

# UBS financial highlights

- 2004 net profit of CHF 8,089 million, financial businesses contributed CHF 8,044 million – a record result, up 29% from 2003
- Revenues grew in all categories, pushing the 2004 cost / income ratio for the financial businesses down to 72.6% or 70.2% excluding goodwill
- Return on equity for 2004 was 24.7% or 27.7% excluding goodwill – above our target range of 15–20%
- 2004 earnings per share of CHF 7.68, up 37% from 2003 or up 34% excluding goodwill
- Net new money of CHF 88.9 billion for the year, with a strong CHF 59.4 billion from wealth management businesses worldwide



**Peter A. Wuffli**  
Chief Executive Officer

## UBS key figures

### Shareholder returns

	For the year ended		% change
	31.12.04	31.12.03	
<b>Basic EPS (CHF)</b>			
as reported <sup>1</sup>	7.68	5.59	37
before goodwill and adjusted for significant financial events <sup>2</sup>	8.60	6.43	34
<b>Return on shareholders' equity (%)</b>			
as reported <sup>3</sup>	24.7	17.8	
before goodwill and adjusted for significant financial events <sup>4</sup>	27.7	20.5	

### Financial strength & ratings

	As at		
	31.12.04	31.12.03	
BIS Tier 1 capital ratio (%) <sup>5</sup>	11.8	11.8	
<b>Long-term ratings</b>			
Fitch, London	AA+	AA+	
Moody's, New York	Aa2	Aa2	
Standard & Poor's, New York	AA+	AA+	

### UBS net profit

CHF million	For the year ended		% change
	31.12.04	31.12.03	
<b>Net profit</b>	8,089	6,239	30

### Other key figures

CHF million	As at		% change
	31.12.04	31.12.03	
Total assets	1,734,784	1,550,056	12
Shareholders' equity	34,978	35,310	(1)
Market capitalization	103,638	95,401	9

## Key figures financial businesses (excluding industrial holdings)

### Income statement

CHF million	For the year ended		% change
	31.12.04	31.12.03	
Operating income	37,402	33,790	11
Operating expenses	26,935	25,613	5
Net profit	8,044	6,239	29

### KPI's

CHF million, except where indicated	For the year ended		% change
	31.12.04	31.12.03	
Cost/income ratio (%) <sup>6</sup>	72.6	75.6	
Net new money, wealth management businesses (CHF billion) <sup>7</sup>	59.4	50.8	

### Earnings adjusted for significant financial events and pre-goodwill<sup>8,9</sup>

Operating income	37,402	33,629	11
Operating expenses	26,048	24,670	6
Net profit	8,931	7,180	24

### Headcount Financial Businesses

Full-time equivalents	As at		% change
	31.12.04	31.12.03	
Switzerland	25,990	26,662	(3)
Rest of Europe/Africa/Middle East	10,764	9,906	9
Americas	26,232	25,511	3
Asia Pacific	4,438	3,850	15
<b>Total</b>	67,424	65,929	2

<sup>1</sup> Net profit (after-tax)/weighted average shares outstanding. <sup>2</sup> Net profit less the amortization of goodwill and other intangible assets and significant financial events (after-tax)/weighted average shares outstanding. <sup>3</sup> Net profit/average shareholders' equity less dividends. <sup>4</sup> Net profit less the amortization of goodwill and other intangible assets and significant financial events (after-tax)/average shareholders' equity less dividends. <sup>5</sup> Includes hybrid Tier 1 capital – please refer to the BIS capital and ratios table in the 2004 Financial Report. <sup>6</sup> Operating expenses/operating income less credit loss expense or recovery. <sup>7</sup> Includes Wealth Management and Wealth Management USA. Excludes interest and dividend income. <sup>8</sup> Excludes the amortization of goodwill and other intangible assets. <sup>9</sup> Details of significant financial events can be found in the 2004 Financial Report.

# UBS results

## Results

In 2004, we reported net profit of CHF 8,089 million, up 30% from CHF 6,239 million a year earlier. This result includes a CHF 45 million contribution from Motor-Columbus, which we fully consolidated from third quarter 2004. Motor-Columbus is a Swiss holding company whose only significant asset is a majority ownership interest in Swiss-based electricity provider Atel. In 2004, we increased our stake in Motor-Columbus to 55.6% in order to protect the value of its existing investment and put ourselves in a better position to divest it profitably in the future.

Motor-Columbus results are reported separately as part of our industrial holdings, helping us to preserve full continuity in the presentation of our core financial businesses.

Our financial businesses achieved a record result in 2004, with net profit of CHF 8,044 million, up 29% from a year earlier. Operating income grew in all categories despite the falling US dollar. Asset-based revenues showed particular strength, reflecting improved market valuations as well as strong inflows of net new money. Costs remained under strict control, and increased at a slower pace than business growth.

