

Letter to Shareholders

First Quarter 2002

14 May 2002

Dear Shareholders,

The market environment remained difficult in first quarter 2002. Although investor activity recovered slightly from the very low levels in fourth quarter 2001, it was still subdued compared to a year ago. Against a continuing background of slack economic growth, the pace of investment banking activity has slowed significantly.

In spite of these circumstances, our core businesses reported relatively strong results. Our wealth management businesses benefited from growth in asset-based fees. Our Swiss domestic banking business continued to perform extremely well – posting its second consecutive record quarter. And across the Group, we also continue to benefit from our prudent attitude towards risk. Our credit losses remain low despite a deteriorating credit environment. Unfortunately, UBS Capital continues to record losses because of the effect of wider economic difficulties on private equity valuations and the lack of exit opportunities. Unless the market changes convincingly, UBS Capital is likely to continue to perform poorly over the next several quarters.

Group net profit in first quarter 2002 was CHF 1,363 million, down 14% from the first quarter a year earlier but up 23% from last quarter. Pre-goodwill, and adjusted for the sale of Hyposwiss, profit was CHF 1,574 million, 17% less than the same quarter a year earlier but 10% higher than the fourth quarter.

Revenues remained steady showing the benefit of our diverse business mix.

Adjusted for significant financial events and pre-goodwill, the Group's annualized return on equity for the first quarter was 15.2%, below the level a year ago, but within our target range of 15–20%. On the same basis, basic earnings per share declined 15% to CHF 1.27 from CHF 1.50 a year earlier. Again adjusted for significant financial events, the pre-goodwill cost/income ratio rose to 77.9% from 73.9% in first quarter 2001 although general and administrative expenses were down 9% from the first quarter and 12% from the fourth quarter.

Net new money for the Group was CHF 11.8 billion, a satisfactory result in view of the current market environment and the short-term impact of the Italian tax amnesty, which negatively affected our net flows for this quarter. The strategic build-up of our domestic private banking activities in Italy helped us to retain almost half of the CHF 8.4 billion

outflow in Private Banking, confirming the rationale of our European wealth management strategy. Our US private client business, UBS PaineWebber, continues to gain market share from its peers and generate strong net new money – capturing CHF 7.4 billion in net new money this quarter.

Leadership team

As an organization we are totally committed to a management philosophy that emphasizes meritocracy and the importance of a global partnership spanning our integrated businesses. In this way we foster an open exchange of ideas, and create solutions which harness all the diverse skills of the firm for the benefit of our clients.

That is why we have now decided to broaden and strengthen our Group Executive Board. With new members from Australia, Switzerland, the UK and the US, the 10-strong team truly reflects the international diversity of UBS. This move and the simultaneous expansion of our Group Managing Board demonstrate the broad management talent pool we have at UBS, and signal the advance of the next generation of our business leaders.

At the same time, we are announcing that Markus Granzio, Chairman of UBS Warburg, has decided to leave the firm at the end of August. During his three year tenure as CEO and then Chairman, Markus transformed UBS Warburg into one of the select group of major global investment banks, and we would like to take this opportunity to express how immensely grateful we are for his huge contribution.

Business Group highlights

Our Swiss domestic business continues to reap the benefits of disciplined cost management, providing the Group with one of its more stable sources of earnings and revenue. Both costs and the cost/income ratio fell to record lows at the Private and Corporate Clients business unit, while fee and commission income increased, prompting pre-tax profit to rise from the fourth quarter by 24% to CHF 705 million.

Although our Private Banking business unit experienced outflows of invested assets due to the Italian tax amnesty, it still achieved net new money of CHF 2.6 billion, a good result that reflects our overall asset gathering strength and the progress being made by the European wealth management initiative in its key markets. The slight improvement in client sentiment this quarter allowed pre-tax profit to rise 3% from the fourth quarter due to higher asset-based fees.

Over the past two years, we have steadily built up our asset management business into a coherent, global organization, reflected in the ongoing strength of our investment performance. The culmination of this development was the launch of our new, unified UBS Global Asset Management brand on 8 April. This new brand highlights the Business Group's outstanding geographical reach, and the scope as well as the scale of its global investment capabilities.

In UBS Warburg, the Corporate and Institutional Client business unit's revenue and profitability remained strong relative to peers. Fixed income and foreign exchange had an impressive first quarter, with revenues reaching a record CHF 2,117 million. Overall, however, global capital markets continue to be affected by low levels of activity.

The UBS PaineWebber business continues to post relatively strong results with a record level of recurring fees and was – among its peers – the only firm that reported an improvement in its cost/income ratio in comparison to fourth quarter 2001. Invested assets, which rose to CHF 779 billion, were driven by positive new money flows throughout the quarter despite the difficulty of the prevailing investment climate.

