UBS

Letter to Shareholders Fourth Quarter 2001

14 February 2002

Dear Shareholders,

UBS made significant progress in 2001, successfully integrating UBS PaineWebber, building our European wealth management business and expanding our presence in corporate finance, particularly in the US. Our clients invested substantial net new money through our private client and asset management businesses, and we significantly improved our investment banking market share. It has been a challenging year for us financially, with a difficult market environment depressing trading returns, transaction volumes, and private equity valuations, in stark contrast to the buoyant climate in 2000. Despite the markets, relative operational performance in our core businesses has remained strong and we have benefited from our prudent attitude to risk and careful cost control.

Our net profit for the year 2001 was CHF 4,973 million, 36% less than in 2000. Pre-goodwill, net profit for the year was CHF 6,296 million, 26% lower than we achieved in the much stronger markets of 2000 and 28% lower once we exclude the effect of one-off provisions and restructuring charges in 2000 related to the PaineWebber merger.

Pre-goodwill and adjusted for one-off gains, basic earnings per share fell 32% to CHF 4.97, a level still 21% higher than we achieved in 1999. Return on equity for the year was 14.8%, just below our target range of 15–20% across periods of varying market conditions. Although this is lower than the 24.3% (adjusted for one-off charges) that we achieved in 2000, it represents a solid performance when set against the difficult markets.

On the same basis, the cost/income ratio for the year rose from 69.2% to 77.3%, reflecting lower revenues, the poor performance of our private equity portfolio this year and the influence of the relatively high cost/income ratio typical of UBS PaineWebber's business. Despite this rise, operating expenses remained under tight control, with decreases from 2000 levels in UBS Switzerland's Private Banking and Private and Corporate Clients business units and UBS Warburg's Corporate and Institutional Clients business unit, and a clear reduction through the year in UBS Warburg's Private Clients business unit.

Our disciplined approach to both compensation and non-personnel costs allows us to continue investing in the future growth of our key businesses. The proportion of revenue which we dedicate to rewarding our staff has remained almost unchanged since last year in our most important businesses, reflecting a substantial decrease in bonus payments.

Our asset gathering activities have delivered very strong results this year, with a total of CHF 102 billion in net new money, as clients increasingly value the quality of our advice and the breadth and depth of our wealth management capabilities. Private Banking's net new money for the year was CHF 22.5 billion, an eight-fold increase over 2000, reflecting our single-minded focus on growing this world-leading business. UBS PaineWebber continued its excellent record, generating CHF 36.0 billion in net new money during the year. UBS Asset Management converted the strong relative investment performance it achieved in both 2000 and 2001 into new assets, also achieving net new money of CHF 34.9 billion in 2001. Despite a bad year for the markets, total invested assets were almost unchanged over the year.

Dividend

This year we plan once again to make a tax efficient distribution of capital to our shareholders rather than paying a dividend. The Board of Directors will recommend to the Annual General Meeting on 18 April 2002 that UBS make a par value repayment of CHF 2.00 per share, consistent with last year's total per share distribution to shareholders of CHF 2.03.

Fourth quarter results

Net profit after tax this quarter was CHF 1,106 million, 22% higher than third quarter, driven by lower credit losses, tight control of personnel costs, and lower tax expense. Compared to fourth quarter 2000 net profit was 24% lower, or 32% lower once that quarter is adjusted for one-off charges and provisions, reflecting much weaker markets this year and another difficult quarter for private equity valuations. Pre-goodwill and adjusted for one-off charges and provisions in fourth quarter 2000, basic earnings per share decreased 23% to CHF 1.14 from CHF 1.48 in fourth quarter 2000.

Revenues held up well, down only 3% quarter on quarter, with the private client businesses starting to recover from the very difficult third quarter. Fee and commission income overall grew 4% since third quarter and now stands at 58% of total revenue.

Despite a further 5% decline in operating expenses, to the lowest levels since the PaineWebber merger, the pre-goodwill cost/income ratio rose to 78.7% from 73% in fourth quarter 2000, reflecting depressed transaction revenues, private equity write-downs and the effect of poor equity trading conditions. Performance related compensation for the year has been tailored to the market conditions and our overall financial performance, with personnel expense this quarter 9% lower than last quarter.