## Income statement

CHF million, except per share data	For the year ended		
	31.12.04	31.12.03	% change
<b>Operating income</b>			
Interest income	39,398	40,159	(2)
Interest expense	(27,538)	(27,860)	(1)
Net interest income	11,860	12,299	(4)
Credit loss (expense)/recovery	276	(72)	
Net interest income after credit loss expense	12,136	12,227	(1)
Net fee and commission income	19,416	17,345	12
Net trading income	4,972	3,756	32
Other income	897	462	94
Income from industrial holdings	3,648		
<b>Total operating income</b>	<b>41,069</b>	<b>33,790</b>	<b>22</b>
<b>Operating expenses</b>			
Personnel expenses	18,515	17,231	7
General and administrative expenses	6,703	6,086	10
Depreciation of property and equipment	1,352	1,353	0
Amortization of goodwill and other intangible assets	964	943	2
Goods and materials purchased	2,861		
<b>Total operating expenses</b>	<b>30,395</b>	<b>25,613</b>	<b>19</b>
<b>Operating profit before tax and minority interests</b>	<b>10,674</b>	<b>8,177</b>	<b>31</b>
Tax expense	2,135	1,593	34
<b>Net profit before minority interests</b>	<b>8,539</b>	<b>6,584</b>	<b>30</b>
Minority interests	(450)	(345)	30
<b>Net profit</b>	<b>8,089</b>	<b>6,239</b>	<b>30</b>
Basic earnings per share (CHF)	7.68	5.59	37
Diluted earnings per share (CHF)	7.47	5.48	36

## Dividend

The Board of Directors will recommend at the Annual General Meeting on 21 April 2005 that UBS should pay a dividend of CHF 3.00 per share for the 2004 financial year, an increase of 15% or CHF 0.40 from the CHF 2.60 dividend paid for the 2003 financial year and up 50% or CHF 1.00 from the CHF 2.00 dividend paid for the 2002 financial year.

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.



**Clive Standish**  
Chief Financial Officer

**Balance sheet**

<i>CHF million</i>	31.12.04	31.12.03	% change
<b>Assets</b>			
Cash and balances with central banks	6,036	3,584	68
Due from banks	35,264	31,740	11
Cash collateral on securities borrowed	220,242	213,932	3
Reverse repurchase agreements	357,164	320,499	11
Trading portfolio assets	370,259	341,013	9
Trading portfolio assets pledged as collateral	159,115	120,759	32
Positive replacement values	284,577	248,206	15
Financial instruments designated at fair value	653	0	
Loans	232,387	212,679	9
Financial investments	5,049	5,139	(2)
Accrued income and prepaid expenses	5,876	6,218	(6)
Investments in associates	2,427	1,616	50
Property and equipment	8,736	7,683	14
Goodwill and other intangible assets	12,149	11,529	5
Other assets	34,850	25,459	37
<b>Total assets</b>	<b>1,734,784</b>	<b>1,550,056</b>	<b>12</b>
<b>Liabilities</b>			
Due to banks	118,901	127,012	(6)
Cash collateral on securities lent	61,545	53,278	16
Repurchase agreements	422,587	415,863	2
Trading portfolio liabilities	171,033	143,957	19
Negative replacement values	303,712	254,768	19
Financial liabilities designated at fair value	65,756	35,286	86
Due to customers	376,083	346,633	8
Accrued expenses and deferred income	14,685	13,673	7
Debt issued	117,828	88,843	33
Other liabilities	42,342	31,360	35
<b>Total liabilities</b>	<b>1,694,472</b>	<b>1,510,673</b>	<b>12</b>
Minority interests	5,334	4,073	31
<b>Shareholders' equity</b>			
Share capital	901	946	(5)
Share premium account	7,348	6,935	6
Net gains/(losses) not recognized in the income statement, net of tax	(1,644)	(983)	(67)
Revaluation reserve from step acquisitions	90	0	
Retained earnings	37,455	36,641	2
Equity classified as obligation to purchase own shares	(96)	(49)	(96)
Treasury shares	(9,076)	(8,180)	(11)
<b>Total shareholders' equity</b>	<b>34,978</b>	<b>35,310</b>	<b>(1)</b>
<b>Total liabilities, minority interests and shareholders' equity</b>	<b>1,734,784</b>	<b>1,550,056</b>	<b>12</b>

## Balance sheet

Our total assets stood at CHF 1,734.8 billion on 31 December 2004, up from CHF 1,550.1 billion on 31 December 2003.

The increase in total assets was the net result of growth in the trading portfolio (up CHF 67.6 billion), collateral trading assets (up CHF 43.0 billion), derivatives (up CHF 36.4 billion) and the loan book (up CHF 19.7 billion).

Total liabilities rose due to higher borrowings (up CHF 80.8 billion), derivatives (up 48.9 billion), trading portfolio liabilities (up 27.1 billion) and collateral trading liabilities (up CHF 15.0 billion).

At CHF 35.0 billion on 31 December 2004, shareholders' equity declined by CHF 0.3 billion from a year earlier. The decline was due to dividend payments, share repurchases, and the weakening of the US dollar against the Swiss franc, mostly offset by strong retained earnings.

The first-time full consolidation of Motor-Columbus in third quarter 2004 had a small net impact on our balance sheet at 31 December 2004, adding assets of CHF 7.3 billion (0.4% of UBS's total assets) and liabilities of CHF 6.0 billion. The consolidation also added financial instruments measured at fair value worth CHF 0.7 billion.

