02.01	06.03.02	08.10.02	10.07.03	5	5.0	67,700,000	73.84	0
2002/2003	09.10.02	11.10.02	05.03.03	10.07.03	3	0.5	8,270,080	64.07	2.5
2003/2004	18.02.03	06.03.03	05.03.04	30.06.04	5	4.5	59,482,000	75.93	0.5
2004/2005	10.02.04	08.03.04	07.03.05		6	3.5	39,935,094	88.72	2.5

1 Restated for stock split.

Dividends

UBS normally pays an annual dividend to shareholders registered as of the date of the Annual General Meeting (the record date). Payment is usually scheduled three business days thereafter.

Dividend 2003 / 2004

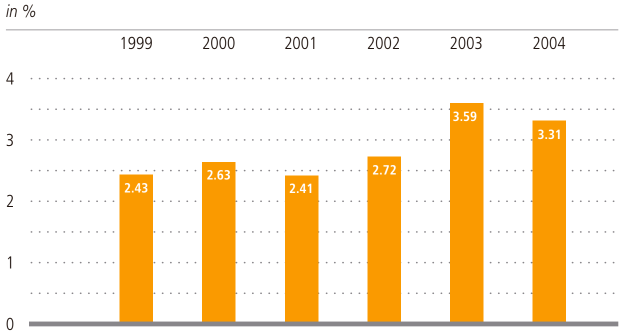
We were able, after the approval of the Annual General Meeting of shareholders on 15 April 2004, to pay a dividend of CHF 2.60 for year 2003, 30% higher than the previous year's CHF 2.00. Shareholders in the US received a net dividend payment of USD 1.30 per share. The ex-dividend date was 16 April 2004. Payment took place on 20 April 2004 for shareholders of record on 15 April 2004.

Planned dividend for 2004

The Board of Directors will recommend at the Annual General Meeting on 21 April 2005 a dividend of CHF 3.00 per share for the 2004 financial year, 15.4% higher than last year's dividend of CHF 2.60. This increase reflects the continuously high cash flow generation and strong equity base of the company, but also the fact that our shareholders have different preferences for receiving shareholder returns: some prefer cash dividends, some prefer share buybacks. By pursuing both avenues, we aim to attract and retain the widest, most diverse global shareholder base. UBS has a long-term record of paying stable or rising dividends. The decision on dividend payments falls under the authority of the AGM and is subject to shareholder approval. If the dividend is approved, the ex-dividend date will be 22 April 2005, with payment on 26 April 2005 for shareholders of record on 21 April 2005.

Dividend yield[1]

in %



1 Dividend and par value reduction paid/average share price of the year for which dividend or par value reduction were paid.

A single register exists for UBS ordinary shares, although it is split into two. There is a Swiss register, which is maintained by UBS acting as Swiss transfer agent, and a US register, which is maintained by Mellon Investor Services, as US transfer agent. A shareholder is entitled to hold shares registered in his/her name on either register and transfer shares from one register to the other upon giving proper instruction to the transfer agents.

For more details on "Shareholders' participation rights" refer to page 104 in this report.

US shareholders

The norm in the US is to declare dividends at least ten days in advance of the applicable record date with ex-dividend trading commencing two days before the record date. To ensure that shareholders on the Swiss and US registers are similarly treated in connection with dividend payments, and to avoid disparities between the two markets, NYSE trading takes place with due bills for the two-business day period preceding the dividend record date.

UBS pays dividends in Swiss francs. For UBS ordinary shares held in street name through The Depository Trust Company – a member of the US Federal Reserve System, a limited-purpose trust company under New York State banking law and a registered clearing agency with the Securities and Exchange Commission, any dividend will be converted into US dollars. Holders of UBS ordinary shares registered on the US register will receive dividend payments in US dollars unless they provide notice to Mellon Investor Services that they wish to receive dividend payments in Swiss francs.

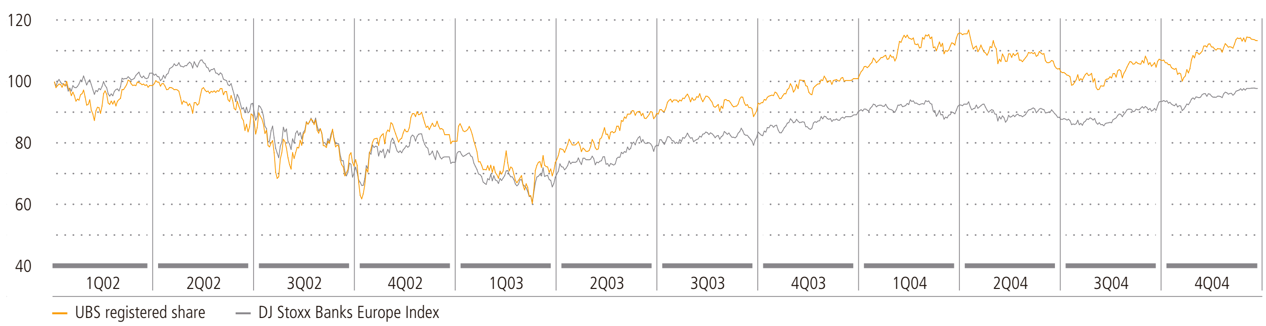
UBS will fix the US dollar dividend amount on the basis of the DJ Interbank Foreign Exchange rate for sale of Swiss francs against US dollars on 22 April 2005.

Holders of UBS shares are subject to 35% withholding tax on dividends they receive from UBS. Shareholders in the US can normally reclaim part of this, bringing their tax rate down to 15%. Further disclosure relating to the taxation of US holders of UBS shares can be found in our Form 20-F, in section E of item 10.

The UBS share in 2004

UBS share price chart vs DJ Stoxx banks

in % *1 January 2002 – 31 December 2004*



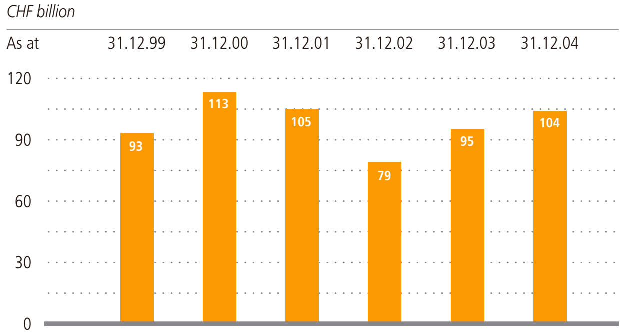
Note: For current share price refer to: www.ubs.com/quotes

UBS shares are listed on the Swiss (where they are traded on virt-x), New York and Tokyo stock exchanges. For a detailed definition of the UBS share (par value, type, rights of security), see page 85 of the Corporate Governance section.

Major equity markets staged a notable if uneven rise in 2004. A number of different factors drove market sentiment throughout the year. Corporate earnings remained strong and the global economy grew at a healthy rate. Still, investors remained wary of major central bank interest rate hikes and the possibility of major unforeseen geopolitical developments, especially following the Madrid bombing on 11 March and ahead of the US presidential election in November. Banking and financial stocks gained roughly in line with most key market indices in 2004. In the year, the DJ Stoxx Banks Index rose 10%, the DJIA gained 3%, the S&P 500 rose 9%, and the MSCI (World) Index 13%. The UBS share outpaced the overall market's gains, closing the year 12.6% higher at CHF 95.35 – also outstripping its main benchmark, the DJ Stoxx Banks Europe Index.

Market capitalization

CHF billion



Ticker symbols

Trading exchange	Bloomberg	Reuters
virt-x	UBSN VX	UBSN.VX
New York Stock Exchange	UBS US	UBS.N
Tokyo Stock Exchange	8657 JP	UBS.T

The first quarter started off with very high levels of investor confidence. It was widely assumed that banking shares would experience very strong earnings across their businesses in first quarter, giving them added drive. The UBS share tracked those developments, rising 14% in the first six weeks of the year.

In second quarter, however, investor optimism weakened as many became nervous after the Federal Reserve raised short-term rates. Although the UBS share reached its high for the year, CHF 98.35, on 13 April, it would fall 10.3% by the end of the quarter, to CHF 88.25.

In third quarter, the UBS share reached its low for the year, CHF 81.6, as markets continued to experience little movement. The share regained its momentum towards the end of the quarter after UBS's second quarter results, making up for much of the declines in July and early August.

Equities staged a strong recovery in fourth quarter as the outcome of the US election reduced market anxieties. Between 2 November and the end of the year, for example, the S&P 500 rose 7.2%, shaking off any residual uncertainties over volatile commodity prices and the weakening of the US dollar against major currencies. Instead, investors became confident about the outlook for merger and acquisition activity and grew hopeful about a return to steadier equity market performances in 2005 and beyond. The UBS share rose 8.5% to CHF 95.35 as a result of improving general market conditions, and because of its positive third quarter earnings report, again slightly above expectations, in early November.

Share liquidity

During 2004, daily average volume in the UBS share on virt-x was 4.83 million shares. On NYSE, it was 294,000 shares. Because of the greater volume on virt-x, trading of UBS shares there is expected to remain the main factor determining the movement in our share price.

During the hours in which both virt-x and NYSE are simultaneously open for trading (currently 3:30 pm to 5.30 pm Central European Time), price differences are likely to be arbitraged away by professional market makers. The NYSE price will therefore typically be expected to depend on both the virt-x price and the prevailing US dollar / Swiss franc exchange rate. When virt-x is closed for trading, traded volumes will typically be lower. However, the specialist firm making a market in UBS shares on the NYSE, Van der Moolen, is required to facilitate sufficient liquidity and an orderly market in the UBS share.

UBS share data

	As at		
Registered shares	**31.12.04**	31.12.03	31.12.02
Total shares outstanding	**1,126,858,177**	1,183,046,764	1,256,297,678
Total shares ranking for dividend	**1,086,923,083**	1,126,339,764	1,182,262,598
Treasury shares	**103,524,971**	111,360,692	97,181,094
Weighted average shares (for basic EPS calculations)	**1,052,914,417**	1,116,953,623	1,208,586,678
Weighted average shares (for diluted EPS calculations)	**1,081,961,360**	1,138,800,625	1,223,383,942

	For the year ended		
CHF	**31.12.04**	31.12.03	31.12.02
Earnings per share			
Basic EPS	**7.68**	5.59	2.92
Basic EPS before goodwill amortization [1]	**8.60**	6.43	4.72
Diluted EPS	**7.47**	5.48	2.87
Diluted EPS before goodwill amortization [1]	**8.36**	6.31	4.65

1 Excludes the amortization of goodwill and other intangible assets.

UBS shares and market capitalization

	As at			% change from
Number of shares, except where indicated	**31.12.04**	31.12.03	31.12.02	31.12.03
Total ordinary shares issued	**1,126,858,177**	1,183,046,764	1,256,297,678	(5)
Second trading line treasury shares				
2002 first program			(67,700,000)	
2002 second program			(6,335,080)	
2003 program		(56,707,000)		
2004 program	**(39,935,094)**			
Shares outstanding for market capitalization	**1,086,923,083**	1,126,339,764	1,182,262,598	(3)
Share price (CHF)	**95.35**	84.70	67.20	13
Market capitalization (CHF million)	**103,638**	95,401	79,448	9
Total treasury shares	***103,524,971***	*111,360,692*	*97,181,094*	*(7)*

Trading volumes

	For the year ended		
1000 shares	31.12.04	31.12.03	31.12.02
SWX total (virt-x)	1,227,234	1,319,658	1,320,861
SWX daily average (virt-x)	4,832	5,279	5,221
NYSE total	73,994	66,201	46,318
NYSE daily average	294	263	184

Source: Reuters

Stock exchange prices[1]

	SWX Swiss Exchange			New York Stock Exchange[2]		
	High *(CHF)*	Low *(CHF)*	Period end *(CHF)*	High *(USD)*	Low *(USD)*	Period end *(USD)*
2004	**98.35**	**81.60**	**95.35**	**84.37**	**64.94**	**83.84**
Fourth quarter 2004	**96.35**	**84.00**	**95.35**	**84.37**	**70.10**	**83.84**
December	96.35	93.25	95.35	84.37	81.22	83.84
November	94.45	87.50	92.10	81.60	73.06	81.00
October	90.15	84.00	86.30	72.62	70.10	72.49
Third quarter 2004	**91.00**	**81.60**	**87.90**	**72.38**	**64.94**	**70.33**
September	91.00	86.20	87.90	72.38	68.26	70.33
August	87.25	81.60	84.90	68.50	64.94	67.49
July	87.65	82.85	85.60	70.93	66.48	66.77
Second quarter 2004	**98.35**	**88.25**	**88.25**	**76.05**	**68.89**	**71.06**
June	92.30	88.25	88.25	74.79	70.82	71.06
May	91.35	88.90	89.90	74.53	68.89	72.10
April	98.35	91.25	92.15	76.05	69.65	70.80
First quarter 2004	**97.05**	**85.70**	**94.10**	**79.25**	**67.92**	**74.49**
March	97.05	91.65	94.10	75.94	71.94	74.49
February	96.90	89.65	93.30	79.25	71.65	74.01
January	91.25	85.70	90.25	73.04	67.92	71.67
2003	**85.40**	**49.80**	**84.70**	**68.16**	**38.00**	**67.99**
Fourth quarter 2003	85.40	74.85	84.70	68.16	57.54	67.99
Third quarter 2003	80.50	73.50	74.10	59.25	54.38	56.23
Second quarter 2003	75.75	58.90	75.35	58.35	43.58	55.40
First quarter 2003	72.10	49.80	57.50	51.86	38.00	42.70
2002	**84.30**	**51.05**	**67.20**	**51.99**	**34.54**	**48.12**
Fourth quarter 2002	75.45	51.05	67.20	50.88	34.54	48.12
Third quarter 2002	75.15	56.80	61.30	49.94	37.86	41.00
Second quarter 2002	84.15	69.80	74.85	51.99	46.90	49.89
First quarter 2002	84.30	73.00	82.80	50.50	43.27	49.75
2001	**96.83**	**62.10**	**83.80**	**58.49**	**40.12**	**50.00**
Fourth quarter 2001	86.85	69.70	83.80	52.83	43.23	50.00
Third quarter 2001	86.33	62.10	75.60	49.73	40.12	46.15
Second quarter 2001	92.00	77.50	85.83	51.47	44.87	47.02
First quarter 2001	96.83	72.33	83.17	58.49	43.02	47.68
2000	**88.17**	**63.58**	**88.17**	**54.10**	**40.18**	**54.10**
Fourth quarter 2000	88.17	71.17	88.17	54.10	40.18	54.10
Third quarter 2000	88.00	74.67	76.67	50.74	44.76	44.85
Second quarter 2000	83.33	69.83	79.67	50.66	42.99	48.67
First quarter 2000	72.83	63.58	72.83			

1 The share prices and volumes have been adjusted for the two-for-one share split that became effective on 8 May 2000 and for the three-for-one share split effective 16 July 2001. 2 UBS was listed on 16 May 2000, therefore there are no NYSE figures for periods prior to May 2000. NYSE figures for second quarter are for 16 May 2000 to 30 June 2000 only, and NYSE figures for 2000 are for 16 May 2000 to 31 December 2000 only.

Corporate Governance

UBS is committed to meeting high standards of corporate governance. Our corporate and executive bodies are organized in line with leading codes of best practice. The ultimate aim of our corporate governance is to lead UBS to success.

Introduction and principles

Corporate governance – the way that the leadership and management of the firm are organized and how they operate in practice – ultimately aims at leading UBS to success, protecting the interests of its shareholders and creating value for them and for all stakeholders. Good corporate governance seeks to balance entrepreneurship, control and transparency, while supporting the firm's success by ensuring efficient decision-making processes.

UBS fully complies with the standards established in the "Swiss Code of Best Practice for Corporate Governance" and the "SWX Swiss Exchange Directive on Information relating to Corporate Governance", both effective since 1 July 2002. UBS also meets the New York Stock Exchange (NYSE) corporate governance standards applicable to listed foreign companies and complies with the overwhelming majority of the NYSE standards for US domestic issuers. The few exceptions, mainly due to different legal systems in Switzerland and the US relating to the role, responsibilities and authorities of the Board of Directors and the Annual General Meeting (AGM) are explained on pages 114–115. UBS complies with the applicable requirements of the US Sarbanes-Oxley Act of 2002, including the certification of UBS's Annual Report on Form 20-F by the CEO and the CFO.

UBS operates under a strict dual Board structure, as mandated by Swiss banking law. The functions of Chairman of the Board of Directors (Chairman) and Group Chief Executive Officer (Group CEO) are conferred on two different people, thus providing separation of powers. This structure establishes checks and balances and creates an institutional independence of the Board of Directors from the day-to-day management of the firm, for which responsibility is conferred on the Group Executive Board. No member of one board may be a member of the other.

SWX Swiss Exchange Reporting on Corporate Governance

This Corporate Governance section contains the following information required by the SWX Swiss Exchange Directive on Information relating to Corporate Governance:
– group structure and shareholders
– capital structure
– Board of Directors
– senior management (Group Executive Board)
– compensation, shareholdings and loans
– shareholders' participation rights
– change of control and defense measures
– auditors
– information policy

This section summarizes the regulatory and supervisory environment of UBS in its principal locations of activity and describes how UBS complies with the NYSE listing standards on corporate governance. In addition, it provides a list of all members of the Group Managing Board and the Vice Chairmen of the Business Groups who, together with the GEB, form the senior leadership of the firm.

The chapter on executive compensation has been significantly enhanced, providing a broader picture of UBS's overall compensation philosophy. It also provides information on how executive compensation decisions are made.

Group structure and shareholders

Under Swiss company law, UBS is organized as an "Aktiengesellschaft" (AG), a corporation that has issued shares of common stock to investors. UBS AG is the parent company of the UBS Group.

UBS Group legal entity structure

The legal entity structure of UBS is designed to support its businesses within an efficient legal, tax, regulatory and funding framework. None of the Business Groups of UBS or its Corporate Center operate through separate legal entities, but rather they generally operate out of the parent bank, UBS AG, through its branches worldwide.

The goal of this structure is to capitalize on the synergies offered by the use of a single legal platform and to enable the flexible and efficient use of capital.

Where it is either not possible or not efficient to operate out of the parent bank, usually due to local legal, tax or regulatory rules or as a result of additional legal entities joining the UBS Group through acquisition, businesses operate through local subsidiaries. The significant operating subsidiary companies of the Group are listed in note 36 to the financial statements.

Operational Group structure

The four Business Groups – Wealth Management & Business Banking (with its two business units Wealth Management and Business Banking Switzerland), Global Asset Management, Investment Bank, Wealth Management USA, – together with the Corporate Center (comprising the two units Private Banks & GAM and Corporate Functions), form the operational structure of the Group's financial businesses. Performance is reported according to this structure (see the Financial Report 2004). A description of the Business Groups and their strategy, structure, organization, products and services is contained in this Handbook on pages 18–40. In addition, the UBS Group accounts contain a separate reporting segment called Industrial Holdings, which was created in 2004 following the full consolidation of Motor-Columbus into the financial statements. This allows UBS to maintain continuity in the presentation and analysis of the core financial businesses.

Listed and non-listed companies belonging to the Group

Motor-Columbus AG, Baden (Switzerland), listed on the SWX Swiss Exchange, share capital CHF 253 million, capitalization on 31 December 2004 CHF 2,464.2 million, UBS stake 55.6%, Valor No 212427/ ISIN CH0002124276, was fully consolidated in UBS's financial statements in third quarter 2004 following the acquisition of a majority stake on 1 July 2004.

The UBS Group includes a great number of other subsidiaries, none of which, however, is listed. For details of significant subsidiaries see note 36 to the financial statements.

