

Letter to Shareholders

Second Quarter 2002

13 August 2002

Dear Shareholders,

During the second quarter, extensive uncertainty about global economic growth prospects continued to challenge the financial industry as a whole. Equity markets underwent a considerable correction, as investor confidence was undermined by a succession of negative events.

Against this background, our key businesses reported resilient performance and sustained profitability, offsetting the market-related decline in revenue with strict management of costs. Group net profit in second quarter 2002 was CHF 1,331 million, down 4% from the second quarter a year earlier and 2% lower than in the first quarter. Pre-goodwill, profit was CHF 1,633 million, 5% less than the same quarter a year earlier and 4% higher than the first quarter result, once adjusted for the disposal of Hyposwiss.

Operating income, at CHF 9,008 million, fell 9% from a year earlier and was 6% lower than the first quarter. Adjusted for Hyposwiss, it was 5% lower, with UBS Capital continuing to record disappointing losses through deteriorating valuations and a shortage of viable exit opportunities. Our personnel expenses dropped 10% from both the second quarter last year and first quarter 2002, reflecting lower performance-related compensation. General and administrative expenses were down 8% from the second quarter a year earlier, but rose 7% from the first quarter.

Our cautious attitude towards risk has helped us to limit exposure to the worst of the financial market's recent defaults. Credit losses have in fact declined compared to the same period in 2001 despite the generally deteriorating credit environment.

Adjusted for the first quarter disposal of Hyposwiss and pre-goodwill, the Group's annualized return on equity in first half 2002 was 15.6%, within our target range of 15–20%. On the same basis, basic earnings per share (EPS) were CHF 1.33 in second quarter 2002, down 3% from the CHF 1.37 reported a year earlier. Our share buyback programs, designed to make efficient use of our capital, have helped enhance EPS considerably. Since the start of the programs in 2000, we have bought back shares worth CHF 9.1 billion or 9.9% of shares outstanding.

Net new money for our private client units was CHF 4.9 billion in the second quarter. The positive inflows in our private client businesses once again demonstrated the trust of our wealthy clients. Private Banking showed a strong net

inflow of CHF 3.5 billion, despite a CHF 3.8 billion net outflow due to the Italian tax amnesty ('scudo fiscale'). As in the first quarter, we managed to retain almost half of the flow-back to Italy within our own domestic private banking operations. In an extremely difficult environment in the US private client market, UBS PaineWebber continued to attract net new money with an inflow of CHF 1.4 billion.

The Group's performance in the second quarter also showed the progress we are making in growing our existing businesses using our own resources. Our two most important strategic initiatives continue to enjoy success. The European wealth management initiative, showing its highest revenues since inception, continues to expand its franchise. We also improved our share of the US investment banking market to 3.7%, from 3.4% a year ago.

The current environment highlights the importance of a solid and stable financial structure. Our capital base and cash generation capabilities remain strong, with our BIS Tier 1 ratio, at 11.8%, among the highest in the industry.

Business Group highlights

Our Swiss domestic business continued to benefit from another quarter of disciplined cost management. The Private and Corporate Clients business unit's cost/income ratio remained at the record low level seen in the first quarter, helping it achieve its second best result to date. Pre-tax profit stood at CHF 690 million, only 2% lower than the record performance in the first quarter and 25% higher than the second quarter of last year.

The Private Banking business unit continued to show asset gathering strength, with strong net new money inflows despite the Italian tax amnesty. Without the impact of the tax amnesty, Private Banking would have reported net new money of CHF 7.3 billion. Net new money and income from our European wealth management initiative continued to rise, demonstrating the strategic rationale of having a domestic presence in important markets. Gross margins in Private Banking improved slightly to 94 basis points on invested assets.

UBS Global Asset Management reported another quarter with a strong investment performance and positive flows of net new money from institutional investors in second quarter 2002. The Business Group also continued to expand ties to third party wholesale intermediaries in the US while launching a series of new products in the UK retail market.

