UBS

Letter to Shareholders Third Quarter 2002

12 November 2002

Dear Shareholders,

During the quarter, the financial services industry as a whole continued to be affected by low levels of corporate activity as well as further extensive corrections in major global equity markets. In the US, investors remained wary of financial markets as corporate governance issues continued to weigh on sentiment, along with the possibility of further turmoil in the Middle East.

In this tough revenue environment, our businesses have continued to demonstrate the elasticity of their cost bases, with results again showing our ability to manage costs according to prevailing market conditions. For the third quarter, net profit was CHF 942 million, 4% higher than a year ago but 29% lower than in the second quarter. Pre-goodwill, net profit was CHF 1,247 million, up 2% from third quarter 2001 but 24% down on second quarter this year.

Operating income fell 8% compared to third quarter 2001, and was down 11% from second quarter, reflecting lower client activity, falling asset-based fees and the effect of further impairments in our private equity portfolio. Despite the negative market pressure, revenues continue to benefit from our diversified business mix. UBS Warburg's Equities business achieved a very strong result, with operating income in third quarter up 39% from the same quarter last year, compensating for a less attractive foreign exchange trading environment. July was our all-time record month for equity client commissions. Although asset-based revenues across the Group were negatively affected by falling equity markets, our private client businesses reported steady margins.

The performance of our credit portfolio has remained extremely resilient compared to the weakening international credit climate. Credit loss expense in the quarter was CHF 95 million, down from CHF 171 million reported a year earlier. Our credit loss expense remains unusually low and is about half the statistically expected average over-the-cycle loss rate.

Costs and headcount at UBS are at their lowest since the merger with PaineWebber in 2000. We did not build up overcapacity during the peak of the last business cycle, and have been able to reduce headcount gradually as economic conditions weakened without drastic cuts. Lower performance-related compensation this quarter has helped us to again reduce personnel expenses considerably to CHF 4,411 million, a 9% reduction from the third quarter last year and 8% lower than second quarter. Due to cost savings in practically all areas, our general and administrative expenses are 7% below year-earlier levels and down 5% from second quarter. In particular, UBS Warburg's Corporate and Institutional Clients unit demonstrated its ability to flex costs in line with revenues, pushing its general and administrative expenses to an all-time low. Thanks to continued cost discipline, Business Banking Switzerland reported another quarter of good performance, with the year to date now containing its three most profitable ever quarters. UBS PaineWebber continues to show very strong cost control. Its quarterly expenses were at the lowest since joining UBS, reflecting significant reductions in non-financial advisor headcount and broad expenditure cuts in all areas of its business.

The Group's annualized return on equity for the first nine months of 2002, pre-goodwill and adjusted for the first quarter disposal of Hyposwiss, was 14.6%, down from 15.1% a year ago. In the third quarter and pre-goodwill, basic earnings per share were CHF 1.04, up 7% from a year earlier. Both these key measures have been strongly supported by our ongoing share buyback programs, which continue to return retained earnings directly to shareholders. The pre-goodwill cost/income ratio is almost stable year on year at 80.1% compared to 79.9% in third quarter last year, despite the shortage of revenue opportunities.

Once again, our wealth management businesses proved their asset gathering ability, bringing in net new money of CHF 12.7 billion for the quarter. International private banking clients invested a record CHF 9.8 billion in net new money. And, after our European wealth management initiative demonstrated its defensive qualities during Italy's tax amnesty, this quarter it shows its growth potential, achieving a record net new money inflow of CHF 2.5 billion, an annualized rate of almost 40%. UBS PaineWebber also outperformed its peers in the US, recording a net new money inflow of CHF 3.4 billion, displaying its ability to grow market share, even in difficult conditions. Since PaineWebber became part of UBS, its market share in the US private clients market has risen to 13.7% from 11.7%. In investment banking, UBS Warburg's US market share has reached 3.9%, its highest level so far, confirming the progress of this second major strategic initiative.

