Letter to Shareholders Fourth Quarter 2002

18 February 2003

Dear Shareholders,

Last year was one of the most challenging ever for the financial industry with extensive corrections in global equity markets, subdued corporate activity and depressed transaction levels as investors continued to be uncertain about economic and political developments.

Our businesses, however, were remarkably resilient and competitive in view of the environment they faced in 2002. Strict cost discipline and a focus on growth across the firm helped us expand our market position in a period where many in the financial industry were forced to re-assess the basic assumptions about their business.

In 2002, our net profit was CHF 3,535 million, a decline of 29% compared to CHF 4,973 million a year earlier while our basic earnings per share fell 26% to CHF 2.92. The decrease in net profit was largely due to an after-tax writedown of CHF 953 million related to the withdrawal of the PaineWebber brand. Recorded as an intangible asset in our balance sheet, the value of the brand was written down in fourth quarter 2002 following our decision to adopt the single UBS brand. Before goodwill amortization, adjusted for the brand writedown and stripping out gains from divestments, net profit in 2002 fell just 12% from 2001.

Operating income for the year was CHF 34,121 million, down 8% from 2001. Adjusted for the gain from the sale of Klinik Hirslanden, a leading Swiss private hospital group sold in fourth quarter, and Hyposwiss, one of our independent private banks, sold in first quarter, operating income dropped by 9% year-on-year. This fall in revenue reflects investors' lack of appetite for the markets, less buoyant trading conditions, disappointing ongoing losses in our private equity business as well as lower asset levels, which impacted recurring fees earned on the basis of our clients' holdings.

Throughout 2002, we continued to manage both compensation and non-personnel expenses in an extremely disciplined fashion, keeping them in line with market and revenue developments. Total operating expenses were CHF 29,577 million, down 3% year-on-year. Excluding the PaineWebber brand writedown, operating expenses were 7% lower than 2001. We did not build up significant overcapacity during the peak of the last business cycle, and have therefore been able to reduce headcount gradually as economic conditions weakened – without resorting to drastic cuts. Over 2002, headcount decreased by 924 to 69,061, as we streamlined processes and structures at the same time as expanding our capabilities in areas with positive growth potential.

In our wealth management businesses (Private Banking and UBS PaineWebber) we saw positive inflows of net new money throughout 2002, underscoring the trust clients place in our advice. Despite difficult market conditions, accentuated by the Italian tax amnesty in the first half of 2002, clients invested CHF 35.1 billion of new funds.

The Group's return on equity for 2002, pre-goodwill and adjusted for the brand writedown as well as for the sales of Klinik Hirslanden and Hyposwiss, was 13.9%, down from 14.8% a year ago and slightly below our target range of 15–20%. Continued share buybacks reducing the level of our equity partially offset the decline in earnings. On the same basis, basic earnings per share for the year were CHF 4.57, 8% lower than in 2001, and our cost/income ratio rose to 79.5% from 77.3%.

Financial privacy remains intact

In its meeting of 21 January 2003, the Council of EU Finance Ministers (ECOFIN) agreed in principle on how to tax interest income on assets held by EU citizens outside their country of residence. This decision to allow the coexistence of different models for taxing cross-border savings is in line with the Swiss government's offer to introduce a withholding tax for assets held in Switzerland by EU citizens, and fully respects Swiss bank client confidentiality.

Fourth quarter results

In fourth quarter, we reported a net loss of CHF 101 million, down from a net profit of CHF 1,106 million a year earlier, with the result reflecting the writedown of the value of the PaineWebber brand. Pre-goodwill, adjusted for the brand writedown and the proceeds from the sale of Klinik Hirslanden, net profit would have been CHF 1,075 million in fourth quarter 2002, a 25% decline from CHF 1,436 million in the same quarter a year ago. Operating income was particularly negatively impacted by falling recurring fees, reflecting the market-driven decrease of asset levels through the year.

With a net credit recovery of CHF 11 million, we posted another exceptionally positive credit risk result (against a credit loss expense of CHF 95 million in third quarter 2002 and of CHF 115 million in fourth quarter 2001), reflecting minimal requirements for new provisions as well as the benefits of reduced exposure to emerging markets.