Business Group highlights

Fourth quarter produced the Private and Corporate Clients business unit's best ever result, with pre-tax profit of CHF 543 million, up CHF 5 million from last quarter. This achievement capped a very strong year, with profit before tax up 8% compared to 2000, at CHF 2,147 million. The implementation of risk adjusted pricing and the strength of the Swiss economy in 2000 and most of 2001 has led to a significant improvement in credit quality, while operating expenses have remained under tight control, down 5% compared to last year, to a record low.

Private Banking's profit before tax decreased by 2% from third quarter, to CHF 591 million. The investment in our European wealth management initiative continues to generate momentum. We have hired almost 250 new client advisors in 2001, opened new offices around Europe and launched two flagship investment products. Most importantly, clients are responding to our enhanced offering – we have attracted CHF 5.6 billion of net new money in our five target countries this year, increasing invested assets in these countries by 33% since 1 January 2001.

UBS Asset Management's pre-tax profit increased to CHF 67 million in fourth quarter 2001 from CHF 55 million in third quarter. UBS Asset Management also achieved a second straight year of strong relative investment performance, managing three of the top five balanced funds in the UK in 2001. In the US, many of the major strategies finished in or near the top decile of their peer group, posting positive absolute returns, while major indices fell. Clients continued to invest net new assets, with this quarter's inflows reaching CHF 9.2 billion, mainly in mutual funds.

UBS Warburg's Corporate and Institutional Clients business unit delivered a strong performance relative to markets, with pre-tax profit of CHF 954 million for fourth quarter 2001, a 3% reduction from fourth quarter 2000, but 4% ahead of last quarter. Equity trading performance improved from third quarter, but opportunities remained limited compared to the more active markets experienced in 2000. Over the full year pre-tax profit was CHF 4,256 million, a decline of 15% over 2000, which was our best year ever. In corporate finance however, we continued to outperform 2000 in terms of market share, with full year analysis showing us with a 4.5% share of fees, compared to 3.6% in 2000. Costs fell sharply to their lowest ever total.

UBS PaineWebber's revenues remained resilient in fourth quarter, rising 3% to CHF 1,659 million. Continued strong net new money, CHF 9.1 billion this quarter, reflects the strength of our franchise among our core affluent target market.

Enron

Early in 2002, we entered into a licensing agreement with representatives of Enron which will allow UBS Warburg to enter the energy trading business, basing its efforts on Enron's US electricity and natural gas trading operations. Prior to its collapse, Enron was the undisputed leader in this market, with a reputation for trading innovation and the excellence of its technology. The terms of the transaction give Enron an interest in the future income of our new business, but UBS Warburg did not agree to assume any of Enron's past, current or future liabilities.

We see this as a great opportunity for UBS Warburg to leverage its risk management skills and access to UBS's capital strength in a business which is statistically largely uncorrelated to our other trading operations. It will take time to establish ourselves in this business, but we are confident that the combination of core UBS strengths with the technology and staff of the Enron trading business will again prove highly successful.

Wealth Management Board

In December, we announced the creation of a new Wealth Management Board, under the leadership of Joseph J. Grano, Jr., bringing together the leaders of each of our wealth

Annual General Meeting of Shareholders on 18 April 2002, 2.30 p.m. in Basel

You will receive a personal invitation for this meeting with a detailed agenda at least 20 days ahead of the meeting. We are pleased to inform you beforehand about some of the major proposals:

Distribution of capital to shareholders

The Board of Directors proposes a distribution to shareholders of CHF 2 per share in the form of a par value reduction, instead of paying a dividend for 2001. This form of distribution is tax-efficient for shareholders as it is not subject to the normal 35% Swiss withholding tax. Payments will be made on 10 July to shareholders of record on 5 July 2002.