## Letter from Group Auditors

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As auditors of the group we have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States of America) as well as the auditing standards promulgated by the profession in Switzerland, the consolidated balance sheets of UBS AG as of 31 December 2004 and 2003, and the related consolidated statements of income, changes in equity and cash flows for each of the three years in the period ended 31 December 2004 and the notes thereto, from which the summarised consolidated financial statements were derived. In our report dated 3 February 2005 (see UBS Financial Report, page 83), we expressed an unqualified opinion on those consolidated financial statements which are prepared in accordance with International Financial Reporting Standards.

In our opinion, the summarised consolidated financial statements on pages 38 to 40 of the Annual Review are consistent, in all material respects, with the consolidated financial statements from which they were derived and on which we expressed an unqualified opinion.

For a more comprehensive understanding of the group's financial position and the results of its operations for the period and of the scope of our audit, the summarised consolidated financial statements should be read in conjunction with the consolidated financial statements from which they were derived and our audit report thereon.

Basel, 3 February 2005

Ernst & Young Ltd



Roger K. Perkin | Chartered Accountant  
in charge of the audit



Dr. Andreas Blumer | Swiss Certified Accountant  
in charge of the audit

# UBS targets

## Measurement and analysis of performance

UBS's performance is reported in accordance with International Financial Reporting Standards (IFRS). Additionally, for several years, we have provided comments and analysis on an adjusted basis which excludes from the reported amounts certain items we term significant financial events (SFEs). An additional adjustment we use in our results discussion is the exclusion of the amortization of goodwill and other acquired intangible assets.

We will in future change this approach as accounting standards no longer require the amortization of goodwill, by far the largest adjustment we have been making. From 2005 onwards, we will no longer present current results and targets on this adjusted basis.

Items have been treated as SFEs when they are event-specific, significant for the consolidated statements of UBS, UBS-specific rather than industry-wide, and not indicative of or relevant for future performance.

Reflecting that definition, we had no SFEs in 2004 and one in 2003. In second quarter 2003, we recorded a net gain of CHF 2 million (pre-tax CHF 161 million) from the sale of the Wealth Management USA Business Group's Correspondent Services Corporation (CSC) clearing business. A substantial

portion of CSC's net assets comprised goodwill stemming from the PaineWebber acquisition. After deducting taxes of CHF 159 million (based on the purchase price) and the write-down of the goodwill associated with CSC, the net gain from the transaction was CHF 2 million.

## Performance against targets

At UBS, we focus on a consistent set of four long-term financial targets defined across periods of varying market conditions and designed to ensure that we deliver continuously improving returns to our shareholders. We report our performance against these targets each quarter:

- we seek to increase the value of UBS by achieving a sustainable, after-tax return on equity of 15-20%, across periods of varying market conditions
- we aim to increase shareholder value through double-digit average percentage growth in basic earnings per share (EPS), across periods of varying market conditions
- through cost reduction and earnings enhancement initiatives we aim to reduce UBS's cost/income ratio to a level that compares positively with best-in-class competitors
- we aim to achieve a clear growth trend in net new money in our wealth management units.

## Performance against targets

	For the year ended	
	31.12.04	31.12.03
<b>RoE (%)</b>		
as reported <sup>1</sup>	24.7	17.8
before goodwill and adjusted for significant financial events <sup>2</sup>	27.7	20.5
<b>Basic EPS (CHF)</b>		
as reported <sup>3</sup>	7.68	5.59
before goodwill and adjusted for significant financial events <sup>4</sup>	8.60	6.43
<b>Cost / income ratio of the Financial Businesses (%)<sup>5</sup></b>		
as reported <sup>6</sup>	72.6	75.6
before goodwill and adjusted for significant financial events <sup>7</sup>	70.2	73.2
<b>Net new money, wealth management businesses (CHF billion)<sup>8</sup></b>		
Wealth Management	42.3	29.7
Wealth Management USA	17.1	21.1
<b>Total</b>	<b>59.4</b>	<b>50.8</b>

<sup>1</sup> Net profit/average shareholders' equity less dividends. <sup>2</sup> Net profit less the amortization of goodwill and other intangible assets and significant financial events (after-tax)/average shareholders' equity less dividends. <sup>3</sup> Details of the EPS calculation can be found in note 8 to the financial statements in the 2004 Financial Report. <sup>4</sup> Net profit less the amortization of goodwill and other intangible assets and significant financial events (after-tax)/weighted average shares outstanding. <sup>5</sup> Excludes results from Industrial Holdings. <sup>6</sup> Operating expenses/operating income less credit loss expense or recovery. <sup>7</sup> Operating expenses less the amortization of goodwill and other intangible assets and significant financial events/operating income less credit loss expense or recovery and significant financial events. <sup>8</sup> Excludes interest and dividend income.

The first three targets are all reported pre-goodwill amortization, and adjusted for significant financial events.

Return on equity and earnings per share targets are calculated on a full UBS basis, whereas our cost/income ratio target is limited to our financial businesses, to avoid distortion from our industrial holdings.

