

# Third Quarter 2004

2 November 2004

## Dear Shareholders

This quarter's results showcase the strength of our asset gathering businesses. At a time when securities markets are offering less attractive trading returns, the fact that UBS has not only the world's leading wealth management operation, but also one of the fastest growing, is crucial to our ability to deliver top-class returns to you, our shareholders.

Although our Investment Bank saw an anticipated slowdown in trading opportunities, its year-to-date performance is roughly 25% above the same period a year ago – and almost three times higher than in the first nine months of 2002. Elsewhere, the sheer scale of the assets entrusted to us by our clients (which rose to CHF 2.3 trillion this quarter) has been a major driver, producing, for example, the highest portfolio management fees we have ever reported. In third quarter, net new money for the firm as a whole was CHF 20.5 billion. Wealthy individual clients worldwide contributed CHF 16.7 billion; during the first nine months of this year, our wealth management businesses have gathered a total of CHF 46.1 billion in new assets, at an annualized growth rate of 5%. This leading rank in wealth management is a privileged strategic position to occupy, and we remain convinced that all our global areas of focus – including the investment banking, securities and asset management businesses – will deliver above average growth opportunities for UBS.

**Before we look at our financial results in more detail**, we should mention that this quarter, for the first time, they include the fully consolidated results of Motor-Columbus, a Swiss holding company whose only significant asset is a majority ownership interest in Swiss-based electricity provider Atel. Earlier this year, we increased our stake in Motor-Columbus to 55.6% in order to protect the value of our existing investment and put us in a stronger position, as majority shareholder, to divest it profitably in the future. In the meantime, the results of Motor-Columbus will be reported in a separate Industrial Holdings segment, helping us to preserve full continuity in the presentation of our core Financial Businesses. This quarter, Motor-Columbus contributed 1.0% to UBS's overall net profit, 16.7% to operating income, and 20.6% to operating expenses.

**Net profit in third quarter** was CHF 1,671 million. Our Financial Businesses contributed CHF 1,654 million and our Industrial Holdings CHF 17 million. Low market activity and volatility led to a drop in all trading-related revenues, pushing the net profit of our Financial Businesses down 2% compared to third quarter last year and 16% compared to second quarter 2004. As a major player in the world's securities markets, we accept that volatility in our Investment Bank's revenues will

reflect prevailing market opportunities, and we will not every quarter be able to deliver the peak levels of trading performance we saw earlier this year. All the more important, then, that this element is balanced with strong fee and commission revenues, which represent well over 50% of our overall operating income. Our earnings per share were CHF 1.86 (before goodwill amortization) in third quarter 2004, down from CHF 2.06 in second quarter 2004 but 7% above the CHF 1.74 reported in third quarter 2003. Costs are well under control, falling 9% from second quarter 2004 and 1% from third quarter last year, driven by lower bonus accruals – in line with the decline in revenues. Our cost/income ratio of 71.5% (before goodwill) is still near historically low levels and below the 72.2% recorded a year ago.

**We use both add-on acquisitions and organic growth to expand** our core businesses. In September, we announced the acquisition of Charles Schwab SoundView Capital Markets, the Capital Markets Division of Charles Schwab Corp. – a deal that provides us with fresh expertise and technology and reinforces our existing activities by providing additional scale. This deal will propel us to the front rank of NASDAQ stock traders, complementing our top-tier position on the New York Stock Exchange (NYSE). Our efforts to grow organically are also delivering tangible results. Since its launch in 2001, our European wealth management business has seen inflows coming in at an average annual rate of 40%. Revenues hit a record level as client investments rose to CHF 69 billion in third quarter. We also continue to expand our wealth management presence in Asia, with three new openings this quarter. We officially inaugurated a branch in Beijing on 2 August, marking a milestone in our long-term strategy for China. A month later, we re-entered the wealth management market in Japan with an office in Tokyo, and opened a new representative office in Kuala Lumpur, Malaysia.

**Our continuing efforts to build our brand** show how we deliver global financial resources through personal client relationships based on intimate understanding. We recently analyzed the first results from our major advertising campaign launched in March with the tagline "You & Us". We found that awareness of UBS is rising in all regions, and is significantly higher in the US. Our target clients are seeing and remembering our advertising – an important step in building a distinct profile in our highly competitive industry. While these achievements are encouraging, brand building does not provide instant returns and does not only involve advertising. It is a long-term commitment requiring that we introduce more and more potential clients to the UBS way of doing business, delivering on our promise of pursuing their success above all.

