

Letter to Shareholders

Second Quarter 2001

14 August 2001

Dear Shareholders,

UBS's net profit after tax in second quarter 2001 was CHF 1,385 million. Pre-goodwill, and adjusted for one-off provisions, profit was 9% lower than last quarter and 26% less than the strong second quarter 2000. Our diverse business mix and strong client franchises have helped protect our earnings in very challenging market conditions.

Adjusted for significant financial events and pre-goodwill, the Group's annualized return on equity for first half 2001 was 16.8%, below the level a year ago, but within our target range of 15–20%. On the same basis, basic earnings per share decreased 31% to CHF 1.37 from CHF 1.99 in second quarter 2000. Again adjusted for significant financial events, the pre-goodwill cost/income ratio rose to 77.2% from 69.2% in second quarter 2000, reflecting the influence of the relatively high cost/income ratio typical of UBS PaineWebber's business, and the effect of write-downs in our private equity portfolio.

Net new money of CHF 24.1 billion has brought the total inflow for the year to CHF 45.4 billion, and total invested assets to CHF 2.56 trillion, up 5% over the quarter. Net inflows were positive across all businesses and particularly strong in Private Banking and in UBS PaineWebber.

Financial highlights

Slowing economic growth in the major economies and continued uncertainty in securities markets affected our business this quarter, especially when compared to second quarter 2000 when markets were still favorable. In particular, our private equity business, UBS Capital, has not proved immune to the tough market conditions affecting its sector. UBS Capital recorded losses of CHF 351 million this quarter, with economic pressure on portfolio companies leading to write-downs, and reduced opportunities for disposals. UBS Capital's results accounted for almost half of the decline in our adjusted net profit compared to second quarter last year.

However, revenues in our core businesses have been encouragingly stable, down just 2% overall from first quar-

ter 2001. Revenues in our private client businesses were resilient: decreasing 1% in the Private Clients unit, and down 2% at Private Banking. Revenues were up 2% at UBS Asset Management, up 3% at our Private and Corporate Clients unit, and down just 5% at UBS Warburg's Corporate and Institutional Clients unit. Record levels of underwriting fees, portfolio management fees and investment fund fees helped to bring net fee and commission income to an all-time high, contributing 54% of the Group's revenues.

Costs remain under tight control, with an increase of only 2% quarter-on-quarter. Cost discipline ensures that scope remains for us to make selective investments in key strategic initiatives.

Competitive position

Our businesses have continued to improve their competitive position this quarter. UBS Warburg has taken further advantage of the boost brought to its overall franchise by the merger with PaineWebber. Its Corporate and Institutional Clients business unit has made strong progress in US secondary equities, increasing the volume it traded on the New York Stock Exchange to record levels, with its expanded market share making it the fourth largest trader on the exchange this quarter. In investment banking, UBS Warburg also made substantial market share gains in both the US and Europe, according to data from Freeman & Co., with 4.7% fee-pool market share globally in the first half of 2001, compared to 3.5% for the year 2000. UBS Warburg tops this year's league tables for international equity underwriting and for European announced mergers and acquisitions.

Private Banking continued its progress, with net new money in second quarter increasing to CHF 8.5 billion. UBS PaineWebber attracted net new money of CHF 8.7 billion, an increase of 28% from first quarter, underlining the commitment of its affluent clients to investing for the long-term and the value they place on its professional advice in difficult markets. UBS Asset Management achieved positive net new money in its institutional business for the first

quarter since 1998, endorsing its successful turnaround in investment performance.

Business Group highlights

Increased asset-based revenues at UBS Switzerland's Private Banking business unit, CHF 1,168 million or 72% of total revenues, demonstrate the resilience of its fee base, despite lower levels of transactional activity. At the same time, costs remain under tight control. Despite a 4% increase in headcount in Private Banking over the last twelve months, both General and administrative expenses and Personnel expenses are lower than second quarter 2000. Private and Corporate Clients produced another strong result, with net profit unchanged from second quarter last year, and only 3% below first quarter 2001.

UBS Asset Management has undergone a successful transformation over the last year, with the introduction of an integrated investment management platform and a more client-focused organizational structure. The benefits of these changes have flowed through in better relative investment performance and improved client sentiment. This has been reflected in improving net new money flows over the past year, with a total inflow of CHF 13.4 billion so far in 2001. UBS Asset Management's June agreement to acquire RT Capital Management, the institutional asset management business of Royal Bank of Canada, provides an excellent base for further expansion in the world's fourth largest pension market.

UBS Warburg's Corporate and Institutional Clients business unit recorded a net profit before tax in second quarter of CHF 1,137 million, 20% down from the same time last year, reflecting the weaker market conditions. Difficult trading conditions in equities were offset by strong performances in fixed income and foreign exchange, and record underwriting fees. Investment in hiring key staff has continued, but this increase in headcount has largely been offset by selective reductions elsewhere, designed to ensure a close match between the level of our resources and our clients' needs.

