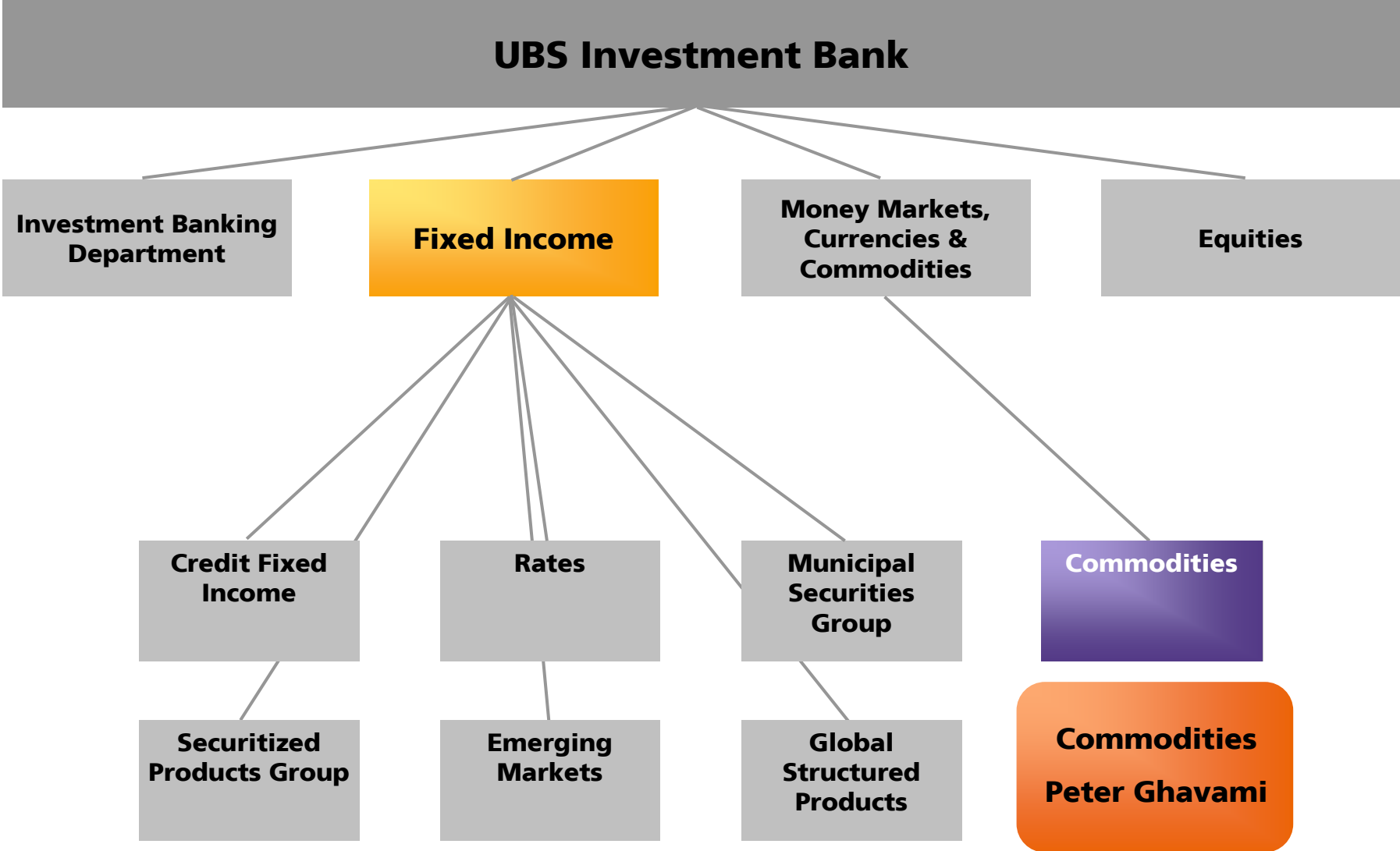


UBS Fixed Income Investor Day Commodities

Peter Ghavami, Global Head of Commodities

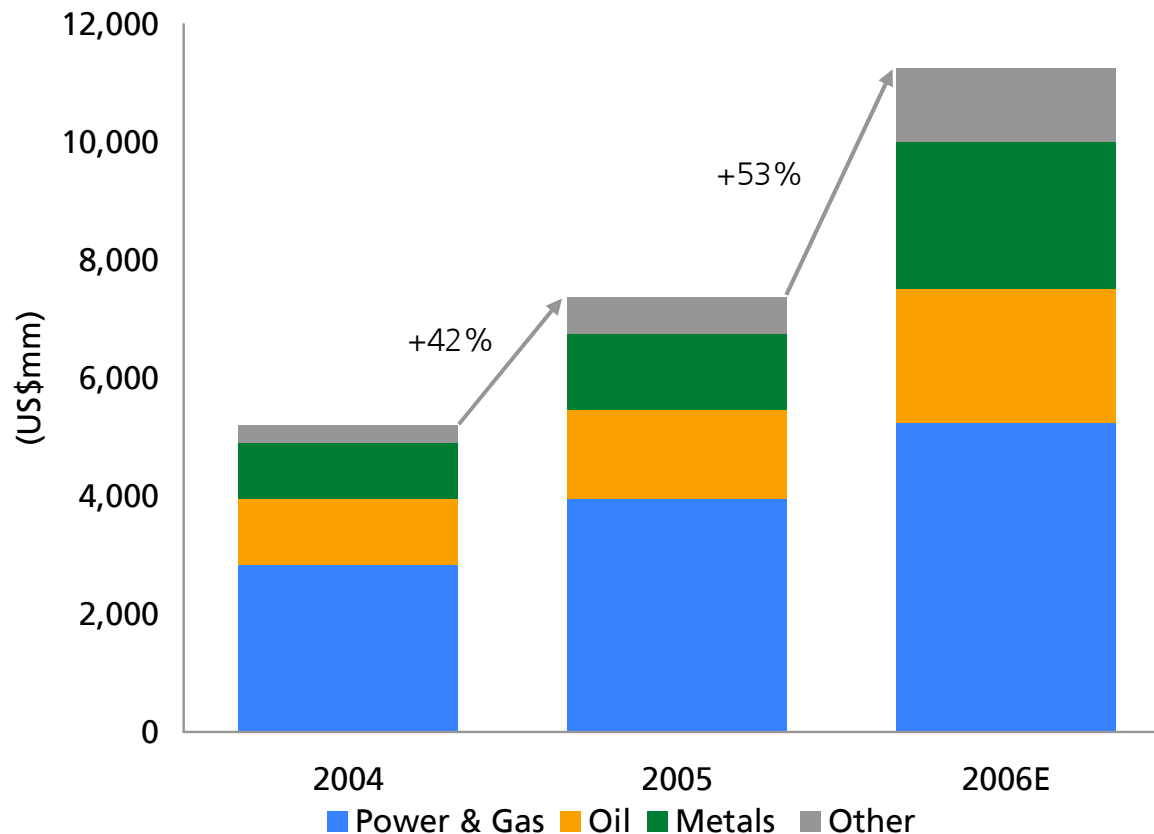
Fixed Income organization



Growth of the Commodities Market

The Commodities market has grown to over US\$11bn ...

Commodities market size (US\$m)



- ◆ Top tier players
 - Goldman Sachs
 - Morgan Stanley
- ◆ Tier two players
 - Bar Cap
 - Citi/Phibro
 - Merrill Lynch