**As investors, you may have followed recent changes** in International Financial Reporting Standards (IFRS). In 2005, two new accounting standards will have a significant impact on our financial results. First of all, IFRS will require us to recognize the fair value of all equity-based payments made to employees as compensation expense – including options, which we currently disclose on a pro-forma basis. Additionally, a new standard governing business combinations will lead to a new treatment for goodwill. From 2005 onwards, goodwill arising from acquisitions will no longer be amortized, but tested annually for impairment. The continuing evolution of accounting standards creates a certain degree of complexity for investors. On the other hand, these developments are necessary to keep pace with the changing nature of contemporary business. Adoption of IFRS across the EU is an important milestone. As more companies apply these standards and provide constructive input for further development, we hope for ever-increased momentum towards a credible global accounting language, providing more comparability and transparency to investors.

**Outlook** – In the first nine months of 2004, market conditions for our trading-related businesses have swung considerably – from an exceptionally favorable first quarter to the rather tough environment in third quarter. Across these varied conditions, our diversified business mix has paid off, helping us to capture the revenue opportunities when equity and fixed income markets were buoyant, with our wealth and asset management businesses giving us a counterbalance when trading conditions started to normalize.

While global economic fundamentals look rather positive, market participants are currently unsure about how long the current growth will last. This prevailing uncertainty continues to weigh on financial markets. In the short term, this may continue to dampen levels of investor activity – an important driver for many of our businesses. That said, it looks as though we will be able to look back on 2004 as one of UBS's best years, and our focused strategy and success in attracting new clients give us a great deal of confidence for 2005 and beyond.

2 November 2004

UBS



Marcel Ospel  
Chairman



Peter Wuffli  
Chief Executive Officer



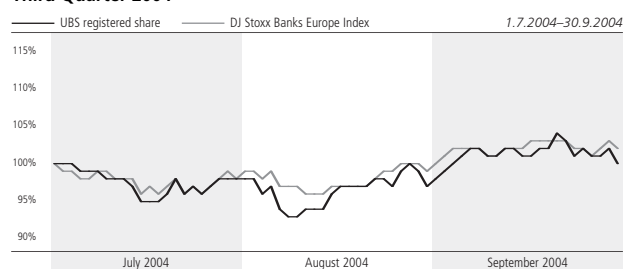
**Every quarter, we update our shareholders on our businesses around the world by including a number of feature articles in our quarterly reports.**

This quarter, we wrote about our growing securities-based collateralized lending business in wealth management as well as the UBS KeyDirect online banking solution for large and medium-sized companies. You can access both stories at [www.ubs.com/investors](http://www.ubs.com/investors) by clicking "Quarterly Themes".

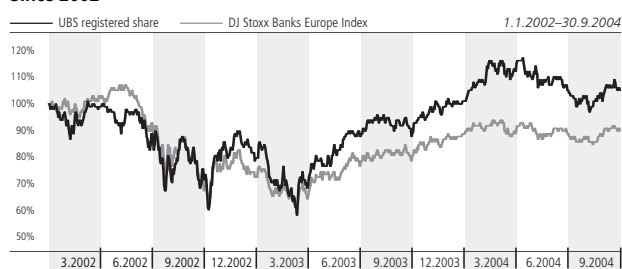
Or you can order the full quarterly report (English only) from UBS AG, Economic Information Center, GHDE, CA50-AUL, P.O. Box, CH-8098 Zurich, Switzerland.

## UBS share performance

## Third Quarter 2004



## Since 2002



## Shareholder returns

	Quarter ended			% change from		Year to date	
	30.9.04	30.6.04	30.9.03	2Q04	3Q03	30.9.04	30.9.03
<b>Basic EPS (CHF)</b>							
as reported <sup>1</sup>	1.60	1.85	1.53	(14)	5	5.72	3.92
before goodwill and adjusted for significant financial events <sup>2</sup>	1.86	2.06	1.74	(10)	7	6.39	4.55
<b>Return on shareholders' equity (%)</b>							
as reported <sup>3</sup>						24.5	16.6
before goodwill and adjusted for significant financial events <sup>4</sup>						27.4	19.2

## Financial strength &amp; ratings

	As at		
	30.9.04	30.6.04	30.9.03
BIS Tier 1 capital ratio (%) <sup>5</sup>	11.5	11.8	11.5
<b>Long-term ratings</b>			
Fitch, London	AA+	AA+	AAA
Moody's, New York	Aa2	Aa2	Aa2
Standard & Poor's, New York	AA+	AA+	AA+

## UBS net profit

	Quarter ended			% change from		Year to date	
	30.9.04	30.6.04	30.9.03	2Q04	3Q03	30.9.04	30.9.03
CHF million	30.9.04	30.6.04	30.9.03	2Q04	3Q03	30.9.04	30.9.03
<b>Net profit</b>	1,671	1,974	1,685	(15)	(1)	6,068	4,431

## Other key figures

	As at			% change from	
	30.9.04	30.6.04	30.9.03	2Q04	3Q03
CHF million	30.9.04	30.6.04	30.9.03	2Q04	3Q03
Shareholders' equity	34,524	34,680		0	
Market capitalization	95,812	98,001	84,440	(2)	13

**Footnotes:** <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 (annualized)/average shareholders' equity less dividends. <sup>4</sup> Net profit (annualized) 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 UBS Results section.

