

# Fourth Quarter 2003

10 February 2004

## Dear Shareholders,

This time last year, we could not have anticipated that 2003 would turn out to be such a positive year for the financial services industry. It was also an excellent year for UBS – the second most profitable in our history. When conditions were difficult at the outset of the year, our results were resilient. As the year progressed, investor sentiment turned increasingly positive and activity levels picked up along with stock market valuations. Helped by this improving environment, we fully captured the resulting revenue opportunities.

Our net profit for the year was CHF 6,385 million, up from CHF 3,535 million in 2002 – and only 18% lower than the record result we achieved in the booming markets of 2000.

Results in both 2002 and 2003 were influenced by items that we call significant financial events – items that indicate neither future performance nor our underlying operational result. In 2002, we realized total net gains of CHF 185 million from the sale of non-core businesses. At the end of that year, our decision to adopt a single brand required us to write down the CHF 953 million net value of the PaineWebber brand. In 2003, we realized a net gain of CHF 2 million from the sale of our US clearing business. Excluding these effects, and before goodwill amortization, net profit increased 33% in 2003 from 2002. On the same basis, return on equity of 20.9% and basic earnings per share growth of 44% represent first-class shareholder returns. Our businesses closely traced the strong recovery in financial markets, gaining market share in the process. In addition, our results reflect a significant improvement in the performance of our private equity portfolio.

Overall, expenses remain under tight control across UBS, with cost reductions in practically all categories. The cost/income ratio fell again and reached its lowest level since PaineWebber became part of UBS. Our plan to integrate IT infrastructure across UBS is the latest signal of our commitment to run this firm with maximum efficiency.

**The growing strength of our franchise** stands out in a fiercely competitive industry. In January, UBS was named 2004's "Best Global Private Bank" by Euromoney. While awards are gratifying, our most important endorsement is the trust of our clients as shown by the new assets they invest with us. In 2003, wealth management clients added CHF 50.8 billion to their investments managed by UBS.

Our Investment Banking & Securities business also achieved significant competitive gains, and is currently firmly positioned in the top bracket of the industry. Our equities business with institutional clients is stretching its lead as the number one player globally; our fixed income business continues to post

results as good as any in the industry, and we ended the year as the fourth-ranked advisor for corporations worldwide, up from seventh place in 2002.

**Focusing on fourth quarter**, we reported net profit of CHF 1,859 million compared with a loss of CHF 101 million in the same period a year earlier, when we wrote down the value of the PaineWebber brand. Excluding all significant financial events and before goodwill, net profit increased by 94% between the two quarters. In fact, it was our best quarterly performance for more than three years, with all our businesses reporting higher pre-tax profit than the same quarter a year earlier. Our equities and fixed income businesses both reported exceptionally strong results, and rising markets helped our asset-based fees.

Our wealth management businesses attracted CHF 14.2 billion of new assets, with strong inflows in our domestic European business, and from Asian and Eastern European clients.

**When managing our business**, our overriding goal is to secure an appropriate balance between risk and return, limiting the scope for adverse variations in our earnings. Our revenue opportunities are now increasing, as markets and investor sentiment are starting to improve, and as our trading and corporate client franchises continue to grow and build their market share. It is therefore likely that the absolute levels of market and credit risk we take will experience a gradual increase in coming quarters. That said, we do not have any intention of changing our risk culture which has made an invaluable contribution to the excellent quality and consistency of our earnings.

**The Board of Directors** will recommend a dividend of CHF 2.60 per share to the Annual General Meeting (AGM) on 15 April 2004. The 30% increase over the CHF 2.00 paid out last year demonstrates our confidence in the sustainability of our performance as well as our commitment to provide attractive returns to shareholders. It also reflects the fact that you, 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. With a BIS Tier 1 ratio of 11.4% on 31 December 2003, we remain committed to being one of the best-capitalized financial services firms in the world.

At the upcoming AGM, you will also be asked to elect three new members to our Board of Directors. Stephan Haeringer, currently our Deputy CEO, has held several posi-

tions with UBS over the last three decades. He will significantly strengthen the financial services expertise of our Board as Vice Chairman. We are also nominating two external, independent candidates to the Board, both of whom will bring entrepreneurial experience to our organization. Helmut Panke, Chairman of the Board of Management of BMW AG, the renowned German automotive company, and Peter Spuhler, owner of Stadler Rail AG, a dynamic young Swiss company successfully competing in the global market.