Outlook

Any firm assessment of future market conditions remains difficult. Equity strategists generally predict a recovery in the US and world economies by first quarter next year, but optimism among individual US investors, as measured by UBS PaineWebber's Index of Investor Optimism, has reached its lowest point since the regular monthly survey started in 1996. In any case, the chances of a short-term improvement in the operating environment seem low.

Entering the summer months, often quieter ones for many of our businesses, short-term prospects for UBS continue to be challenging. We remain cautious and disciplined given the uncertain outlook, but our competitive gains are encouraging, and we are taking every opportunity we can to ensure our businesses emerge stronger from the market downturn.

14 August 2001

UBS AG



Marcel Ospel
Chairman



Luqman Arnold
President

Second quarter results

UBS Switzerland

UBS Switzerland's Private and Corporate Clients business unit achieved another strong result this quarter, despite weaker transaction volumes, with a net profit before tax of CHF 526 million, just 3% lower than first quarter 2001, and unchanged from second quarter last year. Revenues rose 3% to CHF 1,716 million, an all time high, supported by the improving quality of the credit portfolio. Net new money inflows of CHF 0.8 billion derived principally from new client acquisition.

Private Banking's profits decreased to CHF 729 million, down 7% from the first quarter 2001, reflecting weakness in securities trading volumes. Revenues were down only 2% from the previous quarter, at CHF 1,606 million, thanks to the 72% proportion derived from asset-based fees, which rose again this quarter. Costs remained under control with operating expenses of CHF 877 million, just 2% higher than in the previous quarter and down 3% compared to a year ago. Net new money rose again to CHF 8.5 billion, up from CHF 3.9 billion in the first quarter. This strong inflow of net new money, combined with the appreciation of the US dollar against the Swiss franc, supported a 4% increase in invested assets to CHF 718 billion during the quarter.

UBS Asset Management

UBS Asset Management's pre-tax profit increased to CHF 57 million in second quarter 2001 from CHF 52 million in first quarter, reflecting both positive asset growth and higher mutual fund prices. Operating income grew 2% compared to the first quarter, to CHF 527 million. Institutional revenues in the second quarter 2001 decreased to CHF 247 million from CHF 285 million last quarter, mostly as a result of lower performance fees in the O'Connor business. Mutual fund revenues increased by CHF 46 million from first quarter, to CHF 280 million, principally due to asset growth, improved asset mix and increased charges for UBS investment funds.

Institutional invested assets grew from CHF 305 billion at 31 March 2001 to CHF 318 billion at 30 June 2001. Net new money for the quarter was CHF 5.2 billion, endorsing the sustained improvement in investment performance. Much of the inflow occurred in asset allocation and equity

mandates in Europe and fixed income mandates in the Americas.

Invested assets in mutual funds increased from CHF 332 billion at 31 March 2001 to CHF 348 billion at 30 June 2001. Net new money during the second quarter of 2001 was CHF 0.8 billion. Net new money continued to be particularly positive for European equity funds and GAM.

UBS Warburg

UBS Warburg's Corporate and Institutional Clients business unit reported a pre-tax profit of CHF 1,137 million, 20% lower than in second quarter 2000 and 14% lower quarter on quarter, on revenues down 5%. Fixed income and foreign exchange revenues reached a record CHF 1,906 million, a 50% increase over the second quarter 2000. On the other hand equities trading revenues were more affected by difficult market conditions, bringing total Equities revenues down 43% to CHF 1,612 million, despite robust client commissions. Corporate finance revenues rose by 9% over second quarter 2000, with market share of corporate fees up from 3.5% in 2000 to 4.7% for this half-year. UBS Warburg topped the league tables for M&A deals announced in Europe, and for international equity underwriting (ranking 11th in the same period last year).

UBS Capital recorded a pre-tax loss of CHF 351 million this quarter (compared to a loss of CHF 282 million in the first quarter). Depressed market conditions resulted in the postponement of planned divestments, or lower profits on disposals. In addition, deteriorating valuations across a range of industry sectors led to a number of write-downs in UBS Capital's portfolio.

Prospects for this business in forthcoming quarters remain difficult, with limited opportunities for disposals. Although remaining dependent on divestment timing, value adjustments in third-party funds, and the general environment for private equity valuations, UBS Capital does not expect significant additional losses this year.

The Private Clients business unit, centered on UBS PaineWebber, attracted net new money of CHF 8.7 billion, an increase of 28% over the first quarter. Total revenues for the second quarter 2001 were CHF 1,837 million, 1% lower than in first quarter 2001. Against a background of uncertain markets, this relatively strong performance reflects the strength of recurring fees, and the continued trust placed by clients in the UBS PaineWebber's investment advice.