UBS's performance against financial targets shows:

- Return on equity in 2004 was 27.7%, up from 20.5% a year earlier and well above the target range of 15% to 20%. The increase reflects the combined impact of the share buyback program and dividend outpacing retained earnings.
- Basic earnings per share were CHF 8.60 in 2004, an increase of CHF 2.17 or 34% from 2003, driven by the increase in net profit as well as the impact of share repurchases.
- The cost/income ratio for UBS's financial businesses was 70.2% in 2004, an improvement from 73.2% in 2003, and the lowest level since PaineWebber became part of UBS in 2000.
- Our wealth management businesses continued to show strong inflows of net new money. For full-year 2004, net new money inflows into our wealth management businesses totaled CHF 59.4 billion, up 17% from CHF 50.8 billion in 2003, corresponding to an annual growth rate of 4.4% of the asset base at the end of 2003.

**Peter Kurer**  
General Counsel



# Results Financial Businesses

## Results

Our 2004 result was the best ever. The first quarter saw an all-time performance record and the year ended with our best-ever fourth quarter. Net profit in 2004 was CHF 8,044 million, up 29% from CHF 6,239 million in 2003. Before goodwill and excluding the sale of our Correspondent Services Corporation (CSC) clearing subsidiary, completed in second quarter 2003, net profit rose by 24%.

Overall, we attracted CHF 88.9 billion in net new money in 2004, up 29% from CHF 69.1 billion in 2003.

### Operating income

Total operating income was CHF 37,402 million in 2004, up 11% from CHF 33,790 million in 2003. This was the highest

level ever. The increase was driven by our ability to capture opportunities in increasingly active financial markets.

*Net interest income* was CHF 11,860 million in 2004, down from CHF 12,299 million in the same period a year earlier. *Net trading income* was CHF 4,972 million, up from CHF 3,756 million in 2003.

As well as income from interest margin-based activities (loans and deposits), net interest income includes income earned as a result of trading activities (for example, coupon and dividend income).

At CHF 5,139 million, *net income from interest margin products* in 2004 was 1% higher than CHF 5,077 million a year earlier. The increase was driven by the growth in lending to wealthy US clients through our US bank, UBS Bank USA. Our domestic Swiss mortgage business and wealth

## Income statement<sup>1</sup>

CHF million, except where indicated	For the year ended		
	31.12.04	31.12.03	% change
<b>Operating income</b>			
Interest income	39,398	40,159	(2)
Interest expense	(27,538)	(27,860)	(1)
Net interest income	11,860	12,299	(4)
Credit loss (expense)/recovery	276	(72)	
Net interest income after credit loss expense	12,136	12,227	(1)
Net fee and commission income	19,416	17,345	12
Net trading income	4,972	3,756	32
Other income	878	462	90
<b>Total operating income</b>	<b>37,402</b>	<b>33,790</b>	<b>11</b>
<b>Operating expenses</b>			
Personnel expenses	18,189	17,231	6
General and administrative expenses	6,577	6,086	8
Depreciation of property and equipment	1,282	1,353	(5)
Amortization of goodwill and other intangible assets	887	943	(6)
Total operating expenses	26,935	25,613	5
<b>Operating profit before tax and minority interests</b>	<b>10,467</b>	<b>8,177</b>	<b>28</b>
Tax expense	2,086	1,593	31
<b>Net profit before minority interests</b>	<b>8,381</b>	<b>6,584</b>	<b>27</b>
Minority interests	(337)	(345)	(2)
<b>Net profit</b>	<b>8,044</b>	<b>6,239</b>	<b>29</b>
<b>Additional information</b>			
	As at		
	31.12.04	31.12.03	% change
Headcount (full-time equivalents)	67,424	65,929	2

<sup>1</sup> Excludes results from Industrial Holdings.

management margin lending business also grew over the year. This increase was nearly offset by lower income from our shrinking Swiss recovery portfolio, reduced interest margins on client cash and savings accounts, as well as declining revenues from US dollar-denominated accounts.

*Net income from trading activities* was CHF 11,102 million in 2004, up by 4% or CHF 421 million from CHF 10,681 million a year ago. Equities trading in 2004 was up 27% from 2003. The increase reflects expansion in market volumes and, hence, improved trading opportunities. Fixed income trading revenues were down 3%, driven by declines in our principal finance, commercial real estate and fixed income businesses, partially offset by improved revenues in our rates business. Compared to 2003, last year's market environment saw rising interest rates and lower volatility, which drove activity from the market. Foreign exchange trading revenues increased by 2% from a year earlier, reflecting an outstanding performance in our derivative trading business as well as strong sales volumes.

At CHF 1,298 million, *net income from treasury activities* in 2004 was CHF 119 million or 8% lower than CHF 1,417 million in 2003. The drop was mainly due to lower returns on invested equity as we continued to repurchase shares.

*Other net trading and interest income* was negative CHF 707 million in 2004 compared to negative CHF 1,120 million a year earlier. The improvement was due to lower goodwill funding costs, as well as declining costs for funding our private equity portfolio.

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.