Outlook

As in 2001, UBS performed relatively strongly in the first quarter and the resilience of our diverse global franchise will allow us to continue to invest selectively in our strategic priorities. The prospects for a global economic recovery in the latter part of the year remain intact, although it is far from certain how strong any growth may be. Because of this, our results in 2002 are unlikely to improve on the performance in 2001.

14 May 2002

UBS AG



Marcel Ospel
Chairman



Peter Wuffli
President

First Quarter Results

UBS Switzerland

"UBS Switzerland had a strong start to the year, driven by record results in the Private and Corporate Clients unit."

Stephan Haeringer, CEO UBS Switzerland

The *Private and Corporate Clients* business unit achieved another record result in the first quarter, with profit before tax rising 24% from fourth quarter 2001 to CHF 705 million, representing an annualized return of 47% on its allocated regulatory equity. Operating income rose 5% to CHF 1,665 million, as fee and commission income recovered slightly from the previous quarter's levels and benefited from certain seasonal items. Interest income, on the other hand, suffered some margin pressure.

The cost/income ratio improved significantly, falling to a record 55% from the previous low of 59% in fourth quarter 2001 thanks to continued stringent cost management and a 22% reduction in headcount in the three and a half years since the merger of Union Bank of Switzerland and Swiss Bank Corporation. Net new money totaled CHF 1.3 billion, mainly invested by corporate clients.

Private Banking's profit before tax was CHF 601 million, up 3% from fourth quarter 2001. Total operating income increased 3% to CHF 1,593 million, driven by the slight improvement in market conditions in the first quarter and higher contributions from the European wealth management initiative. The entire increase was driven by improved asset-based income, which now comprises 71% of total income, while transaction-based income remained at the fourth quarter level.

Net new money in the quarter totaled CHF 2.6 billion, a strong result in view of the outflows related to the Italian tax amnesty. Of the outflow of CHF 8.4 billion, UBS managed to retain almost half within its Italian domestic business. Excluding the effect of the Italian tax amnesty, net inflows clearly surpassed both the CHF 4.2 billion inflow recorded in fourth quarter 2001 and the CHF 4.5 billion in the first quarter a year ago.

UBS Global Asset Management

"A quarter marked by the successful introduction of our new global brand and, once again, strong investment performance across the board."

John Fraser, CEO UBS Global Asset Management

UBS Global Asset Management reported profit before tax of CHF 75 million, up from CHF 72 million in fourth quarter 2001, as general and administrative expenses fell. Operating income eased 1% to CHF 556 million in the period, while operating expenses fell CHF 9 million to CHF 481 million.

Total invested assets rose to CHF 677 billion on 31 March 2002 from CHF 672 billion on 31 December 2001. Net new money was CHF 0.4 billion, with inflows in Asian fixed income mandates and GAM equity and asset allocation prod-

ucts, offset by outflows in UK asset allocation mandates and low margin US fixed income mandates.

UBS Warburg

"We continue to play an active role in leading transactions despite the subdued market conditions."

John Costas, CEO UBS Warburg

UBS Warburg's *Corporate and Institutional Clients* business unit recorded a strong relative performance, with profit before tax of CHF 954 million for the first quarter, a 20% reduction from the same quarter a year earlier, but up 18% on the fourth quarter.

Operating income, at CHF 4,133 million in first quarter 2002, declined 7% from the same quarter last year, but was up 29% from the fourth quarter. Fixed income and foreign exchange, where revenues rose 41% from first quarter 2001 to CHF 2,117 million, achieved a record performance, although that did not completely offset the result in equities. Investment banking revenues were largely in line with first quarter 2001, with good progress seen in US underwriting mandates.

UBS Warburg continued to expand its resources dedicated to the largest and most important industry sectors of the corporate finance market globally. In particular, market share in the Americas in first quarter 2002 increased to 3.6% from 3.4% for the full year 2001.

Personnel expenses this quarter increased to CHF 2,425 million, up 3% from first quarter 2001, due to higher levels of incentive-based compensation. The ongoing cost management program helped to push general and administrative expenses down by 17% from first quarter 2001 and 9% from the fourth quarter.

UBS Capital's operating loss widened to CHF 462 million from CHF 287 million in fourth quarter 2001, reflecting difficult valuation conditions in private equity markets, leading to increased writedowns, and few opportunities for secondary market exits. Total operating expenses, at CHF 30 million in the first quarter, were at their lowest level in over a year. There were no material divestments in the quarter.

UBS PaineWebber

"Recurring fees and operating income again rose quarter-on-quarter – despite a very challenging environment."