Significant financial events

There were no significant financial events in second quarter 2001 or first quarter 2001. In second quarter 2000, UBS's previously established liability for the US Global

Settlement regarding World War II related claims was increased by CHF 200 million. This amount was charged to General and administrative expenses in Corporate Center.

More detailed financial reporting

A much longer 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 this detailed report which 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/investor-relations.

Cautionary statement regarding forward-looking statements

This communication contains statements that constitute "forward-looking statements", including, without limitation, statements relating to the implementation of strategic initiatives, including the implementation of the new European wealth management strategy, expansion of our corporate finance presence in the US and worldwide, and other statements relating to our future business development and economic performance, including the expected results of UBS Capital through the balance of 2001. 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, (6) legislative developments and (7) other key factors that we have indicated could adversely affect our business and financial performance which are contained in our past and future filings and reports, including those with the SEC.

More detailed information about those factors is set forth in documents furnished by UBS and filings made by UBS with the SEC, including UBS's Annual Report on Form 20-F for the year ended 31 December 2000. 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

CHF million, except where indicated	Quarter ended			% change from		Year-to-date	
	30.6.01	31.3.01	30.6.00	1Q01	2Q00	30.6.01	30.6.00
Income statement key figures							
Operating income	9,881	10,067	9,200	(2)	7	19,948	18,557
Operating expenses	8,024	7,872	6,548	2	23	15,896	12,997
Operating profit before tax	1,857	2,195	2,652	(15)	(30)	4,052	5,560
Net profit	1,385	1,579	2,052	(12)	(33)	2,964	4,268
Cost / income ratio (%) ¹	80.6	77.2	72.8			78.8	70.4
Cost / income ratio before goodwill (%) ^{1,2}	77.2	73.9	71.4			75.5	68.9
Per share data (CHF)							
Basic earnings per share ³	1.10	1.24	1.75	(11)	(37)	2.33	3.64
Basic earnings per share before goodwill ^{2,3}	1.37	1.50	1.86	(9)	(26)	2.85	3.87
Diluted earnings per share ³	1.06	1.10	1.73	(4)	(39)	2.20	3.60
Diluted earnings per share before goodwill ^{2,3}	1.33	1.35	1.84	(1)	(28)	2.72	3.83
Return on shareholders' equity (%)							
Return on shareholders' equity ⁴						13.7	29.5
Return on shareholders' equity before goodwill ^{2,4}						16.8	31.3

CHF million, except where indicated	As at	30.6.01	31.3.01	31.12.00	% change from	
					31.3.01	31.12.00
Balance sheet key figures						
Total assets		1,232,492	1,216,852	1,087,552	1	13
Shareholders' equity		44,193	43,380	44,833	2	(1)
Market capitalization						
		109,095	106,078	112,666	3	(3)
BIS capital ratios						
Tier 1 (%) ⁵		10.6	10.2	11.7	4	(9)
Total BIS (%)		14.2	14.0	15.7	1	(10)
Risk-weighted assets		292,347	286,885	273,290	2	7
Invested assets (CHF billion)						
		2,559	2,438	2,452	5	4
Headcount (full time equivalents)⁶						
		70,946	71,080	71,076	0	0
Long-term ratings						
Fitch, London		AAA	AAA	AAA		
Moody's, New York		Aa2	Aa1	Aa1		
Standard & Poor's, New York		AA+	AA+	AA+		

Earnings adjusted for significant financial events and pre-goodwill²

CHF million, except where indicated	Quarter ended			% change from		Year-to-date	
	30.6.01	31.3.01	30.6.00	1Q01	2Q00	30.6.01	30.6.00
Operating income	9,881	10,067	9,200	(2)	7	19,948	18,557
Operating expenses ²	7,683	7,544	6,221	2	24	15,227	12,522
Operating profit before tax ²	2,198	2,523	2,979	(13)	(26)	4,721	6,035
Net profit ²	1,726	1,907	2,334	(9)	(26)	3,633	4,698
Cost / income (%) ^{1,2}	77.2	73.9	69.2			75.5	67.8
Basic earnings per share (CHF) ^{2,3}	1.37	1.50	1.99	(9)	(31)	2.85	4.00
Diluted earnings per share (CHF) ^{2,3}	1.33	1.35	1.97	(1)	(32)	2.72	3.96
Return on shareholders' equity (%) ^{2,4}						16.8	31.9

¹ Operating expenses / operating income before credit loss expense. ² Excluding the amortization of goodwill and other intangible assets. ³ For EPS calculation, see Note 9 to the Financial Statements. ⁴ Annualized Net profit / average shareholders' equity excluding dividends. ⁵ Includes hybrid tier 1 capital. ⁶ The Group headcount does not include the Klinik Hirslanden AG headcount of 2,080, 2,062 and 1,839 for 30 June 2001, 31 March 2001 and 31 December 2000, respectively.