Significant shareholders

Chase Nominees Ltd., London, acting in its capacity as a nominee for other investors, was registered with 8.76% of all shares issued as of 31 December 2004, compared to 8.27% at year-end 2003 and 7.68% at year-end 2002. DTC (Cede & Co.), New York, the US securities clearing organization "The Depository Trust Company", was registered as a shareholder for a great number of beneficial owners with 5.77% of all shares issued as of 31 December 2004 (4.54% as of 31 December 2003). According to UBS's Regulation on the Registration of Shares, voting rights of nominees are restricted to 5%, while clearing and settlement organizations are exempt from this restriction. No other shareholders hold more than 5% of all shares issued. Ownership of UBS shares is widely spread. The tables on the next page provide information about the distribution by category of shareholders and by geography. This information relates only to registered shareholders and cannot be assumed to be representative of the entire UBS investor base. Only registered shareholders are entitled to exercise voting rights.

Under the Swiss Stock Exchange Act, anyone holding shares in a company listed in Switzerland has to notify the company and the stock exchange if the holding attains, falls below or exceeds the following thresholds: 5, 10, 20, 33⅓, 50, or 66⅔% of the voting rights, whether they are exercisable or not. The methodology for calculating the limit is defined in the Ordinance of the Swiss Federal Banking Commission on the Stock Exchange (disclosure of shareholdings) and includes, among others, securities lending and share acquisition rights that provide entitlement for the future acquisition of shares. Since 13 September 2002, UBS's holdings of its own shares have been above the 5% threshold requiring disclosure under the Swiss Stock Exchange law. Primarily due to share repurchases for subsequent cancellation, UBS's holdings surpassed the 10% limit as of 19 May 2004 and dropped below 10% on 30 June following the cancellation of 59.5 million shares repurchased under the 2003/2004 share buyback program. Press releases were issued on 24 May and 5 July in that respect. On 30 June 2004, UBS's holdings consisted of 6.7% of its own shares, and an additional 0.5% of its own shares through derivatives. UBS's position in its own shares stood at between 5 and 10% for the remainder of the year.

At year-end, UBS's holdings in its own shares were 9.2% of the total share capital in the form of shares, and potentially 0.5% through derivatives.

Cross shareholdings

UBS has no cross shareholdings in excess of a reciprocal 5% of capital or voting rights with any other company.

Distribution of UBS shares

As at 31.12.04	Shareholders registered		Shares registered	
Number of shares registered	Number	%	Number	% of shares issued
1–100	46,251	23.4	2,514,386	0.2
101–1,000	119,281	60.4	45,141,727	4.0
1,001–10,000	29,521	14.9	73,491,491	6.5
10,001–100,000	2,169	1.1	55,337,923	4.9
100,001–1,000,000	307	0.2	89,014,495	7.9
1,000,001–5,000,000	60	0.0	127,633,553	11.4
5,000,001–11,268,581 (1%)	9	0.0	59,454,323	5.3
1–2%	2	0.0	25,692,118	2.3
2–3%	2	0.0	51,996,111	4.6
3–4%	0	0.0	0	0.0
4–5%	0	0.0	0	0.0
Over 5%	2 [1]	0.0	163,797,441	14.5
Total registered	197,610	100.0	694,073,568	61.6
Unregistered [2]			432,784,609	38.4
Total shares issued			**1,126,858,177 [3]**	**100.0**

1 As at 31.12.2004, Chase Nominees Ltd., London, was entered as a trustee/nominee holding 8.76% of all shares issued. DTC (Cede & Co.), New York, the US securities clearing organization, was registered with 5.77% of all shares issued. 2 Shares not entered in the share register at 31 December 2004. 3 175,640,888 shares entered in the share register do not carry voting rights.

Shareholders: type and distribution

	Shareholders		Shares	
As at 31.12.04	Number	%	Number	%
Individual shareholders	189,921	96.1	145,519,936	12.9
Legal entities	7,130	3.6	164,503,084	14.6
Nominees, fiduciaries	559	0.3	384,050,548	34.1
Unregistered			432,784,609	38.4
Total	**197,610**	**100.0**	**1,126,858,177**	**100.0**
Switzerland	180,333	91.3	284,751,706	25.3
Europe	11,877	6.0	240,102,269	21.3
North America	2,747	1.4	120,416,197	10.7
Other countries	2,653	1.3	48,803,396	4.3
Unregistered			432,784,609	38.4
Total	**197,610**	**100.0**	**1,126,858,177**	**100.0**

Capital structure

UBS is committed to capital management that is driven by shareholder value considerations. At the same time, UBS is dedicated to remaining one of the best-capitalized financial services firms in the world.

Capital

Under Swiss company law, shareholders have to approve in a shareholders' meeting any increase in the total number of issued shares, which may be an ordinary share capital increase or the creation of conditional or authorized capital. At year-end 2004, the ordinary share capital was CHF 901,486,541.60.

At the Annual General Meeting on 15 April 2004 shareholders gave the Board of Directors a mandate to continue a repurchase program during 2004/2005 for a maximum amount of CHF 6 billion. At the AGM on 21 April 2005, shareholders will be asked to approve the cancellation of 39,935,094 shares repurchased under this program and to reduce the ordinary share capital accordingly.

Conditional and authorized share capital

At year-end 2004, conditional share capital totaled CHF 2,826,409.60, corresponding to a maximum of 3,533,012 shares. The conditional capital was created in 2000 in connection with the acquisition of Paine Webber Group Inc. for the purpose of covering option rights granted by the PaineWebber Group to its employees. The subscription ratio, time limits and further details of these options were determined by PaineWebber before the merger and were assumed by UBS. Options under these plans are exercisable at any time between their vesting and the expiry date. Shareholders' pre-emptive rights are excluded. During 2004, options with respect to 3,293,413 shares were exercised under these plans, and 45,327 options expired without being exercised.

UBS has no further approval from shareholders to issue new shares under conditional or authorized capital.

Changes of shareholders' equity

Shareholders' equity for the Group amounted to CHF 34,978 million on 31 December 2004, down 1% from a year earlier. For all details on changes in shareholders equity over the last three years, please refer to page 86 of the Financial Report 2004.

Shares, participation and bonus certificates, capital securities

UBS shares are issued as Global Registered Shares. Each share has a par value of CHF 0.80 and carries one vote. Voting rights may, however, only be exercised if the holder expressly declares having acquired these shares in his own name and for his own account. Global Registered Shares provide direct and equal ownership for all shareholders, irrespective of the country and stock exchange where they are traded. For details see the Shareholders' participation rights section on pages 104–105 of this Handbook.

As at 31 December 2004, 518,432,680 shares carried voting rights, 175,640,888 shares were entered in the share register without voting rights, and 432,784,609 shares were not registered. All 1,126,858,177 shares were fully paid up, and 1,086,923,083 shares were ranking for dividends. There are no preferential rights for individual shareholders.

UBS has not issued any participation certificates or bonus certificates.

UBS placed CHF 1,946 million in subordinated debt in public capital markets in 2004 to diversify its capital securities maturity profile. Outstanding Tier 2 capital securities accounted for CHF 5.0 billion in eligible capital as at 31 December 2004. Additionally, UBS has USD 2,600 million (CHF 2,963 million)

Ordinary share capital

	Share capital in CHF	Number of shares	Par value in CHF
As at 31 December 2003	946,437,411	1,183,046,764	0.8
Share repurchase program 2003/2004: cancellation of shares upon AGM decision of 15 April 2004	(47,585,600)	(59,482,000)	0.8
Options exercised from conditional capital	2,634,731	3,293,413	0.8
As at 31 December 2004	**901,486,542**	**1,126,858,177**	**0.8**

in trust preferred shares outstanding which count as Tier 1 capital under regulatory rules.

Limitation on transferability and nominee registration

UBS does not apply any restrictions or limitations on the transferability of its shares. Shares registered according to the provisions in the Articles of Association (express declaration of beneficial ownership) may be voted without any limit in scope.

UBS has issued special provisions for the registration of fiduciaries/nominees. Fiduciaries/nominees are entered in the share register with voting rights up to a total of 5% of all shares issued, if they agree to disclose, upon request from the firm, beneficial owners holding 0.3% or more of all UBS shares. An exception to the 5% rule exists for securities clearing organizations such as The Depository Trust Company (DTC) in New York and SegaInterSettle (SIS) in Switzerland.

Convertible bonds and options

UBS currently has no convertible debt on UBS shares outstanding. The only options outstanding were 100,907,354 employee options on UBS shares as reported in note 32c to the financial statements. For a total of 3,533,012 of those options, exercise will be satisfied through the creation of newly issued shares (conditional capital). Share capital would therefore be increased by a maximum of CHF 2,826,409.60. For the other employee options, exercise would be satisfied by the delivery of already issued treasury shares.

The Investment Bank, acting as liquidity provider to the equity futures market and as a market maker in UBS shares and derivatives, has issued derivatives linked to UBS stock. Most of these instruments are classified as cash-settled derivatives and are held for trading purposes only. For hedging the economic exposure, a limited number of UBS shares are held by the Investment Bank.

Board of Directors

The Board of Directors is the most senior body with ultimate responsibility for the strategy and management of the company and for the supervision of its executive management. The shareholders elect each member of the Board, which appoints the Chairman, the Vice Chairmen and the various Board Committees.

Members of the Board of Directors

The table below provides information on the composition of the Board of Directors as at 31 December 2004. It shows each member's functions in UBS, nationality, year of initial appointment to the Board and current term of office, professional history and education, date of birth, and other activities and functions such as mandates on boards of important corporations, organizations and foundations, permanent functions for important interest groups and official functions and political mandates.

As of the AGM held on 15 April 2004, Johannes A. de Gier stepped down from the Board due to his new function as Chairman of SBC Wealth Management, the holding company established in 2003 within the UBS Group combining the independent private banks and GAM. Hans Peter Ming, who had reached retirement age, did not stand for re-election. Helmut Panke and Peter Spuhler were newly elected to the Board.

Marcel Ospel

Address	UBS AG Bahnhofstrasse 45 CH-8098 Zurich
Function in UBS	Chairman
Nationality	Swiss
Year of initial appointment	2001
Current term of office runs until	2005 (proposed for re-election at the AGM 2005)

Professional history, education and date of birth
Marcel Ospel was elected to the Board at the AGM in April 2001 and thereafter appointed as Chairman. Prior to this mandate, he served as Group Chief Executive Officer of UBS. He was the President and Group Chief Executive Officer of Swiss Bank Corporation (SBC) from 1996 to 1998. He was made CEO of SBC Warburg in 1995, having been a member of the Executive Board of SBC since 1990. From 1987 to 1990 he was in charge of Securities Trading and Sales at SBC. From 1984 to 1987 Mr. Ospel was a Managing Director with Merrill Lynch Capital Markets, and from 1980 to 1984 he worked at SBC International London and New York in the Capital Markets division. He began his career at SBC in the Central Planning and Marketing Division in 1977. Mr. Ospel graduated from the School of Economics and Business Administration (SEBA) in Basel. He was born on 8 February 1950.

Other activities and functions
Mandates on Boards of important corporations, organizations and foundations:
Marcel Ospel is a member of the International Capital Markets Advisory Committee of the Federal Reserve Bank of New York, and holds mandates with the Monetary Authority of Singapore's International Advisory Panel and the International Monetary Conference. He is a trustee of the Foundation Board of the Patronate Committee for the Basel Museums of Art, and of the Committee for the Museum of Antiques, Basel, and is the Chairman of the "Optimus Foundation", a charitable foundation administered by UBS.
Permanent functions for important interest groups
Marcel Ospel is the treasurer of "Economiesuisse", the Swiss business federation, Zurich, and is a member of the European Financial Services Round Table, Brussels.

Alberto Togni

Address	UBS AG Bahnhofstrasse 45 CH-8098 Zurich
Function in UBS	Executive Vice Chairman
Nationality	Swiss
Year of initial appointment	1998
Current term of office runs until	2005 (not standing for re-election)

Professional history, education and date of birth
Alberto Togni has been with UBS and SBC since 1959. From 1994 to 1997 he was Chief Risk Officer and a member of the Group Executive Committee of Swiss Bank Corporation (SBC). He previously held various functions in the Commercial division, becoming its head in 1993. In 1981 he was named member of the Executive Board. Prior to that, he assumed different management roles in Zurich, New York, Tokyo and as representative for the Middle East in Beirut, after professional training and various assignments with SBC in Lausanne, New York and Zurich. Mr. Togni graduated from the New York Institute of Finance. He was born on 30 October 1938.

Other activities and functions
Mandates on Boards of important corporations, organizations and foundations:
Alberto Togni is the Chairman of the Board of the Helmut Horten Foundation, Croglio (Ticino, Switzerland).

Stephan Haeringer

Address	UBS AG Bahnhofstrasse 45 CH-8098 Zurich
Function in UBS	Executive Vice Chairman
Nationality	Swiss
Year of initial appointment	2004
Current term of office runs until	2007

Professional history, education and date of birth
Before being elected to the Board of Directors in 2004, Stephan Haeringer was Deputy President of the Group Executive Board, a position he held between 2002 and 2004. Between 2000 and 2002, he was CEO of UBS Switzerland and the Private and Corporate Clients business. In 1998, following the UBS-SBC merger, he was appointed the Division Head of Private and Corporate Clients. He originally joined the former Union Bank of Switzerland in 1967, assuming a broad variety of responsibilities within the firm – among them Chief Executive Officer Region Switzerland, Division Head Private Banking and Institutional Asset Management and Head of the Financial Division. Between 1967 and 1988, Mr. Haeringer was assigned various management roles in the areas of Investment Counseling, Specialized Investments, Portfolio Management, Securities Administration and Collateral Loans. He received professional training at Williams de Broe Hill Chaplin & Cie, London, and at Goldman Sachs & Co. and Brown Brothers Harriman in New York. Mr. Haeringer was born on 6 December 1946.

Other activities and functions
Mandates on Boards of important corporations, organizations and foundations:
Stephan Haeringer is a member of the Board of the Helmut Horten Foundation, Croglio (Ticino, Switzerland), and a member of the Board Committee of the Zurich Chamber of Commerce.

Peter Böckli

Address	Böckli Bodmer & Partners St. Jakobsstrasse 41 CH-4002 Basel
Functions in UBS	Non-executive Vice Chairman Chairman of the Nominating Committee
Nationality	Swiss
Year of initial appointment	1998
Current term of office runs until	2006

Professional history, education and date of birth
Peter Böckli, non-executive Vice Chairman since 2002, has been a member of the Board of Directors of UBS and its predecessor Swiss Bank Corporation since 1985. He has been a partner in the law office of Böckli Bodmer & Partners since 1981 and was a part-time professor of tax and business law at the University of Basel from 1995 to 2001. From 1963 to 1981 he was an attorney-at-law in New York, Paris and Basel. Mr. Böckli graduated as doctor iuris from the University of Basel and as an attorney-at-law and is a non-resident member of the Association of the Bar of the City of New York. He was born on 7 May 1936.

Other activities and functions
Mandates on Boards of important corporations, organizations and foundations:
Peter Böckli is a member of the Board of Directors of Nestlé S.A., Vevey (Switzerland). He is Vice Chairman of the Board of Manufacture des Montres Rolex S.A., Bienne (Switzerland), and is the Secretary of the Board of Trustees of the Wilhelm Doerenkamp Foundation, Chur (Switzerland), and a member of the Board of Trustees of the Holler Foundation, Munich (Germany).
Official functions and political mandates:
Peter Böckli acts as an expert advising the Swiss Federal Government on various legislative projects.

Ernesto Bertarelli

Address	Serono International SA Chemin des Mines 15bis CH-1211 Geneva 20
Function in UBS	Member of the Board
Nationality	Swiss
Year of initial appointment	2002
Current term of office runs until	2006

Professional history, education and date of birth
Ernesto Bertarelli has been the Chief Executive Officer of Serono International SA, Geneva, since 1996. He started his career with Serono in 1985 and held several positions in sales and marketing. Prior to his appointment as CEO, he served for five years as Deputy CEO. Mr. Bertarelli holds a bachelor of science from the Babson College Boston and a Harvard MBA. He was born on 22 September 1965.

Other activities and functions
Mandates on Boards of important corporations, organizations and foundations:
Ernesto Bertarelli has been the Vice Chairman of the Board of Serono S.A., Coinsins (Switzerland), since 1991. He is the Chairman of Bertarelli & Cie., Chéserex (Switzerland), of Kedge Capital Partners Ltd., Jersey, of Team Alinghi SA, Ecublens (Switzerland), and of Alinghi Holdings Ltd, Jersey. He holds various board mandates in professional organizations of the biotech and pharmaceutical industries.

Sir Peter Davis

Address	41 Bloomfield Terrace, London SW1W 8BQ
Functions in UBS	Member of the Audit Committee Member of the Compensation Committee Member of the Nominating Committee
Nationality	British
Year of initial appointment	2001
Current term of office runs until	2007

Professional history, education and date of birth
Sir Peter Davis was Group Chief Executive Officer / Chairman of J Sainsbury plc, London between 2000 and 2004. He was the Group Chief Executive of Prudential plc from 1995 to 2000 and Chief Executive and Chairman of Reed International and Chairman of Reed Elsevier (following the merger of Reed International with Elsevier) from 1986 to 1995. From 1976 to 1986, he had responsibility for all buying and marketing operations at J Sainsbury plc. Prior to that he served as Marketing Director and Managing Director for Key Markets, part of Fitch Lovell Ltd., and as Marketing and Sales manager at General Foods Ltd., Banbury (United Kingdom). He is today a company director and investor. Mr. Davis was educated at Shrewsbury School, graduated from the Chartered Institute of Marketing and holds an Hon LL.D (Dr Law) from Exeter University. He was born on 23 December 1941.

Other activities and functions
Mandates on Boards of important corporations, organizations and foundations:
Sir Peter Davis is a member of the Board of the Royal Opera House, London and a member of the Confederation of British Industry (CBI), London.
Official functions and political mandates:
Sir Peter Davis is the Chairman of the Employers' Task Force on Pensions, London.

Rolf A. Meyer

Address	Heiniweidstrasse 18 CH-8806 Bäch
Functions in UBS	Chairman of the Compensation Committee Member of the Audit Committee
Nationality	Swiss
Year of initial appointment	1998
Current term of office runs until	2006

Professional history, education and date of birth
Rolf A. Meyer has been a member of the Boards of UBS and its predecessor Union Bank of Switzerland since 1992. He was Chairman and CEO of Ciba Specialty Chemicals Ltd. until November 2000. He first joined Ciba-Geigy Group in 1973 as a financial analyst, and subsequently became Group Company Controller in Johannesburg, South Africa, Head of Strategic Planning and Control in Basel, Head of Finance and Information Systems in Ardsley, N.Y., and later Chief Financial Officer of the Group. After the merger of Ciba-Geigy and Sandoz to create Novartis, he led the spin-off of Ciba Specialty Chemicals. He is today a company director. Mr. Meyer graduated in Political Science (Ph.D.) and holds a Master of Business Administration. He was born on 31 October 1943.

Other activities and functions
Mandates on Boards of important corporations, organizations and foundations:
Rolf A. Meyer is a member of the Board of DKSH AG (Diethelm Keller Siber Hegner), Zurich, and is the Chairman of its Audit and Finance Committee.

Helmut Panke

Address	BMW Group Knorrstrasse 147 D-80788 Munich
Function in UBS	Member of the Nominating Committee.
Nationality	German
Year of initial appointment	2004
Current term of office runs until	2007

Professional history, education and date of birth
Helmut Panke has been Chairman of the Board of Management of BMW AG, Munich, since May 2002. He has been with the company since 1982, when he joined as head of Planning and Controlling in the Research and Development Division. He subsequently assumed management functions in corporate planning, organization and corporate strategy. Before his appointment as Chairman, he was a member of BMW's Board of Management from 1996. Between 1993 and 1996, he was Chairman and CEO of BMW Holding Corporation in the US. Mr. Panke graduated from the University of Munich with a doctoral degree in physics (Ph.D.) and was assigned to the University of Munich and the Swiss Institute for Nuclear Research before joining McKinsey in Düsseldorf and Munich as a consultant. He was born on 31 August 1946.