Safeguarding our clients' right to financial privacy

As our shareholders, you may have followed the debate and ongoing negotiations between the European Union and Switzerland over the issue of financial privacy. The EU's current negotiating position is to ask Switzerland to participate in their planned system of information exchange regarding cross-border savings. EU member states hope to introduce such a system from 2011 onwards. The Swiss government – committed to protecting both financial privacy and fighting tax evasion – has co-operated by offering to impose an equivalent measure for EU citizens holding assets in Switzerland, or more specifically, a withholding tax. We strongly believe that the withholding tax method is more effective and efficient than an automatic exchange of information. A similar system has a strong record in Switzerland and elsewhere and is less bureaucratic. In the current discussion with the EU, UBS fully supports the official Swiss position.

We are firmly convinced that our clients have a right to financial privacy and that we should now justify the trust they have placed in us and in Switzerland over the years. We will remain closely engaged in developments regarding the EU and are hopeful that a mutually acceptable solution will emerge.

One firm, one brand

From the second half of 2003, our businesses will be represented by the single UBS brand. We will no longer market services using the UBS Warburg and UBS PaineWebber brands. The move to a simpler branding accurately reflects our integrated business model and the "one firm" approach we deliver to our clients. And, building on our shared values and aspirations, the creation of a single brand will give an additional impulse to a shared sense of identity with UBS.

Before making the decision to move to a single brand, we conducted a thorough review of our brand strategy, which focused on brand values as much as brand structure. The results showed that all our different client groups had similar expectations regarding the provision of financial services and, consequently, their relationship with UBS. Across the board, they expect their financial service provider to relentlessly pursue their financial success, and provide access to the resources of a global powerhouse, while giving proactive advice and a choice of solutions. Further findings underlined that UBS is not only the enduring and unifying element within our current brand architecture, but also enjoys the highest recognition and favorability among all our current brands. In comparison to other top brands in the financial services industry, the UBS brand currently scores second overall in a ranking of positive image.

We have benefited hugely from the strength of our existing brands - just as our culture has benefited extensively from the rich heritage of all the firms which have become part of UBS. The UBS brand itself has gained strength from the brands acquired during the firm's transformation to become a major global player. In particular, the strength of the PaineWebber name has helped us to raise our profile and hence our success in the US market. So although we are now removing the PaineWebber name from our balance sheet, its value lives on as part of the UBS brand.

With a single brand, we will be able to concentrate our marketing capabilities and activities in building one clear and unique corporate identity, giving clients a sharper idea of what UBS stands for and how its businesses fit together. Having a strong brand is critical in the financial services industry and one of the major factors that attracts new clients. Strengthening and simplifying our brand identity and working hard to promote it forms a key part of our organic growth drive. UBS has emerged as one of the world's flagship financial institutions and needs a flagship brand. This move is a signal of our unity, our strength, and our momentum.

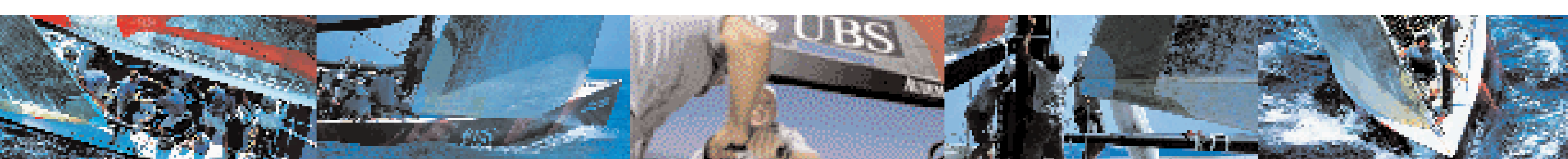
Outlook

In the current environment, we need a prudent balance between our acknowledged defensive characteristics and our optimistic and entrepreneurial attitude towards the long-term prospects for our global franchise, and for financial markets as a whole. Even though the tight management of costs has provided an important contribution to our results in the third quarter, it is not in any way slowing down the initiatives we have launched to grow our core businesses, which are gaining market share and are poised for rapid success as and when economies around the world recover sustainably.

For now though, the prospects of a sustained global economic recovery remain distant and investor confidence in equity markets remains low. Therefore, our view that our 2002 results are unlikely to reach those of 2001 has not changed over the quarter.