Joseph J. Grano, Jr., Chairman and CEO UBS PaineWebber

UBS PaineWebber recorded a pre-tax loss of CHF 171 million compared to a loss of CHF 217 million for the fourth quarter of 2001 and a loss of CHF 114 million in first quarter 2001. When commenting on UBS PaineWebber results, UBS focuses on the operating profit excluding acquisition costs (goodwill amortization, net funding costs and retention payments) as UBS believes this better reflects underlying performance. On this basis, pre-tax profit rose 23% to CHF 164 million from CHF 133 million in fourth quarter 2001 and was down 30% from CHF 233 million compared to first quarter 2001.

UBS PaineWebber's results underscore the resiliency of its private client franchise despite the prevailing market condi-

tions. The business performed well in comparison to its US private client peers. Client transaction activity during the first quarter was slightly higher than fourth quarter 2001, but was down 13% from first quarter 2001.

Operating income was CHF 1,600 million in the first quarter, an increase of 6% from fourth quarter 2001 thanks to strong results in municipal securities, increased recurring fees and currency effects. Compared to the first quarter a year earlier, operating income fell 7% on reduced levels of client activity.

Total personnel expenses were CHF 1,223 million, a 2% increase from fourth quarter 2001. Excluding currency effects, personnel expenses were 1% lower than the fourth quarter, principally reflecting lower variable compensation. Compared to the first quarter a year earlier, personnel expenses were down 6%, reflecting lower revenue-driven compensation and reduced levels of support staff.

Net new money was CHF 7.4 billion in the first quarter, compared to CHF 8.5 billion in the fourth quarter and CHF 6.2 billion in first quarter 2001. That pushed invested assets to CHF 779 billion at 31 March 2002 from CHF 769 billion at 31 December 2001. The cost/income ratio before acquisition costs was 90% for the first quarter, an improvement of two percentage points from fourth quarter 2001, reflecting

continuing cost control initiatives. Among private client peers, UBS PaineWebber is the only firm reporting an improvement in the cost/income ratio quarter-on-quarter.

Significant financial events

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

More detailed financial reporting

A more comprehensive quarterly financial report, giving full commentary on the first 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 that 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.

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) the impact of the terrorist attacks on the World Trade Center and other sites in the United States on 11 September 2001 and subsequent related developments, (8) the impact of the management changes and changes to our business group structure that took place in December 2001 and (9) 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)

<i>CHF million, except where indicated</i>	Quarter ended			% change from	
	31.3.02	31.12.01	31.3.01	4Q01	1Q01
Income statement key figures					
Operating income	9,589	8,462	10,067	13	(5)
Operating expenses	7,750	7,082	7,872	9	(2)
Operating profit before tax	1,839	1,380	2,195	33	(16)
Net profit	1,363	1,106	1,579	23	(14)
Cost / income ratio (%) ¹	80.1	82.6	77.2		
Cost / income ratio before goodwill (%) ^{1,2}	76.6	78.7	73.9		
Per share data (CHF)					
Basic earnings per share ³	1.10	0.88	1.24	25	(11)
Basic earnings per share before goodwill ^{2,3}	1.37	1.14	1.50	20	(9)
Diluted earnings per share ³	1.06	0.87	1.10	22	(4)
Diluted earnings per share before goodwill ^{2,3}	1.33	1.13	1.35	18	(1)
Return on shareholders' equity (%)					
Return on shareholders' equity ⁴	12.3	11.7	14.5		
Return on shareholders' equity before goodwill ^{2,4}	15.5	14.8	17.6		

<i>CHF million, except where indicated</i>	As at	Quarter ended			% change from	
		31.3.02	31.12.01	31.3.01	4Q01	1Q01
Balance sheet key figures						
Total assets	1,229,625	1,253,297	1,216,852	(2)	1	
Shareholders' equity	44,769	43,530	43,380	3	3	
Market capitalization						
	103,216	105,475	106,078	(2)	(3)	
BIS capital ratios						
Tier 1 (%) ⁵	11.8	11.6	10.2	2	16	
Total BIS (%)	14.7	14.8	14.0	(1)	5	
Risk-weighted assets	255,157	253,735	286,885	1	(11)	
Invested assets (CHF billion)						
	2,468	2,448	2,430	1	2	
Headcount (full time equivalents)⁶						
	70,221	69,985	71,080	0	(1)	
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 pre-goodwill^{2,7}

<i>CHF million, except where indicated</i>	Quarter ended			% change from	
	31.3.02	31.12.01	31.3.01	4Q01	1Q01
Operating income	9,434	8,462	10,067	11	(6)
Operating expenses	7,414	6,752	7,544	10	(2)
Operating profit before tax	2,020	1,710	2,523	18	(20)
Net profit	1,574	1,436	1,907	10	(17)
Cost / income ratio (%) ¹	77.9	78.7	73.9		
Basic earnings per share (CHF) ³	1.27	1.14	1.50	11	(15)
Diluted earnings per share (CHF) ³	1.23	1.13	1.35	9	(9)
Return on shareholders' equity (%) ⁴	15.2	14.8	17.6		

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 2,687, 2,450 and 2,062 for 31 March 2002, 31 December 2001 and 31 March 2001, respectively. ⁷ Details of significant financial events can be found in the First Quarter 2002 Report.