Operating expenses for the quarter were CHF 7,776 million. Besides the brand-related writedown, we also recorded a provision of CHF 111 million (USD 80 million) related to the US equity research settlement and a CHF 72 million charge for the downsizing and relocation of our energy trading business in the US. These charges were offset by lower compensation costs, reducing total operating expenses in the Corporate and Institutional Clients unit to their lowest level since 1999 and maintaining the positive trend in UBS PaineWebber's cost/income ratio. Overall personnel expenses, down 9% at CHF 4,021 million, reflected revenue-related declines in performance-related compensation.

Net new money invested by clients of our wealth management businesses was CHF 9.4 billion in the quarter, down by CHF 3.3 billion from the exceptionally strong third quarter 2002. UBS PaineWebber achieved a very strong result with net new money of CHF 6.3 billion, nearly doubling the inflow of CHF 3.4 billion achieved in third quarter. Excellent inflows of CHF 2.0 billion were again recorded by our European wealth management initiative which over the year achieved a 48% annual inflow rate.

On 31 December 2002, invested assets were CHF 2,037 billion, down 2% from their level on 30 September 2002, with much of the decline attributable to adverse currency movements.

Dividend of CHF 2.00 per share

The Board of Directors will recommend a dividend of CHF 2.00 per share to the Annual General Meeting on 16 April 2003. This level is in line with the payments made in the last two years and consistent with our recent payout ratio of 30–60% of adjusted net profit, confirming our commitment to making stable distributions to shareholders.

Our ongoing share buyback programs, which will continue this year, are another important tool we use to return retained earnings to our shareholders. With a BIS Tier 1 ratio of 11.3% we remain one of the best capitalized financial services firms in the world.

Positioned for growth

In the context of last year's difficult markets, the benefits of our prudent approach that balances revenue opportunity with risk and cost discipline were clear. It would be short-sighted, however, if we relied solely on these aspects of our strategy and we therefore continue to invest in our growth initiatives, and gain market share from competitors. We see the current environment as an ideal chance to build the capabilities and resources we need to benefit from long-term growth opportunities.

In wealth management, although the market declines of the last two years have caused the overall assets of affluent clients to decrease, they have also accentuated the demand for skilled financial advice. Our market share gains in major wealth management markets over the last year indicate that the resources of a global powerhouse, with a highly tailored service offering and first-class advice, are even more in demand in difficult environments. We continue to build our wealth management capability, in particular our presence in Europe, to benefit from what we believe are still the dominant long-term market trends: the worldwide growth in private wealth and the concentration of that wealth among the affluent.

In investment banking and securities markets, we see healthy client demand for corporate advice combined with a broad array of securities services – although we do not expect overall levels of activity to return to the boom levels of 1999–2000 in the near future. Our expansion efforts in the US are showing strong signs of success, as the investment banking talent we have hired over the last two years gives us critical access to important client relationships and potential deals. Despite a significant deterioration of the global fee pool, UBS Warburg increased its investment banking market share to 5.0% at the end of 2002 from 4.5% a year earlier.

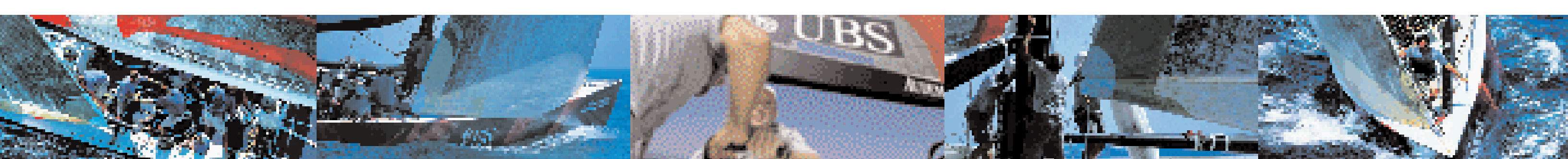
Outlook

As 2003 begins, the environment continues to be a challenging one. Uncertainty over economic developments and market direction, and rising geopolitical concerns are affecting investor sentiment and therefore transaction levels, and are holding back a significant recovery in corporate activity. Therefore, we do not expect to see an immediate pick up in our financial performance, as depressed asset levels, low levels of investor activity and possible deterioration of the credit environment weigh on our revenues. Any recovery in the latter part of this year remains simply unpredictable.