## Key figures Financial Businesses (excluding Industrial Holdings)

Income statement	Quarter ended			% change from		Year to date	
	30.9.04	30.6.04	30.9.03	2Q04	3Q03	30.9.04	30.9.03
<i>CHF million</i>	<b>30.9.04</b>	30.6.04	30.9.03			30.9.04	30.9.03
Operating income	<b>8,456</b>	9,484	8,503	(11)	(1)	28,235	25,252
Operating expenses	<b>6,265</b>	6,889	6,351	(9)	(1)	20,360	19,310
Net profit	<b>1,654</b>	1,974	1,685	(16)	(2)	6,051	4,431

Performance indicators	Quarter ended			% change from		Year to date	
	30.9.04	30.6.04	30.9.03	2Q04	3Q03	30.9.04	30.9.03
<i>CHF million, except where indicated</i>	<b>30.9.04</b>	30.6.04	30.9.03			30.9.04	30.9.03
Cost/income ratio (%) <sup>1</sup>	<b>74.2</b>	73.7	75.1			72.5	76.4
Net new money wealth management businesses (CHF billion) <sup>2</sup>	<b>16.7</b>	10.4	15.1			46.1	36.6

Earnings adjusted for significant financial events and pre-goodwill <sup>3,4</sup>							
Operating income	<b>8,456</b>	9,484	8,503	(11)	(1)	28,235	25,091
Operating expenses	<b>6,038</b>	6,664	6,113	(9)	(1)	19,683	18,592
Net profit	<b>1,881</b>	2,199	1,923	(14)	(2)	6,728	5,147

Headcount Financial Businesses	Quarter ended			% change from	
	30.9.04	30.6.04	30.9.03	30.6.04	30.9.03
<i>Full-time equivalents</i>	<b>30.9.04</b>	30.6.04	30.9.03		
Switzerland	<b>26,262</b>	26,314	26,901	0	(2)
Rest of Europe/Africa/Middle East	<b>10,524</b>	10,315	9,922	2	6
Americas	<b>25,838</b>	25,364	25,506	2	1
Asia/Pacific	<b>4,270</b>	4,050	3,824	5	12
<b>Total</b>	<b>66,894</b>	66,043	66,153	1	1

Reporting by Business Group and Units	Total Operating Income			Total Operating Expenses			Business Group performance <sup>5</sup>		
	30.9.04	30.9.03	% change	30.9.04	30.9.03	% change	30.9.04	30.9.03	% change
<i>CHF million (for the quarter ended)</i>									
<b>Wealth Management &amp; Business Banking</b>									
Wealth Management	<b>1,918</b>	1,750	10	<b>1,063</b>	1,036	3	<b>855</b>	714	20
Business Banking Switzerland	<b>1,265</b>	1,266	0	<b>748</b>	738	1	<b>517</b>	528	(2)
<b>Global Asset Management</b>	<b>491</b>	471	4	<b>386</b>	384	1	<b>105</b>	87	21
<b>Investment Bank</b>	<b>3,155</b>	3,407	(7)	<b>2,441</b>	2,523	(3)	<b>714</b>	884	(19)
<b>Wealth Management USA</b>	<b>1,230</b>	1,282	(4)	<b>1,187</b>	1,325	(10)	<b>43</b>	(43)	
<b>Corporate Center</b>									
Private Banks & GAM	<b>270</b>	224	21	<b>158</b>	161	(2)	<b>112</b>	63	78
Corporate Functions	<b>127</b>	103	23	<b>282</b>	184	53	<b>(155)</b>	(81)	(91)
<b>Financial Businesses</b>	<b>8,456</b>	8,503	(1)	<b>6,265</b>	6,351	(1)	<b>2,191</b>	2,152	2

**Footnotes:** <sup>1</sup> Operating expenses/operating income less credit loss expense or recovery. <sup>2</sup> Includes Wealth Management and Wealth Management USA. Excludes interest or dividend income. <sup>3</sup> Excludes the amortization of goodwill and other intangible assets. <sup>4</sup> Details of significant financial events can be found in the Third Quarter 2004 Report. <sup>5</sup> Before tax and minority interests.

#### 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 European wealth management business, 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 creditworthiness 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 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 2003. 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.