

# First Quarter 2004

4 May 2004

## Dear Shareholders,

With our best quarterly performance on record, the year has started extremely well. Net profit was CHF 2,423 million, double our result in first quarter 2003 (and up 82% before goodwill). Revenues rose 33%. Before goodwill, earnings per share increased 95% to CHF 2.46 while return on equity was at 31.9% – record quarterly levels for both.

This outstanding performance is naturally a reflection of the excellent trading conditions in major financial markets and the positive effect of strong market valuations on invested assets. We also believe, however, that it shows the payoff from investing in our businesses somewhat countercyclically over the past few years – positioning ourselves for exactly these kinds of opportunities.

**All our businesses reported both revenue and pre-tax profit gains** compared to a year ago. Our Investment Bank reported a 115% gain in pre-tax profit, with results driven by the best fixed income and second best equities performances since 2000. Our wealth management and institutional asset management businesses profited as financial markets attracted more frequent investor activity. Strong market valuations also helped asset-based fees. Our Wealth Management and Global Asset Management units reported their best results in three years, and the Wealth Management USA business reported its best operating performance since PaineWebber became part of UBS.

At the same time, we have not eased our cost discipline which was so critical in tougher revenue environments. Total operating expenses, up 17% compared to first quarter 2003, rose far less than revenues, with the increase mainly reflecting higher accruals for performance-related compensation.

Net new money flows are the best indicator of growth in our wealth and asset management businesses. This quarter saw clients add CHF 35 billion to their investments with UBS. Private investors added a record CHF 19 billion to our wealth management businesses worldwide, compared to CHF 11 billion a year earlier. Inflows from our institutional asset management clients reached a record high of CHF 10 billion. Our independent private banks and GAM together recorded an inflow of CHF 6 billion.

**Increasing our market risk limits** allowed us to take advantage of the trading conditions we saw in first quarter, particularly in fixed income where the high level of client activity, along with the levels of rates and steepness of the yield curve remained attractive. Set against a 34% increase in average Value at Risk compared to a year earlier, total income from trading activities rose 33%.

**UBS has all that it needs to grow.** One of our major investments is in our brand, which this quarter was reflected in a new global advertising campaign, launched in February. Our advertising investment concentrates on key markets where we need to further build familiarity with our brand in order to achieve our growth targets – particularly the US. The campaign – themed “You and us” – shows how UBS delivers global financial resources through personal client relationships based on intimate understanding.

Selective, bolt-on acquisitions will continue to be an element of our growth strategy. The two acquisitions we have made so far this year – Laing & Cruickshank and Scott Goodman Harris – have helped us become one of the top-tier providers in the UK wealth management market.

**Expanding our core businesses** also implies that we will continue to divest non-core businesses and participations. Our current stake in Motor-Columbus (a Swiss holding company whose most significant asset is a majority ownership interest in Atel, a Swiss electricity company) is no exception. At the beginning of April, we announced the acquisition of an additional 20% stake in Motor-Columbus from the German utility RWE, temporarily raising our participation to 55.6%, allowing us to protect the value of our investment and putting us in a strong position, as majority shareholder, to divest it in the future when the opportunity arises.

**Outlook** – This quarter was one of those rare periods when conditions for every one of our businesses were simultaneously excellent. As the year progresses, such a positive combination of circumstances is not likely to continue, especially given the natural seasonality that boosts the first quarter in some units. That said, with our businesses firing on all cylinders and the growth indicators all showing positive, we have every reason to feel optimistic about UBS's future.

