UBS

Financial Services Group

Letter to Shareholders Fourth Quarter 2000 Report

22 February 2001

Dear Shareholders

UBS has had an excellent year, making real progress towards our strategic vision of a globally integrated investment services firm advising a premier client base and culminating in the merger with PaineWebber. Our net profit for the year 2000 was CHF 7,792 million. Adjusted for restructuring and one-off charges and provisions, net profit for the year rose 74% over 1999, to CHF 8,132 million. This growth reflects our increasingly distinct positioning and the skills and dedication of all our staff. In a difficult year for equity markets, we were delighted to see our share price gain 23% over twelve months.

Adjusted for significant financial events and pre-goodwill, our return on equity for the year increased to 24.3% from 18.2% in 1999. On the same basis, earnings per share increased by 76%, from CHF 12.37 in 1999 to CHF 21.83 in 2000, and the cost/income ratio fell from 73.3% to 69.2%. Assets under management increased by CHF 725 billion to CHF 2,469 billion, boosted by the inclusion of PaineWebber which more than offset the effect of weaker equity markets in the latter part of the year.

Revenues were highest during the first quarter of the year, when the unprecedentedly active markets provided plentiful opportunities for ourselves and for our clients. But with every quarter this year showing adjusted earnings per share better than 1999's best quarter, and substantial year-on-year revenue growth in all our major business groups, we have also demonstrated the resilience and quality of our earnings, across varied market conditions.

Fourth-quarter results

Net profit in the fourth quarter was CHF 1,449 million, 36% higher than in fourth quarter 1999, but 30% below the third quarter's level, reflecting the seasonal slow-down in our market-related businesses, the impact of the PaineWebber-related restructuring charges and the goodwill and funding costs arising from the PaineWebber acquisition. Adjusted for significant financial events, net profit increased 54% from fourth quarter 1999 to CHF 1,634 million. Excluding the estimated impact of the PaineWebber merger, UBS's underlying net profit adjusted for significant financial events would have fallen only 8% from the third quarter, an excellent result considering the less favourable market conditions.

Again adjusted for significant financial events and pre goodwill, fourth quarter basic earnings per share were CHF 4.45, and the cost/income ratio was 73.0%, down from 79.9% in fourth quarter 1999.

Fourth-quarter strategic initiatives

The integration of PaineWebber has been completed very smoothly, with the capital markets business completely merged into our Corporate and Institutional Clients business unit, and the US private client business of UBS Warburg fully integrated into PaineWebber's management structure. In January, the Group Executive Board welcomed Joseph J. Grano, the President and Chief Executive Officer of PaineWebber, as its newest member.

The reception of the merger among PaineWebber staff has exceeded even our expectations, with negligible staff turnover. We now have an enviable platform in the US, employing 27,607 people, or almost 39% of our worldwide total.

With the launch of UBS Fund Solutions in December 2000, we took another important step forward in our move to an open product architecture. Our role as trusted advisor to our clients demands that we supplement UBS products with a screened selection of the best on offer outside UBS. PaineWebber has led the way with this approach in the US, with notable success, and we are convinced that we can translate that experience into all our private client businesses.

Outlook

The year 2000 was an outstanding one for UBS, and a good one overall for the markets. As we move into 2001, the prospects for markets and for the international credit environment are particularly difficult to predict. The recent upswing in the cycle in Switzerland does, however, afford us some protection.

We believe that our credit business is well positioned, thanks to our avoidance of balance-sheet-led earnings growth, although we do not expect to see the credit loss write-backs we experienced this year. UBS Asset Management is cautiously optimistic about prospects for growth as its core price / value investment style demonstrates its strengths in less bullish markets, and UBS Warburg has already demonstrated the quality and sustainability of its earnings in the less positive conditions of the second half of 2000.

The biggest opportunity for UBS this year lies in realizing the full transforming value of the PaineWebber merger, not only in the US, but through leveraging the marketing and client skills, product innovation and energy of our new partners to build the best wealth management firm in the world.

Sincerely

UBS AG

Alex Krauer
Chairman of the Board of Directors

Marcel Ospel
Group Chief Executive Officer

Ordinary Annual General Meeting of Shareholders on 26 April 2001, 2.30 p.m. in Zurich

You will receive a personal invitation for this meeting with a detailed agenda by the end of March. 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 1.60 per share in the form of a par value reduction, instead of paying a dividend for the fourth quarter of 2000. This form of distribution is tax-efficient for shareholders as it is not subject to the ordinary 35% Swiss withholding tax. Payments will be made to shareholders on 18 July 2001. A partial dividend of CHF 4.50 per share was paid in October 2000 in respect of the first three quarters of 2000 as part of the arrangements for the merger with PaineWebber.