 - Societe Generale
 - UBS ¹
- ◆ Tier three players
 - Deutsche Bank
 - Fortis
 - JP Morgan

Source: Mercer Oliver Wyman

Note:

¹ Includes Metals, Energy and Agriculturals, does not include Commodities Indices for the purposes of this presentation

... however the addressable market for

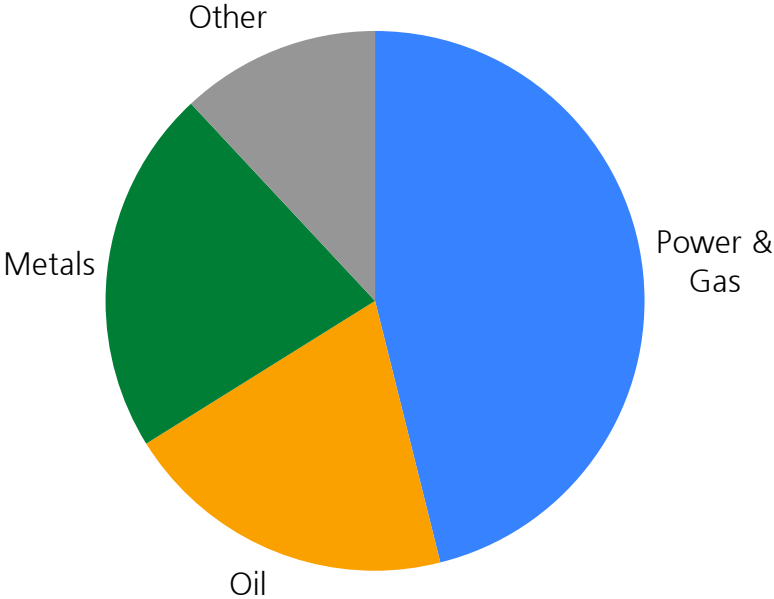
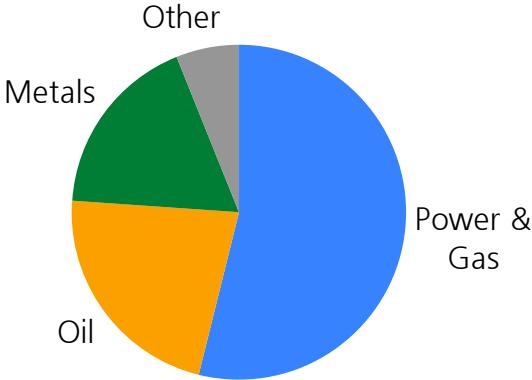
UBS is smaller as we don't currently compete in private equity or project finance