Other activities and functions
Mandates on Boards of important corporations, organizations and foundations:
Helmut Panke is a member of the Board of Directors of Microsoft Corporation, Redmond, WA (USA) and is a member of the Board of Trustees of the BMW Foundation Herbert Quandt.
Permanent functions for important interest groups:
Helmut Panke is a member of the Board of Directors of ACEA, the Association des Constructeurs Européens d'Automobiles, Belgium, of VDA, the association of the German automobile industry, and of the American Chamber of Commerce in Germany.

Peter Spuhler

Address	Stadler Bussnang AG Bahnhofplatz 9565 Bussnang
Function in UBS	Member of the Compensation Committee
Nationality	Swiss
Year of initial appointment	2004
Current term of office runs until	2007

Professional history, education and date of birth
Peter Spuhler is the owner of Stadler Rail AG (Switzerland), which he acquired in 1989 when it was a small firm with 18 employees. Today the Stadler Rail Group has more than 1,000 staff and is an internationally successful light railway vehicle business. Since 1997 Peter Spuhler has taken over a number of companies and founded new units within the Stadler Rail Group, mainly in Switzerland and in Germany. Mr. Spuhler joined Stadler Ltd. in 1987 as an employee after studying economics at the University of St. Gallen. He was born on 9 January 1959.

Other activities and functions
Mandates on Boards of important corporations, organizations and foundations:
Peter Spuhler is Chairman of Stadler Rail Ltd. and of Stadler Bussnang Ltd., as well as of various companies within the Stadler Rail Group.
Permanent functions for important interest groups:
He is Vice President of LITRA, a Swiss organization providing information services in the interests of public transport, Berne.
Official functions and political mandates:
Peter Spuhler is a member of the Lower House of the Swiss Parliament (Nationalrat).

Lawrence A. Weinbach

Address	Unisys Corporation Unisys Way Blue Bell, PA 19424
Function in UBS	Chairman of the Audit Committee
Nationality	American (US)
Year of initial appointment	2001
Current term of office runs until	2005 (proposed for re-election at the AGM 2005)

Professional history, education and date of birth
Lawrence A. Weinbach was the Chairman, President and CEO of Unisys Corporation from 1997 to 2004. As of 1 January 2005 he stepped down as President and CEO, concentrating on the function of Executive Chairman. From 1961 to 1997 he was with Arthur Andersen / Andersen Worldwide as Managing Partner, and was Chief Executive of Andersen Worldwide from 1989 to 1997, Chief Operating Officer from 1987 to 1989, and Managing Partner of the New York office from 1983. He was elected to partnership at Arthur Andersen in 1970 and became Managing Partner of the Stamford, Connecticut, office in 1974 and Partner in charge of the accounting and audit practice in New York from 1980 to 1983. Mr. Weinbach is a Certified Public Accountant and holds a bachelor of science in Economics from the Wharton School of the University of Pennsylvania. He was born on 8 January 1940.

Other activities and functions
Mandates on Boards of important corporations, organizations and foundations:
Lawrence A. Weinbach is the Chairman of Unisys Corporation, Blue Bell, PA (USA), and a member of the Board of Directors of Avon Products Inc., New York, where he is the chairman of the audit committee. He is a trustee and member of the audit committee of Carnegie Hall.
Permanent functions for important interest groups:
Lawrence A. Weinbach is a member of the NYSE Listed Company Advisory Committee and of the National Security Telecommunications Advisory Committee.

Organizational principles and personnel changes

The Board of Directors has ultimate responsibility for the mid- and long-term strategic direction of the Group, for appointments and dismissals at top management levels and the definition of the firm's risk principles and risk capacity. A majority of the Board members are non-executive and independent. The Chairman and at least one Vice Chairman have executive roles in line with Swiss banking laws, and assume supervisory and leadership responsibilities. As at 31 December 2004, the Board consisted of ten directors.

Changes in 2005

As of the Annual General Meeting (AGM) on 21 April 2005, Alberto Togni, whose term of office expires in 2005, is stepping down from the Board as he has reached retirement age. The Board of Directors will propose the following new members for election: Marco Suter, currently Group Chief Credit Officer and member of the UBS Group Managing Board, as executive director, and Peter R. Voser, Chief Financial Officer of The Royal Dutch / Shell Group of Companies and Managing Director of the Shell Transport and Trading Company p.l.c., London, as non-executive director. The Board of Directors will then consist of eleven members.

Executive responsibilities

Marcel Ospel, Alberto Togni and Stephan Haeringer, the Chairman and the two Executive Vice Chairmen of the Board, have entered into employment contracts with UBS AG in connection with their services on the Board, and are entitled to receive pension benefits upon retirement. They assume clearly defined management responsibilities, in line with Swiss banking law separate from ordinary day-to-day management.

Chairman Marcel Ospel takes a leading role in mid- and long-term strategic planning, the selection and supervision of the CEO and the members of the Group Executive Board, mid-term succession planning and developing and shaping compensation principles. He also actively supports major client and transaction initiatives.

Credit and market risk approval authorities have been delegated by the Board to Vice Chairman Alberto Togni, who brings his decisions to the Chairman's Office for ratification. He also assumes the function of Chairman's Office delegate to the GEB Risk Subcommittee, where all major risk issues (credit, market and operational risks) are dealt with.

Stephan Haeringer is responsible for strategic planning issues on behalf of the Board and supervises financial and business planning. He also assumes responsibility for supporting major client relationships.

Non-executive Board members

The seven non-executive members of the Board have never had any management responsibility at UBS or for any of its subsidiaries; neither have any of their close family members. These non-executive directors and their close family members have not been employed by the Company's principal Auditors, Ernst & Young. There are no employment or service contracts with any of them. They receive fixed fees for their Board mandate and for the special functions they assume in the various Board Committees.

Important business connections of non-executive Board members with UBS

UBS as a global financial services provider and the major bank in Switzerland typically has business relationships with most large companies and therefore with companies in which UBS Board members assume management or non-executive board responsibilities. None of the relationships with companies represented on the Board by their chairman or chief executive is of a magnitude to jeopardize the Board members' independent judgement, and no non-executive director has personal business relationships with UBS which might infringe his independence.

All relationships with UBS directors and their affiliated companies are in the ordinary course of business and are on substantially the same terms as those prevailing at the time for comparable transactions with non-affiliated persons.

Elections and term of office

All the members of the Board of Directors are elected individually by the AGM for a term of office of three years. The initial term of each member is fixed in such a way as to ensure that about one third of all the members have to be newly elected or re-elected every year.

A director shall normally not stand for re-election if he / she has reached the age of sixty-five when the mandate expires. The Board may propose to the AGM that a director be re-elected despite having reached this age limit. No director shall, however, hold office beyond the age of seventy.

The year of first appointment to the Board and the expiry of the current mandate of each Board member are listed in the table on pages 87–89.

Internal organization

After each Annual General Meeting of Shareholders, the Board elects its Chairman and one or more Vice Chairmen and appoints its Secretary. It meets as often as business requires, but at least six times per year. In 2004 the Board held seven meetings with the members of the Group Executive Board participating, two telephone conferences and a full-day strategy seminar and was called to take two circular decisions. In addition, the Board met four times without participation of executive management. On average 93% of Board members were present at Board meetings, and 90% at the meetings without management. Seven meetings and the Strategy Seminar were attended by all the Board members.

The new Board members were introduced to their new function by a tailored program, consisting of three sessions with the following main topics: the legal and regulatory environment for UBS, group strategy, risk policy, management and control, financial accounting and applicable reporting standards, corporate governance, human resources management, internal audit, and organization, strategy, products and services of the four Business Groups.

The Board is organized as follows:

Chairman's Office

The Chairman operates a Chairman's Office, including the Vice Chairmen, which meets together with the Group CEO to address fundamental issues for the firm, such as overall strategy, mid-term succession plans at GEB level, compensation systems and principles, and the risk profile of the firm. It may also hold meetings without the Group CEO. The Chairman's Office acts as Risk Committee of the Board. In this capacity it assumes ultimate approval responsibility for credit, market and other risk-related matters, approves standards, concepts and methodologies for risk control within the principles approved by the Board, and allocates the major risk limits to the Business Groups. It also acts as the supervisory body for Group Internal Audit. The Chairman's Office is responsible for shaping the corporate governance of the firm and formulates appropriate principles, which it submits to the Nominating Committee for review and subsequent submission to the full Board. It also assumes responsibility for long-term succession planning at Board level and reviews, upon proposal by the Chairman and the Group CEO, GEB candidates for appointment or dismissal by the full Board.

The members of the Chairman's Office, as of 31 December 2004, were Marcel Ospel, Chairman, Alberto Togni, Stephan Haeringer and Peter Böckli, Vice Chairmen. The Chairman's Office held 10 meetings in 2004 and once met with the lead partners of Group Auditors Ernst & Young. It additionally met seven times as supervisory body for Group Internal Audit, with these meetings chaired by Alberto Togni, and was asked to take two circular decisions. Average participation at the Chairman's Office meetings was 95% and at the meetings relating to Group Internal Audit issues it was 100%.

Audit Committee

The Board appoints an Audit Committee with three members from among the non-executive, independent directors. The Audit Committee assists the Board in monitoring the integrity of the financial statements of the firm, compliance with legal and regulatory requirements, the qualification, independence and performance of UBS's external auditors and their lead partners, and the integrity of the systems of internal controls for financial reporting. All members of the Audit Committee have been determined by the Board as being fully independent and financially literate, and Lawrence Weinbach, chairman, and Rolf Meyer have accounting or financial management expertise and are therefore considered "financial experts", according to the rules established by the US Sarbanes-Oxley Act of 2002. The Audit Committee does not itself perform audits, but supervises the work of the auditors. Its primary responsibility is thereby to monitor and review the organization and efficiency of internal control procedures and the financial reporting process. The Audit Committee plays an important role in ensuring the independence of the external auditors and therefore has to authorize all mandates assigned to them. It also has responsibility for the treatment of complaints regarding accounting and auditing matters ("whistle-blowing").

As of 31 December 2004, Lawrence A. Weinbach was the chairman and Sir Peter Davis and Rolf A. Meyer the additional members of the Committee. The Audit Committee met six times in 2004, with representatives of the external auditors, the Group CFO, the Group Controller and the Head of Group Internal Audit participating. It also held periodic separate sessions with these representatives of management and of external and internal audit, as well as with the Group General Counsel. A special session was organized with the Group CEO to discuss the annual financial results. In February 2004, the members of the Audit Committee met with the Committee of the Swiss Federal Banking Commission to discuss its mandate, responsibilities and working methods and regulatory developments. All three members of the Committee were present at all the meetings.

Compensation Committee

The Compensation Committee, comprising three non-executive, independent directors, has responsibility for reviewing the Group compensation policy for submission to the Board and for approving the design of the compensation system for the members of the GEB and the executive directors. It determines the individual salaries and incentive awards for the executive directors, the Group CEO and the members of the GEB, and reviews and approves termination agreements with leaving GEB members. For details about the decision-making procedures within the Committee please refer to pages 98–99 of this Handbook.

As of 31 December 2004, Rolf A. Meyer chaired the Committee, with Sir Peter Davis and Peter Spuhler as its additional members. The Committee met four times during 2004. The two new Committee members were briefed on important compensation issues and instruments and the UBS compensation philosophy, policies and procedures in an additional special session. Average participation at the meetings was 92%, meaning that one member was absent at one of the meetings and the other meetings were attended by all three members.

Nominating Committee

The Nominating Committee comprises three non-executive, independent directors. It assumes responsibility for defining principles for the selection of candidates for Board membership, reviewing possible candidates and proposing to the full Board those to be submitted for election to the Board by the AGM. The Committee supports the Chairman's Office and the full Board in evaluating Board performance. It reviews the proposals of the Chairman's Office on corporate governance principles and design for submission to the full Board.

As of 31 December 2004, Peter Böckli was the chairman and Sir Peter Davis and Helmut Panke the additional members of the Committee. In 2004, the Nominating Committee held four meetings, with all three members present at all the meetings.

Corporate Responsibility Committee

UBS has a Corporate Responsibility Committee with the mandate to discuss and judge the relevance of current or anticipated developments in stakeholder expectations related to responsible corporate conduct and their possible consequences for UBS. The Committee suggests appropriate action to the GEB or other bodies within the organization. As of 31 December 2004, Marcel Ospel chaired the Committee. Additional members were Stephan Haeringer, representing the Board, Peter Wuffli, Group CEO, Peter Kurer, Group General Counsel, Clive Standish, Group CFO, Mark Branson, Chief Communication Officer, Marco Suter, Group Chief Credit Officer, Bob Silver, President and COO of Wealth Management USA, and Raoul Weil, Head of Wealth Management International. The Corporate Responsibility Committee met twice during 2004. For additional information on corporate responsibility, please refer to the specific chapter at the end of this Handbook.

Charters and additional information

The Charters of the Board, of the Chairman's Office and of all Board Committees are available on www.ubs.com/boards.

Areas of responsibility of Board of Directors and Group Executive Board

The ultimate responsibility for the strategy and the management of UBS lies with the Board of Directors. In line with Swiss banking law, the Board has delegated the responsibility for day-to-day management to the Group Executive Board. No-one may be a member of both bodies. The supervision and control of the executive management remains with the Board of Directors. All details as to authorities and responsibilities of the two bodies are governed by the Articles of Association and the Organization Regulations with their Appendix. Please refer to www.ubs.com/corporate-governance.

Information and control instruments vis-à-vis the Group Executive Board

The Board of Directors is kept informed of the activities of the Group Executive Board in various ways. The Chairman of the Board or one of the Executive Vice Chairmen participate in each meeting of the GEB in an advisory capacity, thus keeping the Chairman's Office apprised of all current developments. The minutes of the GEB meetings are filed with the executive Board members and made available for inspection to the non-executive members. At Board meetings, the Group CEO and the members of the GEB regularly update the Board on important issues.

Directors may request any information necessary to fulfill their duties. Outside of meetings, any director may request information from members of the Group Executive Board concerning the Group's business development. Requests for information about individual business relationships or transactions must be addressed to the Chairman of the Board.

Group Internal Audit monitors compliance of business activities with legal and regulatory requirements and with all internal regulations, policies and guidelines. The internal audit organization, which is independent from management, reports its significant findings to the Chairman of the Board, the Chairman's Office and the Audit Committee.

The Group Executive Board submits a quarterly Risk Report, which provides an update on all categories of risk and contains a comprehensive assessment of the risk situation of the Group, to the Chairman's Office for approval. The full board is briefed quarterly on the major developments through an executive summary of the Report and an oral update. For further details on the organization of Risk Management and Control, please refer to the Financial Management chapter of this Handbook.

Group Executive Board

The Group Executive Board (GEB) has business management responsibility for UBS. The Group CEO and the members of the GEB are appointed by the Board of Directors and are accountable to the Chairman and the Board for the firm's results.

Members of the Group Executive Board

The table below provides information on the composition of the Group Executive Board as at 31 December 2004. It shows each member's function in UBS, nationality, year of initial appointment to the GEB, professional history and education, date of birth, and other activities and functions such as mandates on boards of important corporations, organizations and foundations, permanent functions for important interest groups and official functions and political mandates.

During the year under review, Joseph J. Grano Jr. resigned from the GEB in January and left the firm in November. George Gagnebin stepped down from the GEB at the end of September to assume the function of Executive Vice Chairman of SBC Wealth Management AG. Stephan Haeringer, former Deputy President of the GEB, was elected to the Board of Directors at the AGM on 15 April 2004 and therefore left the GEB.

Peter A. Wuffli

Address	UBS AG Bahnhofstrasse 45 CH-8098 Zurich
Function in UBS	Group Chief Executive Officer
Nationality	Swiss
Year of initial appointment to the GEB	1998

Professional history, education and date of birth
Peter A. Wuffli was named President of the Group Executive Board on 18 December 2001 and Group CEO in 2003. Previously, he was Chairman and CEO of UBS Asset Management, and from 1998 to 1999 Group Chief Financial Officer of UBS. From 1994 to 1998, he was the Chief Financial Officer at Swiss Bank Corporation (SBC) and a member of SBC's Group Executive Committee. In 1984, he joined McKinsey & Co as management consultant where he became a partner in 1990. He was a freelance economics reporter for "Neue Zürcher Zeitung" before joining McKinsey. Mr. Wuffli graduated in economics and social sciences from the University of St. Gallen and holds a doctor's degree in international management. He was born on 26 October 1957.

Other activities and functions
Mandates on Boards of important corporations, organizations and foundations:
Peter Wuffli is a Board member of the Zurich Opera House and a member of the Executive Committee of the Institute of International Finance Inc., Washington DC. He is a member of the Executive Committee and Vice Chairman of the Board of IMD International Institute for Management Development in Lausanne (Switzerland) and the Treasurer of the Swiss-American Chamber of Commerce in Zurich.
Official functions and political mandates:
Peter Wuffli is the Chairman of the "Friends of the Swiss Liberal Party" (Freunde der FDP), an organization supporting the dialogue between the Swiss Liberal Party and business.

John P. Costas

Address	UBS AG Bahnhofstrasse 45 CH-8098 Zurich
Functions in UBS	Chairman and Chief Executive Officer Investment Bank; Deputy Group CEO
Nationality	American (US)
Year of initial appointment to the GEB	2001

Professional history, education and date of birth
John P. Costas has been Chairman & CEO of the Investment Bank since 2002, having been CEO since 2001. In 2004 he was additionally named Deputy Group CEO. He was President and Chief Operating Officer of UBS Warburg from the beginning of 2001, and COO and Global Head Fixed Income from 1999. Mr. Costas joined Union Bank of Switzerland in 1996 as Head of Fixed Income. From 1981 to 1996 he was with Credit Suisse First Boston, his last position being co-head of Global Fixed Income. Mr. Costas graduated from the Tuck School at Dartmouth with an MBA in Finance and holds a BA in political science from the University of Delaware. He was born on 27 January 1957.

Other activities and functions
Mandates on Boards of important corporations, organizations and foundations:
John Costas is a member of the New York City Partnership & Chamber of Commerce, Inc.

John A. Fraser

Address	UBS AG Bahnhofstrasse 45 CH-8098 Zurich
Function in UBS	Chairman and Chief Executive Officer Global Asset Management
Nationality	Australian
Year of initial appointment to the GEB	2002

Professional history, education and date of birth
John A. Fraser was appointed as Chairman & CEO of the Global Asset Management Business Group in late 2001. Immediately prior to that, he was President and COO of UBS Asset Management and Head of Asia Pacific. From 1994 to 1998 he was Executive Chairman and CEO of SBC Australia Funds Management Ltd. Before joining UBS, Mr. Fraser held various positions at the Australian Treasury, including two international postings to Washington DC – first, at the International Monetary Fund and, second, as Minister (Economic) at the Australian Embassy. From 1990 to 1993 he was Deputy Secretary (Economic) of the Australian Treasury. Mr. Fraser graduated from Monash University in Australia in 1972 and holds a first class honors degree in economics. He was born on 8 August 1951.

Peter Kurer

Address	UBS AG Bahnhofstrasse 45 CH-8098 Zurich
Function in UBS	Group General Counsel
Nationality	Swiss
Year of initial appointment to the GEB	2002

Professional history, education and date of birth
Peter Kurer has been the Group General Counsel since 2001, when he joined UBS. Between 1991 and 2001 he was a partner at the Homburger law firm in Zurich. Between 1980 and 1990 he was with Baker & McKenzie in Zurich, first as associate, later as partner, after having been a law clerk at the District Court of Zurich. Mr. Kurer graduated as a doctor iuris from the University of Zurich and was admitted as attorney-at-law in Zurich. He holds an LL.M. from the University of Chicago and was born on 28 June 1949.