Because of this, we will continue to monitor our cost base carefully, investing selectively in our strategic priorities. Our prudent management of resources over the last several years leaves us excellently positioned for further competitive gains.

18 February 2003
UBS AG

Marcel Ospel	Peter Wuffli
Chairman	President



Fourth Quarter Results

(adjusted for significant financial events)

UBS Wealth Management & Business Banking

Private Banking's 2002 pretax profit, at CHF 2,774 million, fell 19% from 2001 due to the steep decline in asset-based revenues and continued investments in the European wealth management initiative. Affected by over CHF 8 billion of net outflows to Italian clients, net new money inflows totaled CHF 16.6 billion over the full year, down from the 2001 result of CHF 24.6 billion.

In fourth quarter 2002, profit before tax decreased by 9% to CHF 586 million because of a fall in asset-based revenues, reflecting the lower invested asset base due to the continued equity market deterioration in the first nine months of 2002. Net new money for the quarter was CHF 3.1 billion, the second highest quarterly inflow of the year. Inflows into the European wealth management initiative totaled CHF 2.0 billion. Swiss clients invested CHF 0.4 billion in the fourth quarter, and international clients contributed CHF 2.7 billion. The gross margin remained solid at 98 basis points.

Business Banking Switzerland reported a strong full-year result, achieving a pre-tax profit of CHF 1,967 million for 2002, up 32% from the previous year despite declining revenues in difficult market conditions, evidence of the continued tight management of the cost base. Headcount was 18,442 on 31 December 2002, a decline of 778 or 4% as the business unit continued to streamline processes and structures.

Credit loss expense for the year amounted to CHF 286 million, compared to CHF 567 million in 2001. Performance in the domestic credit business remains strong despite a gradual slowdown of Swiss economic growth. Non-performing loans continued to fall, and now account for just 3.6% of the loan book.

For fourth quarter 2002, Business Banking Switzerland reported a pre-tax profit of CHF 454 million, down by 7% from third quarter but still ahead of any quarter in 2001. Interest income was pressured by declining margins for savings and cash accounts amid a very low interest rate environment.

UBS Global Asset Management

Pre-tax profit for the full year 2002 was CHF 187 million, a decrease of 33% from 2001's result. The declines in equity markets experienced throughout 2002 resulted in lower invested asset levels and subsequently, lower asset-based revenues. These developments were partially offset by ongoing initiatives to control costs.

In fourth quarter 2002, UBS Global Asset Management posted a pre-tax profit of CHF 27 million, almost unchanged from CHF 26 million in third quarter 2002.

In the institutional business, net new money totaled CHF 2.4 billion for the fourth quarter, compared to outflows of CHF 3.2 billion in third quarter, thanks to strong inflows in fixed income and equities. In its wholesale intermediary fund business, UBS Global Asset Management recorded an outflow of net new money of CHF 0.2 billion in fourth quarter, compared to a positive inflow of CHF 1.3 billion in the third quarter.

Although global equity markets ended the year in significantly negative territory, most of UBS Global Asset Management's funds continued to show a strong relative investment performance in the 1-year, 3-year and 5-year periods.

UBS Warburg

UBS Warburg's *Corporate and Institutional Clients* business unit recorded a pre-tax profit of CHF 3,129 million for the full year, a decrease of 17% from 2001, reflecting the difficult economic conditions in 2002, particularly for the investment banking and equities businesses. The compensation ratio for the whole of 2002 was 55%, a slight increase on the 53% recorded in 2001, reflecting the strong competitive performance of many of the businesses.

In fourth quarter 2002, the unit delivered pre-tax profit of CHF 520 million, a 36% decrease from the same period last year and 27% lower than third quarter 2002. Revenues were CHF 2,867 million, down 12% from both third quarter 2002 and fourth quarter 2001, reflecting poor conditions for investment banking and equities. Finally, revenues in the fixed income and foreign exchange businesses were again strong despite negative revenues of CHF 163 million relating to credit default swaps hedging existing credit exposures in the loan book.