Growth of the Commodities Market

The commodities industry has grown rapidly, driven in large part by European Power & Gas and Precious Metals

2004

2006E



Source: Mercer Oliver Wyman

Key trends

- ◆ Increasing asset allocation to commodities by institutional investors—realization of broader diversification portfolio benefits
- ◆ Growth of structured products and solutions for clients
- ◆ Increasing market participation by financial institutions
- ◆ Hedge fund participation a source of liquidity to banks originating deals and also as short term investors in infrastructure
- ◆ Large increase in the purchase of energy company assets by private equity funds, with purchase prices near "new-build" costs
- ◆ Proliferation of electronic trading (ICE, NYMEX...) with greater breadth of products in commodities
- ◆ Impact of exchanges in globalization/transparency
- ◆ Market has demonstrated its growing maturity by the orderly reaction to recent shakeouts in the market (Amaranth)

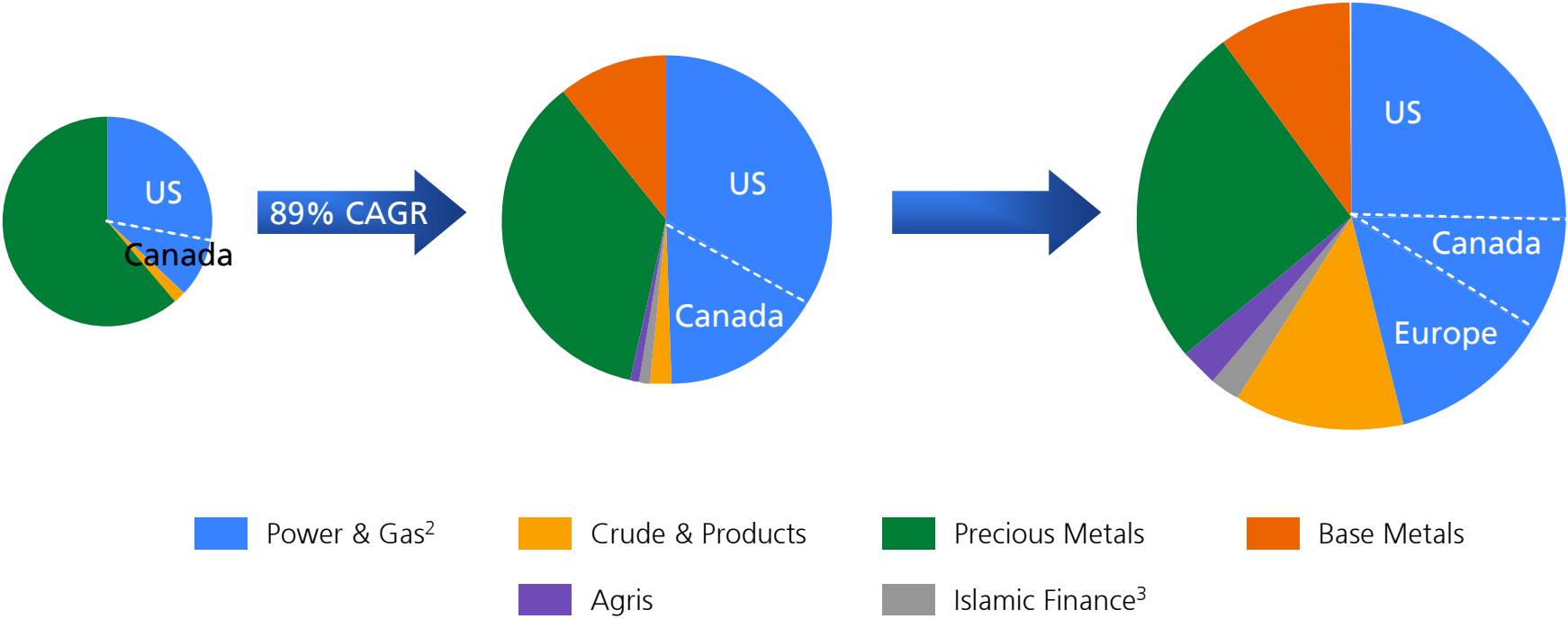
Development of the UBS Commodities business

Revenues generated from our Commodities business have experienced significant growth and are increasingly diversified

2004¹

2006¹

2008¹



Notes:

- 1 Non-metals and metals businesses
- 2 Includes Coal and Emissions in 2008
- 3 Only includes structured Islamic Finance with Commodity underlying

UBS Commodities—Our business goals

By 2009, we aim to establish UBS as top of the tier two players in the Commodities space by ...