12 November 2002
UBS AG

Marcel Ospel	Peter Wuffli
Chairman	President



Third Quarter Results

UBS to move to a single brand

In the second half of 2003, we will be implementing a new brand strategy and architecture. Our businesses are to be represented by the single UBS brand. We will no longer market services using the UBS Warburg or UBS PaineWebber brands. The move to a simpler brand architecture accurately reflects UBS's integrated business model and the "one firm" approach we deliver to our clients. Overall, the introduction of a masterbrand strategy will also increase the cost efficiency of our marketing efforts as they will no longer be divided among three brands.

In recent years, we have benefited hugely from the strength of the brands that were acquired through mergers and acquisitions. In particular, the strength of the PaineWebber name has helped to raise UBS's familiarity among US clients – both corporate and private. In 1999, before the acquisition of PaineWebber, awareness of the UBS brand in the US was in the low single digits in percentage terms. Two years after the deal, 40% of private clients and 55% of corporate and institutional clients in the US are familiar with the UBS brand. Because of this increased profile and client recognition, UBS has grown its US market share in both investment banking and wealth management as well as improving its US recruiting profile, helping it to attract and hire exceptional talent.

Although the economic value of the PaineWebber brand is preserved by the transfer of its brand equity to UBS, accounting rules do not allow the continued capitalization of the transferred value. The decision to introduce a single brand will therefore lead to a non-cash net writedown of approximately CHF 1.0 billion, which will be recorded as a significant financial event in our earnings in fourth quarter 2002. The writedown has no impact on acquired goodwill but will decrease our BIS Tier 1 ratio by approximately 0.3 percentage points.

UBS Wealth Management & Business Banking

Private Banking's pre-tax profit was CHF 644 million, down 15% from the second quarter of this year. Operating income, at CHF 1,748 million, fell 8% from the second quarter, reflecting a decline in transaction-based income due to lower trading volumes and a reduction of asset-based fees following the market-related decline of the invested asset base. Gross margins in Private Banking declined 2 basis points to 98 basis points.

Net new money in the quarter totalled CHF 9.3 billion, an increase of CHF 6.7 billion from the second quarter. This inflow is the second highest recorded and clearly reflects the strength of the client franchise. International private banking clients invested a record CHF 9.8 billion in net new money with strong inflows across all geographical regions, while Swiss clients showed a net outflow of CHF 0.5 billion.

The European wealth management initiative continues to grow and expand. Excellent inflows were recorded in Germany and the UK, bringing net new money for the quarter to CHF 2.5 billion.

Business Banking Switzerland reported another quarter of good performance, with 2002 containing its three most profitable quarters ever. Pre-tax profit was CHF 487 million in third quarter 2002, a 3% decline from second quarter 2002. Rising revenues offset higher general and administrative expenses. While fee income fell in line with weaker markets, interest income remained stable.

The unit also benefited from lower credit loss expenses, which fell to CHF 71 million from CHF 75 million, with the improved portfolio quality offsetting the weaker macro-economic climate in Switzerland. During the third quarter, the loan portfolio decreased to CHF 141 billion from CHF 144 billion, reflecting the ongoing workout of the recovery portfolio. Headcount fell by 194 to an all-time low of 18,942.

UBS Global Asset Management

Pre-tax profit in third quarter 2002 was CHF 26 million, down from CHF 59 million in second quarter 2002. The decline was primarily due to lower asset-based management fees, which mirrored the market impact on invested assets and a lower contribution from O'Connor. Continued commitment to cost restraint, including reductions in incentive compensation, partially offset the drop in revenues.

In the Institutional business, net new money in third quarter 2002 was a negative CHF 3.2 billion, reflecting outflows from alternative asset mandates and institutional money market funds in the Americas. These net new money outflows were partially offset by inflows in equity mandates.