Other activities and functions
Permanent functions for important interest groups:
Peter Kurer is a member of the Visiting Committee to the Law School of The University of Chicago.

Marcel Rohner

Address	UBS AG Bahnhofstrasse 45 CH-8098 Zurich
Function in UBS	Chairman and Chief Executive Officer Wealth Management & Business Banking
Nationality	Swiss
Year of initial appointment to the GEB	2002

Professional history, education and date of birth
Marcel Rohner was appointed CEO of Wealth Management & Business Banking in mid-2002 and additionally named Chairman in 2004. Before that, in 2001 and 2002, he was COO and Deputy CEO of the Private Banking unit of UBS Switzerland. In 1999 he was named Group Chief Risk Officer, after being appointed Head of Market Risk Control of Warburg Dillon Read in 1998. Between 1993 and 1998, Mr. Rohner was with Swiss Bank Corporation's investment banking arm. In 1995, he was appointed Head of Market Risk Control Europe. Mr. Rohner graduated with a Ph.D. in economics from the University of Zurich and was a teaching assistant at the Institute for Empirical Research in Economics at the University of Zurich from 1990 to 1992. He was born on 4 September 1964.

Other activities and functions
Permanent functions for important interest groups:
Marcel Rohner is Vice Chairman of the Swiss Bankers Association, Basel.

Clive Standish

Address	UBS AG Bahnhofstrasse 45 CH-8098 Zurich
Function in UBS	Group Chief Financial Officer
Nationality	British
Year of initial appointment to the GEB	2002

Professional history, education and date of birth
Clive Standish was named Group Chief Financial Officer on 1 April 2004, having been Chairman and CEO Asia Pacific from 2002 onwards. In 1998, he was named CEO Asia Pacific of Warburg Dillon Read. Between 1991 and 1998, Mr. Standish was with Swiss Bank Corporation (SBC). In 1997 he was appointed Deputy Chairman Asia Pacific of SBC Warburg Dillon Read. Between 1994 and 1997 he served as Managing Director and CEO of SBC Warburg Dillon Read Australia. In 1991 he was appointed Head of Capital Markets and Managing Director of SBC Dominguez Barry Limited. Between 1983 and 1991, Mr. Standish was Founding Executive Director at Dominguez Barry Samuel Montagu Limited, having been a partner with Dominguez & Barry Partners from 1979 to 1983. Mr. Standish started his professional career in 1972 with NM Rothschild & Sons Limited in London, after completing high school. He was born on 17 March 1953.

Mark B. Sutton

Address	UBS AG Bahnhofstrasse 45 CH-8098 Zurich
Function in UBS	Chairman and Chief Executive Officer Wealth Management USA
Nationality	American (US)
Year of initial appointment to the GEB	2002

Professional history, education and date of birth
Mark B. Sutton was appointed CEO of Wealth Management USA in January 2004. Later that year, he was also named Chairman. In 2002, he became President and Chief Operating Officer of UBS PaineWebber, having been head of the PaineWebber US Private Client Group since 2001. In 1998, he was named President of the Private Client Group. Mr. Sutton became Executive Vice President in 1995 after the acquisition of Kidder, Peabody & Co., where, between 1992 and 1994, he served as CEO of the Investment Services Division and CEO of the Brokerage Unit. Previously he was active at Mitchell Hutchins Asset Management, a subsidiary of PaineWebber. Between 1984 and 1987, he served as Division Manager at PaineWebber, Austin, Texas. Mr. Sutton first joined a predecessor company of PaineWebber, Rotan Mosle, as a financial advisor in 1980, after having assumed the same function with Merrill Lynch in Fayetteville, Arkansas from 1978 to 1980. He holds a bachelor of science in finance from the University of Arkansas, Fayetteville. Mr. Sutton was born on 19 October 1954.

Other activities and functions
Mandates on Boards of important corporations, organizations and foundations:
Mark Sutton is a member of the Board of the Securities Industry Association, Washington D.C.

Responsibilities, authorities and organizational principles

The GEB has executive management responsibility for the Group and is accountable to the Board for the firm's results. Together with the Chairman's Office, the GEB assumes overall responsibility for the development of UBS's strategies. The GEB, and in particular the CEO, is responsible for the implementation and results of the firm's business strategies, for the alignment of the Business Groups to UBS's integrated business model, and for the exploitation of synergies across the firm. Through its Risk Subcommittee, the GEB assumes responsibility for the Group's risk control standards, concepts, methodologies and limits. The GEB plays a key role in defining the human resources policy and the compensation principles of the Group. It also fosters an entrepreneurial leadership spirit throughout the firm. The authorities of the GEB are defined in the Organization Regulations, which are available on the internet at www.ubs.com/corporate-governance.

Personnel changes in 2005

A new Group Executive Board position will be established with effect from 1 March 2005. Walter Stuerzinger, Group Chief Risk Officer since 2001, was appointed GEB member as from this date. He will assume responsibility for the development and implementation of the Group's risk control processes across credit, market and operational risk.

Management contracts

UBS has not entered into management contracts with any third parties.

Compensation, shareholdings and loans

UBS's compensation policy intends to provide competitive total compensation opportunities that will enable the firm to attract, retain and motivate the talent it requires. Compensation should provide incentives that foster an entrepreneurial and performance-oriented culture and support the firm's integrated business strategy. Compensation of senior executives is closely linked to the achievement of sustainable shareholder returns and provides appropriate incentives for long-term value creation.

Compensation philosophy

Group compensation policy

Four guiding principles define the compensation philosophy of UBS. Each element of compensation – base salary, incentive awards, stock option awards, benefits – is managed within a *total compensation framework*, where the effects of modifications to one element are measured against overall compensation. Total compensation levels are determined with consideration given to relevant *market pay practices*, ensuring UBS's ability to recruit and retain the best talents. UBS is committed to provide superior compensation in return for superior *performance*, both in terms of business success and individual contribution. Through the *use of equity-based awards* that vest or become unrestricted over time UBS ensures that there is strong focus on the long-term implications of decisions and actions taken, thus aligning employees' interests with those of shareholders.

The firm's compensation policy is designed by the Group Executive Board and approved by the Board of Directors. It was last updated in September 2002 and describes the total compensation components as follows:

Base salaries are used to recognize the experience, skills and knowledge that individuals bring to their roles. Salary levels are determined primarily based on rank or functional role, level of responsibility and the market environment. For employees with a rank of director and above, base salary adjustments are limited to situations of significant changes in job responsibility or exceptional market competition.

Annual incentive awards reflect the performance of the firm and its various businesses as well as the individual contribution of each employee. All regular employees are eligible to receive incentive awards if individual targets are achieved. Incentive awards can be highly variable from year to year.

Above a certain threshold, a portion of the annual incentive award is paid in the form of UBS shares *(mandatory long-term incentive award)*. These shares only vest after a certain period of time, generally three to five years, and are subject to forfeiture under certain circumstances (e.g. if the employee leaves the firm and joins a competitor or otherwise acts in a way detrimental to UBS).

The highest performing employees and those with highest potential are eligible for *discretionary stock option awards*, which are granted at a strike price set at a minimum of the market value on the date of award and at a premium strike price of 10% above market value for top-level executives. These options, which vest three years after grant and are subject to stringent forfeiture rules, represent a powerful shareholder alignment incentive. Every year, the Chairman's Office agrees on the maximum number of options available for allocation. The overall number depends on the financial situation of UBS, a competitive assessment, and the ability to purchase underlying shares on the market.

Benefits are a supplemental element of total compensation, varying substantially from location to location, in line with local market practice. A benefit offered to all employees group-wide – except to senior executives – is the "Equity Plus" stock option program, which allows employees to purchase UBS shares at fair market value and receive at no additional cost two to four UBS options for each share purchased. The program fosters employees' commitment to long-term value creation at UBS. For details see page 155 of the Financial Report.

Senior executive compensation policy

For senior executives – the executive members of the Board of Directors and the members of the Group Executive Board – equity-based incentive awards play an important role within total compensation, as senior executives' influence on the firm's success is significant and their decisions should be aligned as far as possible with the long-term interests of shareholders. In 2004 base salaries constituted between 2% and 17% of total compensation for these individuals. The incentive component is determined on the basis of the financial performance of the firm and discretionary adjustments of up to +/– 25% reflecting individual performance and qualitative aspects. Discretionary option awards in 2004 accounted for around 15% of total compensation. For details see note 32 to the financial statements.

Total compensation levels are highly variable year-on-year as incentive awards are fully performance-related. The relative weight of the base salary, which is a fixed amount, therefore varies significantly year-on-year.

Performance measurement and management (PMM)

Throughout the firm, all employees are subject to a process that measures individual achievements against agreed objectives. At the beginning of the year, each employee agrees his or her individual objectives for the year together with the evaluating manager. These objectives encompass targets relating to people, clients, to economics and to technical expertise. Towards the end of the year, the results achieved are assessed against these defined targets – by the individual employee, by his or her line manager, and in some cases by peers, internal clients and subordinates. The PMM result is one of the elements defining the incentive award for the individual employee. The total amount of bonuses to be granted is fixed based on the financial performance of the firm and the individual businesses.

For senior executives, the PMM process is broadly the same as for employees. The achievement of clearly defined financial targets set for the Group and the Business Groups also plays a significant role. Additional personal key objectives are defined in the field of leadership, cross-business co-operation, and strategic thinking and contribution.

Senior executive share ownership programs and shareholding requirements

With the aim of closely aligning the interests of its senior executives with those of shareholders, UBS strongly encourages the build-up of significant levels of stock ownership among its senior executives.

- 50% of the annual performance-based incentive compensation is delivered on a mandatory basis in the form of restricted or deferred UBS shares (Senior Executive Equity Ownership Plan, SEEOP). Shares normally vest in equal portions over a period of five years. Shares of Swiss-based senior executives are in addition restricted from sale for the whole five-year period for tax reasons. Prior to vesting, the shares will be forfeited under clearly defined circumstances, primarily if the executive joins a competitor.
- Discretionary stock option awards, which vest over time, are made separately as long-term incentives, to reward exemplary performance, outstanding contribution to the overall success of the firm and active support of its integrated business model, as well as superior leadership skills and potential (Senior Executive Stock Option Plan, SESOP). The strike price for such options is set at 110% of the UBS share price at a defined date, thus creating a strong incentive for senior executives to build sustainable shareholder value. Before such options represent any real value for the senior executives, shareholders will have enjoyed a significant value creation. Options normally vest after three years and remain exercisable for a further seven years. Any unvested options will generally be forfeited if the senior executive leaves the company and joins a competitor or otherwise acts against UBS's interests.
- Senior executives may voluntarily elect to take an even greater portion of their annual performance-based incentive compensation in the form of restricted or deferred UBS shares. Executives opting to take a greater than mandatory portion of their annual incentive in restricted or deferred UBS shares receive additional stock options under SESOP at the conditions described above.

Senior executives are required to accumulate over five years and then hold UBS shares with an aggregate value of five times the amount of the last three years' average cash component of total compensation. Holdings to be accumulated by 2007 are between CHF 20 million and CHF 70 million in UBS shares per senior executive. Progress reports are provided to each senior executive annually, and missed targets may lead the Compensation Committee to deny the grant of discretionary stock option awards.

Non-executive directors' remuneration

Remuneration of non-executive directors is not dependent on the Group's financial performance. Board members receive a base fee of CHF 300,000. The chairmen and the members of the Audit, Compensation and Nominating Committees receive additional retainers between CHF 150,000 and CHF 500,000 per mandate, dependent on the workload associated with the respective mandates. Board fees are paid either 50% in cash and 50% in UBS restricted shares or 100% in restricted shares, according to the individual director's election. Shares are attributed with a price discount of 15% and are restricted from sale for four years. Directors receive no additional fees for attending meetings, but are reimbursed for air travel and hotel expenses incurred in the performance of their services.

Governance

Authorities and responsibilities

The Compensation Committee of the Board of Directors has authority to develop and approve the compensation system for all senior executives. This comprises plan design, performance measures, and the relationship between pay and performance. The approval of the level of individual senior executive compensation is subject to a rigorous process. The executive members of the Board approve the remuneration system and the respective fees for the non-executive directors. No one at UBS has any approval authority for their own compensation.

The Charter of the Compensation Committee, which is available on the company's website (www.ubs.com/corporate-governance), describes the approval process in detail.

Compensation Committee activities

The Compensation Committee of the Board of Directors consists of three independent external directors: Rolf A. Meyer, chairman, Sir Peter Davis and Peter Spuhler. For additional information – activities, mandate, meetings – see page 91 of the Handbook. For its activities the Committee relies on comprehensive background documentation provided by internal human resources specialists as well as by the Group

Controller. During 2004 the Compensation Committee did not appoint any external compensation consultants, but used internal and external compensation surveys and intelligence provided by compensation specialists. The chairman of the Committee participated in external international seminars for compensation professionals. The Committee makes its decisions on individual compensation for the executive Vice Chairmen, the Group CEO and the members of the GEB considering individual performance and personal contributions of each member, market data of competitors, actual compensation in prior periods and the assessment submitted by the Chairman of the Board. It also takes into consideration the proposals made by the Group CEO when it makes compensation decisions for GEB members. For its decision on the Chairman's compensation, the Committee relies on the annual assessment performed by the full Board and its own judgement of performance and contributions as well as comparisons with pay levels for comparable functions outside UBS.

The Committee, as a basis for its decisions, performed the following activities during the year:

– *Best practice review of compensation design, pay mix and disclosure*: Compared with nine key competitors that are regularly monitored for compensation purposes, UBS has attractive, but at the same time shareholder-friendly compensation systems. In general, cash and share components are somewhat larger than average and option grants less significant. Restrictions and forfeiture rules are stringent, and options are granted with a premium strike price. The Committee decided not to disclose individual compensation numbers, pending new Swiss legislative requirements.
– *Review of competitive pay and performance*: The Committee assessed the data available from US proxy statement disclosure and compensation consultants' surveys. The numbers for 2003 show that UBS – for most of its senior executive positions – was paying competitive compensation, yet not at the highest level. The above-mentioned nine competitors paid total compensation between CHF 20 million and 45 million to their Chairmen and/or CEOs in 2003. Average median pay for the Chairmen and/or CEOs of this group of competitors was CHF 26 million for 2003, the second highest value stood at CHF 34.5 million. These numbers normally include base salaries, cash bonus and the fair value of equity-based awards.
– *Review of Compensation Plan Rules*: The Compensation Committee annually performs a review of the Compensation Plan Rules for Senior Executives. It ensures that shareholders' interests are carefully taken into consideration and that the plan design provides appropriate incentives for long-term value creation. The "Senior Executive Equity Ownership Plan" (SEEOP) and the "Senior Executive Stock Option Plan" (SESOP) therefore contain stringent rules on vesting, sales restrictions and forfeiture of shares and options in case of termination of employment.

The Committee also regularly reviews the individual employment contracts of senior executives. These contracts provide for a general notice period of twelve months, during which the senior executive is entitled to receive salary and incentives, unless he has been terminated for cause. Shares and options that have not vested at the time of termination may be subject to forfeiture, mainly if the senior executive is joining a competitor.

The Compensation Committee has drawn up special employment agreements for the Chairman of the Board and the Executive Vice Chairmen, due to the fact that they are appointed by the shareholders for a three-year term of office and may be dismissed by a shareholders' vote, but cannot otherwise be terminated. This calls for special provisions, mainly in respect of termination of employment. The general rule of a twelve-month notice period is, however, maintained.

Neither the GEB employment contracts nor the contracts for the executive Board members provide for additional severance payment in case of termination.

Actual 2004 senior executive compensation

Key elements for decision-making process within the Compensation Committee

Actual process and decisions taken:

– In February 2004 the Compensation Committee defined personal incentive targets for each senior executive for 2004 based on both financial performance and qualitative indicators. The 2003 forecasts (Group net profit after tax, minority interests and goodwill/Business Group net profit before tax, minority interests and goodwill amortization) were measured against 2004 forecasts. The relevant percentage change, applied to 2003 target incentives, led to theoretical individual target incentives for 2004. Increases or decreases of these calculated amounts were applied at the discretion of the Committee that takes future potential, changing roles and competitive positioning into consideration.
– In early February 2005, actual results were assessed against prior forecasts and set targets. Actual performance was also analyzed with reference to UBS's Group and Business Group financial targets and similar metrics of key competitors. These measurements and assessments defined a theoretical level of incentive awards.
– This calculated theoretical incentive award was finally measured against various additional factors: individually defined criteria, further potential, leadership qualities and contributions to overall success of UBS. This qualitative assessment leads to increases or decreases from the theoretical bonus up to 25%.
– Long-term incentive option awards were granted in February 2004, based on the individual past performance of each senior executive, their contribution to the overall success of the firm, and their future potential.

Assessment elements for Chairman's compensation
The Compensation Committee fixed the Chairman's incentive award rewarding his defining contribution to the design and implementation of a very successful strategy, based on efficiently taking advantage of growth opportunities without compromising on a stringent risk policy. It also valued Marcel Ospel's contributions to developing a strong and highly motivated executive management team.

Actual compensation 2004 for acting members of the Board of Directors and the Group Executive Board

At the Group level, 2004 financial results exceeded internal performance targets and outperformed those of most competitors. Before goodwill, UBS achieved a return on equity of 27.7%, exceeding its target range of 15–20% and comparing favorably with peers. The increase in pre-goodwill basic earnings per share by 34% from the previous year also easily met UBS's target of double-digit average annual growth. Total shareholder returns for the year under review were 15.8%, 24.3% cumulatively over a three-year period and 52.9% over a five-year period. The UBS share outperformed the DJ Stoxx Banks Europe Index over the last three years. UBS's share price appreciation and its total shareholder returns achieved over the last one, three and five years were significantly better than the average performance recorded by the nine peers UBS judges its compensation by. At Business Group level, performance improved in all core businesses, with market share and competitiveness significantly enhanced.

Based on these superior results, achieved in a challenging market environment, the Compensation Committee decided to reward the senior executives accordingly. It specifically valued the facts that EPS growth was strongly driven by profit and not mainly by share buybacks, and that profit increased through revenue growth, not only by cost cuts. Total compensation per head for the executive members of the Board of Directors and the members of the Group Executive Board increased by 26.4% on average over 2003.

Changes in the composition of the two corporate bodies as well as new definitions of roles impact the disclosed total compensation number and should be taken into consideration when making year-on-year comparisons. During 2004, Mark Sutton, formerly President and COO of UBS Wealth Management USA, took over as CEO in January and additionally became Chairman of the Business Group as from July. Marcel Rohner assumed the additional role of Chairman Wealth Management & Business Banking as from October 2004. Clive Standish moved from the role of Chairman & CEO Asia Pacific to Group Chief Financial Officer in April 2004, and Stephan Haeringer, previously Deputy President of the GEB, was elected to the Board of Directors as Executive Vice Chairman.

The total of all compensation for the financial year 2004 (base salary, incentive awards, options, employer's contributions to retirement benefit plans, benefits in kind and fringe benefits) for the three executive members of the Board of Directors, the seven members of the Group Executive Board in charge as of 31 December 2004, Georges Gagnebin, who stepped down as a member of the GEB in September 2004, and Joseph J. Grano Jr, who resigned as GEB member at the end of January and left the Bank at the end of November 2004, was CHF 190,629,297. Details are shown in the table on the following page.

Actual remuneration 2004 for non-executive members of the Board of Directors

The seven non-executive members of the Board of Directors were paid CHF 5,726,811 (in cash and restricted shares) for the term between the 2004 and 2005 AGMs. Details are shown in the table on page 101.