... becoming “best in class” as defined by our clients, revenues and profitability

... broadening the Commodities product suite to include the entire array of commodity products globally, including crude oil, coal, emissions, metals and agricultural commodities

... creating a Structured Derivatives group to provide superior structured solutions to asset side and liability side clients

... leveraging the quality of the UBS client base, IBD, MSG, institutional sales force, Global Asset Management and Wealth Management

... establishing a strong partnership with logistics and control teams to roll-out the necessary infrastructure and capture business efficiencies

UBS Commodities—overview and coverage

UBS is a premier provider of energy, metals and risk management solutions with global coverage

Overview

- ◆ Extensive physical capabilities in all energy and precious metal products
- ◆ Financial strength and AA+ credit quality of UBS AG
- ◆ One-stop shop for sophisticated structured solutions
- ◆ Energy/Metals risk management, operational, OTC swap and option expertise

Coverage

- ◆ Operates in the metals and crude & products markets globally and the wholesale natural gas, petroleum and power markets in the US, Canada and Europe
- ◆ Energy professionals based in Stamford, Calgary, London, Hong Kong and Singapore
- ◆ Metals professionals based in Zurich, Geneva, Lugano, Stamford, New York, London and Singapore
- ◆ Industry leading traders provide active market-making capabilities

UBS offers a broad array of Commodities products

UBS is committed to finding innovative solutions for clients, using commodities markets to enhance returns, reduce risk and deliver product

Natural Gas

- ◆ All regions and major hubs in North America
- ◆ Physical and financial settlement
- ◆ Options

Power

- ◆ All regions in North America
- ◆ Member of all major US and Canadian power pools
- ◆ Coal and emissions
- ◆ Physical and financial settlement

Crude Oil

- ◆ Global presence
- ◆ WTI: Financial and physical settlement
- ◆ Brent and Dated Brent: Financial settlement
- ◆ Other US Domestic Crude oils—LLS, Mars, WTS: Financial and physical settlement
- ◆ Options

Refined Products

- ◆ Heating Oil, Gasoil, Diesel, Gasoline, Jet Fuel
- ◆ NY Harbor 1% #6 Fuel Oil
- ◆ Financial settlement

Agris

- ◆ Vanilla OTC swaps and options, up to 5 year tenor, on wheat, corn, soybean complex, sugar, cotton, coffee, cocoa and canola

UBS offers a broad array of Commodities products

UBS is committed to finding innovative solutions for clients, using commodities markets to enhance returns, reduce risk and deliver product

Base metals

- ◆ Global presence—24-hour market making operations
- ◆ Prop and Agency trading all of the base metals
- ◆ Trading is both on-exchange and Over the Counter (OTC)
- ◆ Cash averaging, derivatives, structured products

Precious metals

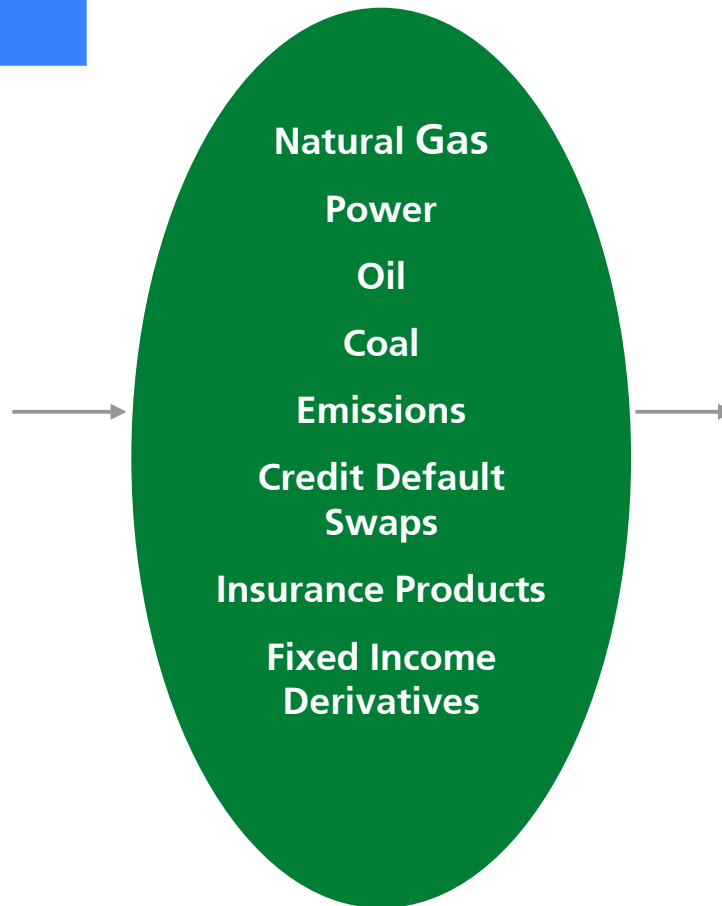
- ◆ Global presence
- ◆ 24-hour market making coverage of gold, silver and platinum group metals
- ◆ Leading provider of physical and derivative products
- ◆ Refining and physical bullion handling services with secure storage facilities in Switzerland
- ◆ Innovative hedging/investment /trading products facilitated by access to large amounts of precious metals liquidity
- ◆ Full product capability including spots, forwards, derivatives, structured products, coins and bars

Structured Commodities Products

UBS combines physical trading, derivative product innovation and investment banking expertise to create structured products to meet a client's financial and strategic objectives