Net credit loss recovery at Wealth Management & Business Banking amounted to CHF 91 million in 2004 compared to a net credit loss expense of CHF 67 million in 2003. The Investment Bank experienced a net credit recovery of CHF 240 million in 2004, compared to net credit loss expense of CHF 4 million in 2003.

In 2004, *net fee and commission income* was CHF 19,416 million, up 12% from CHF 17,345 million a year earlier. The increase was driven by a strong contribution from recurring asset-based fees, higher net brokerage fees, rising corporate finance fees as well as an increase in underwriting fees. Underwriting fees, at their highest level ever, were up 8% from 2003. Both equity and fixed income underwriting fees increased. Corporate finance fees rose 42% in 2004 from a year earlier. We were able to benefit from the pick-up in merger and acquisition activity, and our strengthened advisory business, particularly in the US. Net brokerage fees were up 10% from 2003, reflecting the improved markets and the resulting higher institutional and individual client activity – especially in the first and fourth quarter of 2004. Investment fund fees, at their highest level ever, increased 18%, mainly reflecting higher asset-based fees for our wealth and asset management businesses.

Custodian fees in 2004 were up 5% from 2003. This increase was entirely due to an enlarged asset base. Insurance-

related and other fees decreased by 4% from a year earlier due to the effect of the weakening dollar. Credit-related fees and commissions increased by 7%, reflecting improved market conditions which brought higher volumes. Portfolio and other management and advisory fees increased by 20% as a result of rising invested asset levels driven by market valuations and strong net new money inflows, as well as an increase in performance fees.

*Other income* increased by 90% to CHF 878 million in 2004. The increase was driven by higher disposal gains from private equity investments and lower impairment charges. This was partially offset by gains from the divestment of associates and subsidiaries which dropped by nearly 50% to CHF 84 million in 2004.

#### Operating expenses

Total operating expenses increased by 5% to CHF 26,935 million in 2004 from CHF 25,613 million in 2003.

*Personnel expenses* increased by CHF 958 million or 6% to CHF 18,189 million in 2004 from CHF 17,231 million in 2003. The rise was driven by higher performance-related compensation reflecting the better performance in most of our businesses. For 2004, approximately 49% of personnel expenses took the form of bonus or variable compensation, up from 44% in 2003. Average variable compensation per head in 2004 was 17% higher than in 2003. Salary expenses rose due to the 2% increase in headcount over the year.

At CHF 6,577 million in 2004, *general and administrative expenses* increased CHF 491 million from CHF 6,086 million in the same period a year ago. The increase was driven by higher provisions, which rose due to specific operational and legal provisions (including the civil penalty levied by the Federal Reserve Board relating to our banknote trading business), higher IT and other outsourcing expenses as well as professional fees, the latter due to higher legal and project costs.

*Depreciation* was CHF 1,282 million in 2004, down 5% from CHF 1,353 million in 2003. This was the lowest level ever, reflecting falling IT-related charges as well as lower write-downs of equipment.

At CHF 887 million, *amortization of goodwill and other intangible assets* was down 6% from CHF 943 million a year earlier, reflecting lower amortization charges and the weakening of the US dollar against the Swiss franc.

We incurred a *tax expense* of CHF 2,086 million in 2004, reflecting an effective tax rate of 19.9% for the full year, compared to last year's full-year rate of 17.9% (before significant financial events).

#### Headcount

Headcount in our financial businesses was 67,424 on 31 December 2004, up 1,495 from 65,929 on 31 December 2003. The increase was driven by the expansion of our wealth management and securities businesses around the globe.

# Wealth Management & Business Banking

## Wealth Management

Despite the weakening of the US dollar against the Swiss franc, Wealth Management's full-year 2004 pre-tax profit, at CHF 3,435 million, was up 32% from 2003. This increase reflects the growth momentum in the business and the recovery in major financial markets that started in mid-2003, driving a 13% increase in revenues through higher asset-based fees. Rising interest income, a reflection of the expansion of margin lending activities, also bolstered revenues. At the same time, expenses, up just 2% in 2004 from 2003, were kept under tight control.

Net new money inflows for the year totaled CHF 42.3 billion, up 42% from CHF 29.7 billion in 2003. Gains were reported in all geographical areas, especially from Asian clients. The CHF 13.7 billion inflow into the European wealth man-

agement business was again high, driven by a particularly strong contribution from the UK and Germany.

The gross margin on invested assets was 103 basis points in 2004, up 2 basis points from 101 basis points a year earlier, as revenues increased more than the average asset base. Overall, recurring income made up 76 basis points of the margin in 2004, up from 71 basis points in 2003. Non-recurring income comprised 27 basis points of the margin in 2004, against 30 basis points in 2003.

Our European wealth management business continued to make significant progress. Income was CHF 437 million, up 64% from a year earlier, reflecting our growing asset base. The level of invested assets was a record CHF 82 billion on 31 December 2004, almost double the CHF 46 billion a year earlier, reflecting healthy inflows of net new money and the integration of acquisitions made during the year.