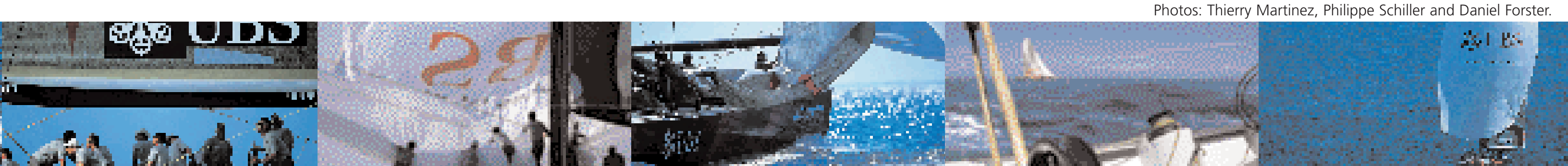
In contrast to general market trends, UBS Warburg continued to weather the difficult credit environment well. The level of non-performing loans dropped by 22% in the fourth quarter, while the non-performing loans to gross loan ratio fell to 1.6% from 2.2%.

Operating expenses in fourth quarter 2002 dropped by 4% from fourth quarter 2001 and 8% from the previous quarter to CHF 2,307 million, their lowest level since 1999. This decline was achieved despite the CHF 90 million (USD 65 million) provision for the US equity research settlement and a CHF 72 million charge relating to UBS Warburg Energy, which was downsized and relocated in response to the extensive market contraction in the US energy market.

UBS Capital recorded a pre-tax loss of CHF 1,761 million for the full year, CHF 727 million more than in 2001. Private equity valuations across a range of sectors were impacted by the tough economic conditions, with the hostile climate for divestments limiting the opportunities for exits.

In fourth quarter, UBS Capital posted a pre-tax loss of CHF 362 million. Writedowns of CHF 389 million in total were made across the portfolio in all regions and were partially offset by CHF 120 million in capital gains from successful divestments.

Photos: Thierry Martinez, Philippe Schiller and Daniel Forster.



UBS Capital will continue to focus on managing its existing portfolio, maximizing returns, and capitalizing on exit opportunities where they exist. Total unfunded commitments stood at CHF 2.1 billion on 31 December 2002, down from CHF 2.7 billion on 30 September 2002 and from CHF 3.0 billion on 31 December 2001.

UBS PaineWebber

In a challenging US private client market, UBS PaineWebber posted a solid performance with strict cost management discipline compensating for the decrease in transactional and asset-based revenues.

The Business Group reported a pre-tax loss of CHF 566 million for the full year and a pre-tax loss of CHF 134 million in fourth quarter. Before acquisition costs (goodwill, net funding costs and retention payments), it achieved a pre-tax profit of CHF 632 million for full 2002 and CHF 142 million for the quarter.

Since UBS PaineWebber's transactions are primarily denominated in US dollars, comparison of its results to prior periods is affected by the decline of the US dollar against the Swiss franc. In dollar terms, fourth quarter profit before tax and acquisition costs decreased 9% from the third quarter because of UBS PaineWebber's share of the global equity research settlement of USD 15 million (CHF 21 million). The cost/income ratio before acquisition costs was 89% in fourth quarter 2002 compared to 88% a quarter earlier. Excluding the settlement charge, the cost/income ratio would have dropped to 87%, its fourth consecutive quarterly drop, reflecting UBS PaineWebber's continued cost control initiatives.

Net new money, at CHF 6.3 billion in fourth quarter 2002, was considerably higher than the CHF 3.4 billion result achieved in third quarter, as financial advisors benefited from new IT tools, improving the scope of their advisory capacities. For the full year, net new money was CHF 18.5 billion despite the historically low level of depressed investor sentiment.

Significant financial events

There were no significant financial events in 2001, but there were three significant financial events in 2002:

In fourth quarter, UBS recorded a non-cash writedown of CHF 953 million after tax for the PaineWebber brand that was held as an intangible asset on our balance sheet. The writedown was due to our business strategy decision, announced in November 2002, to move to the single UBS brand. The new brand structure will be implemented in June 2003.

In fourth quarter, UBS realized a gain of CHF 60 million after tax from the sale of Klinik Hirslanden, a private hospital group.

In first quarter, UBS realized a gain of CHF 125 million after tax from the sale of Hyposwiss.

Details of significant financial events for 2002 are shown in the UBS Fourth Quarter 2002 Report.

Annual General Meeting 2003

The Annual General Meeting of Shareholders will take place on 16 April 2003 in Zurich. As our shareholders, you will receive a personal invitation for this meeting with a detailed agenda at least 20 days ahead of the meeting.