**Outlook** – Having successfully navigated the turbulent downmarkets of the last few years with no unpredictable changes in our profitability, our strategy, or our staffing levels, we now enter what seem likely to be calmer waters with, we believe, the full confidence of our clients, our employees, and you, our shareholders. Our businesses are all performing extremely well. And while, of course, we cannot predict with certainty

whether markets will continue in their friendly mood, we are committed to again securing for our investors the best possible returns in 2004.

10 February 2004

UBS



Marcel Ospel  
Chairman



Peter Wuffli  
Chief Executive Officer



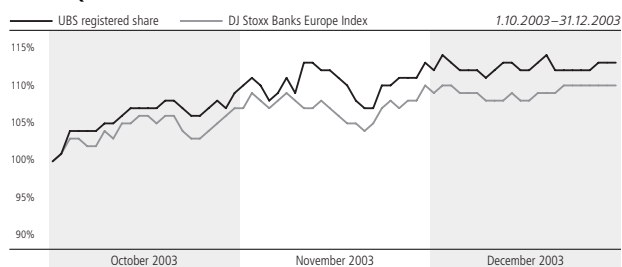
Every quarter, we update our shareholders on our businesses around the world by writing a number of feature articles.

In this one, we wrote about the success of our wealth management business in Asia Pacific and took a closer look at our prime brokerage business. You can access both at [www.ubs.com/investors](http://www.ubs.com/investors) by clicking "Quarterly Themes".

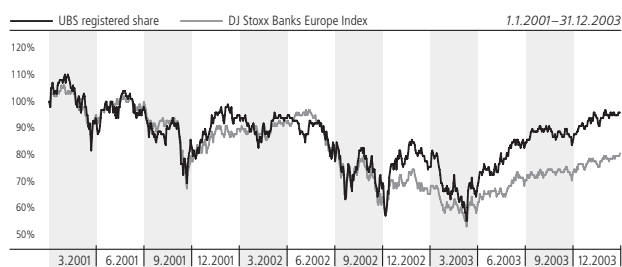
Or you can order the full quarterly report (English only) from UBS AG, Economic Information Center, GHDE, CA50-AUL, P.O. Box, CH-8098 Zurich, Switzerland.

## UBS Share Performance

## Fourth Quarter 2003



## Since 2001



## Shareholder returns

	Quarter ended		% change from		Year ended		
	31.12.03	30.9.03	31.12.02	3Q03	4Q02	31.12.03	31.12.02
<b>Basic EPS (CHF)</b>							
as reported <sup>1</sup>	<b>1.73</b>	1.52	(0.09)	14		5.72	2.92
before goodwill and adjusted for significant financial events <sup>2</sup>	<b>1.94</b>	1.73	0.92	12	111	6.56	4.57
<b>RoE (%)</b>							
as reported <sup>3</sup>						18.2	8.9
before goodwill and adjusted for significant financial events <sup>4</sup>						20.9	13.9

## Financial strength &amp; ratings

As at	31.12.03	30.9.03	31.12.02
BIS Tier 1 capital ratio (%) <sup>5</sup>	<b>11.4</b>	11.5	11.3
<b>Long-term ratings</b>			
Fitch, London	<b>AA+</b>	AA+	AAA
Moody's, New York	<b>Aa2</b>	Aa2	Aa2
Standard & Poor's, New York	<b>AA+</b>	AA+	AA+