**Marcel Rohner**  
Chairman and CEO  
Wealth Management  
& Business Banking

## Business Group / Business Unit reporting

<i>CHF million, except where indicated</i>	Wealth Management		Business Banking Switzerland		Wealth Management & Business Banking	
	31.12.04	31.12.03	31.12.04	31.12.03	31.12.04	31.12.03
For the year ended or as at						
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
<b>Business Group / Business Unit performance before tax</b>	<b>3,435</b>	<b>2,609</b>	<b>2,045</b>	<b>2,145</b>	<b>5,480</b>	<b>4,754</b>
Net new money ( <i>CHF billion</i> )	42.3	29.7	2.6	2.5	44.9	32.2
Invested assets ( <i>CHF billion</i> )	778	701	140	136	918	837
Headcount ( <i>full-time equivalents</i> )	10,093	9,176	15,508	16,181	25,601	25,357

### Business Banking Switzerland

Business Banking Switzerland reported a pre-tax profit of CHF 2,045 million for full-year 2004, down 5% from the record result achieved in 2003. It was achieved despite a CHF 184 million fall in income, driven mainly by lower interest income, and shows the continued tight management of costs. Lower credit loss expenses reflected the structural improvement in the domestic loan portfolio in recent years.

During the course of 2004, CHF 7 billion in assets were transferred from the Business Banking Switzerland to the

Wealth Management unit, reflecting the increasing needs of clients through their life cycle.

The cost/income ratio was 59.1%, 2.4 percentage points above the ratio of 56.7% in 2003, reflecting falling interest income in the low interest rate environment.

Business Banking Switzerland's loan portfolio was CHF 137 billion on 31 December 2004, down CHF 1 billion from the previous year. An increase in volumes of private client mortgages was offset by lower credit demand from corporate clients and a further reduction in the recovery portfolio.

### Facts & figures on Business Banking Switzerland

- With CHF 778 billion in invested assets internationally, and more than 140 years of experience, UBS is the world's largest wealth manager
- We provide a comprehensive range of products and services individually tailored for wealthy clients around the world via our global branch network and through financial intermediaries
- Some 3,700 client advisors combine strong personal relationships with the resources available throughout 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 range

### Facts & figures on Wealth Management

- UBS is the market leader in Swiss retail and commercial banking
- We are responsible for approximately 3.5 million individual client accounts, and have relationships with around 143,000 corporate clients, including institutional investors, public entities and foundations, as well as 3,000 financial institutions worldwide
- We provide a complete set of banking and securities services for individual and corporate clients
- Clients have CHF 140 billion in invested assets with us. With a total loan book of CHF 137 billion, we have leading positions in the Swiss lending and retail mortgage markets
- With 1,249 ATMs and 301 branches, as well as a comprehensive set of e-banking services, we provide a Swiss network more extensive than any of our domestic competitors

# Global Asset Management

Global Asset Management reported a pre-tax profit of CHF 544 million for full-year 2004, up 64% from CHF 332 million in 2003. The increase was driven by higher operating income, which rose 16%, reflecting strong net new money inflows, a continuing change in asset mix towards higher-margin products and a rise in market valuations, resulting in increased asset levels and revenues. This was only partially offset by a slight rise in operating expenses, mainly due to higher incentive-based compensation as a result of the higher revenues. For 2004, the pre-goodwill cost/income ratio was 66.7%, a decrease of 5.4 percentage points from 2003.

For full-year 2004, net new money inflows in the institutional business stood at CHF 23.7 billion, almost doubling from CHF 12.7 billion a year earlier. Strong inflows were recorded into alternative and quantitative investments, equi-

ty and fixed income mandates. The gross margin for full-year 2004 was 32 basis points, on par with full-year 2003.

The wholesale intermediary fund business recorded a net new money outflow of CHF 4.5 billion compared to an outflow of CHF 5.0 billion in 2003. Inflows of CHF 16.1 billion into fixed income, asset allocation and equity funds were more than offset by money market outflows of CHF 20.6 billion, mainly transfers into UBS's US bank. The 2004 gross margin was 36 basis points, up by 5 basis points from a year earlier, reflecting the significant improvement of wholesale intermediary fees as a result of the continuing shift to higher-margin products.

Invested assets for the Business Group totaled CHF 601 billion on 31 December 2004, up from CHF 574 billion at the end of 2003.



**John A. Fraser**  
Chairman and CEO  
Global Asset Management

## Business Group reporting

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

## Facts & figures on Global Asset Management

- We aim to deliver superior investment results and innovative solutions in every asset class to our institutional and wholesale intermediary clients
- Our operations span 20 countries and employ over 2,600 staff. The main offices are in London, Chicago, New York, Tokyo and Zurich
- The traditional investments business is based on rigorous fundamental analysis that focuses on identifying intrinsic values
- The alternative and quantitative investment business encompasses several specialist areas, including the management of hedge funds
- The real estate business invests in properties in the US, UK, Continental Europe and Japan and in publicly traded real estate equities worldwide
- Fund services is a global fund administration unit providing services to both internal and external clients

# Investment Bank

The Investment Bank recorded a pre-tax profit of CHF 4,540 million for full-year 2004, up 18% from a year earlier, and at its highest level since 2000, reflecting revenue growth across all business areas. At the same time, costs increased as the businesses continued to expand. Specific operational provisions also contributed to the rise.

