

Annual Review 2001



Contents

Profile	1
The year in review	4
Letter to Shareholders	6
The Power of Partnership	10
Brand and identity	12
Knowledge and innovation	18
Talent and culture	24
Client relationships	30
Financial intelligence	36
2001 Report	42
Corporate Governance	44
UBS Group results	49
Business Group results	52
Sources of information about UBS	56

The Power of Partnership

Flawless strategy, teamwork, and technology are the prerequisites for competing in the world's great ocean races. The same elements underpin success in the global financial markets.

UBS is Main Partner of Alinghi, Swiss Challenge for the Americas' Cup 2003 and is also Principal Partner of the Nautor Challenge team for the 2001-2002 Volvo Ocean Race. Our Annual Review carries pictures of the two teams.

The very essence of yacht racing with the relentless demands of the ocean relies upon the crew to operate as a team. Whether on a match racing course, in the midst of the southern ocean, or indeed in the world of global finance – individual efforts are eclipsed by the Power of Partnership.



UBS Group

UBS is one of the world's leading financial firms, serving a discerning global client base. As an organization, we combine financial strength with a reputation for innovation and a global culture which embraces change. Our vision is to be the pre-eminent global integrated investment services firm and the leading bank in Switzerland. We are the world's leading provider of private banking services and one of the largest asset managers globally. In the investment banking and securities businesses we are among the select bracket of major global houses. In Switzerland, we are the clear market leader in corporate and retail banking. As an integrated group, not merely a holding company, we create added value for our clients by drawing on the combined resources and expertise of all our businesses.

Our client philosophy puts advice at the heart of relationships. Our priority is to provide premium quality services to our clients, giving them the best possible choice by supplementing best-in-class products we develop ourselves with a quality-screened selection of products from others.

With head offices in Zurich and Basel, we operate in over 50 countries and from all major international financial centers. Our global physical presence is complemented by leading edge online services. All our clients can benefit from our technology – it complements our advisory services and allows us to deliver our services faster, more widely and more cost-effectively than ever before.

Our Business Groups

All our Business Groups are in the top echelons of their sectors globally and are committed to vigorously growing their franchises.

UBS Switzerland

UBS Switzerland includes the world's leading private banking business, with CHF 682 billion of invested assets at 31 December 2001. UBS Private Banking provides a comprehensive range of products and services individually tailored for wealthy clients, through offices around the world.

UBS Switzerland also provides a complete set of banking and securities services for some four million individual and corporate clients in Switzerland. Its CHF 182 billion of outstanding loans at 31 December 2001 give it around a quarter of the Swiss lending market.

UBS Asset Management

UBS Asset Management is a leading institutional asset manager and mutual fund provider, with invested assets of CHF 672 billion at 31 December 2001, offering a broad range of asset management services and products for institutional and individual clients across the world.

UBS Warburg

UBS Warburg operates globally as a client-driven securities, investment banking and wealth management firm. UBS Warburg provides innovative products, top-quality research and advice, and comprehensive access to the world's capital markets, for both its own corporate and institutional clients and for the other parts of the UBS Group. UBS PaineWebber, one of the top US wealth managers, became part of UBS Warburg in November 2000. Its distribution network of 8,870 financial advisors manages over CHF 782 billion of invested assets at 31 December 2001. On 1 January 2002, UBS PaineWebber was separated from UBS Warburg to form a new Business Group within UBS.

Corporate Center

Our portfolio of businesses is planned and managed for the long-term maximization of shareholder value. The role of the Corporate Center is to ensure that the Business Groups operate as a coherent and effective whole, in alignment with UBS's overall corporate goals.

UBS Group Financial Highlights

	<i>CHF million, except where indicated</i>			% change from	
	For the year ended	31.12.00	31.12.99	31.12.00	
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 9 to the Financial Statements.					
⁴ Net profit / average shareholders' equity excluding dividends.					
⁵ Includes hybrid tier 1 capital, please refer to Note 30e in the Notes to the Financial Statements.					
⁶ Calculated using the former definition of assets under management.					
⁷ The Group headcount does not include the Klinik Hirslanden AG headcount of 2,450, 1,839 and 1,853 for 31 December 2001, 31 December 2000 and 31 December 1999, respectively.					
⁸ See the Long-term credit ratings section of the UBS Handbook 2001/2002.					
⁹ Details of significant financial events can be found on page 49.					
For notes to the Financial Statements please refer to the Financial Report 2001.					
All earnings per share figures have been restated for the 3 for 1 share split which took place on 16 July 2001.					
Except where otherwise stated, all 31 December 2001 and 31 December 2000 figures throughout this report include the impact of the acquisition of PaineWebber, which occurred on 3 November 2000.					
All invested assets figures for 31 December 2000 have been restated to reflect the new definition.					
	<i>CHF million, except where indicated</i>			% change from	
	As at	31.12.01	31.12.00	31.12.99	31.12.00
	Income statement key figures				
	Operating income	37,114	36,402	28,425	2
	Operating expenses	30,396	26,203	20,532	16
	Operating profit before tax	6,718	10,199	7,893	(34)
	Net profit	4,973	7,792	6,153	(36)
	Cost / income ratio (%) ¹	80.8	72.2	69.9	
	Cost / income ratio before goodwill (%) ^{1,2}	77.3	70.4	68.7	
	Per share data (CHF)				
	Basic earnings per share ³	3.93	6.44	5.07	(39)
	Basic earnings per share before goodwill ^{2,3}	4.97	7.00	5.35	(29)
	Diluted earnings per share ³	3.78	6.35	5.02	(40)
	Diluted earnings per share before goodwill ^{2,3}	4.81	6.89	5.30	(30)
	Return on shareholders' equity (%)				
	Return on shareholders' equity ⁴	11.7	21.5	22.4	
	Return on shareholders' equity before goodwill ^{2,4}	14.8	23.4	23.6	
	<i>CHF million, except where indicated</i>				% change from
	As at	31.12.01	31.12.00	31.12.99	31.12.00
	Balance sheet key figures				
	Total assets	1,253,297	1,087,552	896,556	15
	Shareholders' equity	43,530	44,833	30,608	(3)
	Market capitalization	105,475	112,666	92,642	(6)
	BIS capital ratios				
	Tier 1 (%) ⁵	11.6	11.7	10.6	(1)
	Total BIS (%)	14.8	15.7	14.5	(6)
	Risk-weighted assets	253,735	273,290	273,107	(7)
	Invested assets (CHF billion)	2,457	2,452	1,744 ⁶	0
	Headcount (full time equivalents)⁷	69,985	71,076	49,058	(2)
	Long-term ratings⁸				
	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-goodwill^{2,9}

	<i>CHF million, except where indicated</i>			% change from
	For the year ended	31.12.00	31.12.99	31.12.00
Operating income	37,114	36,402	26,587	2
Operating expenses	29,073	25,096	20,194	16
Operating profit before tax	8,041	11,306	6,393	(29)
Net profit	6,296	8,799	5,005	(28)
Cost / income ratio (%) ¹	77.3	69.2	73.3	
Basic earnings per share (CHF) ³	4.97	7.28	4.12	(32)
Diluted earnings per share (CHF) ³	4.81	7.17	4.09	(33)
Return on shareholders' equity (%) ⁴	14.8	24.3	18.2	

The year in review

In 2001, UBS continued to realize the benefits from the merger with PaineWebber, notably in applying the US firm's experience in open architecture products to our wealth management strategy for the domestic European markets. The first such products were launched in August. These and other highlights of the year are summarized below.



January

■ The merger between UBS and PaineWebber is named "Deal of the year" by Investment Dealers Digest. The journal cited the merger as a "lesson in how to do it right".

February

■ In response to the earthquake in Gujarat, all UBS Warburg employees in India donate a day's pay towards the relief fund. In addition, UBS Warburg donates all commission from trading of Indian equity products on 1 February to charities dedicated to administering relief. The initiative raises more than US\$ 300,000.

■ DealKey, the e-commerce platform for primary equity issues, is the first UBS Warburg online application to be made available in Japanese.

March

■ UBS Asset Management signs a business cooperation agreement with two Korean investment firms. The alliance marks a further significant step in UBS-AM's regional strategy of establishing a viable presence in all major markets in Asia.

April

■ Following the launch of the UBS PaineWebber brand in the US, a new TV advertising campaign highlights the new name and focuses on core strengths, especially the relationship between UBS and

PaineWebber, and between the US firm's financial advisors and its clients.



The early introduction of the new brand was specifically requested by PaineWebber's financial advisors, following the swift success of the integration programme.

■ At the UBS Annual General Meeting held in Zurich, Alex Krauer retired as Chairman of the Board of Directors of UBS and was replaced by Marcel Ospel, previously Group Chief Executive Officer. The Board of Directors appoints Luqman Arnold as the new President of the Group Executive Board.

May

■ UBS announces the sale of TicketCorner, a wholly-owned subsidiary, to Kudelski SA, in line with its policy of the disposal of non-core holdings.

■ With UBS as the principal sponsor, *BankArt Zürich 2001* gets under way. More than 1,000 benches materialize in the centre of Zurich, each decorated by local artists.

June

■ UBS (France) S.A., opens a branch in Lyons, expanding its domestic wealth management activities for private clients in the French market.

■ UBS Warburg is voted No.1 brokerage firm for Equity Research in the annual Thomson Exel Pan-European Survey 2001.

■ UBS Switzerland launches *myubs.com*, a website for private clients that can be personalized according to the user's requirements.

July

■ UBS successfully launches a short-term investment fund which complies with Islamic principles, the UBS (Cay) Islamic Fund – Murabaha USD.



■ The PaineWebber Building at 1285 Avenue of the Americas is officially renamed the UBS Building, one year after the announcement of the UBS/PaineWebber merger.

August

■ A staff survey conducted by UBS Switzerland shows that general work satisfaction has returned to the levels seen at the two predecessor banks before the 1998 merger.



■ UBS is selected for listing in the new FTSE4Good index. The index measures company performance in the areas of environmental sustainability, stakeholder relations, and support for human rights.

■ UBS Private Banking announces the launch of two new "open architecture" products within the managed account program, UBS Managed Fund Portfolio and UBS Money Manager Access. This represents another step forward for the European Wealth Management initiative which is aimed at Europe's top five private client markets.



■ UBS Asset Management completes its acquisition of RT Capital Management, the institutional pension fund management division of the Royal Bank of Canada, and renames it Brinson Canada.

September

■ UBS offers space at its Stamford, Connecticut facility and at other locations to companies and clients that lost their offices in the terrorist attacks on the World Trade Center towers, and pledges \$5 million to support relief efforts.

■ UBS Switzerland initiates the Strategic Solution Program (SSP) which is intended to create the basis for the next generation of banking systems.

October

■ UBS and Credit Suisse Group agree to purchase 70.35% of outstanding Crossair shares from SAirLines. The move represents an important first step towards reconstructing a viable Swiss airline.

■ The Wolfsberg group, which UBS helped to create a year ago, announces additional initiatives against money laundering, in support of the worldwide fight against terrorism.

■ UBS España, S.A. opens a branch in Seville, another small milestone in the evolving European Wealth Management initiative.

■ UBS launches a publicity campaign to announce "The Bank for Banks", a new project which builds on the UBS group's business relationships with more than 3,000 financial institutions world-wide to market complete banking and asset management solutions to third party providers.

UBS offers your bank a partnership with a range of front-to-back tools that will optimize the entire value chain in all your operations, from cash, currency and securities services to sophisticated risk management. As one of the world's leading financial institutions, managing hundreds of billions of dollars daily, we can drastically reduce your risk and costs and offer you the benefit of a comprehensive support package tailored precisely to your needs by a team of selected specialists. At the same time, we take non-productive routine work off your shoulders so your staff can concentrate on your core competencies. For more information, call us on +41-5-239 80 08 or visit our website at www.ubs.com/bsb

Competition is good.
Partnership is better.
The Bank for Banks.

UBS
Financial Services Group

November

■ The UBS website at www.ubs.com is relaunched, with a comprehensively redesigned interface for easier access to Group information.

■ Schröder Münchmeyer Hengst AG, a wholly-owned German subsidiary of UBS, is renamed UBS Private Banking Deutschland AG. The change of name underscores UBS's long-term commitment to the German private banking market as part of the European Wealth Management initiative.