Solve Client's Issues

- ◆ Credit/Collateral
- ◆ Capital
- ◆ Strategic Goals
- ◆ Revenue Optimizations
- ◆ Risk Management
- ◆ Physical Solutions
- ◆ Finance Upgrade



Products

- ◆ Term Commodity Transactions
- ◆ Structured Price Risk Management
- ◆ Municipal Pre-Pays and Term Transactions
- ◆ Asset and Portfolio Acquisitions
- ◆ Contract Monetization
- ◆ Collateral Release
- ◆ Exploration and Production Financing
- ◆ Power Financing and Re-Financing
- ◆ Power Full Requirements
- ◆ Off-take Agreements
- ◆ Credit Upgrade

2006—Our achievements

UBS is committed to finding innovative solutions for clients, using commodities markets to enhance returns, reduce risk and deliver product

Key employee appointments

- ◆ Senior European P&G team members appointed and development significantly under way
- ◆ Crude oil traders successfully recruited and trading in UK alongside existing North America team
- ◆ Coal trader hired and trading started in US
- ◆ Increased Metals Sales force globally/locally

Acquisitions

- ◆ ABN AMRO ETD acquisition completed, phase 2 commenced

New product development

- ◆ Launched a full array of commodity-linked structured notes
- ◆ Commenced expansion of structured products capabilities in Metals
- ◆ Introduction of averaging products for Base Metals

Other

- ◆ UBS named top Metals bank in *Risk Commodities Poll 2007*
- ◆ UBS awarded Most Innovative energy deal of year from Energy Risk Magazine
- ◆ North America P&G trading expanded to include Real time trading and Financial Transmission Right

VPP Transaction leveraging UBS for the client—Feb 07



Client need

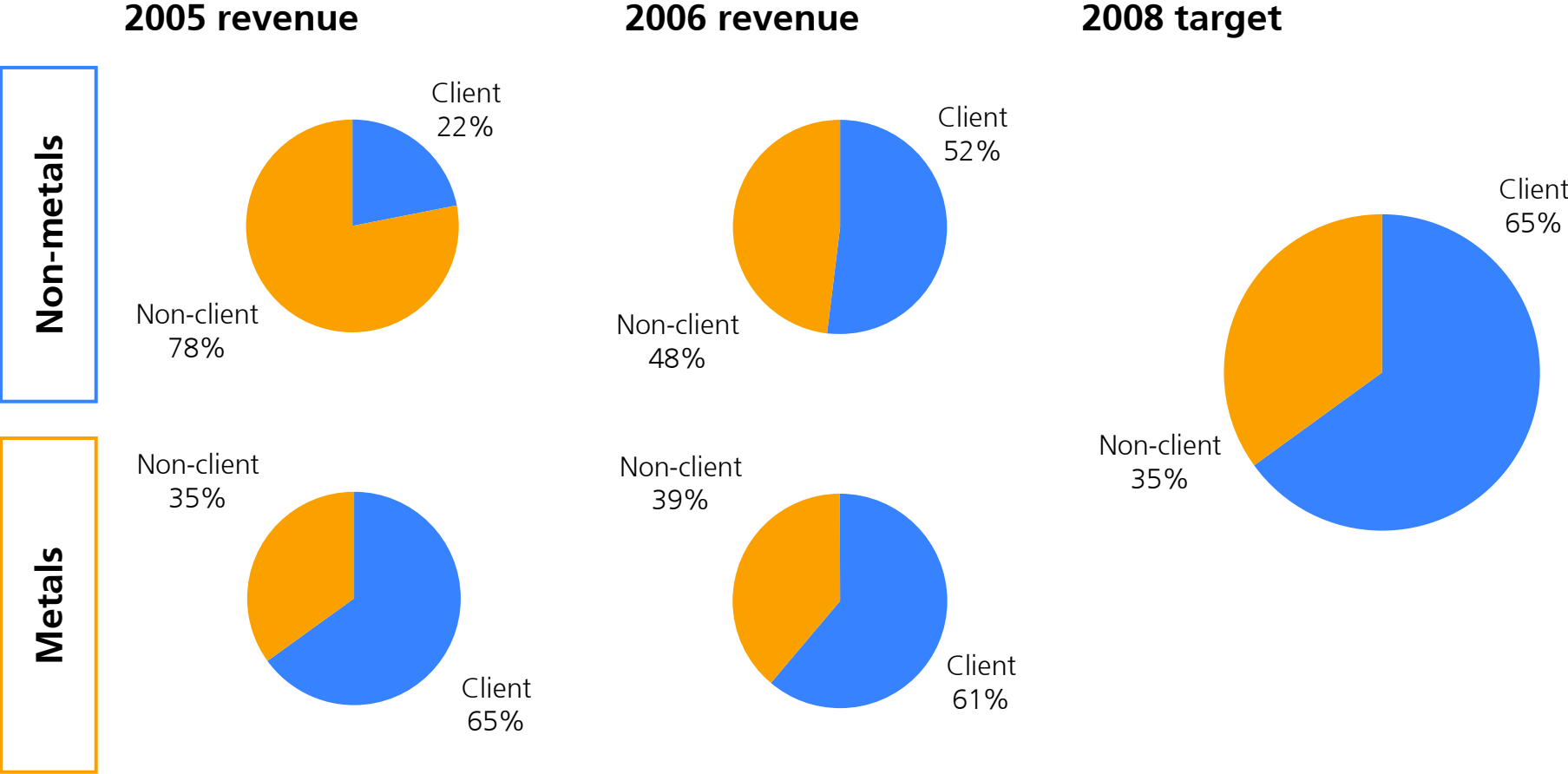
- ◆ Monetize daily and projected flow from over 350 wells, and P1 reserves of 33.6MM bbl
- ◆ Refinance existing RBL and 2nd Lien facilities and fund a field acquisition, highlighting the fact that Volumetric Production Payments (“VPPs”) are a commercially attractive alternative to other types of debt
- ◆ With numerous shut-in wells available for re-completion, new VPP tranches can be created with sufficient production uplift and a requirement for additional capital