2001 segment results have been restated to reflect the new Business Group structure and associated management accounting changes effective 1 January 2002 and announced 29 April 2002.

All share and earnings per share figures have been adjusted for the 3 for 1 share split which took place on 16 July 2001.

UBS Group Income Statement (unaudited)

CHF million, except per share data	Quarter ended			% change from	
	31.3.02	31.12.01	31.3.01	4Q01	1Q01
Operating income					
Interest income	10,213	10,326	14,565	(1)	(30)
Interest expense	(7,450)	(7,705)	(12,607)	(3)	(41)
Net interest income	2,763	2,621	1,958	5	41
Credit loss expense	(85)	(115)	(136)	(26)	(38)
Net interest income after credit loss expense	2,678	2,506	1,822	7	47
Net fee and commission income	4,870	4,964	5,089	(2)	(4)
Net trading income	1,983	924	3,060	115	(35)
Other income	58	68	96	(15)	(40)
Total operating income	9,589	8,462	10,067	13	(5)
Operating expenses					
Personnel expenses	5,317	4,404	5,273	21	1
General and administrative expenses	1,700	1,934	1,877	(12)	(9)
Depreciation of property and equipment	397	414	394	(4)	1
Amortization of goodwill and other intangible assets	336	330	328	2	2
Total operating expenses	7,750	7,082	7,872	9	(2)
Operating profit before tax and minority interests	1,839	1,380	2,195	33	(16)
Tax expense	357	173	548	106	(35)
Net profit before minority interests	1,482	1,207	1,647	23	(10)
Minority interests	(119)	(101)	(68)	18	75
Net profit	1,363	1,106	1,579	23	(14)
Basic earnings per share (CHF) ¹	1.10	0.88	1.24	25	(11)
Basic earnings per share before goodwill (CHF) ^{1,2}	1.37	1.14	1.50	20	(9)
Diluted earnings per share (CHF) ¹	1.06	0.87	1.10	22	(4)
Diluted earnings per share before goodwill (CHF) ^{1,2}	1.33	1.13	1.35	18	(1)

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 Group¹ (unaudited)

CHF million	UBS Switzerland		UBS Global Asset Management		UBS Warburg		UBS PaineWebber		Corporate Center		UBS Group	
	31.3.02	31.3.01	31.3.02	31.3.01	31.3.02	31.3.01	31.3.02	31.3.01	31.3.02	31.3.01	31.3.02	31.3.01
For the quarter ended												
Income	3,351	3,498	556	575	3,741	4,233	1,603	1,717	268	180	9,519	10,203
Credit loss expense ¹	(93)	(185)	0	0	(40)	(35)	(3)	(4)	51	88	(85)	(136)
Total operating income	3,258	3,313	556	575	3,701	4,198	1,600	1,713	319	268	9,434	10,067
Personnel expenses	1,227	1,236	264	271	2,439	2,378	1,223	1,296	164	92	5,317	5,273
General and administrative expenses	573	573	136	139	572	681	384	380	35	104	1,700	1,877
Depreciation	125	144	7	11	96	132	39	27	130	80	397	394
Amortization of goodwill and other intangible assets	27	28	74	70	102	102	125	124	8	4	336	328
Total operating expenses	1,952	1,981	481	491	3,209	3,293	1,771	1,827	337	280	7,750	7,872
Business Group performance before tax and excluding significant financial events	1,306	1,332	75	84	492	905	(171)	(114)	(18)	(12)	1,684	2,195
Significant financial events	155 ²	0	0	0	0	0	0	0	0	0	155	0
Tax expense											357	548
Net profit before minority interests											1,482	1,647
Minority interests											(119)	(68)
Net profit											1,363	1,579

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 85 million for the quarter ended 31 March 2002 (CHF 136 million expense for the quarter ended 31 March 2001) is as follows: UBS Switzerland CHF 61 million expense (CHF 14 million expense), UBS Warburg CHF 31 million expense (CHF 117 million expense), UBS PaineWebber CHF 3 million expense (CHF 5 million expense) and Corporate Center CHF 10 million recovery. ² Gain on disposal of HypoSwiss.