Adjustment of capital after settlement of the PaineWebber transaction
The Board of Directors proposes that the remaining CHF 260 million of authorized capital not used in the transaction be eliminated from the Articles of Association and that the conditional capital approved by shareholders for PaineWebber employee stock ownership plans be reduced to CHF 107 million, actually required.

Share split
The Board of Directors proposes to take advantage of the new regulations in Switzerland, likely to come into force on 1 May 2001, which will allow companies to reduce the par value of their shares below the current minimum level of CHF 10. The Board proposes a 3-for-1 split, which - together with the proposed payback on par value - will bring the par value of UBS registered shares down to CHF 2.80.

Elections to the Board of Directors
The Board of Directors proposes that Sir Peter Davis, Johannes Antonie de Gier, Marcel Ospel and Lawrence Allen Weinbach be newly elected to the Board. It will appoint Marcel Ospel as its Chairman following his election. Alex Krauer, Chairman, and Andreas Reinhart have announced their intention to step down from their office.

Comments on fourth-quarter results

Significant financial events

There were two significant financial events in the fourth quarter: Previously established liability for the US Global Settlement regarding World War II related claims was offset by CHF 50 million pre-tax, as a result of contributions from Swiss industrial companies. A CHF 290 million pre-tax restructuring charge relating to the integration of PaineWebber was recorded. There were no significant financial events in third quarter 2000, and in fourth quarter 1999 a number of significant financial events resulted in a net credit of CHF 14 million.

Review of business group activities

UBS Switzerland reported net profit before tax of CHF 1,326 million, CHF 25 million less than in the third quarter, but up 29% from fourth quarter 1999. Full-year profit before tax in 2000 was CHF 5,675 million, up 35% over 1999.

Private and Corporate Clients' pre-tax profit for the fourth quarter increased 10% from the third quarter, to CHF 511 million. Record pre-tax profit for the year of CHF 1,993 million was an increase of 57% over 1999, clearly demonstrating the substantial benefits of the merger between UBS and SBC for the combined domestic banking franchise. Operating income of CHF 1,684 million was CHF 75 million higher than in the third quarter, mainly due to higher interest income, which benefited from increased margins. Total operating expenses rose 2% over the third quarter, to CHF 1,173 million. Personnel expenses fell slightly, reflecting lower headcount, but general and administrative expenses rose, mainly as a result of increased IT costs. Headcount declined by nearly 3,000 over the year, to 21,100. Assets under management, at CHF 440 billion, remained almost unchanged.

The *Private Banking* division's CHF 815 million fourth-quarter pre-tax profit was CHF 72 million or 8% lower than in the third quarter. Full-year performance, with pre-tax profits up 25% to CHF 3,682 million, reflects strong markets in the early part of the year and the margin-enhancing benefits of introducing more added-value products. Operating income of CHF 1,635 million was 1% higher than in the third quarter. Total operating expenses of CHF 820 million were 12% more than in the third quarter. Personnel expenses decreased 5% compared to the third quarter, primarily due to lower performance-related compensation. This cost reduction was, however, offset by an increase of 30% in general and administrative expenses, mainly due to higher IT project and infrastructure-related costs, as well as expenses relating to the fourth-quarter launch of our global brand campaign. Headcount at year-end 2000 was 7,685, 429 more than a year earlier. Assets under management decreased slightly during the fourth quarter due to weak equity markets and the fall of the USD against the CHF. Some 40% of Private Banking's assets under management are USD-denominated. Since the end of 1999, assets under management have increased by CHF 10 billion to CHF 681 billion.

UBS Asset Management reported pre-tax profits of CHF 36 million for the fourth quarter. The increase in costs reflects continued investments in third-party distribution and strategic growth initiatives. Over the full year, assets under management decreased by CHF 76 billion to CHF 522 billion, due to client losses in the institutional business, particularly in the earlier part of the year, but also as a result of the fall of the dollar, yen and pound against the CHF and generally retreating equity markets in the fourth quarter.

UBS Warburg business group reported record net profit before tax of CHF 4,258 million for full-year 2000, up 120% over the previous year, despite the impact of the integration of PaineWebber.