Transaction

- ◆ UBS pays a purchase price in return for the client repaying a scheduled volume of oil over time
- ◆ As oil is delivered, UBS sells oil back to the client at WTI less fixed basis, while oil price risk is hedged by a series of WTI hedges
- ◆ UBS is paid a fixed annuity stream (i.e., fixed oil price * scheduled volumes) over time akin to a portfolio of maturing zero coupon bonds with an implied return (subject to projected production being realized). Bid-offer revenue is also realized for the Oil Desk under the WTI hedges.
- ◆ After initially co-operating with IBD to evaluate the opportunity, Commodities then executed the transaction. The Interest-Rate Desk then assisted by hedging UBS’s interest-rate risk

Leveraging the UBS client base

Significant effort invested in building collaborative client solutions and greatly enhanced co-operation across existing businesses

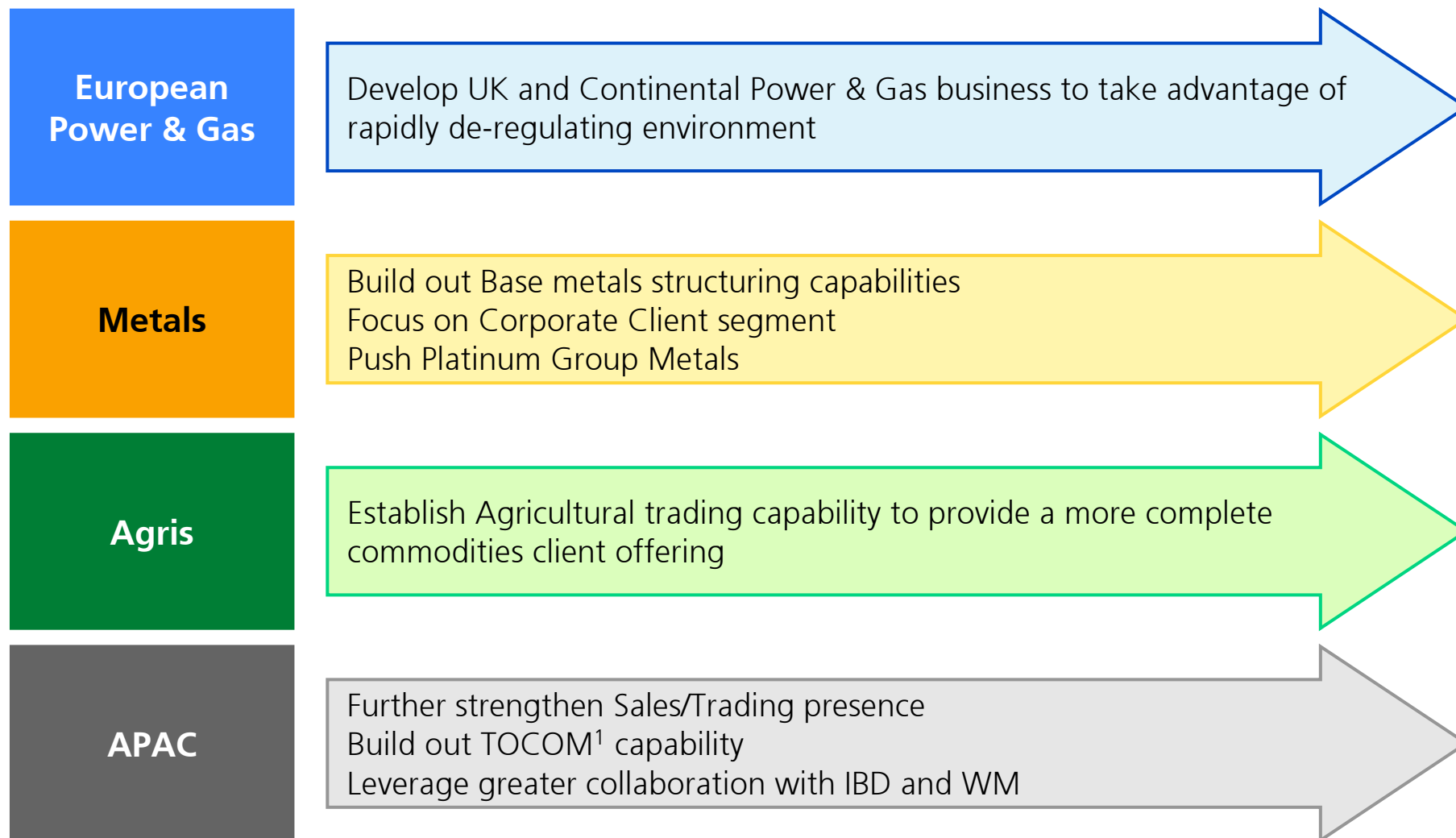


Managing the risks of the physical Commodities business

Commodities risks	Scheduling, nomination and settlement risk for physical delivery and receipt of the underlying commodity	<ul style="list-style-type: none"> ◆ Risks are managed systematically through: <ul style="list-style-type: none"> – physical commodity-specific operational control procedures; – commodity-specific systems, and systems inter-faces with internal Bank systems and external scheduling entities; and, – skill-specific operational personnel
	Delivery/Receipt Failures By Counterparty	<ul style="list-style-type: none"> ◆ Risks are managed via contracting terms: <ul style="list-style-type: none"> – delivery and receipt failures are quantifiable into market-based-pricing deficiency damages, – repeated failures can result in event of default and termination remedies
	Environmental Storage and Transportation Risk	<ul style="list-style-type: none"> ◆ Risk of environmental claims is remote due to many practical and legal mitigants, including that UBS's interest is limited to title to the commodity, but without operational or custodial control of the underlying commodity ◆ Transportation, transmission and storage service providers are reputable, insured and frequently subject to regulatory oversight
	Loss of the underlying commodity owned by UBS while in storage or transportation	<ul style="list-style-type: none"> ◆ Risks are monitored by an established operational risk framework that reviews operational compliance of contracted service providers and concentration risks