At UBS Warburg's Corporate and Institutional Clients unit, performance in the second quarter highlighted the strength of its revenue base and the sustainability of its client franchise despite the prevailing market environment, as well as its ability to manage costs. Performance in equities was resilient despite difficult markets, while fixed income and foreign exchange businesses maintained a high level of revenues. The pre-goodwill cost/income ratio, at 72%, was slightly below a year earlier, and down 2 percentage points from the first quarter. The compensation ratio was unchanged from a year earlier while falling 4 percentage points from the first quarter.

UBS PaineWebber maintained its focus on managing costs. As profitability recovered, the pre-goodwill cost/income ratio before acquisition costs fell below 90% because of a strict focus on both staffing levels and non-personnel expenses.

Outlook

UBS's financial results have remained strong, with our diverse range of businesses, our avoidance of risk concentration

and cost elasticity the critical factors driving performance. The prospects for a meaningful global economic recovery in the latter part of the year have receded. The equity market turbulence of recent weeks may also result in further damage to investor confidence. Therefore, we do not expect results in 2002 to reach those of 2001.

13 August 2002

UBS AG



Marcel Ospel
Chairman



Peter Wuffli
President

Second Quarter Results

UBS Switzerland

The *Private and Corporate Clients* unit achieved another excellent result in the second quarter. Pre-tax profit was CHF 690 million, down 2% from the record result in first quarter 2002. Continued strict cost control offset the impact of the adverse market environment on revenues. Lower interest and fee income prompted second quarter operating income to fall to CHF 1,614 million, down 3% from the first quarter.

Credit loss expense fell 11% from the first quarter, underlining a further improvement in the quality of the Swiss loan portfolio while costs and headcount fell to all-time lows. The cost/income ratio remained unchanged at 55%.

Private Banking's pre-tax profit was CHF 574 million, down 4% from the first quarter of this year. Operating income, at CHF 1,562 million, fell 2% from the first quarter on lower asset-based revenues, which also fell 2%. Asset-based revenues represented 71% of total income in the second quarter. The gross margin increased slightly to 94 basis points.

Net new money in the quarter totaled CHF 3.5 billion, an increase of CHF 0.9 billion from the first quarter – an encouraging result considering the difficult market environment and outflows due to the Italian tax amnesty. Total amnesty-related flowback to Italy was CHF 6.8 billion in the second quarter, although UBS was again able to retain almost half of these funds (CHF 3.0 billion) within its Italian domestic private banking operations. The European wealth management initiative continues to grow and expand. Income rose 14% to CHF 49 million from the first quarter, while net new money was CHF 1.8 billion, up by CHF 0.5 billion.

From the third quarter of this year, the UBS Switzerland Business Group will, as previously announced, become UBS Wealth Management & Business Banking. The new name has been effective since 1 July. UBS will continue to show the Business Group's private banking activities separately from its retail and corporate banking businesses. In addition, separate revenue data and key performance indicators will be disclosed for the International Clients and Swiss Clients segments of the Private Banking business.

UBS Global Asset Management

UBS Global Asset Management reported pre-tax profit of CHF 59 million in second quarter 2002. The drop of 21% from the previous quarter was primarily due to the drop in market values of invested assets, resulting in lower management fees and lower performance fees. A continued sharp focus on managing costs prompted second quarter operating expenses to fall to CHF 432 million, down 10% from the first quarter.

Because of currency movements and significant financial market declines, total invested assets decreased to CHF 612 billion at end-June 2002 from CHF 677 billion at end-

March. The Institutional business recorded positive inflows of CHF 1.8 billion, with strong inflows in equity mandates, particularly in Asia Pacific and the Americas. The Wholesale Intermediary business (previously classified as Mutual Funds) saw net outflows of CHF 4.9 billion this quarter because of outflows from money market funds, which were partially offset by inflows in higher margin equity and alternative GAM funds.

Despite an extremely difficult equity market environment in the second quarter, UBS Global Asset Management strengthened its relative investment performance.