Corporate and Institutional Clients have again been operating very successfully, with net profit before taxes of CHF 948 million in the fourth quarter, up 167% over fourth quarter 1999. Pre-tax profits for the full year have increased 134% from 1999, to CHF 5,023 million. Total operating income at CHF 3,728 million was 40% higher in fourth quarter 2000 compared to fourth quarter 1999. Equities revenues during fourth quarter 2000 were somewhat lower than in the third quarter, but remained strong compared to prior years. Fixed income also recorded slightly lower revenues, although significantly higher than in fourth quarter 1999. Corporate Finance performed excellently. Personnel expenses were up 26% from the same quarter of 1999, to CHF 1,729 million, reflecting increased performance-related compensation. Headcount at year-end was 15,262, 20% higher than one year earlier. 1,623 staff joined from PaineWebber Capital Markets businesses.

UBS Capital reported a pre-tax profit of CHF 56 million for the fourth quarter, compared to CHF 46 million in the third quarter. Realized gains from sales of investments led to a strong increase in both operating income and expenses. Bonuses are accrued when an investment is sucessfully exited, so personnel expenses move in line with divestments.

The new business unit *US Private Clients*, which roughly encompasses the former private clients business of PaineWebber, reported a loss of CHF 19 million for the two months since its integration, due to retention payments related to the merger. Operating income of CHF 1,225 million compares to personnel expenses of CHF 955 million, including CHF 117 million of retention payments, and general and administrative expenses of CHF 258 million. Headcount at year-end was 21,490. At the end of the year, US Private Clients had CHF 794 billion of assets under management.

The two business units *Private Clients* and *e-services* will operate as a single unit under the name of International Private Clients going forward. In view of the redesign of the business, which takes benefit from PaineWebber's experience in this field, restructuring costs of CHF 152 million were charged to the e-services business unit, mainly for infrastructure and IT write-offs.

Development in principal Group income and expense items

Net interest income before credit loss expense was 13% more than in fourth quarter 1999 at CHF 1,973 million. Comparisons to fourth quarter 1999 principally reflect the cautious trading environment in the run-up to the millennium, with trading-related net interest income up strongly from fourth quarter 1999. Over the full year, net interest income increased 38% to CHF 8,130 million, principally driven by the much stronger trading-related performance.

During fourth quarter 2000, aggregate credit loss expenses amounted to CHF 95 million, which compares to a net write-back of CHF 142 million in the third quarter. For the full year 2000, net write-backs and recoveries of CHF 130 million were recorded, compared to net credit loss expenses of CHF 956 million in 1999.

Net fee and commission income was CHF 5,003 million in fourth quarter 2000, up 49% compared to fourth quarter 1999. CHF 949 million of this increase came from PaineWebber, the remainder mainly reflects strong performance in Corporate Finance and primary markets, and the contribution from the two new businesses, O'Connor and GAM. Full-year fee and commission income was 32% up from the previous year, at CHF 16,703 million.

Net trading income fell 19% from third quarter 2000 to CHF 1,916 million in the fourth quarter, but was up 65% compared to the same quarter of 1999. Over the whole year, net trading income increased 29% to CHF 9,953 million as a result of increased global market activity, especially in the first few months of the year, and the continued strength of UBS Warburg's secondary client franchise.

Personnel expenses at CHF 4,424 million were 67% higher than in fourth quarter 1999, as a result of increased bonus expense, the inclusion of PaineWebber and CHF 128 million of PaineWebber staff retention payments. For the full year, personnel expenses amounted to CHF 17,163 million, 36% more than in 1999.

General and administrative expenses fell 10% compared to fourth quarter 1999, to total CHF 2,088 million. On a full-year basis, general and administrative expenses rose 11%, to CHF 6,765 million, partly as a result of the integration of PaineWebber.

A detailed report is available in English on the internet (www.ubs.com/investor-relations). It can also be obtained in printed form from: UBS AG, RM0W-ISU, P.O. Box, CH-8098 Zurich.

Cautionary statement regarding forward-looking statements
This communication contains statements that constitute "forward-looking statements", including, without limitation, statements relating to the implementation of strategic initiatives, including the implementation of new European wealth management strategy and the implementation of a new business model for UBS Capital, 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, (6) legislative developments and (7) other key factors that we have indicated could adversely affect our business and financial performance which are contained in our past and future filings and reports, including those with the SEC.
More detailed information about those factors is set forth in documents furnished by UBS and filings made by UBS with the SEC. 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.