Looking forward

We are capitalising on the market opportunities

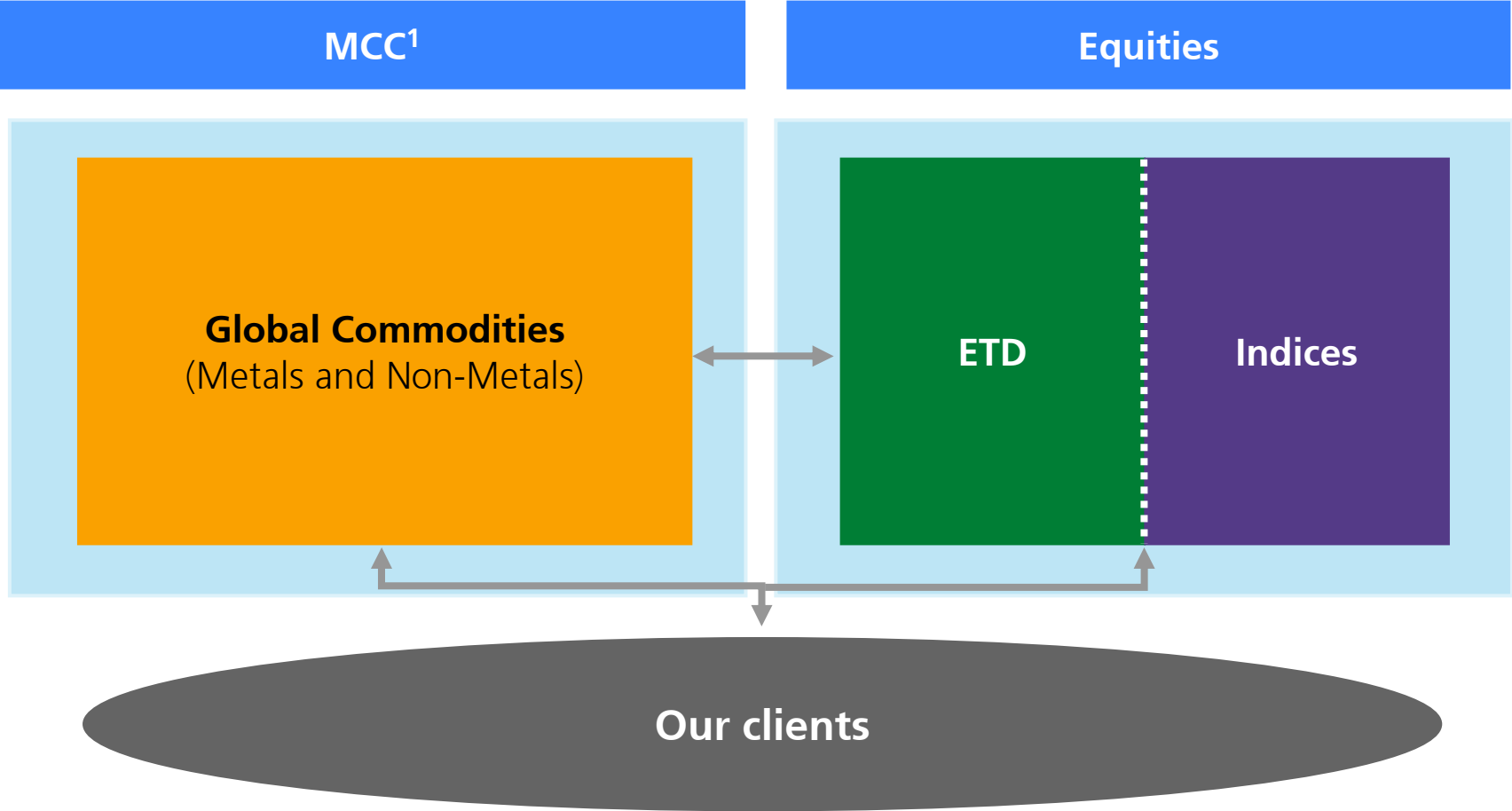


Note:

1 TOCOM = Tokyo Commodity Exchange

UBS Commodities structure

As at April 2nd we are taking a step further to pull together our commodities capabilities for the benefit of our clients



Note:
1 MCC = Money Markets, Currencies and Commodities

Conclusion

- ◆ Both the metals and energy businesses at UBS have grown rapidly over the past 1–2 years, and have outperformed the market, with a 2% overall increase in market share
- ◆ UBS does not compete in the private equity or project finance segments of this business, but continues to diversify and strengthen its business mix and geographic presence across all other commodities
- ◆ Commodities markets will continue to grow strongly as they offer attractive, non-correlated returns to investors and new financing/risk management solutions to producers and users
- ◆ UBS's integrated commodities offering will deliver significant revenue upside at cost-income levels below the IB average

APPENDIX A

Key awards

UBS is a widely recognized leader in energy risk management

The UBS Commodities Desk has captured 11 top rankings including four No. 1 spots in Energy Risk magazine's 2005 & 2006 Rankings. Over 2,000 voting forms were sent to banks, brokers, energy users and traders world wide. Participants were asked to base their vote on certain criteria which included pricing, flexibility, market-making, reliability, integrity and speed of transactions



2006
House
of the
Year

Energy Finance
energy risk
May 2006



2005
House
of the
Year

Electricity
energy risk
May 2005



1st

**Electricity
Western North
America Options**
RISK, February 2005



1st

**Electricity
Western North
America Options
Top Research
Provider**
RISK, February 2005



1st

**Electricity
Western North
America Options
Top Data Provider**
RISK, February 2005



1st

**Electricity
Eastern North
America Options,
Top Research
Provider**
RISK, February 2005



2nd

**Natural Gas
Western US
Short Term**
RISK, February 2006



2nd

**Electricity
Western North
America Principal**