Elections to the Board of Directors

The Board of Directors proposes that Jens Alder, CEO of Swisscom Group, and Ernesto Bertarelli, CEO of Serono International, be newly elected to the Board. Vice Chairman Markus Kündig will step down after the AGM as he has reached the statutory retirement age.

Share repurchase program

The Board of Directors proposes that a new second-line share repurchase program be established for 2002 and that the shares repurchased under the 2001 program be definitively cancelled.

management businesses. The mandate of the Wealth Management Board is to increase coordination between our different wealth management businesses so that our clients can reap the total benefits of UBS's global capabilities.

The main focus of the Wealth Management Board will be the coordination and development of products, marketing strategy, technology and training programs. The Wealth Management Board will share strategies for developing the private client businesses, articulate a single global vision and coordinate its implementation.

Outlook

UBS's core businesses have performed relatively strongly in 2001, demonstrating their ability to enhance market share in a challenging environment. As 2002 begins, markets remain difficult, with uncertainty and volatility continuing to affect transaction levels and corporate activity. In the face of this challenging environment, we will continue to assess our cost base carefully, investing where strategically most important. Our prudent resource management over the last two years means that we do not believe that significant staff reductions are likely to be necessary, unless markets stagnate.

With prospects for an economic recovery receding into the latter part of the year, potential for this year to outperform 2001 is limited. However, our businesses have shown themselves to be increasingly competitive and we are confident that we can continue the progress we have made in the past year, expanding in corporate finance, further developing our European wealth management initiative and ensuring that all the strengths of our integrated group are focused on building the world's leading wealth management and investment banking businesses.

14 February 2002

UBS AG

Marcel Ospel
Chairman

Peter Wuffli
President

Management changes

In mid-December, the Board of Directors announced a number of changes to the senior management of UBS Group. Luqman Arnold, formerly the President of the Group Executive Board left UBS, and was succeeded in that role by Peter Wuffli.
Peter Wuffli's appointment as President of the Group Executive Board is a signal of continuity and will not lead to any change in UBS's strategy, focus, direction or values.

Marcel Ospel

Fourth quarter results

UBS Switzerland

"UBS Switzerland has completed another successful year, with the launch of the European wealth management initiative and very strong progress in asset gathering."
Stephan Haeringer, CEO UBS Switzerland

Record quarterly results in UBS Switzerland's **Private and Corporate Clients** business unit, with pre-tax profit up CHF 5 million from last quarter at CHF 543 million, capped a very strong year, with profit before tax in 2001 up 8% compared to 2000, at CHF 2,147 million. The implementation of risk adjusted pricing and the strength of the Swiss economy in 2000 and most of 2001 has led to a significant increase in credit quality, while operating expenses have remained under tight control, falling 5% compared to last year. Invested assets recovered in fourth quarter, increasing CHF 12 billion to CHF 320 billion, following a decline in third quarter as markets reacted to the aftermath of the terrorist attacks in the US.

The **Private Banking** business unit's net profit before tax decreased by 2% from third quarter, to CHF 591 million. Weaker markets than 2000 and the costs of investing in the European wealth management initiative brought full year pre-tax profits in 2001 down 16% from last year to CHF 2,703 million, despite a continued focus on controlling operating costs.

Despite the difficult market and economic environment, the fourth quarter 2001 saw a net new money inflow of CHF 3.5 billion, down from third quarter, but still exceeding the inflow of CHF 2.8 billion for the entire year 2000. Net new money inflows for full year 2001, at CHF 22.5 billion, demonstrate our success this year in re-energizing our asset-gathering performance.

Invested assets increased by 6% from 30 September 2001 to CHF 682 billion at 31 December 2001, almost regaining the ground lost in third quarter. Over the year from 31 December 2000, invested assets have fallen only 1%, despite the poor performance of securities markets.

UBS Asset Management

"A second straight year of successful relative investment performance provides a strong foundation for continued progress in 2002." John Fraser, CEO UBS Asset Management

UBS Asset Management's pre-tax profit increased to CHF 67 million in fourth quarter 2001 from CHF 55 million in third quarter. Full year pre-tax profit of CHF 231 million was 28% lower than 2000, with higher expenses driven by spending on growth initiatives, the integration of Brinson Advisors and Brinson Canada and premises move costs.