■ UBS and its partners launch Fresco Index Shares, a new financial instrument, on the Swiss Stock Exchange. Fresco Index Shares are exchange traded funds based on Dow Jones and DJ STOXX indices. Low cost and efficient, they enable clients to invest in well-known stock market indices in a single transaction.

■ UBS announces the nomination of Ernesto Bertarelli for election to the Board of Directors. Bertarelli (aged 36) is CEO of Serono, the world's third largest biotechnology company.

■ UBS (France) S.A. opens a branch in Marseilles, continuing the expansion of its wealth management activities for private clients in France.

December

■ UBS announces the index of Investor Optimism: EU 5, a European monthly survey to complement its highly regarded UBS PaineWebber index of US market sentiment. The Index EU 5 will profile individual investors in France, Germany, Italy, Spain and the UK, representing approximately 80 percent of the EU invest-



ment market. A joint venture between UBS and the Gallup Organization, the Index is an ongoing poll of individual investor sentiment and tracks investor outlook across personal and economic dimensions.



Peter Wuffli John Fraser John Costas

■ Among several changes at senior management level, Peter Wuffli assumes the presidency of the Group Executive Board. At the same time, John Fraser is appointed CEO of UBS Asset Management, while John Costas becomes CEO of UBS Warburg.

Marcel Ospel, Peter Wuffli



Dear Shareholders,

UBS made significant progress in 2001, successfully integrating UBS PaineWebber, building our European wealth management business and expanding our presence in corporate finance, particularly in the US. Our clients invested substantial net new money through our private client and asset management businesses, and we significantly improved our investment banking market share. It was a challenging year for us financially, with a difficult market environment depressing trading returns, transaction volumes, and private equity valuations, in stark contrast to the buoyant climate in 2000. Despite the markets, relative operational performance in our core businesses remained strong and we benefited from our prudent attitude to risk and careful cost control.

Our net profit for the year 2001 was CHF 4,973 million, 36% less than in 2000. Pre-goodwill, net profit for the year was 26% lower than we achieved in the much stronger markets of 2000 and 28% lower once we exclude the effect of one-off provisions and restructuring charges in 2000 related to the PaineWebber merger.

We aim to maintain a disciplined approach to both compensation and non-personnel costs, keeping them responsive to changes in our revenue expectations. This was particularly important in 2001, allowing us to continue investing in the future growth of our key businesses. With our revenues under pressure from declining markets in 2001, we put in place active programs to control expenditure. Operating costs decreased from 2000 levels in UBS Switzerland's Private Banking and Private and Corporate Clients business units and UBS Warburg's Corporate and Institutional Clients business unit, and showed a clear reduction through the year in UBS Warburg's Private Clients business unit. At the same time, the proportion of our total revenues which we dedicate to rewarding our staff remained almost unchanged since 2000 in our most important businesses, reflecting a substantial decrease in bonus payments.

This year we plan once again to make a tax efficient distribution of capital to our shareholders rather than paying a dividend. The Board of Directors will recommend to the Annual General Meeting on 18 April 2002 that UBS make a par value repayment of CHF 2.00 per share, consistent with the total per share distribution to shareholders in respect of 2000 of CHF 2.03.

The benefits of our integrated model

We remain committed to the strategy that UBS has pursued over recent years. In particular, we believe that by working together, as an integrated Group, our businesses can create real added value for our clients and our shareholders.

The benefits of our integrated model have never been more clear than in 2001. In particular, the merger with PaineWebber has highlighted the many different ways in which our businesses can gain from their association with each other. UBS PaineWebber clients have bought structured products developed by UBS Warburg. UBS Asset Management has launched Private Wealth Solutions, an innovative managed account program geared especially towards the needs of UBS PaineWebber's high net worth clientele. Most significantly, UBS PaineWebber has contributed its skills and experience to help drive the transformation of our wealth management business in Europe. Since the strategy was launched, just over a year ago, we have hired nearly 250 new client advisors in our five target countries (France, Germany, Italy, Spain and the UK), launched two new flagship open architecture investment products, introduced new recruitment and training programs, started to roll-out a state of the art IT infrastructure, opened five new offices and attracted CHF 5.6 billion in net new money.

The benefits of the addition of UBS PaineWebber can also be seen in the development of UBS Warburg's corporate finance business. The merger positioned UBS Warburg as an employer of choice in the US, by further demonstrating UBS Group's commitment to the world's largest market and estab-



lishing a solid platform from which to expand our presence. Over the last eighteen months we have taken advantage of this opportunity to build our corporate finance capabilities, hiring some of the most experienced and talented individuals in the industry. Organically building our franchise in this way will not result in overnight success. We expect it to take two or three years for the new hires we have made and the new teams we are developing to reach full productivity and generate substantial returns. Despite this, we have already achieved significant results, dramatically improving our share of corporate finance fees compared to prior years.

A focus on wealth management

UBS is dedicated to succeeding in wealth management. The secular trends affecting the investment world make wealth management the most attractive segment in the financial industry. As individuals continue to increase their reliance on equity investments, to support their pension provision and their personal savings, the demand for wealth management products and services will increase. This growth is expected to be highest among our core affluent target market.

We are already the leader in the field, with the highest market share in wealth management worldwide. Combining the best of two worlds – US investment firm and global private bank – our wealth management businesses employ over 11,000 client advisors and manage CHF 1.5 trillion of invested assets. Our presence in offices across the world allows us to serve our clients seamlessly wherever they want to bank with us, from Dallas to Monaco or Taipei. We have one of the best known private banking brands globally, and the strong balance sheet and high credit ratings which continue to be important for our clients. Finally, we have an enviable product and service offering, with our own deep expertise backed up by a genuine commitment to open architecture. We augment our in-house range with a quality-screened selection of third-party products, so that we can offer our clients the products and services that reflect the very best financial solutions for each one of them individually.

Wealth management is a profitable business, with low capital requirements, a stable revenue base and high barriers to entry, thanks to the breadth and depth of products and services that today's demanding clients require. We believe that our continued focus on delivering a truly outstanding individual service to our clients will continue to lead us to our goal: to be the wealth manager of choice for private clients in every market worldwide.

Outlook

UBS's core businesses performed relatively strongly in 2001, demonstrating their ability to enhance market share in a challenging environment. In the early part of 2002, markets have remained difficult, with uncertainty and volatility continuing to affect transaction levels and corporate activity. In the face of this challenging environment, we will continue to assess our cost base carefully, investing where strategically most important. Our prudent resource management over the last two years means that we do not believe that significant staff reductions are likely to be necessary, unless markets stagnate. With prospects for an economic recovery receding into the latter part of the year, potential for this year to outperform 2001 is limited. However, our businesses have shown themselves to be increasingly competitive and we are confident that we can continue the progress we have made in the past year, expanding in corporate finance, further developing our European wealth management initiative and ensuring that all the strengths of our integrated group are focused on building the world's leading wealth management and investment banking businesses.

14 March 2002

UBS AG



Marcel Ospel
Chairman



Peter Wuffli
President



The Power of Partnership

When we work together as partners, it makes the whole worth more than the sum of the parts. It is what we at UBS call “The Power of Partnership”. Partnerships between our employees, partnerships with our clients, our shareholders, our communities – they all have a positive impact on what we do, our business, our careers, our lives. And, in the future, our aim will be to gain ever greater benefits from partnerships that already exist, while building new ones that help us capture the opportunities of a dynamic, vibrant industry.

To the outside world, UBS's strength is derived from its innovative products and technology – concrete, visible services. Yet, at the same time, we believe our strength is projected through other more intangible factors – factors such as the values we share, our culture, our client relationships and our brands.

We have distilled these factors down into five key elements that drive our businesses and everything we do. They are Brand and Identity, Knowledge and Innovation, Talent and Culture, Client Relationships and Financial Intelligence.

These factors have as much to do with creativity and behaviour as they do with facts and analysis. Individually, each one is important, but collectively, they add up to the personality of our business. They project the strength of UBS and they determine not just how our clients and our staff see us, but how they feel about us. They are the value drivers of our business. In the pages that follow, we will show you what they mean to us and how they transform into the tangible successes that drive us and our business.

The image shows a sailing team on a boat deck. Three crew members in light blue shirts are visible, working with equipment. The background is a blue sky and water. A large, stylized red and black graphic, resembling a sail or a flag, is overlaid on the bottom half of the image. The text 'Brand and Identity' is written in white serif font in the upper left quadrant.

Brand and Identity

The America's Cup, the world's most prestigious sailing competition and one of the biggest sporting events in the world, boasts the oldest sports trophy of modern times, its history going back 150 years.

UBS is Main Partner of Alinghi, Swiss Challenge for the America's Cup 2003. Alinghi will try to bring the Cup to Europe for the first time in its history. In hopes of achieving this goal, an international team of top specialists has been formed. Russell Coutts, the skipper, along with his supporting team, will ensure the Swiss Challenge is among the top contenders for the 31st edition of the America's Cup.



UBS – much more than a name.

For clients throughout the world, the three letters of UBS represent much more than just a name. They are a seal of quality guaranteeing trust, dependability and professionalism, as well as the certainty that a relationship with us will open new horizons, revealing fresh perspectives.

The UBS brand embodies our values and business principles as well as highlighting our strengths: the strength of our client relationships, the strength of our knowledge and innovation, the strength of our talent and culture and the strength of our financial intelligence – that all go together to make up the success that is UBS. Its effects are to instill confidence in us from our clients and to act as a unique door-opener, granting all of our Business Groups around the world access to new and successful relationships.

The Power of Partnership

The core message of our current global brand campaign highlights how success can be achieved through, “The Power of Partnership”: partnership with our clients, partnership with shareholders, partnership with investors, partnership with the community, as well as the partnership within UBS, thanks to the close co-operation that exists between our different businesses.

At the same time however, the “Power of Partnership” is also our commitment. All employees, for example, are responsible for demonstrating to clients and colleagues alike the values and principles that are at the heart of our success. The conduct of every single employee plays a part in determining the impression that the Group leaves behind, and for this reason they are all brand ambassadors for UBS. We realize that only by ensuring that the picture of ourselves that we project through our communications corresponds to reality, that is by identifying needs, exceeding expectations and by keeping our promises, does the brand obtain its fundamental strength.

Brand image

For our brand to be recognized there must be consistency: our advertising, our branch network, our publications, the experience of UBS online must all reflect the brand promise. This makes it all the more important to have a clear understanding of who we are and what we do: credibility and confidence can only exist if our own identity has clear contours. This identity must also be presented in



Why brand matters

A company's brand is a key driver of its competitive advantage and a valuable strategic asset

The challenge for UBS is to have a distinct, clear profile that appeals to clients and truly differentiates us from the competition. The key is to create a broad brand vision or identity that recognizes our brand as something greater than a set of attributes that can be imitated or surpassed. In particular, a company must consider its brand not just as a product or service, but as a symbol and even a personality.

This brand-as-personality perspective means associating people, culture, programs and values with the brand. Such associations with the culture and values of a whole organization are more attractive and more resistant to imitation by competitors than product attributes.

A brand personality can make a brand more interesting and memorable and can even become a vehicle to express a customer's identity. A brand without a personality, not unlike a person, lacks friends and can easily be overlooked.



a clear and easily understandable fashion. As a result we strive for a global look and feel, a strong personality that appears in all our communications, and truly represents UBS.

This places considerable demands on the visual makeup of the brand. It must be unpretentious, powerful and clear, ubiquitous and, always, instantly recognizable. The challenge is by no means small when we consider the diversity present within the UBS Group. There are various Business Groups, each with their own character, spread over six continents, dozens of languages – and yet there is only one UBS.

Strength by association

The integration of UBS PaineWebber impressively demonstrates just how flexible the UBS brand is. The new brand UBS PaineWebber is highly respected in the marketplace – the three letters already seem like a natural complement to the well-established PaineWebber brand, with clients now benefiting from extended research, products and services.

Launching the new brand was one of UBS's success stories in 2001. It started with the timing. Our original plans following the merger envisaged the PaineWebber brand remaining unchanged. But instead, the enthusiasm of PaineWebber's financial advisors for the new strengths of the combined group, and the benefits that UBS's international reach could bring to their clients led them to demand the change. They pressed management to link the long heritage of PaineWebber to the strengths of



The new UBS PaineWebber brand reflects the strength of the combined group.

the UBS brand. As a result, we changed our plans and launched a high profile print and television advertising campaign in March 2001, just five months after the completion of the merger.