More detailed financial reporting

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

There is also an interactive version of the fourth 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)

CHF million, except where indicated	Quarter ended 31.12.02	Quarter ended 30.9.02	Quarter ended 31.12.01	% change from 3Q02	% change from 4Q01	Year ended 31.12.02	Year ended 31.12.01
Income statement key figures							
Operating income	**7,524**	8,000	8,462	(6)	(11)	34,121	37,114
Operating expenses	**7,776**	6,788	7,082	15	10	29,577	30,396
Operating profit / (loss) before tax	**(252)**	1,212	1,380			4,544	6,718
Net profit / (loss)	**(101)**	942	1,106			3,535	4,973
Cost/income ratio (%) [1]	**103.5**	83.9	82.6			86.2	80.8
Cost/income ratio before goodwill (%) [1, 2]	**83.3**	80.1	78.7			79.0	77.3
Per share data (CHF)							
Basic earnings per share [3]	**(0.09)**	0.79	0.88			2.92	3.93
Basic earnings per share before goodwill [2, 3]	**0.97**	1.04	1.14	(7)	(15)	4.73	4.97
Diluted earnings per share [3]	**(0.09)**	0.76	0.87			2.87	3.78
Diluted earnings per share before goodwill [2, 3]	**0.97**	1.01	1.13	(4)	(14)	4.65	4.81
Return on shareholders' equity (%)							
Return on shareholders' equity [4]						8.9	11.7
Return on shareholders' equity before goodwill [2, 4]						14.4	14.8

CHF million, except where indicated As at	31.12.02	30.9.02	31.12.01	% change from 30.9.02	% change from 31.12.01
Shareholders' equity	**38,991**	40,796	43,530	(4)	(10)
Market capitalization	**79,448**	73,072	105,475	9	(25)
BIS capital ratios					
Tier 1 (%) [5]	**11.3**	11.6	11.6		
Total BIS (%)	**13.8**	14.2	14.8		
Risk-weighted assets	**238,790**	245,564	253,735	(3)	(6)
Invested assets (CHF billion)	**2,037**	2,070	2,448	(2)	(17)
Headcount (full-time equivalents)	**69,061**	69,552 [6]	69,985 [6]	(1)	(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]

CHF million, except where indicated	Quarter ended 31.12.02	Quarter ended 30.9.02	Quarter ended 31.12.01	% change from 3Q02	% change from 4Q01	Year ended 31.12.02	Year ended 31.12.01
Operating income	**7,452**	8,000	8,462	(7)	(12)	33,894	37,114
Operating expenses	**6,259**	6,483	6,752	(3)	(7)	27,117	29,073
Operating profit before tax	**1,193**	1,517	1,710	(21)	(30)	6,777	8,041
Net profit	**1,075**	1,247	1,436	(14)	(25)	5,529	6,296
Cost/income ratio (%) [1]	**84.1**	80.1	78.7			79.5	77.3
Basic earnings per share (CHF) [3]	**0.92**	1.04	1.14	(12)	(19)	4.57	4.97
Diluted earnings per share (CHF) [3]	**0.92**	1.01	1.13	(9)	(19)	4.50	4.81
Return on shareholders' equity (%) [4]						13.9	14.8

[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 Fourth Quarter 2002 Report. [4] Net profit/average shareholders' equity excluding dividends. [5] Includes hybrid Tier 1 capital, please refer to the BIS capital and ratios table in the Group Review. [6] Klinik Hirslanden was sold on 5 December 2002. The Group headcount does not include the Klinik Hirslanden headcount of 3,066 and 2,450 for 30 September 2002 and 31 December 2001. [7] Details of significant financial events can be found in the Fourth Quarter 2002 Report.