In full-year 2004, the compensation ratio fell to 51% from 52% in 2003, reflecting the completion of the strategic hiring program in investment banking and because of increasing revenues.

Total operating income in 2004 was CHF 15,977 million, up 15% from CHF 13,936 million a year earlier, reflecting strong improvements in all businesses.

Equities revenues were up 21% from 2003. Growth in revenues occurred around the globe, but was particularly strong in the US and Europe. Significant increases were seen in sec-

ondary cash commissions and proprietary trading revenues. Prime brokerage saw an impressive revenue gain following the acquisition of ABN Amro's prime brokerage business in the US.

Fixed income, rates and currencies revenues were up 6% from a year earlier. Strong gains were seen in the rates business, mainly due to the structured LIBOR and mortgage businesses. Fixed income was driven by credit derivatives, emerging markets and global syndicated finance businesses, foreign exchange and cash and collateral trading. The positive result was slightly offset by negative revenues relating to Credit Default Swaps (CDS) hedging existing credit exposure in the loan book.

Investment banking revenues increased 12% from a year earlier. Excluding currency fluctuations, revenues were up 32%, reflecting improving corporate activity levels. It was a record year for our global advisory business, with double-digit growth seen in Europe, the US and Asia.



**John P. Costas**  
Chairman and CEO  
Investment Bank

## Business Group reporting

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

Private equity also contributed to our result, recording revenues of CHF 257 million in 2004, a significant improvement compared to the negative revenues of CHF 77 million a year earlier, as market conditions allowed for successful divestments and lower writedowns.

Higher personnel costs and general and administrative expenses prompted total operating expenses in 2004 to rise to CHF 11,437 million, a 13% increase from CHF 10,081 million a year earlier. Personnel expenses increased 12% from a year earlier, reflecting higher performance-related compensation

which rose due to higher revenues, as well as an increase in salaries reflecting the 8% additional headcount. General and administrative expenses were up 22% from 2003's CHF 2,074 million due to higher operational provisions, rising professional fees and increased IT spending.

## Facts & figures on Investment Bank

- UBS is one of the world's leading investment banking and securities businesses, providing a full spectrum of services to institutional and corporate clients, governments and financial intermediaries globally
- Headquartered in London and New York, the Investment Bank employs over 16,000 staff in 31 countries around the world, with its business run on a global basis and organized into the four distinct areas of equities, fixed income, rates and currencies, investment banking and private equity
- With one in nine shares globally traded through UBS, the equities business is a leading player in the global primary and secondary markets for equity, equity-linked and equity derivative products. It is a member of over 80 stock exchanges in 31 countries, with a local presence in 40 cities around the world
- Equity research supplies independent assessments of the prospects of approximately 3,020 companies across most industry sectors, all geographic regions, as well as economic, strategy, quantitative and derivative research
- With over 2,300 professionals working out of North America, Europe and Asia Pacific, the fixed income, rates and currencies business provides a broad spectrum of products and solutions to corporate and institutional clients in all major markets
- In investment banking, we provide first-class advice and execution capabilities to a global corporate client base, with services encompassing advising on mergers and acquisitions, strategic reviews and corporate restructuring solutions

## Wealth Management USA

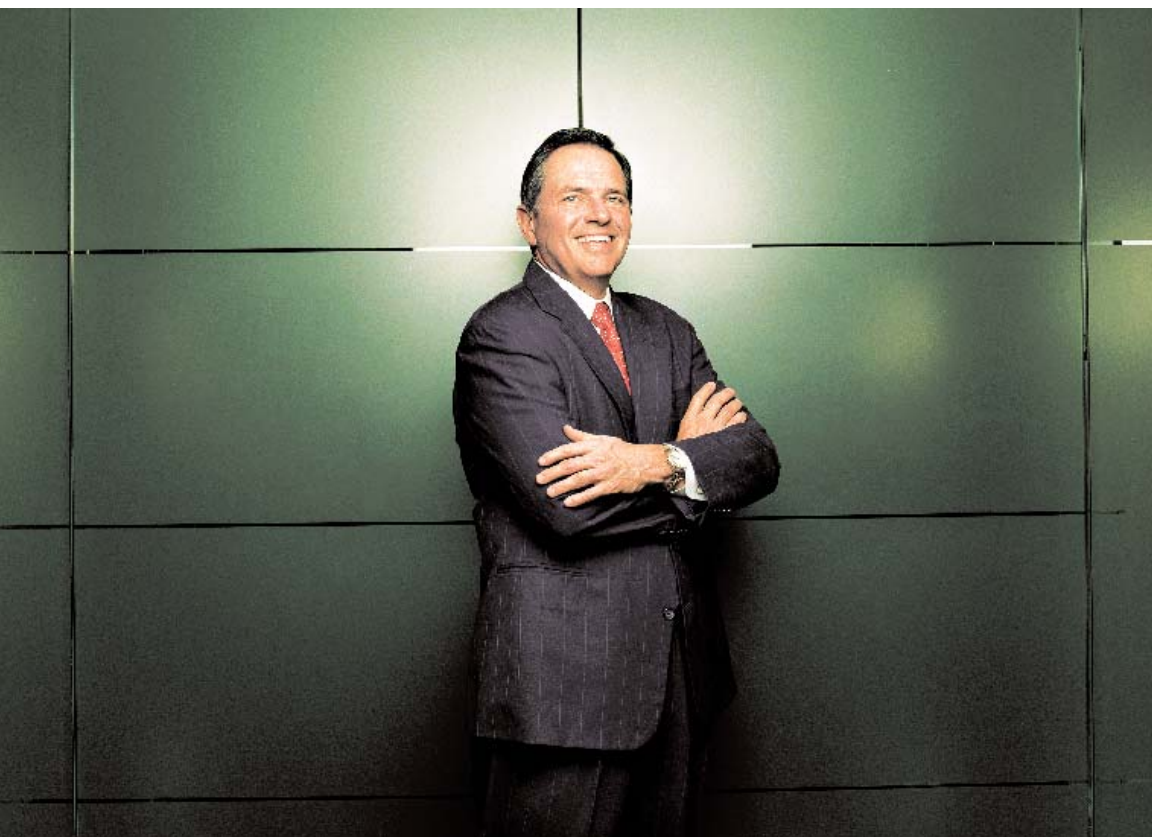
The Wealth Management USA business reported a pre-tax profit of CHF 179 million for full-year 2004, compared to a loss of CHF 5 million in 2003. The 2003 results include a pre-tax gain of CHF 161 million from the sale of Correspondent Services Corporation (CSC) in second quarter 2003.