The advertisements stressed the continuing values of PaineWebber, in particular the philosophy that the best investment decisions are the ones that are right for the individual, not thousands of generic investors. They showed how UBS PaineWebber financial advisors take the time to understand each client's goals and needs so that the client can feel confident in the investment decisions he or she makes. At the same time, they underlined how, as UBS PaineWebber is now part of a global financial services firm, we give our clients access to some of the most innovative and sophisticated products and services from around the world. The campaign was well received, successfully communicating the enhanced capabilities of the new combination, and enhancing awareness of the UBS brand in the key US market.

Increasing global brand presence

To increase our brand presence worldwide among private, corporate and institutional clients and opinion leaders, UBS is supporting two yacht racing teams – *Alinghi Swiss Challenge* and *Nautor Challenge* – taking part in the America's Cup and the Volvo Ocean Race, respectively. Through the use of the theme of ocean racing to reflect our brand, we aim to project a very strong image of the way we go about our business.

In addition to appealing to many of our clients, sailing at world-class level symbolizes many of the qualities and values of the UBS brand that continue to ensure our success. The interaction of strategy and tactics, stamina, speed and the mastery of state-of-the-art technology are all key factors. Moreover, the route to success is rarely a straight line. The winning crew will not only know precisely the right moment to turn, its success will depend upon every single member of the crew knowing exactly the task they have to do, and then doing it faster and better than the competition. That is why we have chosen to sponsor yacht racing – not just to have our name on the side of the boats but because it reflects so accurately our values.

To accompany our support for these teams, we launched a major advertising campaign in July 2001, with "The Power of Partnership" as its core message. Featuring powerful images of the *Alinghi* and *Nautor Challenge* teams, the campaign is designed to strengthen the brand profile, as well as to raise awareness regarding the capabilities, scope and offerings of UBS Group.

Corporate responsibility is part of our identity

Our commitment to corporate responsibility emphasizes issues that bring clear benefits to shareholders, clients and employees.

As one of the world's largest financial institutions, we have a responsibility to our clients, our employees, our shareholders and the communities we are active in. By helping them, we can look beyond the bottom line, providing clear benefits to the wider world. Although there is no binding definition of corporate responsibility, and it can mean different things to different people, we take a pragmatic approach to the subject by emphasizing the issues that are most relevant to our role as a financial institution. We do this by promoting measures that combat money laundering, and protect financial privacy. But we also go beyond the issues that solely affect the financial industry, putting an even greater emphasis on corporate governance, on providing equal opportunity for all our employees and actively promoting increased environmental awareness.

A visible example of this is the key role we have played in developing the "Wolfsberg Principles", in which a group of the world's financial institutions agreed to a set of global anti-money-laundering guidelines for international private banks. We have also helped foster the growing demand worldwide for ecologically and ethically sound investments by developing in-house expertise that we can use for institutional asset management clients and to offer investment funds specializing in these areas.

Although many of these areas and issues are subject to strict legal provisions. UBS's own standards often go even further. By helping to improve the quality of life, both now and in the future, we not only increase our own potential for success and appeal to clients, but we protect and enhance one of our greatest assets – our reputation.



Knowledge and Innovation



Supporting the client relationship

Knowledge is central to our vision – the knowledge and expertise embodied in our staff, our systems and our product and service offering is what sets us apart from the competition, what our clients look to us for. With 70,000 employees worldwide, we have an enormous base of experience and skills to share with our clients.

The client advisors who are in the front line of projecting the strengths of UBS to our clients around the world have to be able to offer value-added products or services. Therefore we must constantly supply them with creative new ideas and innovative ways of maintaining our clients interests. At UBS, innovations are deployed to support the client relationship, never for their own sake. The aim is always to develop products, services and technology that align the interests of the bank and all its client groups.

Innovations deliver added value to our clients.

Intelligent structures

Take, for example, the case of a company planning to raise equity capital at a time when its management believe that its share price is undervalued. UBS Warburg's *Market Index-Linked Equity Securities* (or MILES) were devised to meet that specific need.

Structured as a three-year mandatory convertible note, the instrument is linked to a benchmark index – the Swiss SMI Total Return Index (SMIC) in the case of the issue for Zurich Financial Services launched in early 2001. At maturity or earlier at the issuer or holder's option, the note is converted into stock at a rate that depends on how the share price has performed relative to the benchmark index. The greater the outperformance over the SMI, the less dilution the issuer will suffer on conversion of the notes into stock.

For their part, investors receive a 1% annual outperformance premium on the initial index level, plus an additional 3% bonus in shares on mandatory conversion. Closing after only three days of marketing and several times oversubscribed, the Zurich Financial Services issue repeated the success of the first MILES transaction for Allianz at the end of 2000.

Open architecture

Innovation is no less important in the bank's private clients businesses. Sitting at the core of UBS Private Banking's *European Wealth Management* strategy are two products that set the standard for "open architecture" offerings in Europe.

Drawing on UBS PaineWebber's experience in the US, the UBS Managed Fund Portfolio is based on a carefully selected range of in-house and third-party funds. Its counterpart, UBS Money Manager Access, applies similar principles to portfolio management, providing clients with access to a screened array of institutional asset managers, both within and outside the UBS Group.

Both products are founded on a well structured investment process, focused on the risk profile of clients and the asset allocation that best meets their needs. Client advisors are supported by a fully integrated web-based interface that allows them to model portfolios and their risk characteristics online and to demonstrate them to the client. The new products have now been rolled out in five major European markets.

Technology supports advice

The example of the European Wealth Management platform shows how technology can help advisors to match their clients with appropriate products and services. Technology supports but never supplants the client/advisor relationship. The same philosophy has served UBS PaineWebber well in recent years.



Excellence in global research

In a world overloaded with information, the ability to distill and communicate the essential to clients remains a key differentiator.

In 2001, UBS Warburg's equity analysts achieved first places in the prestigious Institutional Investor rankings for global research, in Asia-money's broker's poll and in Reuters' All-Europe Research Team – all pointing to increasing worldwide recognition for the quality of UBS Warburg's research.

The consistent improvement in UBS Warburg's research rankings shows that these results are no anomaly. Rather they vindicate a decision taken some five years ago to create a global sector strategy group, a first in the market place.

The group's mandate was to integrate the vast streams of data generated by our industry and macroeconomic analysts, unearth otherwise overlooked connections between industries, and produce allocation recommendations that focused on global industry sectors rather than looking first at particular countries.

Today, UBS Warburg is one of a handful of investment banks with a truly global, cross-disciplinary research capability, based on an enormous resource commitment and a strong culture of collaboration. Our equity research team supplies independent assessments of the prospects of around 3,400 companies across diverse sectors worldwide. Together these companies represent about 90% of world market capitalization.

With 600 professionals worldwide, we now have the largest team of equity analysts at any firm, according to Nelson Information's Investment Research Survey 2001. We have built strong research franchises in each region of the world, but have also succeeded in integrating our efforts, so that the global sum is greater than the regional parts. Their ability to work seamlessly across time zones allows us not just to identify sectoral themes and topics, but also to provide a local flavour in each market.

These strengths will continue to underpin the firm's unique combination of local insight and global overview in its approach to strategic research.

During the 1990s, while other companies rushed to form online businesses separate from their bricks-and-mortar channels, PaineWebber kept to its strategic focus on accumulating assets by nurturing the client/advisor relationship. Through technology, the firm aims for a seamless integration of online capabilities with the “offline” relationship with the client.

Clients access the firm’s internet offering via *UBS PaineWebber Online Services*. Introduced in 1997 as PaineWebber EDGE, this financial portal allows clients to access full account information; monitor potential investments using innovative portfolio tracking software; and receive stock quotations, market summary data, and customized news coverage from Reuters.

Renamed and relaunched in 2000, UBS PaineWebber Online Services now reaches 176,000 clients. On average, each user’s household commands assets worth more than \$700,000. The portal has been well received, with an approval rating of 85 per cent. Yet what clients cannot see is, if anything, even more important for the strength of their relationship with UBS PaineWebber. That is because web technology is also playing an increasing part in supporting the firm’s financial advisors. Web-enabled proprietary platforms and tools help track clients and the market, provide product information and ensure that client advisors have access to the very latest in up to the minute research.

Collaboration through technology

Another example of innovation that benefits both the bank and its clients is *UBS Chat*, a web-based instant messaging communications channel. First launched in 1996 as an internal communications medium for UBS Warburg’s foreign exchange business, the tool soon took root across the entire investment bank. Today, there are some 11,000 Chat subscribers across the bank and some 600 corporate clients are also linked to the system, helping us build knowledge-sharing communities both internally and externally. Chat is instant – it is about bringing bits of information together quickly – but its real strength is its scale. The ability to ask for feedback from any number of people, to build a collaborative answer in response to a question, means that it is not just an individual, but the whole breadth of UBS, that lies behind that response.

Whether we look at innovative communication or innovative product development, the sharing of knowledge is still the key component, giving our clients access to the combined knowledge and experience of all our businesses.



UBS Voice

Voice-activated technology adds to our clients' options.

Clients can now access UBS Switzerland's e-banking centers round the clock, just by speaking into their phone. UBS Voice is an automated voice-activated system that allows clients to check their account balance, most recent account transactions, stock prices, or forex rates, and even to action account transfers and stock exchange orders.

All commands are given via the voice-activated menus, eliminating all use of the phone keyboard except (for security reasons) entry of the client's PIN code. UBS Voice is currently available in German, with a French-language version due to make its debut soon.





Talent and Culture

The Volvo Ocean Race – Around the World 2001–2002, is the world's most demanding sailing competition and covers about 33,000 nautical miles. It started in September 2001 in Southampton, England, and ends on 9 June 2002 in Kiel, Germany.

UBS is Principal Partner of Nautor Challenge, the only team racing two yachts. Grant Dalton (NZ), winner of this year's "Personnalité de la Mer" Award, is skippering the Amer Sports One, and Lisa McDonald (USA) is skippering an all-female crew on the Amer Sports Too.

The source of our success

Knowledge and innovation comes from the talent, creativity and experience of our people. At UBS, we recognize that the people joining us are looking for more than just a job – they are looking for challenging, rewarding, long-term careers in an organization that encourages them to continue developing their knowledge and skills, whatever their role may be.

More than any other sector, banking relies on the skills and talents of its employees. In order to thrive, UBS must be capable of attracting the most qualified, talented and motivated staff. Hiring the best people is not just about offering more money – any firm can make financial commitments. At UBS we have succeeded in recruiting some of the brightest talent by offering them a unique environment, where each of our core businesses has very strong momentum, where they can act like entrepreneurs to grow our franchise and where they have the right product capabilities and resources at their disposal. Above all we offer an organization where individuals can be successful, which ultimately makes the bank itself successful.

Success in the US

Merger with PaineWebber has helped UBS Warburg to grow in corporate finance.

Nowhere is this more crucial than in investment banking, an arena in which we start with many advantages, but where there is still room for us to make significant progress. UBS Warburg is one of the few truly global content and advice providers for institutional clients, and the global reach, breadth and diversification of its direct access to investors is best-in-class. In investment banking however, we are not yet at the top of the league tables, although we have made significant progress in 2001, increasing our share of the world's corporate finance fees to 4.5%, from 3.6% in 2000. A key component of this achievement, and an important building block for continued progress in future, has been our success this year in recruiting some of the very best talent in the investment banking industry, particular in the US.