UBS Warburg

UBS Warburg's *Corporate and Institutional Clients* business recorded a solid result in second quarter 2002, with net profit before tax of CHF 938 million, 8% lower than the same period last year and 2% lower than first quarter 2002. Operating income was CHF 3,778 million in the second quarter, dropping 11% from second quarter 2001 and 9% from first quarter 2002. A resilient performance in the fixed income and foreign exchange business partially offset the impact of lower levels of corporate activity and the difficult conditions in equity markets.

Personnel expenses fell 10% compared to the second quarter of last year and were down 15% from the first quarter of this year. This was mainly due to lower revenues, which prompted a corresponding fall in accruals made for performance-related compensation. General and administrative expenses declined 17% from the same period last year, reflecting the success of cost management initiatives.

UBS Warburg grew its US investment banking market share to 3.7% at end-June from the 3.4% recorded for 2001. Strong momentum in the key US market, disciplined risk management and overall business strength helped UBS Warburg to win one of the industry's leading accolades – "Best Investment Bank" in the Euromoney Awards for Excellence.

UBS Capital recorded a pre-tax loss of CHF 519 million in second quarter, CHF 167 million more than the second quarter a year ago. The widened loss reflects tough economic conditions for companies in the portfolio and the restrictive environment for divestments. Writedowns totaled CHF 513 million and were made across the portfolio.

UBS Capital will continue to focus on managing down the portfolio, maximizing returns, and capitalizing on exit opportunities where they exist.

UBS PaineWebber

UBS PaineWebber recorded a pre-tax loss of CHF 137 million during the second quarter. Before acquisition costs (goodwill, net funding costs and retention payments), the Business Group reported a pre-tax profit of CHF 165 million. Since UBS PaineWebber's transactions are primarily denominated in US dollars, comparison of second quarter 2002 results to prior periods are affected by the decline of the US dollar against the Swiss franc. In dollar terms, performance before tax and acquisition costs increased 10% from first quarter 2002.

Operating income was CHF 1,426 million, down 11% from the first quarter. Expressed in US dollars, the decline was 3%.

In response to the challenging market environment, UBS PaineWebber continued to cut costs. Operating expenses declined 12% from the first quarter to CHF 1,563 million. Expressed in US dollars, operating expenses were down 4% from first quarter 2002, personnel expenses fell 3% and non-personnel expenses were down 5%. The decline in personnel expenses is principally driven by falling revenue-based compensation and the reduction in the number of non-financial advisor personnel. The cost/income ratio before acquisition costs fell again, to 89% in second quarter 2002 from 90% in the first quarter.

Invested assets totaled CHF 646 billion at the end of the quarter, a decline of 17% compared to first quarter 2002 and a decline of 6% if the impact of the falling dollar is excluded. Net new money declined to CHF 1.4 billion in second quarter from CHF 7.4 billion in the first quarter. While the decrease reflects both client tax payments and the very difficult market situation in the US, UBS PaineWebber achieved a positive net inflow for the seventh consecutive quarter since

becoming part of UBS, demonstrating the trust investors place in quality advice.

Significant financial events

There were no significant financial events in second quarter 2002 or second quarter 2001. In first quarter 2002, we realized a pre-tax gain of CHF 155 million from the sale of Hyposwiss.

More detailed financial reporting

A more comprehensive quarterly financial report, giving full commentary on the second 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 the full second quarter report available on the internet with pop-up graphs and downloadable tables. You can find this interactive version on the Investor Relations homepage at www.ubs.com/investors.