During the fourth quarter, total invested assets at UBS Asset Management increased 8% from CHF 623 billion to CHF 672 billion. For the year, invested assets increased from CHF 642 billion to CHF 672 billion, a 5% increase. Net new money was CHF 9.2 billion for the quarter and CHF 34.9 billion for the year, reflecting our clients' recognition of recent strong relative investment performance.

UBS Warburg

"We have made excellent strategic progress in 2001, with increased market share in corporate finance and the successful merger with UBS PaineWebber."
Markus Granziol, Chairman UBS Warburg

UBS Warburg's **Corporate and Institutional Clients** business unit recorded a strong performance relative to markets, with pre-tax profit of CHF 916 million for fourth quarter 2001, a 3% reduction from the same quarter a year earlier, and up 4% on the third quarter 2001. Equities trading performance improved from third quarter, but opportunities remained limited compared to the more active markets experienced in 2000. Over the full year pre-tax profit was CHF 4,256 million, a decline of 15% over 2000, which was our best year ever.

UBS Capital recorded a pre-tax loss of CHF 287 million in fourth quarter 2001, as challenging markets and the continued slow-down in corporate activity meant that there were no opportunities for significant divestments in fourth quarter. Full year results reflect the very challenging market in 2001, with pre-tax losses for 2001 of CHF 1,032 million compared to pre-tax profits of CHF 173 million in 2000.

Revenues at the **Private Clients** business unit (UBS PaineWebber) remained resilient in fourth quarter, rising 3% to CHF 1,659 million. Continued strong net new money, CHF 9.1 billion this quarter, reflects the strength of our franchise amongst our core affluent target market in the US. For the full year, pre-tax profits were CHF 258 million, a strong result relative to our peers, achieved against a particularly poor market environment, with two successive years of market declines in the US for the first time since the late 1970s.

Significant financial events

There were no significant financial events in 2001, but there were three significant financial events recorded in 2000:

- In second quarter 2000, UBS's previously established liability for the US Global Settlement regarding World War II related claims was increased by CHF 200 million.
- In fourth quarter 2000, this amount was offset by a credit of CHF 50 million pre-tax, as a result of contributions from Swiss industrial companies. Thus the amount recorded for full year 2000 was a charge of CHF 150 million.
- In fourth quarter 2000, we recorded a CHF 290 million pre-tax restructuring charge relating to the integration of former Paine Webber Group, Inc. businesses into UBS.

More detailed financial reporting

A more comprehensive quarterly financial report, giving full commentary on the fourth quarter's results is prepared for investors and analysts. It is available in English from: UBS AG, Economic Information Center, GHDE CA50-AUL, P.O. Box, CH-8098 Zurich, Switzerland.

There is also an interactive version of this detailed report which is available on the internet and includes extra features such as pop-up graphs and downloadable tables. You can find this interactive version on the Investor Relations homepage at www.ubs.com/investors.

UBS

UBS Group Financial Highlights (unaudited)

CHF million, except where indicated	Quarter ended 31.12.01	30.9.01	31.12.00	% change from 3Q01	4Q00	Year ended 31.12.01	31.12.00
Income statement key figures							
Operating income	**8,462**	8,704	9,300	(3)	(9)	37,114	36,402
Operating expenses	**7,082**	7,418	7,364	(5)	(4)	30,396	26,203
Operating profit before tax	**1,380**	1,286	1,936	7	(29)	6,718	10,199
Net profit	**1,106**	903	1,449	22	(24)	4,973	7,792
Cost / income ratio (%)[1]	**82.6**	83.6	78.4			80.8	72.2
Cost / income ratio before goodwill (%)[1, 2]	**78.7**	79.9	75.6			77.3	70.4
Per share data (CHF)							
Basic earnings per share[3]	**0.88**	0.72	1.13	22	(22)	3.93	6.44
Basic earnings per share before goodwill[2, 3]	**1.14**	0.97	1.34	18	(15)	4.97	7.00
Diluted earnings per share[3]	**0.87**	0.65	1.11	34	(22)	3.78	6.35
Diluted earnings per share before goodwill[2, 3]	**1.13**	0.90	1.32	26	(14)	4.81	6.89
Return on shareholders' equity (%)							
Return on shareholders' equity[4]						11.7	21.5
Return on shareholders' equity before goodwill[2, 4]						14.8	23.4