Compensation details and additional information

Compensation for acting executive BoD members and members of the GEB[1]

	For the year ended		
CHF, except where indicated	**31.12.04**	31.12.03	31.12.02
Base salaries and other cash payments	**14,767,068**	13,602,045	14,766,368
Incentive awards – cash	**69,745,013**	65,602,513	74,732,647
Employer's contributions to retirement benefit plans	**1,050,322**	1,225,543	1,320,220
Benefits in kind, fringe benefits (at market value)	**1,607,166**	993,719	1,019,000
Total (requested by SWX)	**87,169,569**	81,423,820	91,838,235
Incentive awards – Restricted UBS shares (fair value)	**79,723,391**	64,176,428	41,006,156
Restricted UBS options (fair value)[2]	**23,736,337**	12,752,019	14,268,501
Total (including shares and options)	**190,629,297**	158,352,267	147,112,892
Total number of shares granted	**792,256**	675,741	665,135
Total number of options awarded[2]	**1,094,052**	1,037,000	850,000
of which CHF options	***473,666***	*457,000*	*470,000*
of which USD options	***620,386***	*580,000*	*380,000*

1 Related parties of senior executives were not granted any shares or options. 2 Includes options granted to match voluntary increases of the share portion of incentive awards.

Explanations:

- *Number of senior executives:*
  2002: three executive BoD, ten GEB members in office as of 31 December and two who left during the year
  2003: two executive BoD, ten GEB members in office as of 31 December and one executive director who stepped down during the year
  2004: three executive BoD, seven GEB members in office as of 31 December and two who stepped down during the year
- *Benefits in kind*: car leasing, company car allowance, staff discount on banking products and services, health and welfare benefits, general expenses allowances
- *Shares* valued at CHF 101.80 per share (average price of UBS shares at virt-x over the last ten trading days of February 2005), and USD 86.74 per share (average price of UBS shares at the NYSE over the last ten trading days of February 2005).
  Value per share 2003: CHF 95.30/USD 76.40; 2002: CHF 61.00/USD 45.10.
- *Options* on UBS shares were granted at a strike price of CHF 103.75 and USD 81.25 respectively, ten percent above the average high and low price at the virt-x and the NYSE respectively on the last trading day in February 2004. Options vest three years after grant and will expire ten years from the date of grant.
  Fair values per option at grant: CHF 23.90/USD 20.51 for options granted in February 2004 and CHF 12.46/USD 13.46 for options granted to match higher share elections in February 2005.
  Fair values per option at grant 2003: CHF 12.33/USD 9.90; 2002: CHF 16.30/USD 11.74.
- *Retirement benefit plans:* In *Switzerland*, senior executives participate in UBS's general pension plans, which comprise a basic component operated on the defined benefit principle, a savings plan to bridge the income gap between UBS retirement age and the age defined for the start of social security payments, and a defined contribution plan. The cap compensation amount to be included in these plans was set at CHF 730,000 for all employees in 2004. This translates into a maximum annual pension of CHF 272,000 after retirement plus a one-off payout of accumulated capital from the savings plan in the maximum amount of CHF 217,052. No special top management pension schemes ("bel etage" packages) are offered to senior executives.
  Senior executives *outside Switzerland* participate in the respective local pension plans. In the US there are two different plans, one operating on a cash balance basis, which entitles the participant to receive a contribution based on compensation limited to USD 250,000. The other plan, operated for all Wealth Management USA employees, is a defined contribution plan with compensation included up to a limit of USD 205,000. A special arrangement exists for senior executives with an annual contribution of USD 100,000. US senior executives may also participate in the UBS 401K defined contribution plan open to all employees. In the UK senior executives participate in a pension plan operated on a defined contribution basis, with compensation for pension purposes limited to the UK earnings cap of GBP 102,000.
  Note 31 to the UBS Group financial statements describes the various retirement benefit plans established in Switzerland and in major foreign markets.

Compensation details and additional information (continued)

Highest total compensation for a BoD member

Total compensation of the highest paid member of the Board of Directors, Chairman Marcel Ospel, amounted to CHF 21,273,037 for financial year 2004:

	For the year ended		
CHF, except where indicated	**31.12.04**	31.12.03	31.12.02
Base salary	**2,000,000**	2,000,000	2,000,000
Incentive award – cash	**9,500,000**	7,500,080	4,584,545
Employer's contributions to retirement benefit plans	**82,588**	82,588	82,588
Benefits in kind, fringe benefits (at market value)	**190,371**	150,000	90,000
Incentive award – restricted UBS shares (fair value)	**9,500,078**	7,499,920	4,584,455
Restricted UBS options (fair value)	**–**[1]	1,565,910	1,222,500
Total	**21,273,037**	18,798,498	12,564,088
Number of UBS shares granted	**93,321**	78,698	75,155
Number of UBS options granted	**–**[1]	127,000	75,000

1 Marcel Ospel chose not to take up his entitlement under the "Senior Executive Stock Option Plan".

Additional honorariums and remuneration

No material additional honorariums or remuneration were paid to any of the Board or GEB members.

Additional severance payments

UBS does not pay any additional severance in addition to the salary and bonus entitlements of a leaving member of the Board or the GEB. Whether or not such entitlements are paid in the form of final bonus or severance payments, they are included in the numbers reported under compensation for members of the Board and the GEB.

Compensation for former members of the Board and GEB

Following a change in the UK taxation of deferred compensation as a consequence of a changed employment situation for a former member of the Group Executive Board, compensation agreements were re-negotiated. The Compensation Committee approved an additional payment of CHF 24.8 million to the former executive and the UK tax and social security authorities.

Six former senior executives of Union Bank of Switzerland and Swiss Bank Corporation benefited from the use of office space and administrative support, mostly in connection with mandates they are still holding on behalf of or in the interests of UBS. The total value of these benefits was CHF 830,000 in 2004.

Remuneration for non-executive Board members

	For the period		
CHF, except where indicated	**AGM 2004/2005**	AGM 2003/2004	AGM 2002/2003
Cash	**2,210,130**	1,889,097	1,825,000
Restricted UBS shares at fair value	**3,516,681**	3,513,044	1,705,865
Total	**5,726,811**	5,402,141	3,530,865
Number of UBS shares granted (15% discount)	**34,545**	36,863	27,965

Explanations:

– *Number of non-executive BoD members:*
  2002: six acting members as of 31 December and one who stepped down at the 2002 AGM
  2003: seven acting members as of 31 December, one for nine months only
  2004: seven acting members as of 31 December.

– *Shares* valued at CHF 101.80 (average price of UBS shares at virt-x over the last ten trading days of February 2005), discount price CHF 86.55. The shares are blocked for four years. Related parties of non-executive BoD members are not granted any shares.
  Value per share 2003: CHF 95.30, 2002: CHF 61.00

– *Allowance for "Out of pocket" expenses* (CHF 15,000) in addition.

Additional information on equity-based compensation

Note 32 to the UBS Group financial statements provides comprehensive information on the Group's various Equity Participation Plans for employees. It shows pro-forma results under the assumption of expensing options at fair value rather than charging their intrinsic value at grant date. The Financial Report 2004 also provides information on how business unit results would have been impacted if options granted to employees had been expensed.

Disclosure differences between IFRS and SWX requirements as from 2005

As from 1 January 2005, expensing of equity-based compensation will be mandatory. Revised accounting standards describe how to value shares and options grants and how to expense these awards over the respective vesting periods. In future, disclosure in the financial statements will be reported on this accounting basis, while the disclosure of compensation in the Handbook will continue to relate to figures attributable to performance in the financial year under review.

Disclosure of management transactions

As from 1 July 2005, UBS will disclose on an ongoing basis senior executive transactions in the firm's own shares and options to the SWX on a no name basis. Aggregate numbers will be published in the Handbook going forward.

Share ownership

No individual BoD or GEB member holds 1% or more of all shares issued.

Executive Board members and members of the GEB[1]

Shares held as of 31 December 2004: **3,410,116**

Of which

Vested	Vesting 2005	Vesting 2006	Vesting 2007	Vesting 2008	Vesting 2009
1,362,263	420,009	426,233	489,150	400,224	312,237

1 Includes parties closely linked to them.

Non-executive Board members[1]

Shares held as of 31 December 2004: **96,494**

Of which

Non-restricted	Blocked until 2005	Blocked until 2006	Blocked until 2007	Blocked until 2008
25,501	4,371	12,688	27,832	26,102

1 Includes parties closely linked to them.

Options held

Executive Board members and members of the GEB

Senior executives held the following options on UBS shares as of 31 December 2004:

Number of options	Year of grant	Vesting date	Expiry date	Subscription ratio	Strike price
65,250	1999	26.02.2002	26.02.2005	1:1	CHF 79.00
216,000	2000	01.02.2003	01.02.2006	1:1	CHF 66.67
150,000	2001	24.01.2004	24.01.2008	1:1	USD 57.80
3,000	2001	28.02.2004	29.02.2008	1:1	USD 53.39
1,900,440	2001	20.02.2004	20.02.2009	1:1	CHF 100.00
231,617	2002	20.02.2005	31.01.2012	1:1	CHF 77.75
568,663	2002	31.01.2005	31.01.2012	1:1	USD 45.26
2,000	2002	28.02.2004	28.02.2012	1:1	USD 46.24
215,000	2002	28.06.2005	28.06.2012	1:1	CHF 80.75
280,000	2002	28.06.2005	28.06.2012	1:1	USD 54.50
300,491	2002	20.02.2005	31.07.2012	1:1	CHF 77.75
215,000	2002	28.06.2005	28.12.2012	1:1	CHF 80.75
480,000	2003	31.01.2006	31.01.2013	1:1	USD 48.00
2,000	2003	28.02.2005	28.02.2013	1:1	USD 41.61
427,000	2003	31.01.2006	31.07.2013	1:1	CHF 65.00
340,000	2004	28.02.2007	28.02.2014	1:1	CHF 103.75
608,536	2004	28.02.2007	28.02.2014	1:1	USD 81.25

Parties closely linked to the executive members of the Board and the members of the GEB do not hold any options on UBS shares.

Non-executive Board members

The non-executive Board members do not hold any options, nor do parties closely linked to them.

Loans

Granting loans is part of the ordinary business of UBS. Executive members of the Board and the members of the GEB have been granted loans, fixed advances and mortgages at the same terms and conditions as other employees, based on third-party conditions adjusted for reduced credit risk. In 2002, a thorough review of outstanding loans to senior executives was performed to ensure compliance with the US Sarbanes-Oxley Act of 2002.

Loans and advances to non-executive Board members and related parties are transacted on substantially the same terms as those prevailing at the time for comparable transactions with non-affiliated persons.

Loans granted to executive Board members and members of the GEB

As of 31 December 2004, collateralized loans and fixed advances of CHF 1,950,000 were receivable from one member of the GEB, and mortgages in the amount of CHF 13,344,000 had been granted to six members of the group of senior executives and their close family members.

Loans granted to non-executive Board members

Loans and mortgages granted to five non-executive Board members and the companies related to them amounted to CHF 294.3 million, including guarantees, contingent liabilities and unused committed credit facilities. For details see note 33 to the financial statements.

Shareholders' participation rights

UBS is committed to making it as easy as possible for shareholders to take part in its decision-making processes. Almost 200,000 shareholders directly registered and some 60,000 US shareholders registered via nominee companies receive regular written information about the firm's activities and performance and are personally invited to shareholder meetings.

Relations with shareholders

UBS fully subscribes to the principle of equal treatment of all shareholders, ranging from large investment institutions to individual investors, and regularly informs them about the development of the company of which they are co-owners.

The Annual General Meeting offers shareholders the opportunity to raise any questions regarding the development of the company and the events of the year under review. The members of the Board of Directors and Group Executive Board, as well as the internal and external auditors, are present to answer these questions.

Voting rights, restrictions and representation

UBS places no restrictions on share ownership and voting rights. Nominee companies and trustees, who normally represent a great number of individual shareholders, may register an unlimited number of shares, but voting rights are limited to a maximum of 5% of outstanding UBS shares in order to avoid the risk of unknown shareholders with large stakes being entered into the share register. Securities clearing organizations such as The Depository Trust Company (DTC) in New York and SegaInterSettle (SIS) in Switzerland are exempt from the 5% voting limit. SIS, however, does not register its holdings with voting rights.

In order to have voting rights registered, shareholders must confirm they acquired UBS shares in their own name and for their own account. Nominee companies / trustees are required to sign an agreement with UBS, confirming their willingness to disclose to the company, upon its request, individual beneficial owners holding more than 0.3% of all issued shares.

All registered shareholders are invited to participate in shareholder meetings. If they do not wish to attend in person, they can issue instructions to accept, reject or abstain on each individual item on the meeting agenda by either giving instructions to an Independent Proxy designated by UBS (as required under Swiss company law) or by appointing UBS, another bank or another registered shareholder of their choice, to vote on their behalf. Nominee companies normally submit the proxy material to the beneficial owners and transmit the collected votes to UBS.

Statutory quorums

Shareholder resolutions, the election and re-election of Board members, and the appointment of the Group and Statutory Auditors are decided at the General Meeting of Shareholders by an absolute majority of the votes cast, excluding blank and invalid ballots. Swiss company law requires that for certain specific issues a majority of two-thirds of the votes represented at the meeting vote in favor of the resolution. These issues include the introduction of voting shares, the introduction of restrictions on the transferability of registered shares, conditional and authorized capital increases, and restrictions or exclusion of shareholders' pre-emptive rights.

UBS also requires a two-thirds majority of votes represented for any change to the provisions in the Articles of Association regarding the number of Board members as well as for any decision to remove one fourth or more of the members of the Board.

Votes and elections are normally conducted electronically to clearly ascertain the exact number of votes cast. Voting by a show of hands remains possible if a clear majority is predictable. Shareholders representing at least 3% of the votes represented may still request, however, that a vote or election take place electronically or by written ballot. In order to allow shareholders to clearly express their views on all individual topics, each item on the agenda is put to vote individually, and Board elections are made on a person-by-person basis.

Convocation of general meetings of shareholders

The Annual General Meeting of Shareholders (AGM) normally takes place in April, but in any case within six months of the close of the financial year. A personal invitation including a detailed agenda and explanation of each motion is sent to every registered shareholder at least 20 days ahead of the scheduled meeting. The meeting agenda is also published in various Swiss and international newspapers and on the internet at www.ubs.com/shareholder-meeting.

Extraordinary General Meetings may be convened whenever the Board of Directors or the statutory auditors consider it necessary. Shareholders individually or jointly representing at least 10% of the share capital may, at any time, ask in writing that an Extraordinary General Meeting be convened to deal with a specific issue put forward by them. Such a request may also be brought forward during the AGM.

Placing of items on the agenda

Shareholders individually or jointly representing shares with an aggregate par value of CHF 250,000 may submit proposals for matters to be placed on the agenda for consideration by the shareholders' meeting.

UBS publishes the deadline for submitting such proposals in various Swiss and international newspapers and on its website (www.ubs.com/shareholder-meeting). Requests for items to be placed on the agenda must include the actual motions to be put forward, together with a short explanation, if necessary. The Board of Directors formulates an opinion on the proposals, which is published together with the motions.

Registrations in share register

The general rules for being entered with voting rights in the Swiss or US Share Register of UBS also apply before General Meetings of Shareholders (for details see previous page). There is no "closing of the share register" in the days ahead of the meeting. Registrations including the transfer of voting rights are processed for as long as technically possible, normally until two days before the meeting.

Change of control and defense measures

UBS refrains from restrictions that would hinder developments initiated in or supported by the financial markets. There are no specific protections against hostile takeover in place.

Duty to make an offer

An investor who acquires 33⅓% of all voting rights, whether they are exercisable or not, has to submit a takeover offer for all shares outstanding, according to Swiss stock exchange law. UBS has not elected to change or opt out of this rule.

Clauses on changes of control

The service agreements and employment contracts of the executive Board members, of the members of the Group Executive Board and of the Group Managing Board do not contain clauses on change of control. UBS does not offer "golden parachutes" to its senior executives. Employment contracts contain notice periods of twelve months for GEB members and six to twelve months for GMB members, depending on local market practice. During this notice period they are entitled to salary and bonuses.

The Compensation Committee of the Board may, however, accelerate the vesting of options and the lapse date for restricted shares in case of a change of control.

Auditors

Audit plays an important role in corporate governance. While putting high priority on remaining independent, the external auditors and Group Internal Audit closely coordinate their work, thereby ensuring the most effective performance of their responsibilities. The Chairman's Office, the Audit Committee and ultimately the Board of Directors supervise the functioning of audit work.

External, independent auditors

Ernst & Young Ltd., Basel, have been assigned the mandate to serve as global auditors for the UBS Group. They assume all auditing functions according to laws, regulatory requests, and the UBS Articles of Association (see also the paragraph about auditors responsibilities in the regulation and supervision section on page 111–112). The Audit Committee of the Board annually assesses the independence of Ernst & Young and has determined that they meet all independence requirements established by the US Securities and Exchange Commission (SEC). Authority for pre-approval of all additional audit, audit-related and non-audit mandates to the principal auditors lies with the Audit Committee, ensuring that independence of the auditors is not jeopardized by conflicts of interests through additional mandates. Ernst & Young Ltd. inform the Audit Committee annually of the measures they are taking to ensure their own and their employees' independence from UBS. The Audit Committee assesses this information on behalf of the Board and informs the Board accordingly.

At the Extraordinary General Meeting on 7 September 2000, UBS shareholders appointed Deloitte & Touche AG, Basel, as special auditors. The special auditors provide audit opinions in connection with capital increases, independently from the Group auditors. They were re-appointed at the AGM in 2003 for another three-year term of office.

Duration of the mandate and term of office of the lead partners

After the UBS-SBC merger, Ernst & Young Ltd., Basel were first appointed as UBS's principal external auditor for the audit of the 1998 financial statements. Following a comprehensive evaluation process during 1999, they were proposed for re-election at the 2000 AGM. The AGMs through 2004 annually confirmed their mandate, and they will be proposed for re-election at the 2005 AGM.

Due to the seven-year rotation requirement established by the Swiss Chamber of Auditors and declared mandatory for banks by the Swiss Federal Banking Commission, the current lead partners in charge of the UBS audit, Roger K. Perkin and Peter Heckendorn, are now being replaced. Andreas Blumer took over from Peter Heckendorn over the course of 2004, and Roger Perkin, while remaining responsible for the completion of the audit for the 2004 financial statements, will be replaced by Andrew McIntyre at the beginning of 2005.

Fees paid to principal external auditors

UBS paid the fees (including expenses) listed in the table on the following page to its principal external auditors Ernst & Young Ltd.

Audit work includes all services necessary to perform the audit in accordance with applicable generally accepted auditing principles as well as other assurance services that generally only the Principal Auditor can provide, including comfort letters, statutory and regulatory audits, attest services, consents, and reviews of documents filed with regulatory bodies under applicable law.

Audit-related work consists primarily of additional attest services, such as retirement and compensation plan audits, agreed upon procedures reports required by contract and audits performed at the request of management. It also includes due diligence work on acquisitions and initial work relating to the eventual attestation as to UBS's compliance with section 404 of the Sarbanes-Oxley Act of 2002.

Tax work means services performed by professional staff in Ernst & Young's tax division, other than audit work, and includes tax compliance, tax consultation and tax planning in respect of UBS's own affairs. Ernst & Young may not provide tax consulting to members of senior management.

"Other" services are only approved on an exceptional basis. In 2003 and 2004, they comprised two specifically approved services (on-call advisory and specified procedures in respect of mortgage-backed securities documentation).

In addition to the fees listed in the table, Ernst & Young were paid CHF 14,876,000 (CHF 14,552,000 in 2003) for audit and tax work performed on behalf of UBS Investment Funds, many of which have independent fund boards or trustees.