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 new European wealth management strategy, expansion of our corporate finance presence in the US and worldwide, the development of UBS Warburg's new energy trading operations, 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 and 2002 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 2001. 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 Group Financial Highlights (unaudited)

CHF million, except where indicated	Quarter ended			% change from		Year-to-date	
	30.6.02	31.3.02	30.6.01	1Q02	2Q01	30.6.02	30.6.01
Income statement key figures							
Operating income	9,008	9,589	9,881	(6)	(9)	18,597	19,948
Operating expenses	7,263	7,750	8,024	(6)	(9)	15,013	15,896
Operating profit before tax	1,745	1,839	1,857	(5)	(6)	3,584	4,052
Net profit	1,331	1,363	1,385	(2)	(4)	2,694	2,964
Cost / income ratio (%) ¹	80.3	80.1	80.6			80.2	78.8
Cost / income ratio before goodwill (%) ^{1,2}	77.0	76.6	77.2			76.8	75.5
Per share data (CHF)							
Basic earnings per share ³	1.09	1.10	1.10	(1)	(1)	2.19	2.33
Basic earnings per share before goodwill ^{2,3}	1.33	1.37	1.37	(3)	(3)	2.70	2.85
Diluted earnings per share ³	1.03	1.06	1.06	(3)	(3)	2.10	2.20
Diluted earnings per share before goodwill ^{2,3}	1.27	1.33	1.33	(5)	(5)	2.61	2.72
Return on shareholders' equity (%)							
Return on shareholders' equity ⁴						12.8	13.7
Return on shareholders' equity before goodwill ^{2,4}						15.9	16.8

CHF million, except where indicated	As at	30.6.02	31.3.02	31.12.01	% change from	
					31.3.02	31.12.01
Balance sheet key figures						
Total assets		1,240,538	1,229,625	1,253,297	1	(1)
Shareholders' equity		44,388	44,769	43,530	(1)	2
Market capitalization						
		91,241	103,216	105,475	(12)	(13)
BIS capital ratios						
Tier 1 (%) ⁵		11.8	11.8	11.6	0	2
Total BIS (%)		14.5	14.7	14.8	(1)	(2)
Risk weighted assets		249,110	255,157	253,735	(2)	(2)
Invested assets (CHF billion)						
		2,198	2,468	2,448	(11)	(10)
Headcount (full time equivalents)⁶						
		69,684	70,221	69,985	(1)	0
Long term ratings						
Fitch, London		AAA	AAA	AAA		
Moody's, New York		Aa2	Aa2	Aa2		
Standard & Poor's, New York		AA+	AA+	AA+		

Earnings adjusted for significant financial events and pre-goodwill^{2,7}

CHF million, except where indicated	Quarter ended			% change from		Year-to-date	
	30.6.02	31.3.02	30.6.01	1Q02	2Q01	30.6.02	30.6.01
Operating income	9,008	9,434	9,881	(5)	(9)	18,442	19,948
Operating expenses	6,961	7,414	7,683	(6)	(9)	14,375	15,227
Operating profit before tax	2,047	2,020	2,198	1	(7)	4,067	4,721
Net profit	1,633	1,574	1,726	4	(5)	3,207	3,633
Cost / income ratio (%) ¹	77.0	77.9	77.2			77.4	75.5
Basic earnings per share (CHF) ³	1.33	1.27	1.37	5	(3)	2.60	2.85
Diluted earnings per share (CHF) ³	1.27	1.23	1.33	3	(5)	2.51	2.72
Return on shareholders' equity (%) ⁴						15.6	16.8

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 8 to the Financial Statements. ⁴ Year-to-date annualized 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 3,048, 2,687 and 2,450 for 30 June 2002, 31 March 2002 and 31 December 2001, respectively. ⁷ Details of significant financial events can be found in the Second Quarter 2002 Report.