In large part, this has been a result of our merger with PaineWebber. It might not seem immediately obvious that adding an industry-leading US wealth management business would enhance our prospects of recruiting top investment bankers. But the addition of UBS PaineWebber has brought a step change to UBS's profile in the US, and demonstrated our commitment to the US market. UBS PaineWebber's research analysts, like Ed Kerschner or Mary Farrell, are high profile media personalities, while in corporate boardrooms UBS bankers are no longer asked whether we are really committed to a business in the US in the long-term. At the same time, UBS PaineWebber's 2.5 million private clients provide a direct distribution channel for US securities, and UBS PaineWebber brought new staff and expertise to our securities and investment banking business. Together these have helped us to expand our presence in US businesses like municipal bond underwriting, where we ended the year second in the league tables, and residential mortgage backed securities, where the combination of UBS PaineWebber's expertise with UBS's broad franchise and capital strength took us to first place in 2001. Over the last eighteen months, we have capitalized on this change in the perception of UBS in the US to actively recruit, gathering together some of the best professionals in the industry to extend both our client reach and our execution capabilities. We have appointed senior bankers and research professionals, in media, telecoms, technology, general industrials and mergers and acquisitions, both in the US and elsewhere, including Ken Moelis, who is now head of our US Corporate Finance business.

Expansion in Europe

Providing an environment in which high quality individuals can thrive is also critical in our wealth management businesses. UBS has scale and excellence in two different types of private client



Diversity: A bank's many faces

How diversity helps UBS Warburg achieve its goals

UBS Warburg can only achieve its global business objectives if it respects and promotes differences in employee backgrounds, perspectives and expertise. In turn, such an approach will promote creativity, innovation and new business opportunities.

"Building diversity at work is critical to the competitiveness and, ultimately, success of UBS Warburg," said Markus Granziol, Chairman of UBS Warburg.

UBS Warburg's Global Diversity Initiative was launched in February 2001 at Wolfsberg (UBS's main Swiss conference facility). At the conference, attended by interested parties from both UBS Warburg and UBS PaineWebber, priorities were defined and set for the recruitment of women, ethnic minorities and other under-represented groups.

Another goal of the Global Diversity Initiative is to raise awareness and develop leadership. To achieve this goal, diversity leadership training programs have been developed and launched in the US, UK and Asia – adding to the existing diversity program underway in Switzerland and continental Europe. Attracting diverse talent is another goal. The UK and US regions within UBS Warburg have forged a partnership with the Sponsors for Educational Opportunity, an organization that sources top tier minority candidates for corporations.

Perhaps the most visible aspect of the initiative is the conferences promoted by the All Bar None women's network. 160 women attended the first UK Women and Leadership Conference in June 2001, based around the theme of "Profit through Diversity". In the United States, the fourth Women and Leadership Conference was held this year, sponsored jointly by UBS PaineWebber and UBS Warburg, attracting more than 375 participants. As a result of these meetings, a formal women's network was established, which provides a forum for exchanging ideas and supporting women at UBS.



business: the brokerage model, through UBS PaineWebber, and the banking model, through Private Banking. In Europe in 2001 we have been putting the combined strengths of these two traditions together to help build our domestic presence in five key target countries: Germany, France, Italy, Spain and the UK. By deploying staff and expertise, we have taken the best of UBS PaineWebber's top-class abilities in marketing, product management and innovation, technology, and training and applied them as a key catalyst to help build our European business.

A cornerstone of this European Wealth Management initiative is our ambition to hire and train up to 250 new client advisors a year. This represents an entirely new level of recruitment activity for Private Banking and has meant learning new skills from UBS PaineWebber, which hired almost 2,000 new advisors between 1998 and the start of 2001. An unprecedented training initiative, developed with UBS PaineWebber's assistance, helps every private banker to master state-of-the-art know-how in wealth management, complemented with product specific training for the new generation of open architecture advisory services, while our recruitment process itself has been completely overhauled. Although Private Banking continues to recruit graduates and junior staff, the core target of our hiring efforts for the European wealth management initiative has been experienced client advisors, with extensive knowledge and existing client relationships. Even more than financial inducements, attracting such talented individuals is about selling the UBS Private Banking story to them – convincing them that we have the franchise, the products and the support which will enable them to thrive in their new business.

Strength in wealth management

Our brand is a unique door opener in this process. There is no better way to call on our prospects than using a UBS business card. For a potential recruit, joining UBS Private Banking means joining a wealth management powerhouse. With its global presence and its ties to a bulge bracket investment bank, a world leading asset manager and the top banking services provider in Switzerland, UBS

Private Banking has the resources and the financial strength to implement the large scale initiatives required to meet the challenges in global wealth management. Within the Group, Private Banking is not just a niche – wealth management is central to our strategy. We are, and intend to remain, the leading global wealth manager.

Private Banking's business model is advisor centric, characterized by our unquestioned total commitment to service. All our processes, products and platforms are built to help the advisor to succeed, providing the best possible advice to his clients. We offer a suite of products and services which is second to none – from investment services and portfolio management to comprehensive financial planning, from real estate advice to Islamic funds and art banking – allowing our client advisors to serve all their clients' wealth management needs. But perhaps our strongest selling point is our commitment to open architecture, offering our clients the best possible products and services, no matter if they come from ourselves or from third parties. This unique focus puts our client advisors in the best possible position – always secure in the knowledge that they can offer clients precisely what they need.

We have devoted much energy this year to telling this success story to potential UBS client advisors across Europe. The success of these efforts speaks for itself – by 1 January 2002 we had met our recruitment target, with 248 advisors joining us in our five target countries during the year.



The Importance of Culture

The corporate culture of UBS is built on diversity, helping us to achieve success across the globe.

One of the undoubted strengths of UBS is our approach to culture. We accept that our culture is built on many pillars, merging the best influences from the many businesses that have come together to create the UBS of today, from the risk management skills we learnt when we purchased the O'Connor derivatives trading business, to the transformation that UBS PaineWebber is helping us to bring to our European wealth management business. Whether it be innovation, client focus, reliability, global appreciation, client privacy, or technological skills, every one of our mergers and acquisitions has contributed a defining characteristic to the Group.

We do not pretend to inject a uniform UBS culture across all 70,000 staff. Not only would this be impossible, it would also negate the strength of national and business individuality, and that would be wrong. It is a strength that in Tokyo for example, our local culture will reflect national culture and this will be quite different from the culture we project, say, in Madrid or San Francisco. Similarly, the strong business culture that UBS Warburg has developed over the years, will be different from the culture of UBS Private Banking. So, our approach to culture in UBS is to accept and acknowledge that diversity is a strength.


But at the same time, we do have three cultural values that we promote throughout the organization, that we think are so important that they must be common to all. These are openness, intellectual honesty, and ethical standards.

By *Openness* we mean that we should be open to the acceptance of new ideas, and that we should be open in the way we communicate with our stakeholders. By *Intellectual Honesty* we mean that we should be consistent in our tone and style of communication, that we should respect the views of others, even if they are controversial. We must influence and guide, rather than dictate, and our people must feel empowered to challenge any of us. At the end we should take the right decisions, even if they are tough ones. This reflects the power of internal partnership, and it is the power of partnership that creates UBS's winning spirit.

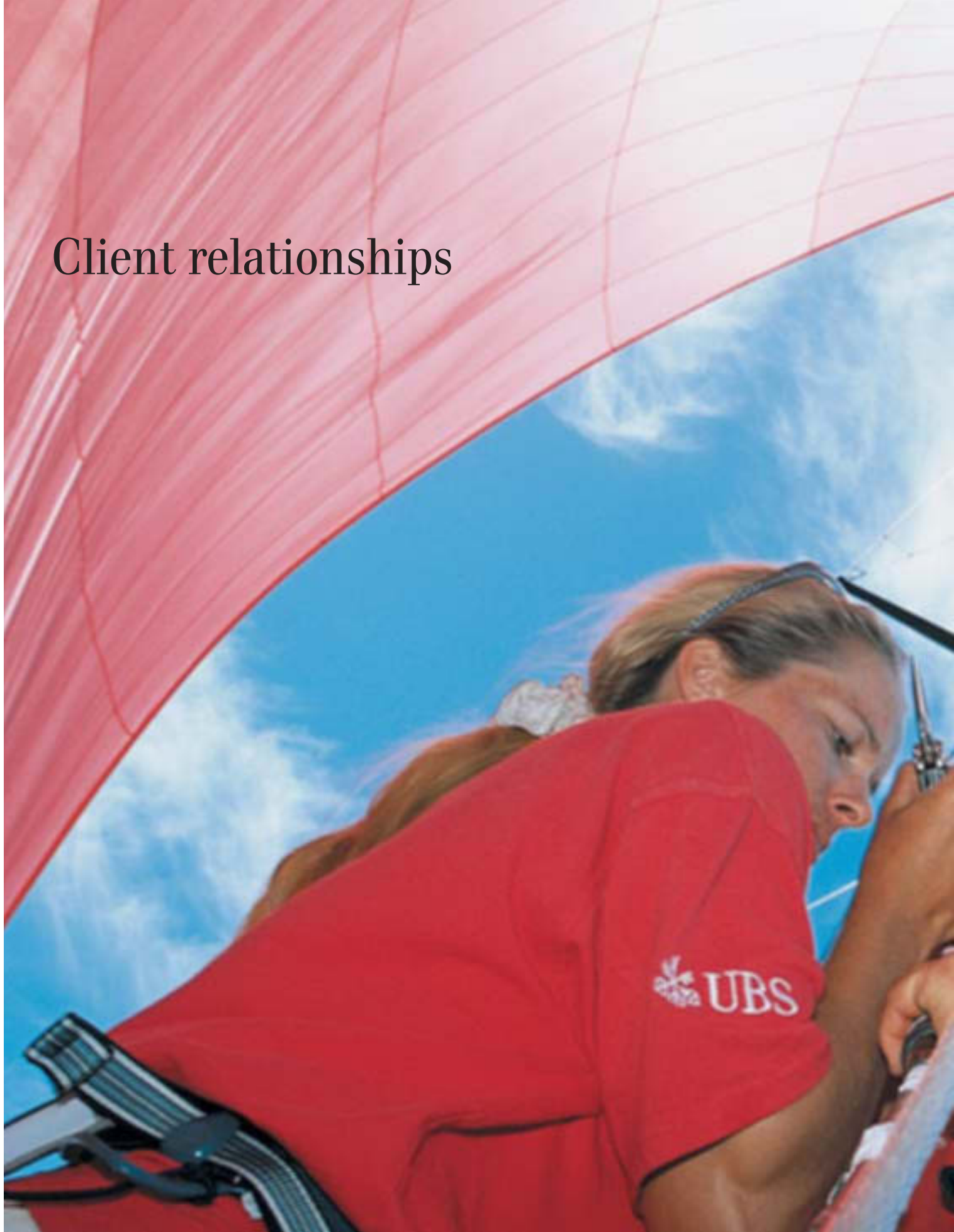
And as far as *Ethical Standards* are concerned, we should ensure that there is absolutely no discrimination regarding gender, religion, age, or race in our approach to doing business and that we will refrain from doing business, or abstain from it completely, if it is seen to violate ethical standards.

In the end, we cannot dictate a culture for the organization. Our culture is what we make of it – by living the values of openness, intellectual honesty, and ethical standards wherever we work, in any part of our business.

Our success as a "learning organization" is not about theory, not about knowledge management or intellectualizing, it's about being an organization that has the humility and the desire to transform itself whenever a better way opens up.



Client relationships





Transforming clients into partners

Long-term client relationships are more rewarding than ones that depend on the individual deal or transaction. That much is received wisdom throughout the banking industry. To differentiate itself, therefore, UBS always looks to deepen its business relationships into partnerships.

Closer to an alliance than a traditional business relationship, a partnership moves both UBS and our clients, surely and sustainably, towards their long-term strategic goals. This is the philosophy that underlies “The Power of Partnership” theme of the current UBS brand campaign.

Two continuing initiatives are translating “The Power of Partnership” into action. At UBS Warburg, the management of relationships with the world’s top investment institutions has been radically overhauled in recent years. Meanwhile, UBS Switzerland and UBS Warburg have launched “The Bank for Banks”, an equally ambitious project that builds on existing relationships with more than 3,000 other institutions across the world.

The background to the two initiatives is the rapid consolidation of the financial industry. At UBS Warburg, for example, the top 100 clients from the institutional sector generate a large majority of revenue. Such clients tend to have large and complex organizations, so that understanding and servicing their needs has become an increasingly challenging task. At the same time, product-based relationships of the traditional kind are vulnerable to price competition and commoditization.

Relationship management at UBS Warburg

Responding to the changing marketplace, *UBS Warburg* started to overhaul its approach to relationship management in 1996. As a first step, five relationship managers were appointed as central coordinators for each of a number of selected institutional relationships. The initiative took shape within the equity business and was also developed within the fixed-income and foreign exchange areas.