UBS

Financial Services Group

UBS Group Financial Highlights

CHF million, except where indicated	Quarter ended 31.12.00	30.9.00	31.12.99[1]	% change from 3Q00	4Q99	Year ended 31.12.00	31.12.99[1]
Income statement key figures							
Operating income	**9,300**	8,545	6,789	9	37	36,402	28,425
Operating expenses	**7,364**	5,842	5,540	26	33	26,203	20,532
Operating profit before tax	**1,936**	2,703	1,249	(28)	55	10,199	7,893
Net profit	**1,449**	2,075	1,069	(30)	36	7,792	6,153
Cost / income ratio (%)[2]	**78.4**	69.5	81.1			72.2	69.9
Cost / income ratio before goodwill amortization (%)[2, 3]	**75.6**	68.0	79.8			70.4	68.7
Per share data (CHF)							
Basic earnings per share[6]	**3.39**	5.15	2.69	(34)	26	19.33	15.20
Basic earnings per share before goodwill[3, 6]	**4.02**	5.46	2.92	(26)	38	20.99	16.04
Diluted earnings per share[6]	**3.34**	5.09	2.66	(34)	26	19.04	15.07
Diluted earnings per share before goodwill[3, 6]	**3.95**	5.40	2.88	(27)	37	20.67	15.90
Return on shareholders' equity (%)							
Return on shareholders' equity[4]						21.5	22.4
Return on shareholders' equity before goodwill[3, 4]						23.4	23.6

As of	31.12.00	30.9.00	31.12.99[1]	% change from 30.9.00	31.12.99
Capitalization					
Shareholders' equity	**44,833**	36,928	30,608	21	46
Market capitalization	**112,666**	95,053	92,642	19	22
BIS capital ratios					
Tier 1 (%)	**11.7**	11.7	10.6		
Total BIS (%)	**15.7**	15.4	14.5		
Total assets under management (CHF billion)	**2,469**	1,746	1,744	41	42
Headcount (full time equivalents)[5]	**71,076**	48,099	49,058	48	45
Long-term ratings					
Moody's, New York	**Aa1**	Aa1	Aa1		
Fitch/IBCA, London	**AAA**	AAA	AAA		
Standard & Poor's, New York	**AA+**	AA+	AA+		

Earnings adjusted for significant financial events

CHF million	Quarter ended 31.12.00	30.9.00	31.12.99[1]	% change from 3Q00	4Q99	Year-to-date 31.12.00	31.12.99[1]
Operating income	**9,300**	8,545	6,777	9	37	36,402	26,587
Operating expenses	**7,124**	5,842	5,542	22	29	25,763	20,534
Operating profit before tax	**2,176**	2,703	1,235	(19)	76	10,639	6,053
Net profit	**1,634**	2,075	1,059	(21)	54	8,132	4,665
Cost / income ratio before goodwill (%)[2, 3]	**73.0**	68.0	79.9			69.2	73.3
Basic earnings per share before goodwill (CHF)[3, 6]	**4.45**	5.46	2.89	(18)	54	21.83	12.37
Diluted earnings per share before goodwill (CHF)[3, 6]	**4.38**	5.40	2.86	(19)	53	21.50	12.26
Return on shareholders' equity before goodwill (%)[3, 4]						24.3	18.2

[1] The 1999 figures have been restated to reflect retroactive changes in accounting policy arising from newly applicable International Accounting Standards and changes in presentation. [2] Operating expenses / operating income before credit loss expense. [3] The amortization of goodwill and other intangible assets are excluded from the calculation. [4] Net profit / average shareholders' equity excluding dividends. [5] The Group headcount does not include the Klinik Hirslanden AG headcount of 1,839, 1,859 and 1,853 for 31 December 2000, 30 September 2000 and 31 December 1999, respectively. [6] 1999 share figures are restated for the two-for-one share split, effective 8 May 2000.

UBS Group Income Statement

CHF million	Quarter ended **31.12.00**	Quarter ended 30.9.00	Quarter ended 31.12.99[1]	% change from 3Q00	% change from 4Q99	Year ended 31.12.00	Year ended 31.12.99[1]
Operating income							
Interest income	**15,186**	12,480	9,958	22	53	51,745	35,604
Interest expense	**(13,213)**	(10,649)	(8,215)	(24)	(61)	(43,615)	(29,695)
Net interest income	**1,973**	1,831	1,743	8	13	8,130	5,909
Credit loss expense/recovery	**(95)**	142	(46)	–	–	130	(956)
Net interest income after credit loss expense/recovery	**1,878**	1,973	1,697	(5)	11	8,260	4,953
Net fee and commission income	**5,003**	3,865	3,357	29	49	16,703	12,607
Net trading income	**1,916**	2,368	1,162	(19)	65	9,953	7,719
Net gains from disposal of associates and subsidiaries	**60**	0	49		22	83	1,821
Other income	**443**	339	524	31	(15)	1,403	1,325
Total operating income	**9,300**	8,545	6,789	9	37	36,402	28,425
Operating expenses							
Personnel	**4,424**	3,863	2,654	15	67	17,163	12,577
General and administrative	**2,088**	1,503	2,319	39	(10)	6,765	6,098
Depreciation and amortization	**852**	476	567	79	50	2,275	1,857
Total operating expenses	**7,364**	5,842	5,540	26	33	26,203	20,532
Operating profit before tax and minority interests	**1,936**	2,703	1,249	(28)	55	10,199	7,893
Tax expense	**442**	621	161	(29)	175	2,320	1,686
Net profit before minority interests	**1,494**	2,082	1,088	(28)	37	7,879	6,207
Minority interests	**(45)**	(7)	(19)	(543)	(137)	(87)	(54)
Net profit	**1,449**	2,075	1,069	(30)	36	7,792	6,153