Pre-approval procedures and policies

All services provided by Ernst & Young have to be pre-approved by the Audit Committee of the Board. A pre-approval may be granted either for a specific mandate or in the form of a general pre-approval authorizing a limited and well-defined type and amount of services. Within these clearly defined limits, the Group Chief Financial Officer may authorize proposed mandates, but submits them for approval to the Audit Committee at its next meeting. Requests for ad hoc mandates are routed from the Group Controller to the Company Secretary, who submits them to the chairman of the Audit

Fees paid to external auditors

UBS paid the following fees (including expenses) to its principal external auditors Ernst & Young Ltd.:

	For the year ended	
in CHF thousand	**31.12.04**	31.12.03
Audit		
Global audit fees	**33,465**	27,645
Additional services classified as audit (services required by law or statute, including work of non-recurring nature mandated by regulators)	**3,094**	4,589
Total audit	**36,559**	32,234
Non-audit		
Audit-related fees	**9,513**	10,267
Tax advisory	**3,451**	5,947
Other	**3,282**	3,404
Total non-audit	**16,246**	19,618

Committee for pre-approval. His decisions are brought to the next Audit Committee meeting for ratification.

The SEC prohibits independent auditors from providing a number of specific services. Ernst & Young have not provided any such services during the year.

Group Internal Audit

With 255 staff members worldwide at 31 December 2004, Group Internal Audit provides an independent review of the effectiveness of UBS's system of internal controls and compliance with key rules and regulations. It specifically verifies or assesses whether the internal controls are commensurate with the corresponding risks and are working effectively, whether activities within the firm are being conducted and recorded properly, correctly and fully, and whether the organization of operations, including information technology, is efficient and information is reliable. All key issues raised by Group Internal Audit are communicated to the management responsible, to the Group CEO and to the executive members of the Board of Directors via formal Audit Reports. The Chairman's Office and the Audit Committee of the Board are regularly informed of important findings. Group Internal Audit closely cooperates with internal and external legal advisors and risk control units on investigations into major control issues.

To maximize its independence from management, the head of Group Internal Audit, Markus Ronner, reports directly to the Chairman of the Board. Group Internal Audit has unrestricted access to all accounts, books and records and must be provided with all information and data needed to fulfill its auditing duties. Group Internal Audit addresses any reports with major issues to the Chairman of the Board. The Chairman's Office may order special audits to be conducted, and the Group Executive Board, with the agreement of the Chairman, may also instruct Group Internal Audit to conduct such audits.

Coordination and close co-operation with the external auditors enhance the efficiency of Group Internal Audit's work.

Supervisory and control instruments vis-à-vis the external auditors

The Audit Committee, on behalf of the Board of Directors, monitors the qualification, independence and performance of the Group Auditors and their lead partners. It prepares proposals for appointment or removal of the external auditors for review by the full Board, which then submits the proposal to the AGM.

The Audit Committee reviews the annual written statement submitted by the external auditors as to their independence. It also reviews the engagement letter between UBS and the external auditors and the fees and terms of the planned audit work. Mandates to the Group auditors for additional audit, audit-related and permitted non-audit work are subject to pre-approval by the Audit Committee. For details see preceding paragraph on external, independent Auditors.

The external auditors provide timely reports to the Audit Committee on critical accounting policies and practices used, on alternative treatments of financial information discussed with management, and other material written communication between external auditors and management.

The Audit Committee regularly meets with the lead partners of the external auditors, at least four times per year. It also regularly meets with the Head of Group Internal Audit.

At least once per year, the Chairman's Office discusses with the lead partners of Ernst & Young Ltd. the audit work performed, main findings and critical issues that arose during the audit.

The Audit Committee and the Chairman's Office report back to the Board of Directors about their contacts and discussions with the external auditors. Once per year, the lead partners take part in a Board meeting, normally to present the Long-form Report of the External Auditors, as required by the Swiss Federal Banking Commission.

Information policy

Our financial disclosure policies aim at achieving a fair market value for UBS shares through open, transparent and consistent communication with investors and financial markets.

Main sources of information

UBS provides regular information to its shareholders and to the financial community.

Financial results will be published as follows:

First Quarter	3 May 2005
Second Quarter	9 August 2005
Third Quarter	1 November 2005
Fourth Quarter	14 February 2006

The Annual General Meeting of Shareholders will take place as follows:

2005	21 April 2005
2006	19 April 2006

UBS meets regularly with institutional investors throughout the year, holding results presentations, specialist investor seminars, roadshows and one-to-one or group meetings across the world. Where possible, these events involve UBS senior management as well as the UBS Investor Relations team. As a means of further widening our audience and maintaining contact with our shareholders around the world, we also make use of diverse technologies such as webcasting, audio links and cross-location video-conferencing.

Our website (www.ubs.com/investors) includes comprehensive information about UBS, including a complete set of our published reporting documents, on-demand access to recent webcast presentations and copies of presentations that senior management have given at industry conferences.

Once a year, each of our registered shareholders receives our Annual Review, which provides an overview of the firm and its activities during the year as well as key financial information. Each quarter, they are also mailed an update about our ongoing initiatives as well as information on our quarterly financial performance. If they want more detailed information, shareholders can request our complete financial reports, produced on a quarterly and annual basis, free of charge.

To ensure fair access to and dissemination of our financial information, we make our publications available to all shareholders at the same time.

A complete list of all sources of information about UBS and contact details for shareholders as well as other interested parties are included in this Handbook on pages 4 to 5.

Financial disclosure principles

Based on our discussions with analysts and investors, we believe that the market rewards companies that provide clear, consistent and informative disclosure about their business. Our aim therefore is to communicate UBS's strategy and results in such a way that shareholders and investors can gain a full and accurate understanding of how the company works, what its growth prospects are and what risks exist that this growth will not be realized.

To continue to achieve these goals, we apply the following principles in our financial reporting and disclosure:

– *Transparency:* our disclosure is designed to enhance understanding of the economic drivers and detailed results of the business, in order to build trust and credibility
– *Consistency:* we aim to ensure that our disclosure is consistent and comparable within each reporting period and between reporting periods
– *Simplicity:* we try to disclose information in as simple a manner as possible consistent with allowing readers to gain the appropriate level of understanding of our businesses' performance
– *Relevance:* we aim to avoid information overload by focusing our disclosure on what is relevant to UBS's stakeholders, or required by regulation or statute
– *Best practice:* we strive to ensure that our disclosure is in line with industry norms, and if possible leads the way to improved standards.

Financial reporting policies

We report UBS's results quarterly, including a breakdown of results by Business Groups and business units and extensive disclosures relating to credit and market risk.

We prepare UBS's financial statements according to International Financial Reporting Standards (IFRS), and provide additional information in our Financial Report to reconcile the UBS accounts to US Generally Accepted Accounting Principles (US GAAP). A detailed explanation of the basis of UBS's accounting is given in note 1 to the financial statements, which are published in the Financial Report 2004. An explanation of the critical accounting policies applied in the preparation of our financial statements is provided in a specific section in our Financial Report 2004.

We are committed to maintaining the transparency of UBS's reported results and to ensuring that analysts and investors can make meaningful comparisons with previous periods. If there is a major reorganization of our business units or if changes to accounting standards or interpretations lead to a material change in the Group's reported results, we restate UBS's results for previous periods to show how they would have been reported according to the new basis, and provide clear explanations of all changes.

US regulatory disclosure requirements

As a Swiss company listed on the New York Stock Exchange (NYSE), we comply with the disclosure requirements of the Securities and Exchange Commission (SEC) and the NYSE for private foreign issuers. These include the requirement to make certain filings with the SEC. As a private foreign issuer, some of the SEC's regulations and requirements which apply to domestic issuers are not applicable to UBS. We provide UBS's regular quarterly reports to the SEC under cover of Form 6-K, and file an annual report on Form 20-F. We also provide additional disclosure at half-year to meet specific SEC requirements, which again is provided under cover of Form 6-K. These reports, as well as materials sent to shareholders in connection with annual and special meetings, are all available on our website, at www.ubs.com/investors. As of the end of the period covered by this Annual Report, an evaluation was carried out under the supervision of our management, including the Group CEO and Group CFO, of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a–15e) under the US Securities Exchange Act of 1934). Based upon that evaluation, the Group CEO and Group CFO concluded that these disclosure controls and procedures were effective as of the end of the period covered by this Annual Report. No significant changes were made in our internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation.

Regulation and supervision

We aim to comply with all applicable provisions and to work closely and maintain good relations with regulators in all jurisdictions where we conduct business.

As a Swiss-registered company, UBS's home country regulator is the Swiss Federal Banking Commission (SFBC).

UBS's operations throughout the world are regulated and supervised by the relevant authorities in each of the jurisdictions in which we conduct business.

The following sections describe the regulation and supervision of UBS's business in Switzerland, our home market. They also describe the regulatory and supervisory environment in the United States and the United Kingdom, our next two largest areas of operations.

Regulation and supervision in Switzerland

General

UBS is regulated in Switzerland under a system established by the Swiss Federal Law relating to Banks and Savings Banks of 8 November 1934, as amended, and the related Implementing Ordinance of 17 May 1972, as amended, which are together known as the Federal Banking Law. Under this law, banks in Switzerland are permitted to engage in a full range of financial services activities, including commercial banking, investment banking and fund management. Banking groups may also engage in insurance activities, but these must be undertaken through a separate subsidiary. The Federal Banking Law establishes a framework for supervision by the SFBC.

The Federal Act of 10 October 1997 on the Prevention of Money Laundering in the Financial Sector (Money Laundering Act, MLA) lays down a common standard for due diligence obligations for the whole financial sector, which must be met in order to prevent money laundering.

In its capacity as a securities broker, UBS is governed by the Swiss Federal Law on Stock Exchanges and Trading in Securities of 24 March 1995, as amended, under which the SFBC is appointed as prime regulator for these activities.

Regulatory policy

Swiss regulatory policies are formulated on three levels. The first two are the statutory levels of primary and secondary legislation issued by Parliament and the Swiss Federal Council. The SFBC has substantial influence on the drafting of these regulatory statutes (for example, the specific ordinance concerning the prevention of money laundering of 18 December 2002, amended in 2003). On a more technical level, the SFBC is empowered to issue so-called circulars, 25 of which are presently effective. Among the latest is a circular that sets minimum standards for the use of guarantees and credit derivatives issued on 14 October 2003. Another is a circular ruling the supervision of large banking groups issued on 21 April 2004. The latter directly applies to UBS and prescribes what information we are required to provide the SFBC, the structure of our regular interaction with them, and the scope of on-site reviews (prudential independent controls) as well as extended audits by the SFBC. In certain fields, the SFBC officially endorses self-regulatory guidelines issued by the banking industry (through the Swiss Bankers' Association), making them an integral part of banking regulation. Examples are:

- Agreement on Swiss banks' code of conduct with regard to the exercise of due diligence (CDB 03), 2003
- Guidelines on the handling of dormant accounts, custody accounts and safe-deposit boxes held in Swiss banks, 2000
- Portfolio Management Guidelines, 2003
- Guidelines on Internal Control, 2002
- Directives on the Independence of Financial Research, 2003
- Allocation Directives for the New Issues Market, 2004.

Certain aspects of securities broking, such as the organization of trading, are subject to self-regulation through the SWX Swiss Exchange (for example, the Listing regulation of 24 January 1996) and the Swiss Bankers' Association, under the overall supervision of the SFBC.

Role of external auditors and direct supervision of large banking groups

The Swiss supervisory system relies on banks' external auditors, who are licensed and supervised by the SFBC, and carry out official duties, on behalf of and subject to sanctions imposed by the SFBC. The responsibility of external auditors not only encompasses the audit of financial statements but also entails the review of banks' compliance with all prudential requirements.

The SFBC has direct responsibility for supervision in two areas: capital requirements for market risk, for which there is a specialist team; and the supervision of the two large Swiss banking groups, including UBS. The supervisory strategy entails direct supervision in the form of regular meetings with bank management, supervisory visits of our operations, on-site reviews, direct reporting, both routine and ad hoc, and regular meetings with the host regulators of our overseas activities. Close co-operation, including regular trilateral meetings, has been established between the SFBC and UBS's US and UK regulators, and further links are being established by the SFBC with other relevant regulators.

Reporting requirements and capital requirements

UBS reports financial, capital, legal and risk information to the SFBC. The SFBC also reviews the bank's risk management and control policies and procedures in all areas of risk, including Know Your Customer rules and anti-money laundering practices.

Switzerland applies the internationally agreed capital adequacy rules of the Basel Capital Accord, but the SFBC implementation imposes a more differentiated and tighter regime than the internationally agreed rules, including a more stringent definition of capital (see Capital management on page 73).

Disclosures to the Swiss National Bank

Switzerland's banks, according to Swiss banking law, are primarily supervised by the SFBC while compliance with liquidity rules, in particular, is monitored by the Swiss National Bank (SNB). UBS sends the SNB detailed monthly interim balance sheets, capital adequacy and liquidity statements. UBS also submits an annual statement of condition and quarterly stress testing results and co-operates with the Financial Stability and Oversight unit of the SNB whenever required. The SNB can also require UBS to make additional disclosures of financial condition and other information relevant to its regulatory oversight.

Regulation and supervision in the US

Banking regulation

UBS's operations in the United States are subject to a variety of regulatory regimes. We maintain branches in California, Connecticut, Illinois, New York and Florida. UBS's branches located in California, New York and Florida are federally licensed by the Office of the Comptroller of the Currency. US branches located in Connecticut and Illinois are licensed by the state banking authority of the state in which the branch is located. Each US branch is subject to regulation and examination by its licensing authority. In addition, the Board of Governors of the Federal Reserve System exercises examination and regulatory authority over our state-licensed US branches. We also maintain state and federally chartered trust companies and other limited purpose banks, which are regulated by state regulators or the Office of the Comptroller of the Currency. Only the deposits of UBS's subsidiary bank located in the state of Utah are insured by the Federal Deposit Insurance Corporation. The regulation of our US branches and subsidiaries imposes restrictions on the activities of those branches and subsidiaries, as well as prudential restrictions, such as limits on extensions of credit to a single borrower, including UBS subsidiaries and affiliates.

The licensing authority of each US branch has the authority to take possession of the business and property of the office it licenses in certain circumstances. Such circumstances generally include violations of law, unsafe business practices and insolvency. As long as UBS maintains one or more federal branches, the Office of the Comptroller of the Currency also has the authority to take possession of the US operations of UBS AG under similar circumstances, and this federal power may preempt the state insolvency regimes that would otherwise be applicable to our state-licensed branches. As a result, if the Office of the Comptroller of the Currency exercised its authority over the US branches of UBS AG pursuant to federal law in the event of a UBS insolvency, all of UBS's US assets would most likely be applied first to satisfy creditors of our US branches as a group, and then made available for application pursuant to any Swiss insolvency proceeding.

In addition to the direct regulation of our US banking offices, operating US branches subjects UBS to regulation by the Board of Governors of the Federal Reserve System under various laws, including the International Banking Act of 1978 and the Bank Holding Company Act of 1956. On 10 April 2000, UBS AG was designated a "financial holding company" under the Bank Holding Company Act of 1956. Financial holding companies may engage in a broader spectrum of activities, including underwriting and dealing in securities. To maintain its financial holding company status, UBS and its US subsidiary bank located in Utah are required to meet or exceed certain capital ratios and UBS's US branches and its US subsidiary bank located in Utah are required to meet or exceed certain examination ratings.

A major focus of US governmental policy relating to financial institutions in recent years has been aimed at combating money laundering and terrorist financing. Regulations applicable to UBS and its subsidiaries impose obligations to maintain appropriate policies, procedures and controls to detect, prevent and report money laundering and terrorist financing and to verify the identity of their customers. Failure of a financial institution to maintain and implement adequate programs to combat money laundering and terrorist financing could have serious legal and reputational consequences for the institution.

US regulation of other US operations

In the United States, UBS Securities LLC and UBS Financial Services Inc., as well as UBS's other US registered broker-dealer entities, are subject to regulations that cover all aspects of the securities business, including:
- sales methods
- trade practices among broker-dealers
- use and safekeeping of customers' funds and securities
- capital structure
- record-keeping
- the financing of customers' purchases
- the conduct of directors, officers and employees.

These entities are regulated by a number of different government agencies and self-regulatory organizations, including the Securities and Exchange Commission and the National Association of Securities Dealers. Depending upon the specific nature of a broker-dealer's business, it may also be regulated by some or all of the New York Stock Exchange, the Municipal Securities Rulemaking Board, the US Department of the Treasury, the Commodities Futures Trading Commission, and other exchanges of which it may be a member. These regulators have available a variety of sanctions, including the authority to conduct administrative proceedings that can result in censure, fines, the issuance of cease-and-desist orders or the suspension or expulsion of the broker-dealer or its directors, officers or employees.

UBS subsidiaries in the United States are also subject to regulation by applicable federal and state regulators of their activities in the investment advisory, mutual fund, trust company, mortgage lending and insurance businesses.

Regulation and supervision in the United Kingdom

UBS's operations in the United Kingdom are regulated by the Financial Services Authority (FSA), as the UK's single regulator, which establishes a regime of rules and guidance governing all relevant aspects of financial services business.

The FSA has established a risk-based approach to supervision and has a wide variety of supervisory tools available to it, including on-site inspections (which may relate to an industry-wide theme or be firm-specific) and the ability to commission reports by skilled persons (who may be the firm's auditors, IT specialists, lawyers or other consultants as appropriate). The FSA also has an extremely wide set of sanctions which it may impose under the Financial Services and Markets Act, broadly similar to those available to US regulators.

Some of our subsidiaries and affiliates are also regulated by the London Stock Exchange and other UK securities and commodities exchanges of which UBS is a member. Our business can also be subject to the requirements of the UK Panel on Takeovers and Mergers where relevant.

Financial services regulation in the UK is conducted in accordance with European Union directives which require, among other things, compliance with certain capital adequacy standards, customer protection requirements and conduct of business rules. These directives apply throughout the European Union and are reflected in the regulatory regimes in other member states. The standards, rules and requirements established under these directives are broadly comparable in scope and purpose to the regulatory capital and customer protection requirements imposed under applicable US law.

Compliance with NYSE listing standards on corporate governance

UBS aims to comply with all relevant standards on corporate governance. As a foreign company, listed on the New York Stock Exchange (NYSE), we are only required to comply with the rules relating to audit committees and annual certifications. UBS, however, has voluntarily adopted the overwhelming majority of the NYSE rules for US companies.

Introduction

On 4 November 2003, the Securities and Exchange Commission (SEC) approved the revised New York Stock Exchange corporate governance rules. Foreign private issuers – such as UBS – must comply with the rules on Audit Committees by 31 July 2005 and must also disclose significant differences and material non-compliance with all other NYSE standards by the first annual shareholders meeting after 15 January 2004. UBS fully complies with the SEC requirements relating to Audit Committees and fulfills the overwhelming majority of the NYSE listing standards on corporate governance. The few exceptions are mainly due to the different legal system in Switzerland and are explained in detail in this chapter.

Independence of directors

The Board of Directors, based on the listing standards of the NYSE, approved "Criteria for defining external Board members' independence", which are published on the firm's website under www.ubs.com/corporate-governance. Each external director has to personally confirm his compliance with the criteria. The Board, at its meeting of 3 February 2005, affirmatively determined that Ernesto Bertarelli, Peter Böckli, Sir Peter Davis, Rolf A. Meyer, Helmut Panke, Peter Spuhler and Lawrence A. Weinbach have no material relationship with UBS, either directly or as a partner, controlling shareholder or executive officer of a company that has a relationship with UBS. Each of them also met all the other requirements of the Board and of the New York Stock Exchange with respect to independence, with the exception of Ernesto Bertarelli. Mr. Bertarelli does not satisfy one of the independence requirements because UBS is the main sponsor to Team Alinghi, the defender of the "America's Cup 2007". Mr. Bertarelli is the owner of Team Alinghi SA. Otherwise Ernesto Bertarelli fully satisfies the New York Stock Exchange independence requirements. The Board of Directors does not believe that UBS's sponsorship of Team Alinghi impairs Mr. Bertarelli's independence in any way.