Today, more than 20 client relationship directors (CRDs) stationed in every major financial centre worldwide perform this function, ensuring that the various product functions maintain contact with clients and meet their needs as a cohesive, cross-product team. For each priority institution, the CRD maintains a detailed plan, reviewing the existing relationship and the areas of greatest potential with a view to improving both service to the client and the resultant revenues.

Increasingly, UBS Warburg is deepening its relationships by providing its clients not only with traditional products but also with know-how and customized services, such as technology solutions, access to its own education teams, and (especially since the merger with PaineWebber) the ability to distribute the client institution’s funds.

All these activities are designed to create longstanding, mutually beneficial partnerships with the world’s leading institutional clients. By helping client firms to build their own businesses, UBS Warburg reinforces the quality and scale of its relationships.

“The Bank for Banks”

As the leading clearing bank in Switzerland, UBS clears about a quarter of all Swiss franc-denominated payments and conducts some 60 per cent of custodial business in that currency. Our client base also numbers more than 3,000 of the world’s leading financial institutions.

Together with UBS Warburg, UBS Switzerland has launched “The Bank for Banks”, an outsourcing initiative that seeks to maximize the value of the bank’s extensive correspondent banking relationships by promoting and formalizing cooperation between all UBS business groups. Although this ini-

We build partnerships
by focusing on
our clients’ needs.



Partnership for charity

Through the UBS Optimus Foundation, the bank supports charitable causes in partnership with its clients, transforming business relationships into a philanthropic association.

The UBS Optimus Foundation is a charitable organization with a difference. Registered in Basel in early 2000, the Foundation was established on the principle that UBS would join with its clients in supporting worthy causes in the fields of children's welfare, talent development, and medical research.

This year, that commitment is being realized through the charity's backing for an educational project in eastern Tibet; for remedial lip and palate surgery in western India; for selected medical research projects at the Weizmann Institute in Israel; and for Théodora, an organization that sends clowns to entertain children in hospitals.

Where the UBS Optimus Foundation really differentiates itself, however, is in the cooperative structure of its funding, with contributions coming from both UBS and its clients. Apart from making direct bequests or donations, perhaps through their own foundations, clients may participate in the Optimus concept by buying shares in the UBS (Luxembourg) Strategy Fund – Balanced and then mandating that their annual distribution from the fund be paid to the Foundation.

In addition, UBS donates 25 per cent of the fund's all-in fee and 50 per cent of the issuing commission to the Foundation. The bank also bears the full cost of managing and administering the Foundation. In this way, our business relationships become extended into philanthropic cooperation.

Leveraging UBS's scale and scope allows us to deliver integrated solutions.

tiative was publicly launched as recently as October this year, the cross-marketing that it entails is already everyday practice.

Take, for example, an institution that (in the near future) chooses to eliminate settlement risk for major currencies by accessing the Continuous Linked Settlement clearing house through UBS Switzerland. For non-CLS currencies, UBS Warburg offers FX Trader, a web-based tool that effectively plugs the client institution directly into the investment bank's trading floor. Result: the client institution can lock in margins on every trade, thanks to pre-agreed pricing from UBS Warburg. At the same time, the client avoids having to invest in building an expensive dealing infrastructure on its own account.

Costs are, in fact, the key reason why the time is ripe for "The Bank for Banks". Better information systems have alerted the management of many smaller financial institutions to the waning profitability of many business lines. At the same time, technology enables UBS to maximize economies of scale, allowing the bank to pass on the resulting efficiencies to client institutions. Outsourcing non-core operations therefore becomes the basis for a mutually beneficial partnership between UBS and its clients.

Financial intermediaries

Also a participant in "The Bank for Banks", UBS Private Banking can provide external financial intermediaries with a complete "virtual branch". This type of outsourcing solution allows an intermediary to expand their reach and service offering, by tapping into the product and logistical resources available from UBS, while still retaining portfolio management and client care in-house. Client institutions for UBS "virtual branch" services are supported by specialized teams at several Swiss locations, as well as in Frankfurt, London, Luxembourg, Jersey, Monaco, Paris, and Singapore. Coordinated solutions can go further. For example, cross-marketing by UBS Switzerland has already yielded a number of important mandates in Europe for UBS Asset Management. This activity may, in its turn, generate additional cross-divisional business. For example, a "private label" fund solution from UBS Asset Management might well involve custody services from UBS Switzerland and securities lending from UBS Warburg.

Just as in the case of UBS Warburg's CRD initiative, "The Bank for Banks" ensures that UBS delivers integrated solutions rather than isolated products. The ultimate aim of both initiatives is to realize "The Power of Partnership" in long standing and mutually profitable relationships with client institutions.



Applying the power of partnership in wealth management

UBS has established a Wealth Management Board to harness the synergies between its various wealth management businesses.

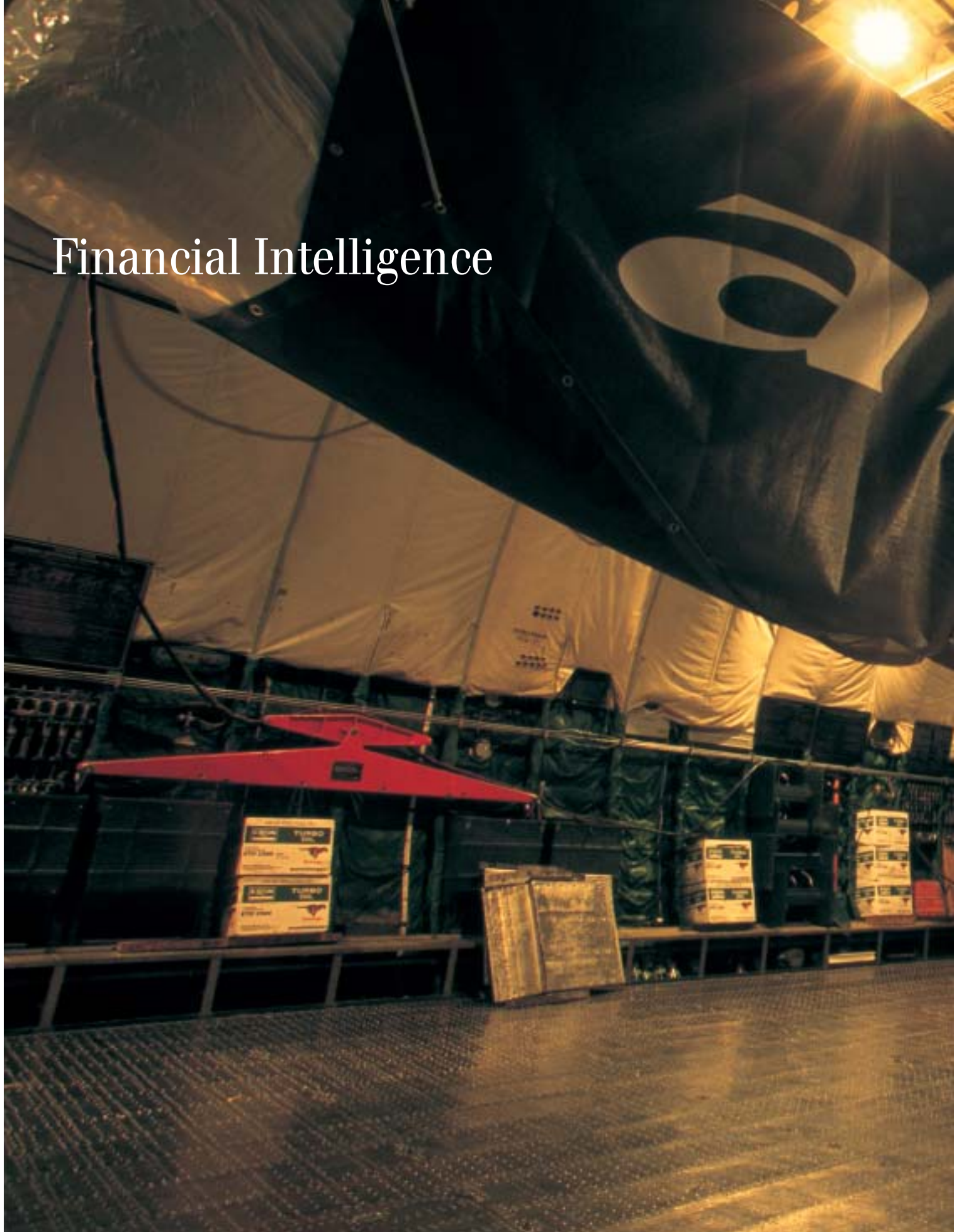
The new Wealth Management Board includes representatives from UBS Switzerland, UBS Private Banking, UBS PaineWebber, and UBS Asset Management, all leaders in their respective markets. Established in late 2001, and led by Joseph J. Grano, Chairman and CEO of UBS PaineWebber, the board will coordinate the strategies of all the UBS Group's wealth management businesses, align their approaches, and seek further synergies.

Cross-divisional collaboration is, of course, nothing new. UBS PaineWebber has had great success in 2001, distributing CHF 1 billion of BULS, GOALS, and other derivative-based products developed by UBS Warburg. At the same time, UBS Private Banking's latest open architecture offerings for the European domestic markets draw extensively on UBS PaineWebber's experience in the US, with its innovative PACE and ACCESS investment management products.

The Wealth Management Board will build on this cooperation in seeking to adopt and disseminate best practice throughout the Group. One task is to ensure that top-quality advice is delivered to the client through a systematic, consistent process across UBS.

UBS's truly consultative advisory model consists of a four-stage cycle. Highly skilled client advisors proceed from client profiling, to develop an understanding of the client's needs and risk appetite, through investment proposals and approval, to implementation, and review. This process represents the "engine" that translates the Group's resources into client satisfaction and, ultimately, into a successful business. As such, it heads the list of the new board's priorities.

Financial Intelligence





Managing for Value

A defining principle that sets UBS apart from its peers is financial intelligence – our prudence in managing and deploying capital resources – the transparency of our financial communications – our sound risk management processes.

UBS's financial prowess has made it one of top capitalized banks in the world. Yet how does a global institution of scope and scale mesh its diverse financial strategies and processes into a cohesive whole? The answer is by adopting a thorough commitment to the creation of shareholder value, backed up by a real understanding of its mechanics within our businesses. And Value Based Management is the method we use to gain that understanding. It assures the consistency of Group policies, and enhances management control and supervision capabilities. If the underlying principle – indeed the primary objective – driving UBS is the creation of sustainable shareholder value, then Value Based Management is the tool that ensures its execution. Put simply, it is a radically different way of looking at a business. Traditionally, business thinking focused in terms of the profitability of the product or service it sold. Value Based Management looks beyond that and analyses what the fundamental drivers of a business are – producing a very clear picture of all the variables which affect a business's long-term success.

Shareholder value

We measure our success in terms of the creation of shareholder value.

With Value Based Management, we aim to create a general understanding, both internally and externally, through the use of Key Performance Indicators (KPIs), of the sources and drivers of value within all of UBS's businesses. We then integrate that knowledge into management processes and principles. In order to ensure that all UBS actions do indeed add value, we constantly evaluate strategic initiatives, acquisitions and investments in terms of their impact on shareholder value.

Key Performance Indicators identify and report in clear fashion what drives UBS's businesses. Take, for example, UBS Private Banking, a key contributor to our group's performance. What really drives private banking? The long-term success of the business is driven by two principal components. The first is net new money (how much money new clients entrust to the bank and how much more of their assets existing clients deposit). The second is gross margin, a measure of how much UBS earns on its clients' invested assets. Each quarter, when UBS reports quarterly financial results, these KPIs are also published. KPIs are watched intensively by the financial markets and are the basis through which UBS measures its success in creating shareholder value.

Aligning the interests of management and shareholders

Senior management's interests are already strongly aligned with those of shareholders through their participation in stock-based compensation plans. Value Based Management provides a tool for management to measure directly the effect of their actions on shareholder value. Currently, in order to link management interests even more closely with shareholder value objectives, UBS is developing methods to include Value Based Management results and KPIs explicitly in the performance measurement processes that we use to set compensation levels.