[1] The 1999 figures have been restated to reflect retroactive changes in accounting policy arising from newly applicable International Accounting Standards and changes in presentation.

Reporting by Business Group[1]

CHF million	UBS Switzerland		UBS Asset Management		UBS Warburg		Corporate Center		UBS Group	
For the quarter ended	**31.12.00**	31.12.99[2]	**31.12.00**	31.12.99[2]	**31.12.00**	31.12.99[2]	**31.12.00**	31.12.99[2]	**31.12.00**	31.12.99[2]
Income	**3,497**	3,179	**488**	356	**5,126**	2,883	**284**	405	**9,395**	6,823
Credit loss expense[3]	**(178)**	(225)	**0**	0	**(83)**	(93)	**166**	272	**(95)**	(46)
Total operating income	**3,319**	2,954	**488**	356	**5,043**	2,790	**450**	677	**9,300**	6,777
Personnel expenses	**1,125**	1,152	**234**	110	**2,846**	1,492	**101**	356	**4,306**	3,110
General and administrative expenses	**694**	621	**138**	73	**1,206**	843	**7**	328	**2,045**	1,865
Depreciation	**164**	145	**15**	10	**221**	171	**107**	153	**507**	479
Amortization of goodwill and other intangible assets	**10**	5	**65**	30	**180**	36	**11**	17	**266**	88
Total operating expenses	**1,993**	1,923	**452**	223	**4,453**	2,542	**226**	854	**7,124**	5,542
Business group performance before tax	**1,326**	1,031	**36**	133	**590**	248	**224**	(177)	**2,176**	1,235
Tax expense									**497**	157
Net profit before minority interests									**1,679**	1,078
Minority interests									**(45)**	(19)
Net profit									**1,634**	1,059

[1] Figures have been adjusted for Significant Financial Events. The quarter ended 31 December 2000 Personnel, General and administrative expenses and Depreciation for UBS Warburg have been adjusted for PaineWebber integration costs of CHF 86 million, CHF 93 million and CHF 79 million respectively. The following figures have been adjusted for Corporate Center: The quarter ended 31 December 1999 income has been adjusted for income of CHF 12 million relating to LTCM. The quarter ended 31 December 2000 Personnel expenses have been adjusted for PaineWebber integration costs of CHF 32 million. The quarter ended 31 December 2000 General and administrative expenses have been adjusted by CHF 50 million for the reduction in the provision relating to the US Global Settlement. The quarter ended 31 December 1999 Personnel expenses have been adjusted for CHF 456 million for the Pension Fund Accounting Credit. The quarter ended 31 December 1999 General and administrative expenses have been adjusted by CHF 300 million for the UBS/SBC Restructuring Provision and CHF 154 million for the increase in the provision for the US Global Settlement. [2] The 1999 figures have been restated to reflect retroactive changes in accounting policy and changes in presentation. [3] In order to show the relevant Business Group performance over time, adjusted expected loss figures rather than the net credit loss expense are reported for all Business Groups. The statistically derived adjusted expected losses reflect the inherent counterparty and country risks in the respective portfolios. The difference between the statistically derived adjusted expected loss figures to the net credit loss expenses for financial reporting purposes is reported in the Corporate Center. The breakdown by Business Groups of the net credit loss expense for financial reporting purposes of CHF (95) million for the 3-month period ended 31 December 2000 is as follows: UBS Switzerland CHF 152 million and UBS Warburg CHF (247) million. The breakdown of the net credit loss expense for financial reporting purposes of CHF (46) million for the quarter ended 31 December 1999 is as follows: UBS Switzerland CHF (78), UBS Warburg CHF 24 million and Corporate Center CHF 8 million.