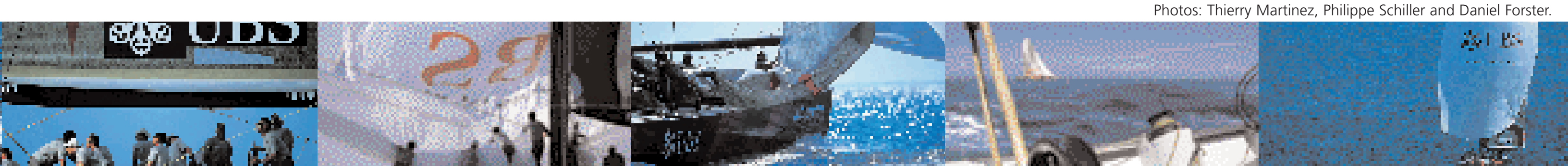
Net new money in the Wholesale Intermediary fund business was CHF 1.3 billion in third quarter 2002, following the negative CHF 4.9 billion in second quarter, with the positive reversal due to inflows into equity and alternative asset mandates, and an absence of the outflow from volatile money market funds seen last quarter.

Despite the global erosion of equity values in the third quarter, UBS Global Asset Management continued to show a strong relative investment performance in the year to date, 3-year, and 5-year periods.

UBS Warburg

UBS Warburg's *Corporate and Institutional Clients* business unit recorded a solid result in third quarter 2002, with net profit before tax of CHF 717 million, 6% lower than the same period last year and 24% lower than second quarter 2002. Total operating income was CHF 3,234 million in the third quarter, dropping 9% from third quarter 2001 and 14% from second quarter 2002. M&A activities for the first nine months of 2002 were at their lowest level ever and equity issuance at its lowest since early 1999. However, the Equities business has proven extremely resilient, earning record client commissions in July.

Photos: Thierry Martinez, Philippe Schiller and Daniel Forster.



Personnel expenses, at CHF 1,809 million, fell 10% compared to the third quarter of last year and were down 13% from the second quarter of this year. This was mainly due to reductions in incentive compensation, which were driven by lower revenues. General and administrative expenses dropped 14% from the same period last year and 11% from the second quarter, reflecting the success of cost containment initiatives, focusing particularly on travel, advertising costs and professional fees.

UBS Capital recorded a pre-tax loss of CHF 418 million in third quarter, CHF 304 million more than the third quarter a year ago. The increase is due to higher writedowns, the level of which reflect the continuing tough economic environment for companies in the portfolio and the difficulty of effecting successful exits. Writedowns totalled CHF 387 million and were made across the portfolio in all regions.

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

UBS PaineWebber

Against a lackluster environment in the US private client market, UBS PaineWebber recorded a strong result and demonstrated the competitive strength of its business.

The Business Group reported a pre-tax loss of CHF 124 million during the third quarter including acquisition costs. Before acquisition costs (goodwill, net funding costs and retention payments), it achieved a pre-tax profit of CHF 161 million. Since UBS PaineWebber's transactions are primarily denominated in US dollars, comparison of third quarter 2002 results to prior periods is affected by the decline of the US dollar against the Swiss franc. In dollar terms, performance before tax and acquisition costs increased 2% from second quarter 2002 – the fourth consecutive quarter of rising operating profits.

Total operating income was CHF 1,309 million, down 8% from the second quarter. Expressed in US dollars, the decline was 4%. In response to the challenging market environment, UBS PaineWebber continued to cut costs and headcount. Operating expenses declined 8% from the second quarter to CHF 1,433 million. Expressed in US dollars, operating expenses were down 4% from second quarter 2002, with personnel expenses down 3% and non-personnel expenses down 7% – both at their lowest quarterly level since UBS PaineWebber became part of UBS. The cost/income ratio before acquisition costs fell for the fourth consecutive quarter to 88% in third quarter 2002 from 89% in the second quarter.

Invested assets totalled CHF 597 billion at the end of the quarter, a decline of 8% compared to second quarter 2002, reflecting the substantial drop in US equity markets in the quarter. Net new money was CHF 3.4 billion in third quarter (excluding dividend and interest of CHF 5.3 billion), considerably higher than the second quarter result of CHF 1.4 billion.

Significant financial events

There were no significant financial events in the third quarter or second quarter 2002 or third 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 third 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 Third 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.