4 May 2004

UBS



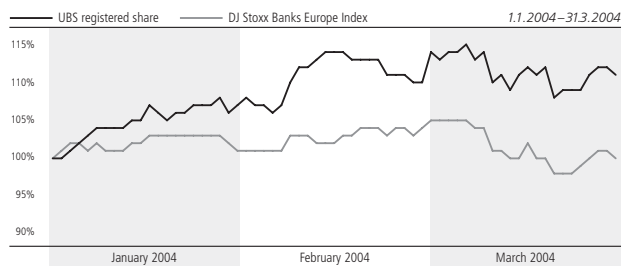
Marcel Ospel  
Chairman



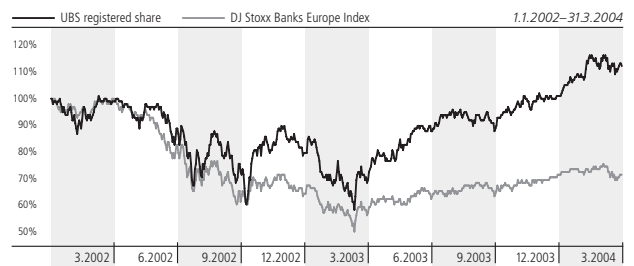
Peter Wuffli  
Chief Executive Officer

## UBS Share Performance

## First Quarter 2004



## Since 2002



## Shareholder returns

	Quarter ended			% change from	
	31.3.04	31.12.03	31.3.03	4Q03	1Q03
<b>Basic EPS (CHF)</b>					
as reported <sup>1</sup>	2.25	1.68	1.05	34	114
before goodwill and adjusted for significant financial events <sup>2</sup>	2.46	1.89	1.26	30	95
<b>RoE (%)</b>					
as reported <sup>3</sup>	29.2	17.8	13.2		
before goodwill and adjusted for significant financial events <sup>4</sup>	31.9	20.5	15.8		

## Financial strength and ratings

As at	31.3.04	31.12.03	31.3.03		
BIS Tier 1 capital ratio (%) <sup>5</sup>	12.1	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+		

## Key income statement figures

CHF million, except where indicated	Quarter ended			% change from	
	31.3.04	31.12.03	31.3.03	4Q03	1Q03
<b>Income statement key figures</b>					
Operating income	10,295	8,538	7,768	21	33
Operating expenses	7,206	6,303	6,174	14	17
Operating profit before tax and minority interest	3,089	2,235	1,594	38	94
Net profit	2,423	1,808	1,209	34	100
Cost/income ratio (%) <sup>6</sup>	70.0	73.4	78.8		
<b>Earnings adjusted for significant financial events and pre-goodwill<sup>7,8</sup></b>					
Operating income	10,295	8,538	7,768	21	33
Operating expenses	6,981	6,078	5,932	15	18
Operating profit before tax and minority interest	3,314	2,460	1,836	35	81
Net profit	2,648	2,033	1,451	30	82
Cost/income ratio (%) <sup>9</sup>	67.8	70.8	75.7		

## Other key figures

CHF million, except where indicated	31.3.04	31.12.03	31.3.03	% change from	
				4Q03	1Q03
As at					
<b>Balance sheet key figures</b>					
Total assets	1,670,033	1,550,056		8	
Shareholders' equity	37,602	35,310		6	
<b>Market capitalization</b>	105,857	95,401	67,808	11	56
<b>Invested assets (CHF billion)</b>	2,238	2,133	1,923	5	16
<b>Headcount (full-time equivalents)</b>					
Switzerland	26,469	26,662	27,689	(1)	(4)
Europe (excluding Switzerland)	10,011	9,906	10,130	1	(1)
Americas	25,211	25,511	26,770	(1)	(6)
Asia/Pacific	3,939	3,850	3,806	2	3
Total	65,630	65,929	68,395	0	(4)

**Footnotes:** <sup>1</sup>Details of the EPS calculation can be found in Note 8 of the First Quarter 2004 Report. <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 year to date (annualized as applicable) / average shareholders' equity less dividends. <sup>4</sup>Net profit year to date (annualized as applicable) 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 First Quarter 2004 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>There were no significant financial events in the current and comparative periods. <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, 2003 and 2002 results have been restated to reflect the accounting changes (IAS 32/39, investment property, credit risk losses incurred on OTC derivatives, change in treatment of corporate client assets in Business Banking Switzerland) effective 1 January 2004 and announced 22 April 2004.