UBS Group Income Statement (unaudited)

CHF million, except per share data	Quarter ended **31.12.02**	30.9.02	31.12.01	% change from 3Q02	4Q01	Year ended 31.12.02	31.12.01
Operating income							
Interest income	**8,697**	10,409	10,326	(16)	(16)	39,963	52,277
Interest expense	**(6,000)**	(7,683)	(7,705)	(22)	(22)	(29,417)	(44,236)
Net interest income	**2,697**	2,726	2,621	(1)	3	10,546	8,041
Credit loss (expense) / recovery	**11**	(95)	(115)			(206)	(498)
Net interest income after credit loss expense	**2,708**	2,631	2,506	3	8	10,340	7,543
Net fee and commission income	**4,236**	4,299	4,964	(1)	(15)	18,221	20,211
Net trading income	**666**	1,027	924	(35)	(28)	5,572	8,802
Other income	**(86)**	43	68			(12)	558
Total operating income	**7,524**	8,000	8,462	(6)	(11)	34,121	37,114
Operating expenses							
Personnel expenses	**4,021**	4,411	4,404	(9)	(9)	18,524	19,828
General and administrative expenses	**1,840**	1,720	1,934	7	(5)	7,072	7,631
Depreciation of property and equipment	**398**	352	414	13	(4)	1,521	1,614
Amortization of goodwill and other intangible assets	**1,517**	305	330	397	360	2,460	1,323
Total operating expenses	**7,776**	6,788	7,082	15	10	29,577	30,396
Operating profit / (loss) before tax and minority interests	**(252)**	1,212	1,380			4,544	6,718
Tax expense / (benefit)	**(209)**	202	173			678	1,401
Net profit / (loss) before minority interests	**(43)**	1,010	1,207			3,866	5,317
Minority interests	**(58)**	(68)	(101)	(15)	(43)	(331)	(344)
Net profit / (loss)	**(101)**	942	1,106			3,535	4,973
Basic earnings per share (CHF)	**(0.09)**	0.79	0.88			2.92	3.93
Basic earnings per share before goodwill (CHF)[1]	**0.97**	1.04	1.14	(7)	(15)	4.73	4.97
Diluted earnings per share (CHF)	**(0.09)**	0.76	0.87			2.87	3.78
Diluted earnings per share before goodwill (CHF)[1]	**0.97**	1.01	1.13	(4)	(14)	4.65	4.81

[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 **31.12.02**	31.12.01	UBS Global Asset Management **31.12.02**	31.12.01	UBS Warburg **31.12.02**	31.12.01	UBS PaineWebber **31.12.02**	31.12.01	Corporate Center **31.12.02**	31.12.01	UBS Group **31.12.02**	31.12.01
Income	**2,987**	3,254	**476**	562	**2,566**	3,002	**1,215**	1,517	**197**	242	**7,441**	8,577
Credit loss (expense)/recovery[1]	**(64)**	(128)	**0**	0	**(40)**	(37)	**(2)**	(5)	**117**	55	**11**	(115)
Total operating income	**2,923**	3,126	**476**	562	**2,526**	2,965	**1,213**	1,512	**314**	297	**7,452**	8,462
Personnel expenses	**1,197**	1,141	**234**	230	**1,521**	1,596	**927**	1,200	**142**	237	**4,021**	4,404
General and administrative expenses	**528**	646	**140**	171	**672**	640	**277**	367	**223**	110	**1,840**	1,934
Depreciation	**125**	162	**13**	16	**99**	106	**36**	37	**125**	93	**398**	414
Amortization of goodwill and other intangible assets	**33**	26	**62**	73	**76**	102	**107**	125	**5**	4	**283**	330
Total operating expenses	**1,883**	1,975	**449**	490	**2,368**	2,444	**1,347**	1,729	**495**	444	**6,542**	7,082
Business Group performance before tax and excluding significant financial events	**1,040**	1,151	**27**	72	**158**	521	**(134)**	(217)	**(181)**	(147)	**910**	1,380
Significant financial events	**0**	0	**0**	0	**0**	0	**(1,234)**	0	**72**	0	**(1,162)**	0
Tax expense/ (benefit)											**(209)**	173
Net profit / (loss) before minority interests											**(43)**	1,207
Minority interests											**(58)**	(101)
Net profit/ (loss)											**(101)**	1,106

[1] In management accounts, statistically derived actuarial expected loss adjusted by deferred releases rather than the net IFRS 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 11 million recovery for the quarter ended 31 December 2002 (CHF 115 million expense for the quarter ended 31 December 2001) is as follows: UBS Wealth Management & Business Banking CHF 60 million expense (CHF 88 million expense), UBS Warburg CHF 72 million recovery (CHF 23 million expense), UBS PaineWebber CHF 1 million expense (CHF 4 million expense).