UBS

UBS Group Financial Highlights (unaudited)

	Quarter ended			% change from		Year to date	
CHF million, except where indicated	**30.9.02**	30.6.02	30.9.01	2Q02	3Q01	30.9.02	30.9.01
Income statement key figures							
Operating income	**8,000**	9,008	8,704	(11)	(8)	26,597	28,652
Operating expenses	**6,788**	7,263	7,418	(7)	(8)	21,801	23,314
Operating profit before tax	**1,212**	1,745	1,286	(31)	(6)	4,796	5,338
Net profit	**942**	1,331	903	(29)	4	3,636	3,867
Cost / income ratio (%) [1]	**83.9**	80.3	83.6			81.3	80.3
Cost / income ratio before goodwill (%) [1, 2]	**80.1**	77.0	79.9			77.8	76.9
Per share data (CHF)							
Basic earnings per share [3]	**0.79**	1.09	0.72	(28)	10	2.98	3.05
Basic earnings per share before goodwill [2, 3]	**1.04**	1.33	0.97	(22)	7	3.75	3.83
Diluted earnings per share [3]	**0.76**	1.03	0.65	(26)	17	2.84	2.82
Diluted earnings per share before goodwill [2, 3]	**1.01**	1.27	0.90	(20)	12	3.60	3.59
Return on shareholders' equity (%)							
Return on shareholders' equity [4]						11.8	12.0
Return on shareholders' equity before goodwill [2, 4]						14.9	15.1

CHF million, except where indicated				% change from	
As at	**30.9.02**	30.6.02	31.12.01	30.6.02	31.12.01
Balance sheet key figures					
Total assets	**1,223,447**	1,240,538	1,253,297	(1)	(2)
Shareholders' equity	**40,796**	44,388	43,530	(8)	(6)
Market capitalization	**73,072**	91,241	105,475	(20)	(31)
BIS capital ratios					
Tier 1 (%) [5]	**11.6**	11.8	11.6	(2)	0
Total BIS (%)	**14.2**	14.5	14.8	(2)	(4)
Risk-weighted assets	**245,564**	249,110	253,735	(1)	(3)
Invested assets (CHF billion)	**2,070**	2,198	2,448	(6)	(15)
Headcount (full time equivalents) [6]	**69,552**	69,684	69,985	0	(1)
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]

	Quarter ended			% change from		Year to date	
CHF million, except where indicated	**30.9.02**	30.6.02	30.9.01	2Q02	3Q01	30.9.02	30.9.01
Operating income	**8,000**	9,008	8,704	(11)	(8)	26,442	28,652
Operating expenses	**6,483**	6,961	7,094	(7)	(9)	20,858	22,321
Operating profit before tax	**1,517**	2,047	1,610	(26)	(6)	5,584	6,331
Net profit	**1,247**	1,633	1,227	(24)	2	4,454	4,860
Cost / income ratio (%) [1]	**80.1**	77.0	79.9			78.2	76.9
Basic earnings per share (CHF) [3]	**1.04**	1.33	0.97	(22)	7	3.65	3.83
Diluted earnings per share (CHF) [3]	**1.01**	1.27	0.90	(20)	12	3.50	3.59
Return on shareholders' equity (%) [4]						14.6	15.1

[1] Operating expenses / operating income before credit loss expense. [2] Excludes the amortization of goodwill and other intangible assets. [3] Details of the EPS calculation can be found in the Third Quarter 2002 Report. [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 3,066, 3,048 and 2,450 for 30 September 2002, 30 June 2002 and 31 December 2001, respectively. [7] Details of significant financial events can be found in the Third Quarter 2002 Report.

UBS Group Income Statement (unaudited)