CHF million, except where indicated As at	31.12.01	30.9.01	31.12.00	% change from 30.9.01	31.12.00
Shareholders' equity	**43,530**	43,857	44,833	(1)	(3)
Market capitalization	**105,475**	95,521	112,666	10	(6)
BIS capital ratios					
Tier 1 (%)[5]	**11.6**	11.8	11.7	(2)	(1)
Total BIS (%)	**15.1**	15.5	15.7	(3)	(4)
Risk-weighted assets	**252,742**	257,249	273,290	(2)	(8)
Invested assets (CHF billion)	**2,457**	2,280	2,452	8	0
Headcount (full time equivalents)[6]	**69,985**	70,902	71,076	(1)	(2)
Long-term ratings					
Fitch, London	**AAA**	AAA	AAA		
Moody's, New York	**Aa2**	Aa2	Aa1		
Standard & Poor's, New York	**AA+**	AA+	AA+		

Earnings adjusted for significant financial events and before goodwill[2, 7]

CHF million, except where indicated	Quarter ended 31.12.01	30.9.01	31.12.00	% change from 3Q01	4Q00	Year ended 31.12.01	31.12.00
Operating income	**8,462**	8,704	9,300	(3)	(9)	37,114	36,402
Operating expenses	**6,752**	7,094	6,858	(5)	(2)	29,073	25,096
Operating profit before tax	**1,710**	1,610	2,442	6	(30)	8,041	11,306
Net profit	**1,436**	1,227	1,900	17	(24)	6,296	8,799
Cost / income ratio (%)[1]	**78.7**	79.9	73.0			77.3	69.2
Basic earnings per share (CHF)[3]	**1.14**	0.97	1.48	18	(23)	4.97	7.28
Diluted earnings per share (CHF)[3]	**1.13**	0.90	1.46	26	(23)	4.81	7.17
Return on shareholders' equity (%)[4]						14.8	24.3

[1] Operating expenses / operating income before credit loss expense. [2] Excludes the amortization of goodwill and other intangible assets. [3] For EPS calculation, see Note 9 to the Financial Statements. [4] Net profit / average shareholders' equity excluding dividends. [5] Includes hybrid tier 1 capital, please refer to the BIS capital and ratios table in the Group Review. [6] The Group headcount does not include the Klinik Hirslanden AG headcount of 2,450, 2,150 and 1,839 for 31 December 2001, 30 September 2001 and 31 December 2000, respectively. [7] Details of significant financial events can be found in the Group Review.

All share and earnings per share figures have been adjusted for the 3 for 1 share split which took place on 16 July 2001.
All invested assets figures for 31 December 2000 have been restated to reflect the new definition.

UBS Group Income Statement (unaudited)