Prudent capital management

As one of the world's pre-eminent financial institutions, prudent capital management is, and has always been, one of UBS's trademarks. More than ever, it is clear that capital is a finite commodity and that it must be used wisely. Our focus when managing capital is to employ all the appropriate tools at hand, while assuring a balance between the maximization of shareholder value and our strong inherent and historical levels of capitalization.



We are open to making use, in balanced fashion, of novel, progressive capital management tools. For example, this year, in lieu of a dividend, UBS will make a capital repayment to shareholders – a tax efficient way of distributing earnings to shareholders. In May 2000, UBS was one of the first organizations to introduce a truly global share, fully listed both in New York and Tokyo (as well as in Switzerland), and tradable as the same instrument globally.

Capital strength

Our strong earnings generation, and careful management of our balance sheet exposures, mean that UBS continues to generate capital, well in excess of our minimum regulatory requirements. We do not, however, aim simply to store this capital, despite our exemplary BIS Tier 1 ratio. There is a close link between the way we manage our capital and our share valuation – inefficient capital allocation in and of itself would lead to structural overcapitalization. In effect, our capital management strategy, although simple, takes into account all of our stakeholders. Free capital is either used for strategic investment or it is given back to shareholders. Every potential transaction goes through rigorous assessment, to ensure that the capital used would not be better returned to our shareholders. In order to make use of the most tax efficient method of returning excess capital to shareholders, UBS has operated a second line share repurchase program on the Swiss Exchange – in both 2000 and 2001 – and has announced a new program to run from 6 March 2002.

Limiting dilution

We are careful to limit potential dilution of our shareholders' stakes as a result of our capital management actions. An example is our use of trust preferred securities, which contribute to BIS tier 1 capital, but without the need to issue new shares. We followed up our first, successful, issuance of trust preferred securities in October 2000, with a further offering in June 2001, which took advantage of the distribution capabilities of UBS PaineWebber and our overall expanded institutional presence in the US following the merger. And to fund employee share programs, UBS makes use of treasury share purchases as opposed to issuing new shares.

All of these examples underscore UBS's commitment to actively use a complete range of capital management techniques in pursuit of higher shareholder and stakeholder value.

Balanced risk management

Risk management's main role is finding the optimal balance between risk and return. Contrary to common misconception, however, that is not a set of simple mathematical processes. It cannot be summarized by a set of numbers, despite the sophistication and complexity of much of modern risk management. Fundamentally sound risk management is based on implementing an appropriate governance model, on institutionalized checks and balances between traders and risk managers, between risk managers and risk controllers. Moreover, these checks and balances only work if all the parties involved interact based on mutual trust and a deep understanding of each other's role.

Accountability and transparency

Risk management and control at UBS is built on accountability and transparency. Indeed, these are the two core precepts set out in the Group's risk management and control principles.

The first states it is vital that the Group always understands who takes which decision, underlining a key point – that the management of each specific business, be it Australian equity trading or Swiss mortgage lending, owns the risks it assumes. This responsibility cannot be syndicated or delegated to a "risk control" function.

The second precept – transparency – appeals to management's common sense and judgement. Once all the facts regarding a risk position or risk related decision are on the table, and all the parties having a legitimate interest know about all the relevant aspects and ramifications of an issue, that is when management is in the best possible position to arrive at a sound decision.

Transparency builds on the power of partnership, on the very fact that at the end of the day we all share the same objective: shareholder value.

Risk is an integral part of all UBS's activities.



Financial communications

Building trust through transparency and openness

The more we know about what we are buying, the more we are apt to actually make the purchase. That is where Group Communications comes in – to tell investors and the public as much as possible about what they are buying when they invest in UBS. The more financial markets know and understand about our performance, our business, and our strategies, the more likely it is that analysts will recommend our shares, and the more willing institutional and retail investors will be to buy them.

At UBS, we are committed to providing comprehensive, consistent, and transparent financial information – every quarter. We believe investors should know they can depend on our financial reports, and trust in us to clearly explain our company's performance, our strategy and the reasoning behind it. We are also committed to prompt disclosure. Good news communicated swiftly has more impact, while bad news that is delayed raises suspicions that a company may be holding further bad news back. UBS has found that by keeping to the principles of reliability, transparency and consistency, it reinforces the bond of trust between investors, stakeholders and the company.

We clearly believe that such practices can lead investors to assign lower risks to a company's shares when evaluating growth prospects. Costs of capital fall, and information risks are minimized as investors become increasingly confident of their understanding of the company, and certain that management is not concealing bad news. Analysts will have a better basis from which to make their earnings estimates, which will be more accurate, which translates into more stability in the overall development of the company's share price.



2001 Report

This chapter discusses UBS Group's results for 2001, provides details of our Directors and officers and outlines our corporate governance principles.

Corporate governance – our commitment to our stakeholders

UBS is committed to meeting the highest international standards of corporate governance, ensuring that we are responsible to all of our stakeholders – our clients, shareholders, employees and the communities in which UBS is active.

In organizing our corporate governance, we aim to comply with both Swiss law and international codes of best practice. At UBS, the Board of Directors and the Group Executive Board are strictly separate bodies with different functions and responsibilities, and the functions of the Chairman of the Board of Directors and President of the Group Executive Board are conferred on two different people.

Roles and responsibilities

The Board is the highest corporate body with responsibility for the ultimate direction of the company and the supervision of its executive management. A large majority of the Board members are non-executive and independent, while the Chairman and at least one Vice Chairman have executive roles and assume supervisory and leadership responsibilities. The Chairman also assumes a leadership role in corporate responsibility issues, public and political affairs and developing corporate culture.

The Group Executive Board has business management responsibility for the company. The Group Executive Board, and in particular its President, is responsible for the implementation and results of the Group's strategies, for the alignment of the Business Groups to the UBS Group's integrated model and for the exploitation of synergies across the Group. The President and the GEB are accountable to the Chairman and the Board for the Group results, and the Board in turn is accountable to UBS's shareholders.

Our organizational structure is designed to ensure that robust checks and balances are in place while allowing management the flexibility and responsiveness essential to today's fast-paced business environment.

Audit

Another feature of a smoothly functioning corporate governance system is the inclusion of strong and independent auditors. Audit is a central part of our corporate governance. Group Internal Audit, reporting directly to the Chairman of the Board of Directors, oversees the activities of the Group with a special focus on market, legal, operational and reputational risk. Our external auditors, working closely with Group Internal Audit, assume all statutory auditing functions.

The function of the Audit Committee of the Board of Directors is oversight. It monitors the integrity of the financial statements, UBS's compliance with legal and regulatory requirements and the independence and performance of UBS's external auditors.



The Group Executive Board

Clockwise, from top left:

Peter Wuffli
President

Markus Granziol
Chairman UBS Warburg

John Costas
CEO UBS Warburg

Georges Gagnebin
CEO UBS Private Banking

Stephan Haeringer
CEO UBS Switzerland and
CEO Private and Corporate Clients

Joseph J. Grano
Chairman and CEO
UBS PaineWebber

Changes within the Board of Directors

At the Annual General Meeting on 18 April 2002, the Board of Directors will propose that Ernesto Bertarelli, CEO of Serono International, be newly elected to the Board. Vice Chairman Markus Kündig will step down after the AGM as he has reached the statutory retirement age.

Changes within the Group Executive Board

In December 2001, Luqman Arnold left UBS and was replaced as President of the Group Executive Board by Peter Wuffli. John Costas was appointed Chief Executive Officer of UBS Warburg and joined the Group Executive Board. Pierre de Weck left UBS in July 2001.

The Board of Directors

As at 31 December 2001

Marcel Ospel

Chairman
(Elected until 2005 AGM)

Johannes A. de Gier

Executive Vice Chairman
(Elected until 2003 AGM)

Peter Böckli

Chairman of the Audit Committee
Partner in the law firm
Böckli Bodmer & Partners, Basel
(Elected until 2003 AGM)

Rolf A. Meyer

Consultant
(Elected until 2003 AGM)

Lawrence A. Weinbach

Member of the Audit Committee
Chairman, President and Chief
Executive Officer Unisys Corporation,
Pennsylvania, USA
(Elected until 2005 AGM)

Alberto Togni

Executive Vice Chairman
(Elected until 2005 AGM)

Markus Kündig

Vice Chairman
Chairman of the
Compensation Committee
(Retiring after the 2002 AGM)

Sir Peter Davis

Chief Executive Officer
J. Sainsbury plc., London
(Elected until 2004 AGM)

Hans Peter Ming

Member of the Audit Committee
Chairman of Sika Finanz AG, Zurich
(Elected until 2004 AGM)

**Secretary to the
Board of Directors**

Gertrud Erismann-Peyer

Each member of the Board is elected at the Annual General Meeting of Shareholders for a four-year term. The initial term of office for each Director is, however, fixed in such a way as to ensure that about a quarter of all the members have to be newly elected or reelected every year.

Our auditors

Head of Group Internal Audit

Markus Ronner

External auditors

Ernst & Young Ltd., Basel
Auditors for the Parent Bank
and for the Group
(Term expires AGM 2002, proposed
for reelection)

Deloitte & Touche Experta Ltd., Basel
Special auditors
(Term expires AGM 2003)

Financial Results in 2001

UBS Group Income Statement

CHF million, except per share data
For the year ended

	31.12.01	31.12.00	31.12.99	% change from 31.12.00
Operating income				
Interest income	52,277	51,745	35,604	1
Interest expense	(44,236)	(43,615)	(29,695)	1
Net interest income	8,041	8,130	5,909	(1)
Credit loss expense / recovery	(498)	130	(956)	
Net interest income after credit loss expense / recovery	7,543	8,260	4,953	(9)
Net fee and commission income	20,211	16,703	12,607	21
Net trading income	8,802	9,953	7,719	(12)
Other income	558	1,486	3,146	(62)
Total operating income	37,114	36,402	28,425	2
Operating expenses				
Personnel expenses	19,828	17,163	12,577	16
General and administrative expenses	7,631	6,765	6,098	13
Depreciation of property and equipment	1,614	1,608	1,517	0
Amortization of goodwill and other intangible assets	1,323	667	340	98
Total operating expenses	30,396	26,203	20,532	16
Operating profit before tax and minority interests	6,718	10,199	7,893	(34)
Tax expense	1,401	2,320	1,686	(40)
Net profit before minority interests	5,317	7,879	6,207	(33)
Minority interests	(344)	(87)	(54)	295
Net profit	4,973	7,792	6,153	(36)
Basic earnings per share (CHF) ¹	3.93	6.44	5.07	(39)
Basic earnings per share before goodwill (CHF) ^{1, 2}	4.97	7.00	5.35	(29)
Diluted earnings per share (CHF) ¹	3.78	6.35	5.02	(40)
Diluted earnings per share before goodwill (CHF) ^{1, 2}	4.81	6.89	5.30	(30)

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

Independent Auditor's Report

We have audited, in accordance with auditing standards generally accepted in the United States of America as well as those promulgated by the profession in Switzerland, the Group balance sheets of UBS AG as of 31 December 2001 and 2000, and the related Group statements of income, cash flows and changes in equity for each of the three years in the period ended 31 December 2001 and the notes thereto (not presented herein). In our report dated 12 February 2002, we expressed an unqualified opinion on those Group financial statements.

In our opinion, the information set forth in the accompanying Group balance sheet and income statement on pages 47 and 48 are fairly stated, in all material respects, in relation to the Group financial statements from which they have been derived.