## Key income statement figures

CHF million, except where indicated	Quarter ended		% change from		Year ended		
	31.12.03	30.9.03	31.12.02	3Q03	4Q02	31.12.03	31.12.02
<b>Income statement key figures</b>							
Operating income	<b>8,598</b>	8,490	7,524	1	14	33,972	34,121
Operating expenses	<b>6,306</b>	6,353	7,776	(1)	(19)	25,624	29,577
Operating profit/(loss) before tax	<b>2,292</b>	2,137	(252)	7		8,348	4,544
Net profit/(loss)	<b>1,859</b>	1,673	(101)	11		6,385	3,535
Cost/income ratio (%) <sup>6</sup>	<b>72.8</b>	75.1	103.5			75.2	86.2
<b>Earnings adjusted for significant financial events and pre-goodwill<sup>7,8</sup></b>							
Operating income	<b>8,598</b>	8,490	7,452	1	15	33,811	33,894
Operating expenses	<b>6,081</b>	6,115	6,259	(1)	(3)	24,681	27,117
Operating profit before tax	<b>2,517</b>	2,375	1,193	6	111	9,130	6,777
Net profit	<b>2,084</b>	1,911	1,075	9	94	7,326	5,529
Cost/income ratio (%) <sup>9</sup>	<b>70.2</b>	72.2	84.1			72.7	79.5

## Other key figures

CHF million, except where indicated	31.12.03	30.9.03	31.12.02	% change from	
				30.9.03	31.12.02
As at					
<b>Shareholders' equity</b>	<b>35,446</b>	35,704	38,991	(1)	(9)
<b>Market capitalization</b>	<b>95,401</b>	84,440	79,448	13	20
<b>Invested assets (CHF billion)</b>	<b>2,209</b>	2,182	2,037	1	8
<b>Headcount (full-time equivalents)</b>					
Switzerland	<b>26,662</b>	26,901	27,972	(1)	(5)
Europe (excluding Switzerland)	<b>9,906</b>	9,922	10,009	0	(1)
Americas	<b>25,511</b>	25,506	27,350	0	(7)
Asia Pacific	<b>3,850</b>	3,824	3,730	1	3
Total	<b>65,929</b>	66,153	69,061	0	(5)

**Footnotes:** <sup>1</sup> Details of the EPS calculation can be found in the Fourth Quarter 2003 Report. <sup>2</sup> Net profit/(loss) less the amortization of goodwill and other intangible assets and significant financial events (after-tax) / weighted average shares outstanding. <sup>3</sup> Net profit/(loss) / average shareholders' equity less dividends. <sup>4</sup> Net profit/(loss) 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 Fourth Quarter 2003 Report. <sup>6</sup> Operating expenses / operating income less credit loss expense or recovery. <sup>7</sup> Excludes the amortization of goodwill and other intangible assets. <sup>8</sup> Details of significant financial events can be found in the Fourth Quarter 2003 Report. <sup>9</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.

Throughout this document, 2002 segment results have been restated to reflect the transfer of the Private Banks & GAM to Corporate Center.

## UBS Income Statement

CHF million, except per share data	Quarter ended			% change from		Year ended	
	31.12.03	30.9.03	31.12.02	3Q03	4Q02	31.12.03	31.12.02
<b>Operating income</b>							
Interest income	9,739	10,144	8,697	(4)	12	40,159	39,963
Interest expense	(6,732)	(6,787)	(6,000)	(1)	12	(27,860)	(29,417)
Net interest income	3,007	3,357	2,697	(10)	11	12,299	10,546
Credit loss (expense)/recovery	(62)	26	11			(116)	(206)
Net interest income after credit loss expense	2,945	3,383	2,708	(13)	9	12,183	10,340
Net fee and commission income	4,820	4,386	4,236	10	14	17,345	18,221
Net trading income	647	642	666	1	(3)	3,883	5,572
Other income	186	79	(86)	135		561	(12)
Total operating income	8,598	8,490	7,524	1	14	33,972	34,121
<b>Operating expenses</b>							
Personnel expenses	4,038	4,372	4,021	(8)	0	17,231	18,524
General and administrative expenses	1,667	1,422	1,840	17	(9)	6,086	7,072
Depreciation of property and equipment	376	321	398	17	(6)	1,364	1,521
Amortization of goodwill and other intangible assets	225	238	1,517	(5)	(85)	943	2,460
Total operating expenses	6,306	6,353	7,776	(1)	(19)	25,624	29,577
<b>Operating profit/(loss) before tax and minority interests</b>	2,292	2,137	(252)	7		8,348	4,544
Tax expense/(benefit)	333	383	(209)	(13)		1,618	678
<b>Net profit/(loss) before minority interests</b>	1,959	1,754	(43)	12		6,730	3,866
Minority interests	(100)	(81)	(58)	23	72	(345)	(331)
<b>Net profit/(loss)</b>	1,859	1,673	(101)	11		6,385	3,535
Basic earnings per share (CHF)	1.73	1.52	(0.09)	14		5.72	2.92
Diluted earnings per share (CHF)	1.68	1.47	(0.09)	14		5.61	2.87