	Quarter ended			% change from		Year ended	
CHF million, except per share data	**31.12.01**	30.9.01	31.12.00	3Q01	4Q00	31.12.01	31.12.00
Operating income							
Interest income	**10,326**	13,606	15,186	(24)	(32)	52,277	51,745
Interest expense	**(7,705)**	(11,876)	(13,213)	(35)	(42)	(44,236)	(43,615)
Net interest income	**2,621**	1,730	1,973	52	33	8,041	8,130
Credit loss expense / recovery	**(115)**	(171)	(95)	(33)	21	(498)	130
Net interest income after credit loss expense / recovery	**2,506**	1,559	1,878	61	33	7,543	8,260
Net fee and commission income	**4,964**	4,783	5,003	4	(1)	20,211	16,703
Net trading income	**924**	2,160	1,916	(57)	(52)	8,802	9,953
Other income	**68**	202	503	(66)	(86)	558	1,486
Total operating income	**8,462**	8,704	9,300	(3)	(9)	37,114	36,402
Operating expenses							
Personnel expenses	**4,404**	4,852	4,424	(9)	0	19,828	17,163
General and administrative expenses	**1,934**	1,846	2,088	5	(7)	7,631	6,765
Depreciation of property and equipment	**414**	396	586	5	(29)	1,614	1,608
Amortization of goodwill and other intangible assets	**330**	324	266	2	24	1,323	667
Total operating expenses	**7,082**	7,418	7,364	(5)	(4)	30,396	26,203
Operating profit before tax and minority interests	**1,380**	1,286	1,936	7	(29)	6,718	10,199
Tax expense	**173**	296	442	(42)	(61)	1,401	2,320
Net profit before minority interests	**1,207**	990	1,494	22	(19)	5,317	7,879
Minority interests	**(101)**	(87)	(45)	16	124	(344)	(87)
Net profit	**1,106**	903	1,449	22	(24)	4,973	7,792
Basic earnings per share (CHF)[1]	**0.88**	0.72	1.13	22	(22)	3.93	6.44
Basic earnings per share before goodwill (CHF)[1, 2]	**1.14**	0.97	1.34	18	(15)	4.97	7.00
Diluted earnings per share (CHF)[1]	**0.87**	0.65	1.11	34	(22)	3.78	6.35
Diluted earnings per share before goodwill (CHF)[1, 2]	**1.13**	0.90	1.32	26	(14)	4.81	6.89

[1] All earnings per share figures have been adjusted for the 3 for 1 share split which took place on 16 July 2001. [2] Excludes the amortization of goodwill and other intangible assets.

Reporting by Business Group[1]

CHF million	UBS Switzerland		UBS Asset Management		UBS Warburg		Corporate Center		UBS Group	
For the quarter ended	**31.12.01**	31.12.00	**31.12.01**	31.12.00	**31.12.01**	31.12.00	**31.12.01**	31.12.00	**31.12.01**	31.12.00
Income	**3,248**	3,556	**543**	488	**4,570**	5,067	**216**	284	**8,577**	9,395
Credit loss expense / recovery[2]	**(128)**	(178)	**0**	0	**(42)**	(83)	**55**	166	**(115)**	(95)
Total operating income	**3,120**	3,378	**543**	488	**4,528**	4,984	**271**	450	**8,462**	9,300
Personnel expenses	**1,125**	1,207	**222**	234	**2,830**	2,764	**227**	101	**4,404**	4,306
General and administrative expenses	**689**	778	**170**	138	**1,051**	1,122	**24**	7	**1,934**	2,045
Depreciation	**162**	188	**16**	15	**143**	197	**93**	107	**414**	507
Amortization of goodwill and other intangible assets	**10**	12	**68**	65	**248**	178	**4**	11	**330**	266
Total operating expenses	**1,986**	2,185	**476**	452	**4,272**	4,261	**348**	226	**7,082**	7,124
Business unit performance before tax and excluding significant financial events	**1,134**	**1,193**	**67**	**36**	**256**	**723**	**(77)**	**224**	**1,380**	**2,176**
Significant financial events	**0**	(152)	**0**	0	**0**	(106)	**0**	18	**0**	(240)
Tax expense									**173**	442
Net profit before minority interests									**1,207**	**1,494**
Minority interests									**(101)**	(45)
Net profit									**1,106**	**1,449**

[1] Fourth quarter 2000 has been restated to reflect the business structure of the Group at 1 January 2001. [2] In management accounts, statistically derived adjusted expected credit loss rather than the IAS actual net credit loss expense is reported for each Business Group. The breakdown by Business Group of the net credit loss expense for financial reporting purposes of CHF 115 million for the quarter ended 31 December 2001 (CHF 95 million expense for the quarter ended 31 December 2000) is as follows: UBS Switzerland CHF 88 million expense (CHF 152 million recovery), UBS Warburg CHF 27 million expense (CHF 247 million expense).