The Board of Directors has also determined that Lawrence A. Weinbach, Sir Peter Davis and Rolf A. Meyer meet the more stringent independence requirements for Audit Committee members. They do not receive directly or indirectly any consulting, advisory or other compensatory fees from UBS other than in their capacity as directors. They do not hold directly or indirectly UBS shares in excess of 5% of the outstanding capital, and none of them serves on the audit committees of more than two other public companies. The Board determined that all three Audit Committee members are financially literate and that Lawrence Weinbach and Rolf Meyer are "financial experts" according to the definitions established by the Sarbanes-Oxley Act of 2002, Lawrence Weinbach being a certified public accountant and having been in the audit and accounting business during most of his professional career, and Rolf Meyer through his former responsibility as Chief Financial Officer of a large listed company.

UBS operates under a strict dual Board structure mandated by Swiss banking law. No member of the Group Executive Board may also be a member of the Board of Directors and vice versa. This structure ensures an institutional independence of the entire Board of Directors from the day-to-day management. Therefore all Board members are considered non-management directors, although the three executive members of the Chairman's Office are former members of the executive management and are performing their mandate on a full-time basis. The Board meets regularly without executive management, but including the executive members of the Board.

Board committees

UBS has established audit, compensation and nominating committees. The charters for all Board Committees are published on www.ubs.com/corporate-governance. Additional information on the Board Committees' mandates, responsibilities and authorities and their activities during 2004 can be found on pages 91–92 of this section.

In addition to these three committees, the Chairman of the Board and the Vice Chairmen form a "Chairman's Office", which has clearly defined authorities and duties. It also has responsibility for oversight of the internal audit function (as defined in the Swiss Federal Banking Commission's Circular Letter on Internal Audit) and acts as Risk Committee of the Board. For more details see page 91 of this section, the UBS Organization Regulations with its Appendix, and the Charter for the Chairman's Office (www.ubs.com/corporate-governance).

Differences from NYSE standards

According to Rule 303A.11 of the NYSE Corporate Governance listing standards, foreign private issuers have to disclose any significant ways in which their corporate governance practices differ from those to be followed by domestic companies. The UBS Board of Directors has determined the following differences:

For US listed companies the NYSE rules require:

- *responsibility of the Audit Committee for appointment, compensation, retention and oversight of the Independent Auditors.*
  UBS's Audit Committee has been assigned all these responsibilities, except for appointment of the Independent Auditors, which – according to Swiss Company Law – is required to be voted upon by shareholders. The Audit Committee assesses the performance and qualification of the External Auditors and submits its proposal for appointment, re-appointment or removal to the full Board, which brings this proposal to the shareholders for vote at the Annual General Meeting (AGM).
- *discussion of risk assessment and risk management policies by Audit Committee.*
  UBS, as a global financial services firm, has a sophisticated and complex system of risk management and control. Risk management and control is the clear responsibility of the business. The Board of Directors, of which the Audit Committee members are part, has authority to define the firm's risk principles and its risk capacity. The Chairman's Office, acting as Risk Committee on behalf of the full Board, is responsible for monitoring the adherence to the defined risk principles and for reviewing whether the business and control units run appropriate systems for the management and control of risks. The Audit Committee is regularly updated by Group Internal Audit on specific risk issues.
- *assistance by Audit Committee of the internal audit function.*
  In accordance with the Swiss Federal Banking Commission's Circular Letter on Internal Audit, dated 14 December 1995, UBS gave the Chairman's Office responsibility and authority for supervising the internal audit function. The complexity of the financial services industry requires in-depth knowledge to allow for an effective supervision of the internal audit function. The Chairman's Office reports back to the full Board on all important findings, and the Audit Committee is regularly updated directly by the head of Group Internal Audit.
- *responsibility of the Nominating Committee for oversight of management and Board evaluation.*
  Management evaluation (performance of the Group CEO and the members of the Group Executive Board) is done by the Chairman's Office and reported to the full Board. All Board Committees perform a self-assessment of their activities and report back to the full Board. The Board has direct responsibility and authority to evaluate its own performance, without preparation by a Board Committee.
- *proxy statement reports of the Audit and Compensation Committees.*
  Under Swiss Company Law, all reports addressed to shareholders are provided and signed by the full Board, which has ultimate responsibility vis-à-vis shareholders. The Committees submit their reports to the full Board.
- *shareholders' votes on equity compensation plans.*
  Under Swiss Company Law, the approval of compensation plans is not within the authority of the AGM, but of the Board of Directors. The reason for this approach is the fact that the capital of a Swiss company is determined in the Articles of Association and, therefore, each increase of capital has to be submitted for shareholders' approval. If equity-based compensation plans result in a need for a capital increase, AGM approval is mandatory. If, however, shares for such plans are purchased in the market, shareholders do not have the authority to vote on their approval.
- *non-management directors to meet at least once per year separately, without any directors participating who are not independent because of their employment by the company.*
  Under Swiss Banking Laws Board members are not allowed to assume any day-to-day management responsibility. UBS therefore considers all its Board members as "non-management directors", despite the fact that three "executive" Board members perform their mandate on a full-time basis and are remunerated by the company for their services. The Board meets regularly without executive management, but including the three executive Board members.

Corporate Governance Guidelines, Code of Business Conduct and Ethics, and Whistleblowing Protection

The Board of Directors has adopted corporate governance guidelines, which are published on the UBS website at www.ubs.com/corporate-governance.

The Board of Directors has also adopted a Code of Business Conduct and Ethics with an Addendum for principal executive, financial and accounting officers or controllers, as required by the Sarbanes-Oxley Act. The code is available on the UBS website at www.ubs.com/corporate-governance.

The Audit Committee of the Board has established rules for the handling of complaints related to accounting and auditing matters in addition to the internal policies on Whistleblowing Protection for Employees and on Compliance with Attorney Standards of Professional Conduct. The Audit Committee Procedures are available on the UBS website (www.ubs.com/corporate-governance).

Senior leadership

The senior leadership of UBS, in addition to the Group Executive Board, includes the members of the Group Managing Board (GMB) and the Vice Chairmen of the Business Groups.

Group Managing Board

The members of the GMB are drawn from the management teams of the Business Groups and the Corporate Center or assume special Group functions. The GMB plays a crucial role in achieving UBS's one-firm vision and promoting the UBS agenda. Its role is to understand, challenge and contribute to further developing the firm's direction, values and principles and to promote and communicate its culture.

Members as of 31 December 2004 and announced changes.

Wealth Management & Business Banking

Michel Adjadj	Head of Wealth Management Eastern Mediterranean, Middle East & Africa
Arthur Decurtins	Head of Wealth Management Benelux, Germany & Central Europe
Thomas K. Escher	Head of IT (Vice Chairman Wealth Management as from 1 July 2005)
Jürg Haller	Head of Products & Services
Eugen Haltiner	Head of Business Banking (Vice Chairman Business Banking as from 1 February 2005)
Marten Hoekstra	Head of Market Strategy & Development
Dieter Kiefer	Head of Wealth Management Western Europe
Martin Liechti	Head of Wealth Management Americas
Hans-Ulrich Meister	Head of Large Corporates & Multinationals (Head of Business Banking as from 1 February 2005)
Jeremy Palmer	Head of Wealth Management UK, Northern & Eastern Europe
Werner H. Peyer	Head of Wealth Management and Affluent Banking Zurich Region
Joe Rickenbacher	Chief Credit Officer
Alain Robert	Head of Wealth Management Switzerland
Kathryn Shih	Head of Wealth Management Asia Pacific
Jean Francis Sierro	Head of Resources
Anton Stadelmann	Chief Financial Officer
Vittorio Volpi	Head of Wealth Management Italy
Raoul Weil	Head of Wealth Management International
Stephan Zimmermann	Head of Operations (Chief Operations Officer as from 1 July 2005)

New member as from 1 March 2005:

Michael A. Weisberg	Head of Investment Solutions / Products and Services

Investment Bank

Andy Amschwand	Head of Investment Bank Switzerland Global Head of Foreign Exchange / Cash and Collateral Trading
David Aufhauser	Global General Counsel
Michael Bolin	Chief Administrative Officer
Gary Bullock	Global Head of Infrastructure Logistics
Regina A. Dolan	Chief Financial Officer
Robert Gillespie	Joint Global Head of Investment Banking
Michael Hutchins	Global Head of Fixed Income, Rates & Currencies
Huw Jenkins	Global Head of Equities
Stephan Keller	Chief Risk Officer
Philip J. Lofts	Chief Credit Officer (Group Chief Credit Officer as from 1 April 2005)
Ken Moelis	Joint Global Head of Investment Banking
Rory Tapner	Chairman and CEO Asia Pacific
Robert Wolf	Chief Operating Officer

New members as from 1 March 2005:

Simon C. Bunce	Chief Executive Officer and President of UBS Securities Japan Limited
Thomas R. Hill	Global Head of Equity Research

Wealth Management USA

Robert J. Chersi	Chief Financial Officer
Mike Davis	Head of Western Division
Tom Naratil	Director of Banking and Transactional Solutions
James M. Pierce	Head of Central Division
James D. Price	Director of Investment and Marketing Solutions
Timothy J. Sennatt	Head of Eastern Division
Robert H. Silver	President and Chief Operating Officer

New member as from 1 March 2005:

David L. Zoll	Director of National Sales

Global Asset Management

Gabriel Herrera	Head of Europe, Middle East & Africa
Thomas Madsen	Global Head of Equities
Joe Scoby	CEO Alternative & Quantitative Investments
Brian Singer	Global Head of Asset Allocation
Kai Sotorp	Head of Americas
Mark Wallace	Global Head of Logistics Infrastructure
Paul Yates	Head of UK

Corporate Center

Scott G. Abbey	Chief Technology Officer
Mark Branson	Chief Communication Officer
Rolf Enderli	Group Treasurer
Thomas Hammer	Group Head of Human Resources
Robert W. Mann	Head of Leadership Institute
Hugo Schaub	Group Controller
Walter H. Stuerzinger	Group Chief Risk Officer (Member of the GEB as from 1 March 2005)
Marco Suter	Group Chief Credit Officer (proposed to 2005 AGM for election to the Board of Directors)

New member as from 1 March 2005:

Neil R. Stocks	Head of Group Compliance

Chairman's Office

Luzius Cameron	Company Secretary (as of 1 January 2005)
Gertrud Erismann-Peyer	Company Secretary (retiring as of 1 May 2005)
Markus Ronner	Head of Group Internal Audit

Business Group Vice Chairmen

Business Group Vice Chairmen are appointed to support the businesses in their relationships with key clients. They strongly contribute to the success of UBS and work closely together with the members of the Group Managing Board.

Members as of 1 February 2005 and announced changes

Wealth Management & Business Banking

Thomas K. Escher	Wealth Management (as from 1 July 2005)
Carlo Grigioni	Wealth Management
Eugen Haltiner	Business Banking

Investment Bank

Ken Costa

Lord Brittan of Spennithorne, QC

Senator Phil Gramm

Corporate Responsibility

We make responsible behavior an important part of our culture, identity and business practice.

Corporate Responsibility

UBS makes responsible behavior an important part of its culture, identity and business practice. As a leading global financial services firm, we want to provide our clients with value-added products and services, promote a corporate culture that adheres to the highest ethical standards, and generate superior but sustainable returns for our shareholders. We are committed to being an equal opportunity employer, protecting the environment, adhering to high social standards, and contributing to the communities which we are a part of. For us, behaving responsibly sometimes means moving beyond solely profit-oriented considerations and legal requirements when doing business.

In order to retain the franchise society gives us, we have to conduct our core business responsibly and at the same time engage in the communities that we are part of. We translate this into four broad fields of action:
- we aim to provide a working environment that is based on the values of diversity and meritocracy
- we uphold high ethical values when dealing with our clients and suppliers
- we support the communities not only with donations, but also by giving our employees the opportunity to engage in volunteering work
- we have a global environmental management process in place to make sure that in all our business dealings we act in an environmentally responsible manner.

Our corporate responsibility processes

In 2001, we created a Corporate Responsibility Committee. It discusses and judges how to meet the evolving expectations of our stakeholders related to our corporate conduct. If it comes to the conclusion that there is gap between what stakeholders expect and what we practice – and that this gap represents either a risk or an opportunity to the firm – the committee suggests appropriate measures to management, which is then responsible for implementing solutions.

The committee is chaired by Marcel Ospel, Chairman of UBS, and includes one other member of the Board of Directors and seven senior UBS executives representing our businesses, as well as a number of corporate functions, including legal, communication and risk management.

The committee's work is supported by a working group that comprises representatives from all our Business Groups, as well as functional experts. It evaluates any new issues potentially related to corporate conduct, and ensures that all are brought to the attention of the committee.

Neither the Corporate Responsibility Committee nor the corporate responsibility working group runs ongoing operational processes. They ensure that UBS aligns business practices with changing societal expectations.

Being a responsible employer

Our success in achieving our business goals depends on our staff. We have a commitment to support them – both during and beyond their careers with UBS.

Our Employee Assistance Programs (EAPs) are a case in point.

As the world struggled to come to terms with the devastating tsunami of 26 December 2004, UBS staff in the UK were able to access an independent counseling hotline under the auspices of the UK region's EAP. Provided in conjunction with an independent organization, the service gives UBS employees 24-hour confidential access to specialist information, consultants, and advisors.

UBS supports EAPs in a number of locations. Usually underpinned by independent, third-party organizations, as in the UK, the programs offer confidential support to help employees balance their work, family and personal needs and help resolve issues that occur in everyday life. While the firm is not informed about any specifics, we do receive some trend reports, and there appear to be some interesting geographical differences. In the US, the largest percentage of contacts concern work/life balance, as well as psychological and family/relationship matters. In the UK, the largest percentage relates to managing work issues. In Switzerland, health-related issues are most frequently cited.

Additional programs take account of employee interests when the firm undertakes business-driven restructuring. One example is COACH, a set of measures designed to soften the blow

Contributing to society – preventing money laundering

An extensive and constant effort to prevent money laundering is the most important single contribution to society that we can make. The integrity of the financial system is the responsibility of all those involved in it. We take our duties extremely seriously – in protecting both the system at large and our own operations. Our stakeholders expect us to be at the forefront of developing strategies and implementing measures necessary to achieve these objectives. The threats posed by money laundering and terrorism are real, and we all have a role in contributing to the fight against them as effectively as possible.

Concretely, in 2004, we appointed a Global Head of Money Laundering Prevention to oversee and lead our efforts to fight money laundering, corruption, and the financing of terrorism. His key task is to help employees to recognize, and then manage and report suspicious activities – in a way that neither treats all clients as criminals nor unduly hinders our normal banking business.

The best way to achieve this is through a real spirit of partnership across the firm – between those who manage client relationships and the risk managers and controllers who support them. Our employees should be focused on really getting to know clients, understanding their needs – and then questioning things that do not make sense. In fact, we believe that one reason clients choose UBS is because they are confident of our first-class reputation for integrity.

At UBS, we see the prevention of money laundering as an evolving process. We take a risk-oriented approach that is tailored to our different business lines and their specific risks and exposures. This includes establishing, where applicable, consistent criteria by which a business relationship should be judged "higher-risk". We utilize technology to assist us in the identification of transaction patterns or unusual dealings.

We are also strongly committed to promoting stringent anti-money laundering standards for the financial industry as a whole. As a prime example of this, UBS was one of the driving forces behind the launch of the Wolfsberg Group and its issuance of global anti-money laundering principles in 2000. In the years after that, we also strongly supported its efforts to suppress terrorism finance, its monitoring, screening and searching guidelines, and its correspondent banking principles. As part of the group, and at the request of Russian and Chinese banking authorities, we have held seminars in both countries on how to prevent money laundering.

Investing in our communities

The "raison d'être" behind our well-established program of community investment is the recognition that our success depends not only on the skill and resources of our people and the relationships we foster with clients, but also on the health and prosperity of the communities we work in. Dedicated teams worldwide work closely with staff at all levels to build partnerships with organizations in the communities where we operate, focusing on education, regeneration and environmental projects.

UBS supports communities in various ways. We make direct cash donations to selected organizations, and match do-

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for staff displaced as UBS continues to reshape its Swiss activities in response to market conditions.

Launched early in 2003, the package extends the standard notice term of each eligible employee by two months. During this period, employees retain their full salary and benefits. They also receive counseling and support to help them apply for new jobs either within UBS or outside. To this end, COACH advisors work closely with UBS's human resources managers and draw on the expertise of UBS's internal social consultancy service and specialized external agencies.

Financial assistance of up to CHF 6,000 per employee is also available for job-related training where this will help applicants change their career path from, say, a banking operations-related role to a more office-centered function. To date, some 1,300 staff members have enrolled with COACH. Of this total, about one-tenth have found re-employment within UBS.

Neither the EAPs nor COACH are low-cost options for UBS. But by providing eligible employees with benefits that extend well beyond the contractually stipulated level, such programs acknowledge the firm's wider responsibilities to its staff and to society.

> "UBS was instrumental in creating the Wolfsberg Group, named after their own management training center in Switzerland. With the help of the anti-corruption organization, Transparency International, 12 of the worlds largest banks – banks which would normally be guarded about sharing internal procedures with their competitors, collaborated to develop and publish the "Anti Money Laundering Principles" called the "Wolfsberg Principles" …which have received worldwide recognition as good practice – filling gaps in national laws and regulations."
> **Jermyn Brooks, Director, Transparency International**

nations from our employees to most charities. In 2004 we donated more than CHF 25 million to support charitable causes and the communities we are a part of. Our employees, through their volunteer efforts, also make significant contributions to the communities they live in, and, depending on location, UBS supports their commitment by offering up to two days per year for volunteering.

Besides the engagement of the firm and its employees, we also give our clients the opportunity of joining us in engaging in charitable causes. The UBS Optimus Foundation invests donations from our clients into a number of programs and organizations that focus particularly on children. The projects involve close collaboration with respected partner organizations and are selected by a team of specialists with the foundation, who also closely monitor their implementation. The costs of managing and administering the UBS Optimus Foundation are borne in full by UBS, so that the full contribution from our clients reaches the projects.

A glimpse of what we do

The community investment programs we support are regionally directed and respond to the needs of the communities that we do business in around the world. The following provides a brief glance at some of our activities:

In the Americas, support for the YMCA's Virtual Y after-school program has extended into its eighth year. The Virtual Y is a daily literacy-based after-school program for elementary school students. The program fosters innovative approaches to learning, focused on academic support, health and recreation, and appreciation for arts and culture. As the largest corporate supporter, UBS sponsors the program in 11 New York City public schools, impacting approximately 600 students annually. To complement our financial contributions, our employees engage in various initiatives with these schools, including volunteer projects, executive-principal mentoring and school supply and book drives.

In Asia Pacific, UBS supports "TEACH ME Inc" in Singapore, a program set up by the Asian Women's Welfare Association, to prepare disabled youths for open employment. Over the last two years, UBS has been actively supporting the program not only by making financial contributions, but also through the involvement of UBS staff and management in the organization of internship and employment stints in UBS to get the disabled students used to working life. Employee volunteers also organize regular workshops on such topics as writing resumés and handling job interviews.

In the UK, we support The Brokerage, a small, proactive charity working with City of London and other employers to promote local recruitment. It was established to widen access to quality, sustainable job opportunities in the City, breaking down perceived barriers between companies such as UBS and people living in the inner London areas, such as Hackney and Tower Hamlets, which rate high on the poverty index. By offering a range of services to unemployed people who are interested in working for a City firm, The Brokerage has helped more than 1,000 individuals find employment. To complement our financial contributions, our volunteers have hosted three-month internships for The Brokerage candidates and have also run workshops for them in our London offices.

In Switzerland, our employees, past and present, have developed "A Helping Hand from UBS Employees". This disburses employees' donations to enable disadvantaged people to lead active and independent lives. We encourage employee involvement by matching some of the funds raised and also through offering time for volunteering. For example, on the centenary anniversary of "Stiftung Wagerenhof", a home for the disabled in Uster, UBS employees voluntarily worked as facilitators during a one-week project where adolescents and disabled persons saw each other's worlds. Together they built a playground, furnished a nursery and constructed pathways.