## UBS Income Statement

CHF million, except per share data	Quarter ended			% change from	
	31.3.04	31.12.03	31.3.03	4Q03	1Q03
<b>Operating income</b>					
Interest income	9,741	9,739	9,632	0	1
Interest expense	(6,523)	(6,732)	(6,723)	(3)	(3)
Net interest income	3,218	3,007	2,909	7	11
Credit loss (expense)/recovery	3	(46)	(69)		
Net interest income after credit loss expense	3,221	2,961	2,840	9	13
Net fee and commission income	5,005	4,820	3,826	4	31
Net trading income	1,785	578	1,221	209	46
Other income	284	179	(119)	59	
Total operating income	10,295	8,538	7,768	21	33
<b>Operating expenses</b>					
Personnel expenses	5,171	4,038	4,202	28	23
General and administrative expenses	1,507	1,667	1,397	(10)	8
Depreciation of property and equipment	303	373	333	(19)	(9)
Amortization of goodwill and other intangible assets	225	225	242	0	(7)
Total operating expenses	7,206	6,303	6,174	14	17
<b>Operating profit before tax and minority interests</b>	3,089	2,235	1,594	38	94
Tax expense	579	327	313	77	85
<b>Net profit before minority interests</b>	2,510	1,908	1,281	32	96
Minority interests	(87)	(100)	(72)	(13)	21
<b>Net profit</b>	2,423	1,808	1,209	34	100
Basic earnings per share (CHF)	2.25	1.68	1.05	34	114
Diluted earnings per share (CHF)	2.18	1.64	1.02	33	114

## Reporting by Business Group

CHF million	Wealth Management & Business Banking		Global Asset Management		Investment Bank		Wealth Management USA		Corporate Center		UBS	
	31.3.04	31.3.03	31.3.04	31.3.03	31.3.04	31.3.03	31.3.04	31.3.03	31.3.04	31.3.03	31.3.04	31.3.03
For the quarter ended												
Income	3,203	2,866	507	378	4,937	3,217	1,346	1,166	299	210	10,292	7,837
Adjusted expected credit loss <sup>1</sup>	(17)	(57)	0	0	0	(18)	(3)	(2)	23	8	3	(69)
Total operating income	3,186	2,809	507	378	4,937	3,199	1,343	1,164	322	218	10,295	7,768
Personnel expenses	1,185	1,146	236	188	2,590	1,794	947	888	213	186	5,171	4,202
General and administrative expenses	523	517	88	99	534	478	238	246	124	57	1,507	1,397
Depreciation	82	94	6	7	66	80	38	38	111	114	303	333
Amortization of goodwill and other intangible assets	18	19	33	40	73	70	77	87	24	26	225	242
Total operating expenses	1,808	1,776	363	334	3,263	2,422	1,300	1,259	472	383	7,206	6,174
<b>Business Group performance before tax and excluding significant financial events</b>	1,378	1,033	144	44	1,674	777	43	(95)	(150)	(165)	3,089	1,594
Significant financial events	0	0	0	0	0	0	0	0	0	0	0	0
Tax expense											579	313
<b>Net profit before minority interests</b>											2,510	1,281
Minority interests											(87)	(72)
<b>Net profit</b>											2,423	1,209

**Footnotes:** <sup>1</sup> In order to show the relevant Business Group performance over time, adjusted expected credit loss rather than credit loss is reported for all Business Groups. The difference between the adjusted expected credit loss and credit loss recorded at Group level is reported in the Corporate Center (see Note 2 to the Financial Statements). The breakdown by Business Group of the credit loss of CHF 3 million recovery for the quarter ended 31 March 2004 (CHF 69 million expense for the quarter ended 31 March 2003) is as follows: Wealth Management & Business Banking CHF 54 million expense (CHF 64 million expense), Investment Bank CHF 58 million recovery (CHF 5 million expense) and Wealth Management USA CHF 1 million expense (CHF 0 million).

## 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.



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

This quarter, we wrote about our global alternative and quantitative investments business and took a closer look at the corporate advisory group in our wealth management 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.