After the exclusion of the CSC gain and before acquisition costs (goodwill amortization, net goodwill funding and retention payments), operational performance showed a profit of CHF 762 million in 2004 and CHF 664 million in 2003. On the same basis, but in US dollars, the operating result was 24% higher in 2004 than in 2003. This represents the best result since PaineWebber became part of UBS, reflecting record recurring fees and increased net interest revenue benefiting from the first full-year impact of UBS Bank USA, whose loan book grew from USD 4.5 billion at the end of 2003 to USD 7.2 billion at 31 December 2004.

The cost/income ratio before acquisition costs was 85.5% for 2004, compared to 87.2% in 2003. The improvement in the cost/income ratio reflects our continuous cost control as well as the excellent performance of our core private clients business.

In full-year 2004, net new money totaled CHF 17.1 billion, down from CHF 21.1 billion a year earlier, reflecting a slow asset-gathering performance at the beginning of the year as well as the US dollar's weakening against the Swiss franc.

The gross margin on invested assets was 79 basis points in 2004, down from 86 basis points in 2003. The gross margin on invested assets before acquisition costs (net goodwill funding costs) was 81 basis points, down from 87 basis points in 2003. The increase in average asset levels (up 7%) outpaced the gain in revenues (up 1% excluding the sale of CSC) as higher private client revenues were mostly offset by lower municipal finance revenues.



**Mark B. Sutton**  
Chairman and CEO  
Wealth Management USA

## Business Group reporting

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

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

## Facts & figures on Wealth Management USA

- We provide a complete set of sophisticated wealth management services to affluent and high net worth clients, and our deep reach and distribution network makes us one of the premier US wealth managers
- We have CHF 639 billion in invested assets and nearly 2 million private client relationships, supported by a network of over 7,500 financial advisors in 366 branch office locations
- The heart of our 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
- We continually commit considerable resources to further develop and expand the expertise of our financial advisors. With emphasis on training, our advisors are a key factor in developing long-term, mutually beneficial client relationships

# Industrial Holdings

Established in third quarter 2004, the Industrial Holdings segment is currently made up of UBS's majority stake in Motor-Columbus, a financial holding company whose most significant asset is a 59.3% interest in the Atel Group (Aare-Tessin Ltd. for Electricity). Atel, based in Olten, Switzerland, is a European energy provider focused on electricity trading and marketing, domestic and international power generation, electricity transmission and energy services. Motor-Columbus also holds several other finance and property companies.

In first quarter 2005, our private equity investments, currently part of the Investment Bank, will be reported in industrial holdings. This matches our strategy of de-emphasizing and reducing exposure to this asset class while capitalizing on orderly exit opportunities when they arise. Current management will continue to look after the portfolio. Our consolidation of Motor-Columbus into our accounts at the beginning of third quarter 2004 resulted in a revaluation

of its assets and liabilities. These are no longer comparable with those previously published in Motor-Columbus's separate consolidated financial statements. The comparative analysis provided here is based on unaudited proforma 2003 results.

For the six months ending 31 December 2004, our share of Motor-Columbus's net profit was CHF 45 million.

Total operating income for the six months ending 31 December 2004 was CHF 3,667 million, significantly higher than in the same period a year earlier. The gain was due to the first-time availability of production capacity in Southern Europe. Over the same period, total operating expenses, at CHF 3,460 million, rose at a slower pace than operating income because costs for energy purchased from third parties fell in the period as internal power production could be run at near full capacity. Expense levels also benefited from lower project costs.