Basel, 12 February 2002

Ernst & Young Ltd



Roger K. Perkin
Chartered Accountant
in charge of the audit



Peter Heckendorn
lic.oec.
in charge of the audit

UBS Group Balance Sheet

<i>CHF million</i>	31.12.01	31.12.00 ¹	% change from 31.12.00
Assets			
Cash and balances with central banks	20,990	2,979	605
Due from banks	27,526	29,147	(6)
Cash collateral on securities borrowed	162,938	177,857	(8)
Reverse repurchase agreements	269,256	193,801	39
Trading portfolio assets	397,886	315,588	26
Positive replacement values	73,447	57,875	27
Loans, net of allowance for credit losses	226,545	244,842	(7)
Financial investments	28,803	19,583	47
Accrued income and prepaid expenses	7,554	7,062	7
Investments in associates	697	880	(21)
Property and equipment	8,695	8,910	(2)
Goodwill and other intangible assets	19,085	19,537	(2)
Other assets	9,875	9,491	4
Total assets	1,253,297	1,087,552	15
<i>Total subordinated assets</i>	<i>407</i>	<i>475</i>	<i>(14)</i>
Liabilities			
Due to banks	106,531	82,240	30
Cash collateral on securities lent	30,317	23,418	29
Repurchase agreements	368,620	295,513	25
Trading portfolio liabilities	105,798	82,632	28
Negative replacement values	71,443	75,923	(6)
Due to customers	333,781	310,679	7
Accrued expenses and deferred income	17,289	21,038	(18)
Debt issued	156,218	129,635	21
Other liabilities	15,658	18,756	(17)
Total liabilities	1,205,655	1,039,834	16
Minority interests	4,112	2,885	43
Shareholders' equity			
Share capital	3,589	4,444	(19)
Share premium account	14,408	20,885	(31)
Gains / (losses) not recognized in the income statement	(193)	(687)	(72)
Retained earnings	29,103	24,191	20
Treasury shares	(3,377)	(4,000)	(16)
Total shareholders' equity	43,530	44,833	(3)
Total liabilities, minority interests and shareholders' equity	1,253,297	1,087,552	15
<i>Total subordinated liabilities</i>	<i>13,818</i>	<i>13,996</i>	<i>(1)</i>

¹ Changes have been made to prior year to conform to the current presentation (see Note 1 to the Financial Statements in the Financial Report 2001).

UBS Group results in 2001

Group targets

We focus on four key performance targets, designed to ensure that UBS delivers continually improving returns to its shareholders.

- We seek to increase the value of UBS by achieving a sustainable, after-tax return on equity of 15–20%, across periods of varying market conditions.
- We aim to increase shareholder value through double-digit average annual percentage growth of basic earnings per share (EPS), across periods of varying market conditions.
- Through cost reduction and earnings enhancement initiatives we aim to reduce UBS's cost / income ratio to a level that compares positively with best-in-class competitors.
- We aim to achieve a clear growth trend in net new money in the private client businesses (Private Banking and Private Clients).

The first three targets are all reported pre-goodwill amortization, and adjusted for significant financial events. This adjustment is designed to facilitate meaningful comparisons between different reporting periods, illustrating the underlying operational performance of the business, insulated from the impact of one-off gains or losses outside the normal course of business.

There were no significant financial events in 2001, but there were two significant financial events recorded in 2000:

- a pre-tax charge of CHF 150 million, representing a final increase of UBS's previously established liability for the US Global Settlement regarding World War II related claims.
- a CHF 290 million pre-tax restructuring charge relating to the integration of former Paine Webber Group, Inc. businesses into UBS.

Earnings adjusted for significant financial events⁵

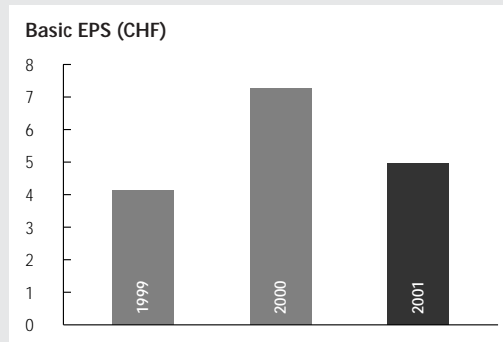
<i>CHF million, except where indicated</i>	31.12.01	31.12.00	31.12.99	% change from 31.12.00
Operating income	37,114	36,402	26,587	2
Operating expenses	30,396	25,763	20,534	18
Operating profit before tax	6,718	10,639	6,053	(37)
Net profit	4,973	8,132	4,665	(39)
Cost / income ratio before goodwill (%) ^{1,2}	77.3	69.2	73.3	
Basic earnings per share before goodwill (CHF) ^{2,3}	4.97	7.28	4.12	(32)
Diluted earnings per share before goodwill (CHF) ^{2,3}	4.81	7.17	4.09	(33)
Return on shareholders' equity (%) ^{2,4}	14.8	24.3	18.2	

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 9 to the Financial Statements. ⁴ Net profit / average shareholders' equity excluding dividends. ⁵ Details of significant financial events can be found above.

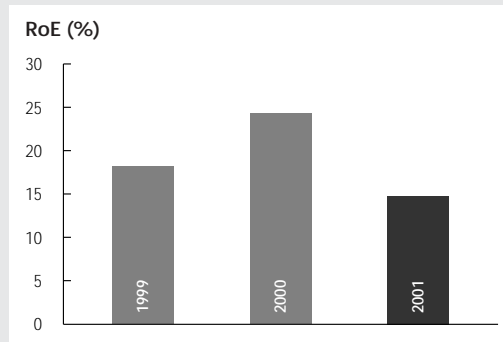
All earnings per share figures have been restated for the 3 for 1 share split which took place on 16 July 2001.

Our performance against these targets in 2001 reflects the extremely difficult market conditions we have faced. Before goodwill and adjusted for significant financial events in 2000:

- Basic earnings per share fell 32% to CHF 4.97, a level still 21% higher than we achieved in 1999.

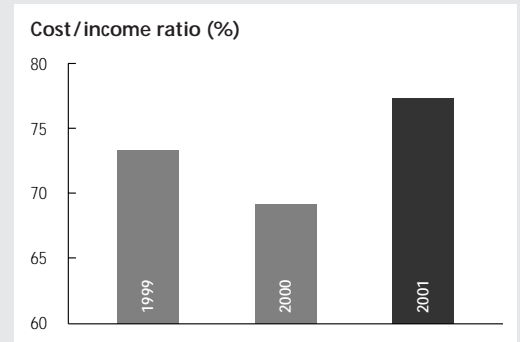


- Return on equity for the year was 14.8%, just below our target range. Although this is lower than the 24.3% that we achieved in 2000, it represents a solid performance when set against the difficult markets in 2001.

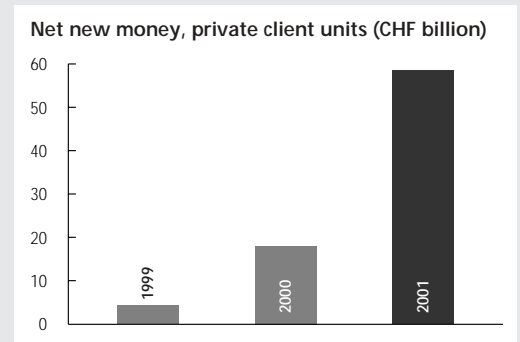


On the same basis, the cost/income ratio for the year rose from 69.2% to 77.3%, reflecting lower revenues, the poor performance of our private equity portfolio in 2001 and the influence of the relatively high cost/income ratio typical of UBS PaineWebber's business. Despite this rise, operating expenses remained under tight control, with decreases from 2000 levels in UBS Switzerland's Private Banking and Private and Corporate

Clients business units and UBS Warburg's Corporate and Institutional Clients business unit, and a clear reduction through the year in UBS Warburg's Private Clients business unit.



Our disciplined approach to both compensation and non-personnel costs allows us to continue investing in the future growth of our key businesses. The proportion of revenue which we dedicate to rewarding our staff has remained almost unchanged since last year in our most important businesses, reflecting a substantial decrease in bonus payments.



Our asset gathering activities have delivered very strong results this year, with inflows in the private client units (Private Banking and Private Clients) of CHF 58.5 billion during 2001, compared to CHF 18.0 billion in 2000. Over the whole Group, we attracted a total of CHF 102.0 billion in net new money, as clients increasingly value the quality of our advice and the breadth and depth of our wealth management capabilities.

Results

Our net profit for the year 2001 was CHF 4,973 million, 36% less than in 2000. Pre-goodwill, net profit for the year was CHF 6,296 million, 26% lower than we achieved in the much stronger markets of 2000 and 28% lower once we exclude the effect of one-off provisions and restructuring charges in 2000 related to the PaineWebber merger.

Income

Full year operating income was 2% higher in 2001 than in 2000, at CHF 37,114 million, with the effect of much more difficult market conditions offset by the addition of UBS PaineWebber's businesses.

Net interest income was 1% lower than in 2000, at CHF 8,041 million, and *net trading income* was 12% lower than in 2000 at CHF 8,802 million. Various factors can alter the mix between net interest income and net trading income between periods. As well as income from interest margin based activities (for example loans and deposits), net interest income includes some income earned as a result of trading activities (such as coupon and dividend income). This component is volatile from period to period, depending on the composition of the trading portfolio. In order to provide a better explanation of the movements in net interest income and net trading income, we analyze the total of the two lines according to the business activities which gave rise to the income, rather than by the type of income generated.

Net income from interest margin products increased 5% to CHF 5,694 million, driven by the inclusion of UBS PaineWebber. Net income from trading activities was CHF 11,529 million, 9% lower than in 2000. Falling interest rates and increased volatility in debt markets led to a very strong year for fixed income and foreign exchange trading, but equity trading revenues suffered from much lower market volumes, increased volatility and reduced arbitrage opportunities. Net income from treasury activities was 87% higher than in 2000, at CHF 1,424 million, reflecting two main factors: increased income from our invested equity, as a result of the expansion of our capital base since the PaineWebber merger, and changes in the investment portfolio's maturity structure leading to an

increase in average interest rates; and improved currency management results due to introduction of a new economic hedging strategy and some one-off gains. Other net trading and interest income principally reflects the costs of goodwill funding, with the costs increasing CHF 1,053 million from 2000 to CHF 1,804 million in 2001, mainly due to goodwill funding costs arising from the acquisition of PaineWebber.

Net fee and commission income was CHF 20,211 million, up 21% from 2000 and at a record level, reflecting the inclusion of UBS PaineWebber and the introduction of higher fees for investment funds. Without UBS PaineWebber, net fee and commission income would have dropped 7%, driven by lower brokerage fees and a reduction in corporate finance fees, with increases in market share during the year achieved against a background of much reduced market activity.

Other income fell 62% to CHF 558 million, reflecting the very difficult conditions in the private equity market this year, which led to minimal opportunities for divestment and much greater levels of write-downs than last year. Under IAS, income is only recognized when realized by sale – unrealized gains and losses on fair value of private equity positions are recorded in shareholder's equity.

Expenses

Total operating expenses increased 16% to CHF 30,396 million, driven by the inclusion of UBS PaineWebber. Like-for-like, costs fell 7%, as performance-related compensation was reduced, and non-personnel costs were carefully restricted. In light of lower revenues in 2001, cost control was a key focus of all our management teams. *Personnel expenses* in 2001 reflect considerable reductions in bonus and performance-related compensation, with average variable compensation per head down 23%, ensuring that overall compensation ratios for the year were kept in line with 2000's ratios in our core businesses. However, the inclusion of CHF 5,178 million of PaineWebber personnel expenses more than offset the reduction in performance-related pay, bringing the total to CHF 19,828 million, 16% up from 2000.

General and administrative expenses increased by 13% to CHF 7,631 million, reflecting a full year's costs for UBS PaineWebber, which more

than offset the absence in 2001 of the provisions for restructuring and the US Global Settlement which were booked in 2000. Excluding these provisions and the extra UBS PaineWebber costs, general and administrative expenses would have been almost unchanged year on year, reflecting our strong cost discipline.

Depreciation and amortization increased 29% to CHF 2,937 million, driven primarily by the goodwill amortization resulting from the merger with PaineWebber.

UBS Group's full year tax rate was 21%, compared to 23% in 2000. The relatively low rate results from significantly lower tax in Switzerland, reflecting the effect of lower profits triggering lower progressive tax rates, and a change in geographical earnings mix of the Group. We believe that this year's tax rate of 21% is also a reasonable indicator for 2002.

Appropriation of retained earnings

In 2001, net profit for UBS AG (the Swiss parent company, including branches worldwide, but excluding other subsidiaries of the UBS Group) under Swiss GAAP was CHF 4,655 million. The Board of Directors will propose to the AGM that this entire amount be appropriated to other reserves (this is recorded as an increase in retained earnings at UBS Group level), rather than being used to pay a dividend in respect of 2001.

Instead of paying a dividend, the Board of Directors proposes that UBS AG repay CHF 2.00 of the par value of CHF 2.80 per share. If approved by the AGM, this repayment will reduce the par amount per share to CHF 0.80.