Another organization in Switzerland, the UBS Cultural Foundation, fosters creativity, appreciation of different cultural expression, and contact between artists and society. The foundation financially supports fine arts, film, literature, music, preservation of historic buildings, archaeological projects and studies in history and philosophy in Switzerland.

In similar fashion, the UBS Foundation for Education and Social Welfare focuses on education and development, aiming to improve social welfare for deprived communities in Switzerland.

Socially responsible investments

UBS's expertise in incorporating environmental and social aspects into its research and advisory activities is an important attraction for certain investors. In addition to financial considerations, socially responsible investments (SRI) take into account environmental, social or ethical criteria.

Our Global Asset Management business offers a wide range of SRI products to both private and institutional investors. In Switzerland and Japan, we use an approach which actively selects the best performers in each industry on environmental and social criteria. Our largest SRI fund, the *UBS (Lux) Equity Fund- Eco Performance*, invests globally in more than 100 equities with superior sustainability performance. In the US, Global Asset Management manages various institutional accounts that exclude certain companies or sectors using "negative" screening criteria. In the UK, Global Asset Management seeks to influence corporate responsibility and corporate governance performance of the companies it invests in. Our wealth management businesses around the world also offer SRI products from third-party providers.

In 2004, considerable effort went into increasing awareness of socially responsible investments in the Global Asset Management business. A key measure was the integration of SRI analysis into the Business Group's proprietary financial research platform.

In the Investment Bank, sell-side analysts have experienced steady demand from clients for SRI advice. As a result, in 2004 it established an equity research desk to monitor ratings provided by external SRI agencies, produce original research on areas of increasing or diminishing risk, organize collaborative research by analysts about emerging SRI themes, and write about and advise on quantifying the effects on share prices of companies with exposure to such issues.

Our impact on the environment

We impact the environment in a number of ways. Our businesses consume electricity, employees travel for business purposes, they use paper and generate waste in the course of their work, and offices require heating and cooling systems. Improving our use of these resources can boost our operating margins and enhance environmental performance and we have a series of measures that manage our environmental impact efficiently. Performance in that respect has improved considerably since the expansion of our environmental management system to our offices outside Switzerland in 2002. The percentage of waste we recycle is now 70%, up from 32% in 2001. In the same timeframe, we significantly reduced the environmental impact of our consumption of paper by phasing out the use of chlorine bleached paper – which accounted for half the paper we used in 2001.

Our commitment to the environment is underpinned by a global environmental management system certified under the ISO 14001 standard. The system covers both banking activities and in-house operations. We remain committed to integrating environmental considerations into all our business activities. Our environmental policy, based on five principles, is embedded in our culture as well as our management and control principles.

SRI invested assets

	For the year ended			% change from
CHF billion	**31.12.04**	31.12.03	31.12.02	31.12.03
UBS	**2,250**	2,133	1,959	5
Socially responsible investments				
Positive criteria	**0.78**	0.72	0.57	8
Engagement[1]	**38.5**			
Exclusion criteria	**7.32**	8.95	7.88	(18)
Third-party	**0.29**			
Total socially responsible investments' assets	**46.89**			
Proportion of invested assets (%)[2]	**2.08**			
Performance of UBS' SRI Funds %				
Absolute performance Eco Perf.[3]	**4.66**	15.90	(34.96)	
Relative performance Eco Perf. vs. MSCI[4]	**(1.30)**	(3.74)	(1.96)	

1 Figures for 2003 and 2002 not available due to revised definition. 2 Total socially responsible investments / invested assets. 3 Eco Performance = UBS (Lux) Equity Fund – Eco Performance B. 4 Benchmark: MSCI World.

Positive criteria: applies to the active selection of companies, focusing on how a company's strategies, processes and products impact its financial success, the environment and society.

Engagement: investors enter into a dialogue with boards or management of companies with the aim of influencing corporate behavior and policies, if appropriate, in relation to environmental, social or ethical issues.

Exclusion criteria: companies or sectors are excluded based on environmental, social or ethical criteria, e.g. companies involved in weapons, tobacco, gambling, or with high negative environmental impacts.

Third-party: UBS's open product platform gives clients access to SRI products from third-party providers. From 2004 we also report on these invested assets.

The five environmental principles are:

- we duly consider environmental risks in all our businesses, especially in lending, investment banking, advisory and research, and in our own investments.
- we seek to take advantage of the financial market for environmentally-friendly products and services, such as Socially Responsible Investments (SRIs).
- we actively seek ways to reduce our direct environmental impact on air, soil and water from in-house operations, with a primary focus on reducing greenhouse gas emissions. We also seek to assess the environmental impact of our suppliers.
- we ensure efficient implementation of our policy through a global environmental management system certified according to ISO 14001 – the international environmental management standard.
- we invest in knowhow and integrate environmental considerations into internal communications and training.

Overall responsibility for environmental management lies with the Group Executive Board although each business is accountable for its environmental management.

Environmental performance indicators

Every year, we provide a detailed description of our environmental performance using key performance indicators (KPIs), which allow for year-on-year comparisons. They are based on industry standards such as EPI-Finance 2000 and VfU 2003 (both tailor environmental performance indicators to financial institutions).

The management indicators below provide an overview of our environmental management system at Group level.

Managing environmental risks in our business transactions

When evaluating potential business transactions, material environmental aspects can be important when assessing overall risks. For UBS, a failure to identify, manage or control these environmental risks can manifest itself across a wide variety of risks inherent to our business activities, such as credit risk. An example of that might be when a counterparty's cash flow or assets are impaired by environmental factors such as inefficient production processes, polluted or contaminated property. Liability risks, such as when a bank takes over collateral onto its own books, would be another one.

Investment Bank

Our Investment Bank has a global environmental risk policy it applies to all transactions, services and activities it performs. The depth of an environmental analysis is based in part on risk

Management indicators

	For the year ended			% change from
Full-time equivalent, except where indicated	**31.12.04**	31.12.03	31.12.02	31.12.03
Headcount financial businesses [1]	**67,424**	65,929	69,061	2
In specialized enviromental units [2]	**22.0**	16.4	17.5	34
Environmental awareness raising				
Employees trained	**1,664**	1,377	2,266	21
Training time *(hours)*	**2,124**	1,857	2,246	14
Specialized environmental training				
Employees trained	**602**	1,106	442	(46)
Training time *(hours)*	**1,932**	2,548	1,503	(24)
External environmental audits [3]				
Employees audited	**11**	26	125	(58)
Auditing time *(days)*	**2.0**	3.0	17.0	(33)
Internal environmental audits [4]				
Employees audited	**148**	171	150	(13)
Auditing time *(days)*	**29.2**	36.5	25.0	(20)

1 All employment figures represent the state as of 31 December 2004. 2 2004: 19.2 UBS and 2.8 external employees (FTE). 3 Audits carried out by SGS Société Générale de Surveillance SA. Surveillance audits took place in 2003 and 2004. The more comprehensive Re-Certification Audit was done in 2002. 4 Audits / reviews carried out by specialized environmental units. The implementation of Environmental Risk Policies is also audited by Group Internal Audit.

classification, on UBS's familiarity with the counterparty, and on comfort with the contents of any prospectus provided by the client. In the initial due diligence phase, environmental factors are screened by Investment Banking staff. If there are indications of significant environmental risk, an internal environmental competence center may be contacted to provide a more detailed environmental assessment. In 2004, 32 such detailed assessments were completed by the competence center.

Wealth Management & Business Banking

In the Wealth Management & Business Banking Business Group, policies and processes adapted to client segments, transaction size and risk exposure control environmental risks in credit transactions. Credit procedures in the Swiss retail business involve a three-step environmental risk assessment. The responsible client advisor carries out a first screening. This step covers financial risks linked to environmental aspects such as compliance with environmental legislation, polluted or contaminated sites and natural hazards. If the risks cannot be fully ruled out during the first screening, a credit officer initiates a second screening and decides whether the risks identified are transparent enough for the credit decision to be taken. Transactions entailing significant environmental risk undergo a third step, a detailed environmental assessment – a service provided by the Business Group's environmental risk unit. In 2004, 35 such detailed assessments took place. If a transaction poses substantial environmental risks, the bank can take several courses of action. It can adapt the terms of the loan contract, it may advise the client on how to mitigate environmental risks, or it may decline the transaction altogether.

Wealth Management USA

In 2003, the Wealth Management USA Business Group established an environmental risk management policy that evaluates each business area to determine the level of environmental risk inherent in each of the area's products and services. Two of the product lines it offers, loans and underwriting municipal securities, potentially carry inherent environmental risk, and control procedures were strengthened to include an appropriate assessment of the risk.

Quality Feedback

In Wealth Management and Business Banking, our quality feedback system provides a comprehensive platform to attract suggestions for improvement from clients and employees alike.
Quality feedback from clients (for example, complaints and suggestions) serves a vital function. It enables new products and services to be introduced in a client-oriented manner, strengthens client relationships, restores client satisfaction, and makes a tangible improvement to client service and banking services. Having a wide variety of quality feedback from our clients enables us to systematically evaluate and review our actions. By sharing their views, clients make targeted quality improvement of products, processes and services possible.
Quality feedback from employees – quality tips and ideas or proposals from employees – helps to foster the potential for creativity and innovation arising from the knowledge and experience of UBS employees and use it to improve and update products, processes and services.

Third-party ratings

UBS has endorsed and signed several international charters. In 1992, we were one of the first signatories to the United Nations Environment Program's Bank Declaration. Since its introduction, the Declaration has exerted a considerable influence on the setting of environmental guidelines and practices for financial institutions. In 1999, we signed the Global Compact, a UN-sponsored platform for encouraging and promoting good corporate practice in the areas of human rights, labor and the environment.
Since 1999, the Dow Jones Sustainability Group Indexes (DJSGI) have tracked the social, environmental and financial performance of companies in the Dow Jones Global Index. UBS has been part of the DJSGI since the inception of the Index.
Furthermore, UBS is included in the FTSE4Good Index, which measures the performance of global companies in the areas of environmental sustainability, stakeholder relations and support for human rights.

Environmental and CO_2 footprints

Every year, we analyze our environmental and CO_2 footprints. The results from the graph and tables below show that the major areas where UBS has a direct impact are, in order of importance, energy consumption, business travel, paper consumption, and waste.

From the graph below, results in 2004 show that the type of energy mix we purchase has a strong influence on our overall environmental and CO_2 footprint. In 2004, 26% of the energy we consumed came from renewable energy sources and district heating, a significant improvement from a year earlier.

Overall, our energy consumption in 2004 declined slightly from a year earlier. The reasons for the overall drop were energy efficiency gains in some of our larger offices around the world and the closure of a building in London last year. In the medium-term, increased data warehousing demands and our business growth might trigger a rise in energy consumption. Buoyant financial markets, particularly in the first half of the year, led to a sharp increase in air travel for business reasons following two years of steady decline.

Ratio indicators per FTE

	Unit	2004	Trend	2003	2002
Total direct energy	kWh / FTE	13,855	→	14,659	13,394
Total indirect energy	kWh / FTE	26,195	↘	29,986	26,962
Total business travel	Pkm / FTE	10,694	↑	7,831	8,040
Total paper consumption	kg / FTE	198	→	218	213
Total water consumption	m^3 / FTE	28.0	→	27.8	25.8
Total waste	kg / FTE	362	→	395	418
Total environmental footprint	kWh / FTE	40,562	→	43,581	40,370
Total CO_2 [1]	t / FTE	3.87	↘	4.80	4.07
CO_2 footprint [2]	t / FTE	7.38	→	7.91	7.06

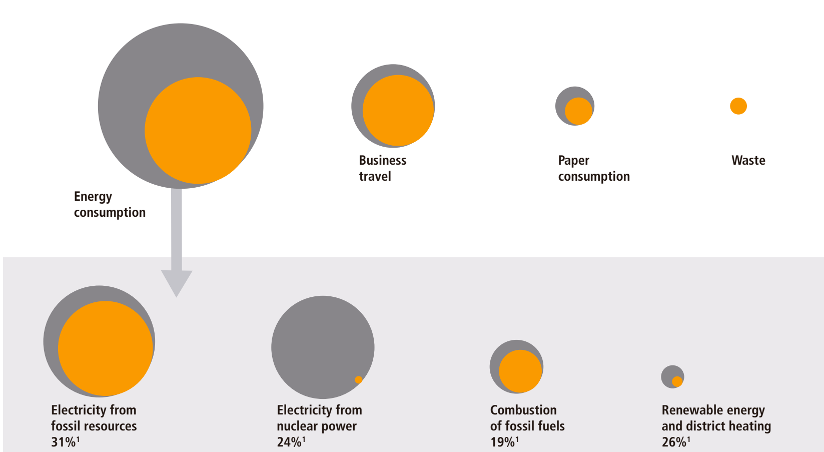
1 GHG scope 1 and 2. 2 GHG scope 1, 2 and 3.

Our consumption of waste, water and paper remained relatively flat year-on-year. The waste recycling ratio increased to 70% from 59% due to an increased focus on recycling programs in all areas as well as heightened staff awareness.

CO_2 emissions directly and indirectly released by UBS (see GRI EN8 line in table) declined by more than 17% from a year earlier, a result of the cleaner energy mix purchased in London.

More detailed information on UBS's environmental management system is available on the internet: www.ubs.com/environment

Environmental and CO_2 Footprints



The size of the circles represents the scale of the environmental impact for each factor – the larger the circle area, the greater the environmental significance of the process.

Environmental footprint: shows the environmental impact (i.e. through emissions, use of resources, waste) of each corresponding process. This includes all relevant upstream and downstream processes, such as acquisition of raw materials, manufacturing, transport and disposal. The environmental footprint is approximated based on the amount of non-renewable energy consumed.

CO_2 footprint: shows the global warming potential of a process, including all relevant upstream and downstream processes. The CO_2 footprint equals the quantity of CO_2 and other greenhouse gases that emerge through the corresponding energy consumption process.

■ Environmental Footprint ■ CO_2 Footprint

1 Indicates the amount of energy type consumed in percentage of UBS's total direct energy consumption

Absolute indicators

		2004			2003	2002
Environmental performance indicators[1]	GRI[2]	Absolute normalized[3]	Data quality[4]	Trend[5]	Absolute normalized[3]	Absolute normalized[3]
Total direct energy[6]	**EN3**	934 GWh	**	→	966 GWh	925 GWh
Direct intermediate energy purchased[7]	**EN3**	753 GWh	**	→	771 GWh	722 GWh
electricity from hydroelectric power stations		15%	**	→	17%	18%
electricity from biomass and waste power stations		6%	**	↑	0%	0%
electricity from wind power stations		1.5%	**	↗	1.3%	1.6%
electricity from other renewable resources		5.7%	**	↑	4%	1.6%
district heating		3.1%	**	→	3.1%	3.8%
electricity from nuclear power stations		30%	**	→	31%	34%
electricity from gas-fired power stations		16%	**	↘	19%	19%
electricity from oil-fired power stations		5.5%	**	→	5.5%	5.2%
electricity from coal-fired power stations		16%	**	↘	20%	17%
Direct primary energy consumption[8]		182 GWh	**	→	196 GWh	203 GWh
natural gas	EN3	84%	**	→	81%	80%
heating oil	EN3	13%	*	→	16%	17%
fuels (petrol, diesel, gas)	EN3	2.7%	**	↘	3.2%	2.6%
renewable energy (solar power, bioorganic, etc.)		0.04%	***	↓	0.1%	0.1%
Total indirect energy[9]	**EN4**	1,766 GWh	**	↘	1,977 GWh	1,862 GWh
Total business travel	**EN34**	721 Mio. Pkm	**	↑	516 Mio. Pkm	555 Mio. Pkm
rail travel		5.3%	*	→	5%	6.3%
road travel		1%	*	↓	1.5%	1.5%
air travel		94%	**	→	94%	92%
Number of flights (segments)		344,454	**	↑	267,530	284,053
Total paper consumption	**EN1**	13,378 t	**	→	14,393 t	14,682 t
post-consumer recycled	EN2[10]	8.3%	**	→	8.4%	8.4%
new fibres ECF + TCF[11]		92%	**	→	91%	61%
new fibres chlorine bleached		0%	**	→	0%	31%
Total water consumption	**EN5**	1.89 Mio. m^3	*	→	1.83 Mio. m^3	1.78 Mio. m^3
drinking water		100%		→	100%	100%
Total waste	**EN11**	24,421	*	→	26,034 t	28,877 t
valuable materials separated and recycled		70%	*	→	59%	48%
incinerated		9.9%	*	↗	7.7%	7.9%
landfilled		20%	*	↓	33%	44%
Total environmental footprint[12]		2,735 GWh	**	→	2,873 GWh	2,788 GWh
Total CO_2 (GHG scope 1 and 2)[13]	**EN8**	261,049 t	**	↘	316,241 t	281,136 t
Direct CO_2 (GHG scope 1)	EN8	15%	**	↗	13%	15%
Indirect CO_2 (GHG scope 2)	EN8	85%	**	→	87%	85%
CO_2 footprint (GHG scope 1, 2 and 3)[14]		497,371 t	**	→	521,480 t	487,689 t

Legend: GWh = giga watt hour; Pkm = person kilometers; t = tons; m^3 = cubic meters.

1 All figures are based on the level of knowledge as of the end of February 2005. 2 Global Reporting Initiative (see also www.globalreporting.org). EN stands for the Environmental Performance Indicators defined in the GRI. EN in brackets indicates a minor deviation from GRI that is commented. 3 Non-significant discrepancies from 100% are possible due to rounding errors. 4 Specifies the estimated reliability of the aggregated data and corresponds approximately to the following uncertainty: up to 5% – ***, up to 15% – **, up to 30% – *. Uncertainty is the likely difference between a reported value and a real value. 5 Trend: at a *** / ** / * data quality, the respective trend is stable (→) if the variance equals 5 / 10 / 15%, low decreasing / increasing (↘↗) if it equals 10 / 20 / 30% and decreasing / increasing if the variance is bigger than 15 / 30 / 50% (↓↑). 6 Refers to energy consumed within the operational boundaries of UBS. 7 Refers to energy purchased that is produced by converting primary energy and consumed within the operational boundaries of UBS (electricity and district heating). 8 Refers to primary energy purchased which is consumed within the operational boundaries of UBS (oil, gas, fuels). 9 Refers to primary energy, which is consumed to produce the electricity and district heating consumed by UBS. 10 Differing from the GRI Guidelines, pre-consumer recycled paper is counted as paper coming from new fiber as a worst case approach. 11 Paper produced from new fiber, which is ECF (Elementary Chlorine Free) or TCF (Totally Chlorine Free) bleached. 12 Shows the environmental impact (through emissions, use of resources, waste) by a process including all relevant upstream and downstream processes. The environmental footprint is approximated using the equivalent of nonrenewable energy consumed. 13 Refers to the "GHG (greenhouse gas) protocol initiative" (www.ghgprotocol.org), an international standard for CO_2 reporting. Scope 1 accounts for direct greenhouse gas emissions by UBS. Scope 2 accounts for indirect greenhouse gas emissions associated with the generation of imported / purchased electricity, heat or steam. 14 Represents the total global warming potential from all linked relevant upstream and downstream processes. It equals total CO_2 emissions according to the GHG standard (scope 1, 2 and 3).

Validation by SGS Société Générale de Surveillance SA

"We have verified the correctness of the statements in the 2004 Environmental Report of UBS AG and, where necessary, have requested that proof be presented. We hereby confirm that the report has been prepared with the necessary care, that its contents are correct with regard to environmental performance, that it describes the essential aspects of the environmental management system at UBS AG and that it reflects the actual practices and procedures at UBS AG."
Elvira Bieri and Dr. Erhard Hug, Zurich, March 2005

For your notes:

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