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

UBS Group Income Statement

CHF million, except per share data	Quarter ended			% change from		Year-to-date	
	30.6.01	31.3.01	30.6.00	1Q01	2Q00	30.6.01	30.6.00
Operating income							
Interest income	13,780	14,565	12,682	(5)	9	28,345	24,079
Interest expense	(12,048)	(12,607)	(10,445)	(4)	15	(24,655)	(19,753)
Net interest income	1,732	1,958	2,237	(12)	(23)	3,690	4,326
Credit loss expense / recovery	(76)	(136)	208	(44)		(212)	83
Net interest income after credit loss expense / recovery	1,656	1,822	2,445	(9)	(32)	3,478	4,409
Net fee and commission income	5,375	5,089	3,756	6	43	10,464	7,835
Net trading income	2,658	3,060	2,691	(13)	(1)	5,718	5,669
Other income	192	96	308	100	(38)	288	644
Total operating income	9,881	10,067	9,200	(2)	7	19,948	18,557
Operating expenses							
Personnel expenses	5,299	5,273	4,354	0	22	10,572	8,876
General and administrative expenses	1,974	1,877	1,743	5	13	3,851	3,174
Depreciation of property and equipment	410	394	324	4	27	804	672
Amortization of goodwill and other intangible assets	341	328	127	4	169	669	275
Total operating expenses	8,024	7,872	6,548	2	23	15,896	12,997
Operating profit before tax and minority interests	1,857	2,195	2,652	(15)	(30)	4,052	5,560
Tax expense	384	548	591	(30)	(35)	932	1,257
Net profit before minority interests	1,473	1,647	2,061	(11)	(29)	3,120	4,303
Minority interests	(88)	(68)	(9)	29	878	(156)	(35)
Net profit	1,385	1,579	2,052	(12)	(33)	2,964	4,268
Basic earnings per share (CHF) ¹	1.10	1.24	1.75	(11)	(37)	2.33	3.64
Basic earnings per share before goodwill (CHF) ^{1,2}	1.37	1.50	1.86	(9)	(26)	2.85	3.87
Diluted earnings per share (CHF) ¹	1.06	1.10	1.73	(4)	(39)	2.20	3.60
Diluted earnings per share before goodwill (CHF) ^{1,2}	1.33	1.35	1.84	(1)	(28)	2.72	3.83

¹ All share and earnings per share figures have been restated for the 3 for 1 share split which took place on 16 July 2001. ² Excluding the amortization of goodwill and other intangible assets.

Reporting by Business Group¹

CHF million	UBS Switzerland		UBS Asset Management		UBS Warburg		Corporate Center		UBS Group	
	30.6.01	30.6.00	30.6.01	30.6.00	30.6.01	30.6.00	30.6.01	30.6.00	30.6.01	30.6.00
For the quarter ended										
Income	3,478	3,566	527	490	5,723	4,886	229	50	9,957	8,992
Credit loss expense / recovery ²	(156)	(192)	0	0	(34)	(39)	114	439	(76)	208
Total operating income	3,322	3,374	527	490	5,689	4,847	343	489	9,881	9,200
Personnel expenses	1,227	1,306	262	219	3,693	2,673	117	156	5,299	4,354
General and administrative expenses	680	651	130	100	1,123	667	41	125 ³	1,974	1,543 ³
Depreciation	149	115	10	12	152	135	99	62	410	324
Amortization of goodwill and other intangible assets	11	11	68	66	253	39	9	11	341	127
Total operating expenses	2,067	2,083	470	397	5,221	3,514	266	354	8,024	6,348
Business unit performance before tax and significant financial events	1,255	1,291	57	93	468	1,333	77	135	1,857	2,852
Significant financial events ³									0	(200)
Tax expense									384	591
Net profit before minority interests									1,473	2,061
Minority interests									(88)	(9)
Net profit									1,385	2,052

¹ The prior period has been restated to reflect the current business structure of the Group. ² In management accounts, statistically derived adjusted expected credit loss rather than the IAS actual net credit loss expense is reported for each Business Group. The breakdown by Business Group of the net credit loss expense for financial reporting purposes of CHF 76 million for the quarter ended 30 June 2001 (CHF 208 million recovery for the quarter ended 30 June 2000) is as follows: UBS Switzerland CHF 27 million (CHF 252 million recovery), UBS Warburg CHF 49 million (CHF 44 million). ³ General and administrative expenses have been adjusted for the additional CHF 200 million provision relating to the US Global Settlement.