CHF million, except per share data	Quarter ended 30.9.02	30.6.02	30.9.01	% change from 2Q02	3Q01	Year to date 30.9.02	30.9.01
Operating income							
Interest income	**10,409**	10,644	13,606	(2)	(23)	31,266	41,951
Interest expense	**(7,683)**	(8,284)	(11,876)	(7)	(35)	(23,417)	(36,531)
Net interest income	**2,726**	2,360	1,730	16	58	7,849	5,420
Credit loss expense	**(95)**	(37)	(171)	157	(44)	(217)	(383)
Net interest income after credit loss expense	**2,631**	2,323	1,559	13	69	7,632	5,037
Net fee and commission income	**4,299**	4,816	4,783	(11)	(10)	13,985	15,247
Net trading income	**1,027**	1,896	2,160	(46)	(52)	4,906	7,878
Other income	**43**	(27)	202		(79)	74	490
Total operating income	**8,000**	9,008	8,704	(11)	(8)	26,597	28,652
Operating expenses							
Personnel expenses	**4,411**	4,775	4,852	(8)	(9)	14,503	15,424
General and administrative expenses	**1,720**	1,812	1,846	(5)	(7)	5,232	5,697
Depreciation of property and equipment	**352**	374	396	(6)	(11)	1,123	1,200
Amortization of goodwill and other intangible assets	**305**	302	324	1	(6)	943	993
Total operating expenses	**6,788**	7,263	7,418	(7)	(8)	21,801	23,314
Operating profit before tax and minority interests	**1,212**	1,745	1,286	(31)	(6)	4,796	5,338
Tax expense	**202**	328	296	(38)	(32)	887	1,228
Net profit before minority interests	**1,010**	1,417	990	(29)	2	3,909	4,110
Minority interests	**(68)**	(86)	(87)	(21)	(22)	(273)	(243)
Net profit	**942**	1,331	903	(29)	4	3,636	3,867
Basic earnings per share (CHF)	**0.79**	1.09	0.72	(28)	10	2.98	3.05
Basic earnings per share before goodwill (CHF)[1]	**1.04**	1.33	0.97	(22)	7	3.75	3.83
Diluted earnings per share (CHF)	**0.76**	1.03	0.65	(26)	17	2.84	2.82
Diluted earnings per share before goodwill (CHF)[1]	**1.01**	1.27	0.90	(20)	12	3.60	3.59

[1] Excludes the amortization of goodwill and other intangible assets.

Reporting by Business Group (unaudited)

CHF million For the quarter ended	UBS Wealth Management & Business Banking 30.9.02	30.9.01	UBS Global Asset Management 30.9.02	30.9.01	UBS Warburg 30.9.02	30.9.01	UBS PaineWebber 30.9.02	30.9.01	Corporate Center 30.9.02	30.9.01	UBS Group 30.9.02	30.9.01
Income	**3,177**	3,255	**430**	540	**2,865**	3,500	**1,315**	1,468	**308**	112	**8,095**	8,875
Credit loss expense[1]	**(75)**	(135)	**0**	0	**(22)**	(12)	**(6)**	(3)	**8**	(21)	**(95)**	(171)
Total operating income	**3,102**	3,120	**430**	540	**2,843**	3,488	**1,309**	1,465	**316**	91	**8,000**	8,704
Personnel expenses	**1,216**	1,205	**210**	265	**1,821**	2,036	**1,010**	1,211	**154**	135	**4,411**	4,852
General and administrative expenses	**621**	576	**122**	129	**534**	610	**278**	331	**165**	200	**1,720**	1,846
Depreciation	**109**	161	**8**	9	**89**	96	**36**	30	**110**	100	**352**	396
Amortization of goodwill and other intangible assets	**25**	27	**64**	70	**100**	98	**109**	123	**7**	6	**305**	324
Total operating expenses	**1,971**	1,969	**404**	473	**2,544**	2,840	**1,433**	1,695	**436**	441	**6,788**	7,418
Business Group performance before tax and excluding significant financial events	**1,131**	1,151	**26**	67	**299**	648	**(124)**	(230)	**(120)**	(350)	**1,212**	1,286
Significant financial events	**0**	0	**0**	0	**0**	0	**0**	0	**0**	0	**0**	0
Tax expense											**202**	296
Net profit before minority interests											**1,010**	990
Minority interests											**(68)**	(87)
Net profit											**942**	903

[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 95 million for the quarter ended 30 September 2002 (CHF 171 million expense for the quarter ended 30 September 2001) is as follows: UBS Wealth Management & Business Banking CHF 60 million expense (CHF 6 million recovery), UBS Warburg CHF 30 million expense (CHF 174 million expense), UBS PaineWebber CHF 10 million expense (CHF 3 million expense) and Corporate Center CHF 5 million recovery (CHF 0 million).