UBS Group Income Statement (unaudited)

CHF million, except per share data	Quarter ended			% change from		Year-to-date	
	30.6.02	31.3.02	30.6.01	1Q02	2Q01	30.6.02	30.6.01
Operating income							
Interest income	10,644	10,213	13,780	4	(23)	20,857	28,345
Interest expense	(8,284)	(7,450)	(12,048)	11	(31)	(15,734)	(24,655)
Net interest income	2,360	2,763	1,732	(15)	36	5,123	3,690
Credit loss expense	(37)	(85)	(76)	(56)	(51)	(122)	(212)
Net interest income after credit loss expense	2,323	2,678	1,656	(13)	40	5,001	3,478
Net fee and commission income	4,816	4,870	5,375	(1)	(10)	9,686	10,464
Net trading income	1,896	1,983	2,658	(4)	(29)	3,879	5,718
Other income	(27)	58	192			31	288
Total operating income	9,008	9,589	9,881	(6)	(9)	18,597	19,948
Operating expenses							
Personnel expenses	4,775	5,317	5,299	(10)	(10)	10,092	10,572
General and administrative expenses	1,812	1,700	1,974	7	(8)	3,512	3,851
Depreciation of property and equipment	374	397	410	(6)	(9)	771	804
Amortization of goodwill and other intangible assets	302	336	341	(10)	(11)	638	669
Total operating expenses	7,263	7,750	8,024	(6)	(9)	15,013	15,896
Operating profit before tax and minority interests	1,745	1,839	1,857	(5)	(6)	3,584	4,052
Tax expense	328	357	384	(8)	(15)	685	932
Net profit before minority interests	1,417	1,482	1,473	(4)	(4)	2,899	3,120
Minority interests	(86)	(119)	(88)	(28)	(2)	(205)	(156)
Net profit	1,331	1,363	1,385	(2)	(4)	2,694	2,964
Basic earnings per share (CHF)	1.09	1.10	1.10	(1)	(1)	2.19	2.33
Basic earnings per share before goodwill (CHF) ¹	1.33	1.37	1.37	(3)	(3)	2.70	2.85
Diluted earnings per share (CHF)	1.03	1.06	1.06	(3)	(3)	2.10	2.20
Diluted earnings per share before goodwill (CHF) ¹	1.27	1.33	1.33	(5)	(5)	2.61	2.72

¹ Excludes the amortization of goodwill and other intangible assets.

Reporting by Business Group (unaudited)

CHF million	UBS Switzerland		UBS Global Asset Management		UBS Warburg		UBS PaineWebber		Corporate Center		UBS Group	
	30.6.02	30.6.01	30.6.02	30.6.01	30.6.02	30.6.01	30.6.02	30.6.01	30.6.02	30.6.01	30.6.02	30.6.01
For the quarter ended												
Income	3,258	3,481	491	541	3,326	3,980	1,428	1,689	542	266	9,045	9,957
Credit loss expense ¹	(82)	(156)	0	0	(26)	(28)	(2)	(6)	73	114	(37)	(76)
Total operating income	3,176	3,325	491	541	3,300	3,952	1,426	1,683	615	380	9,008	9,881
Personnel expenses	1,170	1,243	238	272	2,097	2,344	1,085	1,312	185	128	4,775	5,299
General and administrative expenses	595	639	115	130	600	719	324	363	178	123	1,812	1,974
Depreciation	121	149	9	10	98	122	38	30	108	99	374	410
Amortization of goodwill and other intangible assets	26	28	70	73	86	100	116	130	4	10	302	341
Total operating expenses	1,912	2,059	432	485	2,881	3,285	1,563	1,835	475	360	7,263	8,024
Business Group performance before tax and excluding significant financial events	1,264	1,266	59	56	419	667	(137)	(152)	140	20	1,745	1,857
Significant financial events	0	0	0	0	0	0	0	0	0	0	0	0
Tax expense											328	384
Net profit before minority interests											1,417	1,473
Minority interests											(86)	(88)
Net profit											1,331	1,385

¹ In management accounts, statistically derived actuarial expected loss adjusted by deferred releases rather than the net IAS 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 37 million for the quarter ended 30 June 2002 (CHF 76 million expense for the quarter ended 30 June 2001) is as follows: UBS Switzerland CHF 60 million expense (CHF 27 million expense), UBS Warburg CHF 24 million recovery (CHF 46 million expense) and UBS PaineWebber CHF 1 million expense (CHF 3 million expense).