If approved, the repayment of CHF 2.00 of the par value will be made on 10 July 2002 to those shareholders who hold UBS shares on 5 July 2002.



Business Group results in 2001

CHF million	UBS Switzerland		UBS Asset Management		UBS Warburg		Corporate Center		UBS Group	
	31.12.01	31.12.00 ²	31.12.01	31.12.00	31.12.01	31.12.00 ²	31.12.01	31.12.00	31.12.01	31.12.00
For the year ended										
Income	13,475	14,371	2,110	1,953	21,349	19,590	678	358	37,612	36,272
Credit loss expense / recovery ³	(604)	(785)	0	0	(130)	(246)	236	1,161	(498)	130
Total operating income	12,871	13,586	2,110	1,953	21,219	19,344	914	1,519	37,114	36,402
Personnel expenses	4,764	5,143	1,003	880	13,515	10,532	546	490	19,828	17,045
General and administrative expenses	2,600	2,619	564	439	4,260	3,183	207	281	7,631	6,522
Depreciation	616	561	46	49	580	599	372	320	1,614	1,529
Amortization of goodwill and other intangible assets	41	70	266	263	991	290	25	44	1,323	667
Total operating expenses	8,021	8,393	1,879	1,631	19,346	14,604	1,150	1,135	30,396	25,763
Business Group performance before tax and significant financial events	4,850	5,193	231	322	1,873	4,740	(236)	384	6,718	10,639
Significant financial events	0	(152)	0	0	0	(106)	0	(182)	0	(440)
Tax expense									1,401	2,320
Net profit before minority interests									5,317	7,879
Minority interests									(344)	(87)
Net profit									4,973	7,792

¹ Figures in this table are adjusted for the effect of Significant Financial Events. ² 2000 has been restated to reflect the business structure of the Group at 1 January 2001. ³ 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 498 million for the year ended 31 December 2001 (CHF 130 million recovery for the year ended 31 December 2000) is as follows: UBS Switzerland CHF 123 million (CHF 695 million recovery), UBS Warburg CHF 375 million (CHF 565 million).

UBS Switzerland

“UBS Switzerland has completed another successful year, with the launch of the European wealth management initiative and very strong progress in asset gathering.”

Stephan Haeringer, CEO UBS Switzerland

UBS Switzerland's *Private and Corporate Clients* business unit enjoyed a very strong year, with profit before tax in 2001 up 8% compared to 2000, at CHF 2,147 million, their highest level ever. The implementation of risk adjusted pricing and the strength of the Swiss economy in 2000 and most of 2001 led to a significant increase in credit quality, while operating expenses have remained under tight control, falling 5% compared to 2000. The total size of the loan book declined slightly during the year, but the ratio of

impaired loans to total loans improved from 9.1% to 7.4%, reflecting continued successful recovery efforts.

Weaker markets than in 2000 and the costs of investing in expanding our presence in the five countries targeted by our European wealth management initiative brought the *Private Banking* business unit's full year pre-tax profits in 2001 down 16% from last year to CHF 2,703 million, despite a continued focus on controlling operating costs. Net new money inflows in 2001, at CHF 22.5 billion an eight-fold increase over 2000, demonstrate our success this year in re-energizing our asset-gathering performance, and our single-minded focus on growing this world-leading business. Over the year from 31 December 2000, invested assets have fallen only 1%, despite the poor performance of securities markets.

UBS Asset Management

"A second straight year of successful relative investment performance provides a strong foundation for continued progress in 2002."

John Fraser, CEO UBS Asset Management

In 2001, UBS Asset Management experienced one of its best years of relative investment performance, second only to 2000. Individual security selection made a very significant contribution to 2001 performance in both fixed income and equity. This owed much to the benefits of our integrated global investment platform, and our improved ability to share research and knowledge across investment teams worldwide. UBS Asset Management achieved net new money

of CHF 34.9 billion in 2001, reflecting our clients' recognition of strong relative investment performance in the last two years. Invested assets increased 5% during the year to CHF 672 billion, from CHF 642 billion at 31 December 2000.

Operating income increased 8% from 2000, to CHF 2,110 million, driven by the introduction of a new pricing structure for investment funds at the beginning of 2001. UBS Asset Management's pre-tax profit of CHF 231 million was 28% lower than 2000, with higher expenses driven by spending on growth initiatives, the integration of Brinson Advisors (formerly PaineWebber's Mitchell Hutchins asset management business) and Brinson Canada (formerly RT Capital, acquired in August 2001).

UBS Warburg

"We have made excellent strategic progress in 2001, with increased market share in corporate finance and the successful merger with UBS PaineWebber."

Markus Granziol, Chairman UBS Warburg

UBS Warburg's *Corporate and Institutional Clients* business unit recorded a strong performance in 2001 relative to the much weaker markets this year. Pre-tax profit was CHF 4,256 million, a decline of 15% over 2000, our best year ever. Equities and corporate finance both suffered from the economic downturn and the consequent weakness in their global markets, while the fixed income and foreign exchange business delivered record results, driven by interest rate reductions and increased volatility, and supported by the expansion of businesses acquired from PaineWebber. In corporate finance we continued to outperform 2000 in terms of market share, with full year analysis showing us with a 4.5% share of fees, compared to 3.6% in 2000. Costs fell sharply to their lowest ever total.

Full year results for *UBS Capital* reflect the very challenging market in 2001, with few

opportunities for divestments, and write-downs of several investments as a result of the problems caused for some of our investee companies by the deteriorating economic conditions. Pre-tax losses for 2001 of CHF 1,032 million, compared to pre-tax profits of CHF 173 million in 2000.

In future UBS will be focused on private equity asset management, with a restricted level of direct investments through UBS Capital, limited to those sectors and regions with a strong performance track record. We expect results in 2002 to show continued volatility, and net losses, unless there is a material improvement in economic conditions.

Pre-tax profits at the *Private Clients* business unit (UBS PaineWebber) were CHF 258 million, a strong result relative to our peers, achieved against a particularly poor market environment, with two successive years of market declines in the US for the first time since the late 1970s. The business demonstrated the strength of its franchise amongst our core affluent target market in the US by maintaining strong net new money performance throughout the year, gaining a total of CHF 36.0 billion.



Sources of information about UBS

This Annual Review provides an overview of UBS and its financial results for the year 2001. You can find out more about UBS from the sources shown below.

Publications

Handbook

Our Handbook 2001/2002 contains a detailed description of UBS, its strategy, its organization and the businesses that make it up. It is available in English and German (SAP-R/3 80532-0201).

Financial Report 2001

Our Financial Report contains our audited financial statements for the year 2001 and accompanying detailed analysis. It is available in English and German. (SAP-R/3 80531-0201).

Quarterly reports

We provide detailed quarterly financial reporting and analysis, including comment on the progress of our businesses and key strategic initiatives. These reports are available in English.

How to order reports

Each of these reports is available on the internet at: www.ubs.com/investors, in the "Financials" section. Alternatively, printed copies can be ordered, quoting the SAP number and the language preference where applicable, from UBS AG, Information Center, CA50-XMB, P.O. Box CH-8098 Zurich, Switzerland.

E-information tools for investors

Website

Our Investors and Analysts website at www.ubs.com/investors offers a wide range of information about UBS, including our financial reporting, media releases, UBS share price graphs and data, corporate calendar and dividend information and copies of recent presentations given by members of senior management to investors at external conferences.

Our internet-based information is available in English and German, with some sections also in French and Italian.

Messenger service

On the Investors and Analysts website, you can register to receive news alerts about UBS via SMS or e-mail. Messages are sent in either English or German and users are able to state their preferences for the theme of the alerts received, e.g. SEC filings or webcast broadcasts.

Results presentations

Senior management presents UBS's quarterly results every quarter on publication date. These presentations are broadcast live over the internet, and can be downloaded on demand. The most recent results webcasts can also be found in the "Financials" section of our Investors and Analysts website.

UBS and the Environment

Our Handbook 2001/2002 contains a summary of UBS environmental policies. More detailed information is available at www.ubs.com/environment.

Form 20-F and other submissions to the US Securities and Exchange Commission

We file periodic reports and other information about UBS with the US Securities and Exchange Commission (SEC). Principal among these filings is the Form 20-F, our Annual Report filed pursuant to the US Securities Exchange Act of 1934. Our Form 20-F filing is structured as a "wrap-around" document. Most sections of the filing are satisfied by referring to part of the Handbook 2001/2002 or to part of the Financial Report 2001. However, there is a small amount of additional information in the Form 20-F which is not presented elsewhere, and is particularly targeted at readers from the US. You are encouraged to refer to this additional disclosure. You may read and copy any document that we file with the SEC on the SEC's website,

www.sec.gov, or at the SEC's public reference room at 450 Fifth Street NW, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 (in the US) for further information on the operation of its public reference room. You may also inspect our SEC reports and other information at the New York Stock Exchange, Inc., 20 Broad Street, New York, NY 10005 and the American

Stock Exchange LLC, 86 Trinity Place, New York, NY 10006. Much of this additional information may also be found on the UBS web site at www.ubs.com/investors, and copies of documents filed with the SEC may be obtained from UBS's Investor Relations team, at the addresses shown on the next page.



UBS Investor Relations

Our Investor Relations team supports institutional, professional and retail investors from offices in Zurich and New York.

E-mail: sh-investorrelations@ubs.comWeb: www.ubs.com/investors**Zurich****Hotline Zurich:** +41 1 234 4100

Christian Gruetter +41 1 234 4360

Mark Hengel +41 1 234 8439

Charles Gorman +41 1 234 2733

Catherine Lybrook +41 1 234 2281

Fax +41 1 234 3415

UBS AG
Investor Relations G41B
P.O. Box
CH-8098 Zurich, Switzerland

New York**Hotline New York:** +1 212 713 3641

Richard Feder +1 212 713 6142

Christopher McNamee +1 212 713 3091

Fax +1 212 713 1381

UBS Americas Inc.
Investor Relations
1285 Avenue of the Americas, 14th Floor
New York, NY 10019, USA

UBS Group Media Relations

	Telephone	Fax	E-mail
Zurich	+41 1 234 8500	+41 1 234 8561	sh-gpr@ubs.com
London	+44 20 7567 4714	+44 20 7568 0955	sh-mr-london@ubsw.com
New York	+1 212 713 83 91	+1 212 713 98 18	mediarelations-ny@ubsw.com
Tokyo	+81 3 52 08 62 75	+81 3 52 08 69 51	sh-comms-mktg-tokyo@ubs.com

Other useful contacts**Switchboards**

For all general queries.

	Telephone
Zurich	+41 1 234 1111
London	+44 20 7568 0000
New York	+1 212 821 3000
Tokyo	+81 3 5293 3000

UBS Shareholder Services

UBS Shareholder Services, a unit of the Company Secretary, is responsible for the registration of the Global Registered Shares. It is split into two parts – a Swiss register, which is maintained by UBS acting as Swiss transfer agent, and a US register, which is maintained by Mellon Investor Service as US transfer agent (see below).

	Telephone	Fax	E-mail
Zurich	+41 1 235 6202	+41 1 235 3154	sh-shareholder-service@ubs.com

UBS AG
Shareholder Services
P.O. Box
CH-8098 Zurich, Switzerland

US Transfer Agent

For all Global Registered Share related queries in the USA.

Mellon Investor Services
Overpeck Center
85 Challenger Road
Ridgefield Park, NJ 07660, USA

Telephone: +1 866 541 9689
Fax: +1 201 296 4801
Web: <http://www.melloninvestor.com>

UBS listed its Global Registered Shares on the New York Stock Exchange on 16 May 2000. Prior to that date UBS operated an ADR program. See the Frequently Asked Questions (FAQs) section at www.ubs.com/investors for further details about the UBS share.

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, 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, (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 which 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 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 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.

Imprint

Publisher/Copyright: UBS AG, Switzerland.

Photos: Thierry Martinez, Philippe Schiller (Alinghi);

Daniel Forster, Carlo Borlenghi (Nautor Challenge);

Marcel Grubenmann (Portraits).

Languages: English, German, French, Italian, Spanish.

SAP-R/3 80530E-0201



UBS AG
P.O. Box, CH-8098 Zurich
P.O. Box, CH-4002 Basel

www.ubs.com