## Reporting by Business Group

CHF million	Wealth Management & Business Banking		Global Asset Management		Investment Bank		Wealth Management USA		Corporate Center		UBS	
	31.12.03	31.12.02	31.12.03	31.12.02	31.12.03	31.12.02	31.12.03	31.12.02	31.12.03	31.12.02	31.12.03	31.12.02
For the quarter ended												
Income	3,036	2,857	451	401	3,623	2,566	1,283	1,215	267	402	8,660	7,441
Credit loss (expense) / recovery <sup>1</sup>	(5)	(64)	0	0	(42)	(40)	(1)	(2)	(14)	117	(62)	11
Total operating income	3,031	2,793	451	401	3,581	2,526	1,282	1,213	253	519	8,598	7,452
Personnel expenses	1,118	1,148	200	191	1,604	1,521	930	927	186	234	4,038	4,021
General and administrative expenses	543	547	96	124	606	672	250	277	172	220	1,667	1,840
Depreciation	101	118	10	11	89	99	33	36	143	134	376	398
Amortization of goodwill and other intangible assets	17	26	33	41	69	76	79	107	27	33	225	283
Total operating expenses	1,779	1,839	339	367	2,368	2,368	1,292	1,347	528	621	6,306	6,542
<b>Business Group performance before tax and excluding significant financial events</b>	1,252	954	112	34	1,213	158	(10)	(134)	(275)	(102)	2,292	910
Significant financial events	0	0	0	0	0	0	0	(1,234)	0	72	0	(1,162)
Tax expense/benefit											333	(209)
<b>Net profit before minority interests</b>											1,959	(43)
Minority interests											(100)	(58)
<b>Net profit</b>											1,859	(101)

**Footnotes:** <sup>1</sup> In management accounts, statistically derived actuarial expected loss adjusted by deferred releases rather than the net IFRS actual credit loss is reported for each Business Group. The breakdown by Business Group of the net credit loss expense for financial reporting purposes of CHF 62 million expense for the quarter ended 31 December 2003 (CHF 11 million recovery for the quarter ended 31 December 2002) is as follows: Wealth Management & Business Banking CHF 108 million expense (CHF 60 million expense), Investment Bank CHF 46 million recovery (CHF 72 million recovery) and Wealth Management USA CHF 0 million (CHF 1 million expense).

## Cautionary statement regarding forward-looking statements

This communication contains statements that constitute "forward-looking statements", including, but not limited to, statements relating to the implementation of strategic initiatives, such as the implementation of the European wealth management strategy, expansion of our corporate finance presence in the US and worldwide, and other statements relating to our future business development and economic performance. While these forward-looking statements represent our judgments and future expectations concerning the development of our business, a number of risks, uncertainties and other important factors could cause actual developments and results to differ materially from our expectations. These factors include, but are not limited to, (1) general market, macro-economic, governmental and regulatory trends, (2) movements in local and international securities markets, currency exchange rates and interest rates, (3) competitive pressures, (4) technological developments, (5) changes in the financial position or credit-worthiness of our customers, obligors and counterparties and developments in the markets in which they operate, (6) legislative developments, (7) management changes and changes to our business group structure in 2001, 2002 and 2003 and (8) other key factors that we have indicated could adversely affect our business and financial performance which are contained in other parts of this document and in our past and future filings and reports, including those filed with the SEC. More detailed information about those factors is set forth elsewhere in this document and in documents furnished by UBS and filings made by UBS with the SEC, including UBS's Annual Report on Form 20-F for the year ended 31 December 2002. UBS is not under any obligation to (and expressly disclaims any such obligations to) update or alter its forward-looking statements whether as a result of new information, future events, or otherwise.