RISK, February 2005



2nd

**Electricity
Central North
America Options**
RISK, February 2005



2nd

**Electricity
Eastern North
America Principal**
RISK, February 2005



3rd

**Electricity
Eastern North
America Options**
RISK, February 2005



3rd

**Natural Gas
US Northeast
Options**
RISK, February 2005



4th

**Electricity
Eastern US
Short Term**
RISK, February 2006

Metals Trading and Research Awards Summary

The UBS Metals Desk was ranked No.1 overall in Metals and achieved rankings in all 18 metals categories including two No. 1 placings in Risk magazine's 2007 Commodities Poll. Over 1,400 voting forms were received from banks, brokers, and traders world wide. Participants were asked to base their vote on certain criteria which included pricing, flexibility, market-making, reliability, integrity and speed of transactions



Overall Metals Winner— *Risk* commodities poll 2007

- ◆ **Gold**
 - 1st in Options 2007, 2006
 - 2nd Cash to 3 months and Forwards/Averages/Swaps to 5 years 2007, 2006
- ◆ **Silver, Platinum and Palladium**
 - 1st in Silver Cash to 3 months 2007
 - 2nd in Options and Forwards/Averages/Swaps to 5 years 2007, 200
- ◆ **Aluminum and Other Base Metals**
 - 2nd in Cash to 3 months 2007
 - 3rd in Forwards/Averages/Swaps to 5 years and Other Options 2007
 - 4th Aluminium Options 2007
- ◆ **Copper**
 - 3rd in Options and Forwards/Averages/Swaps to 5 years 2007
 - 4th in Cash to 3 months 2007
- ◆ **Base Metals**
 - 3rd in Exotic products/structures 2007



Metals and Mining



- ◆ ***Institutional Investor 2007***
 - All Europe Research team awarded to Paul Galloway & team
- ◆ ***Institutional Investor 2006***
 - Emerging EMEA research team awarded to James Twyman & team
- ◆ ***Institutional Investor 2005***
 - All-Japan research team awarded to Atsushi Yamaguchi & team
- ◆ ***Institutional Investor 2005***
 - All-Asia research team awarded to Glyn Lawcock & team
- ◆ ***Institutional Investor 2005***
 - All-Europe research team awarded to Paul Galloway & team
- ◆ ***Thomson Extel survey 2005 and 2004***

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