UBS

Financial Report 2001

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.

Introduction

Contents

The Financial Report 2001 forms an essential part of our reporting portfolio. It includes the audited Financial Statements of UBS Group for 2001 and 2000, prepared according to International Accounting Standards (IAS) and reconciled to United States Generally Accepted Accounting Principles (US GAAP), and the audited financial statements of UBS AG (the Parent Bank) for 2001, prepared according to Swiss Banking Law requirements. It also contains a discussion and analysis of the financial and business performance of UBS Group and its Business Groups, and some additional disclosures required under Swiss and US regulations.

The Financial Report should be read in conjunction with the other information published by UBS described on page 5.

We hope that you will find the information in these documents useful and informative. We believe that UBS is among the leaders in corporate disclosure, but we would be very interested to hear your views on how we might improve the content and presentation of our information portfolio.

Mark Branson
Head of Group Communications
UBS AG

UBS Group Financial Highlights

[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 Capital strength section on pages 10 to 11 of the UBS Handbook 2001/2002.

[9] Details of significant financial events can be found in the Group Financial Review.

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.

CHF million, except where indicated				% change from
For the year ended	**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	

CHF million, except where indicated				% 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 ratings [8]				
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]

CHF million, except where indicated				% change from
For the year ended	**31.12.01**	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	

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 on-line 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.

Sources of Information about UBS

This Financial Report contains our audited Financial Statements for the year 2001 and accompanying detailed analysis. You can find out more about UBS from the sources shown below.

Publications

This Financial Report is available in English and German. (SAP-R/3 80531-0201)

Annual Review 2001

Our Annual Review contains a short description of UBS, and a summary review of our performance in the year 2001. It is available in English, German, French, Italian and Spanish. (SAP-R/3 80530-0201)

Handbook 2001/2002

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)

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 webcasts.

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

The 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 or to part of this 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 website 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 below.

Corporate information

The legal and commercial name of the company is UBS AG. The company was formed on 29 June 1998, when Union Bank of Switzerland (founded 1862) and Swiss Bank Corporation (founded 1872) merged to form UBS.

UBS AG is incorporated and domiciled in Switzerland and operates under Swiss Company Law and Swiss Federal Banking Law as an Aktiengesellschaft, a corporation that has issued shares of common stock to investors.

The address and telephone number of our two registered offices and principal places of business are:

Bahnhofstrasse 45, CH-8098 Zurich, Switzerland, telephone +41-1-234 11 11;

and Aeschenvorstadt 1, CH-4051 Basel, Switzerland, telephone +41-61-288 20 20.

UBS AG shares are listed on the SWX Swiss Exchange and traded through virt-x (a joint venture between Tradepoint and the SWX Swiss Exchange). They are also listed on the New York Stock Exchange and on the Tokyo Stock Exchange.

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.com | Web: www.ubs.com/investors

Zurich		New York	
Hotline Zurich:	**+41 1 234 4100**	**Hotline New York:**	**+1 212 713 3641**
Christian Gruetter	+41 1 234 4360	Richard Feder	+1 212 713 6142
Mark Hengel	+41 1 234 8439	Christopher McNamee	+1 212 713 3091
Charles Gorman	+41 1 234 2733		
Catherine Lybrook	+41 1 234 2281		
Fax	+41 1 234 3415	Fax	+1 212 713 1381

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

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 5208 6275	+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 Services 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

UBS 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.

Information for Readers

You should read the discussion and analysis in the Group Financial Review and Review of Business Group Performance in conjunction with the UBS Group Financial Statements and the related notes, which are shown in pages 75 to 169 of this document.

Parent Bank

Pages 171 to 181 contain the financial statements for the UBS AG Parent Bank – the Swiss company, including branches worldwide, which owns all the UBS Group companies, directly or indirectly. Except in those pages, or where otherwise explicitly stated, all references to "UBS" refer to the UBS Group and not to the Parent Bank.

Accounting standards

The UBS Group Financial Statements have been prepared in accordance with International Accounting Standards (IAS). As a US listed company, UBS Group provides a description in Note 40 of its Financial Statements of the significant differences which would arise were our accounts to be presented under United States Generally Accepted Accounting Principles (US GAAP), and a detailed reconciliation of IAS shareholders' equity and net profit to US GAAP. Major differences between Swiss federal banking law requirements and IAS are described in Note 39 to the UBS Group Financial Statements.

Except where clearly identified otherwise, all of UBS Group's financial information presented in this document is presented on a consolidated basis under IAS.

The Parent Bank's financial statements are prepared in order to meet Swiss regulatory requirements and in compliance with Swiss federal banking law.

All references to 2001, 2000 and 1999 refer to the UBS Group and the Parent Bank's fiscal years ended 31 December 2001, 2000, and 1999, respectively. The Financial Statements for the UBS Group and the Parent Bank for each of these periods have been audited by Ernst & Young Ltd., as described in the Report of the Independent Auditors on page 169 and the Report of the Statutory Auditors on page 181.

Implementation of IAS 39

On 1 January 2001, UBS Group adopted the new accounting standard IAS 39: *Recognition and measurement of financial instruments*. The principal effects on our accounts are outlined below.

Profit and loss impact

UBS's strategy has always been to minimize the profit and loss volatility that can be caused by "non-qualifying" hedges. As a result, implementation of IAS 39 has not had any significant effects on UBS's net profit, and is not expected to do so in the foreseeable future.

Changes to shareholders' equity

For the first time this year we identify "Gains/Losses not recognized in the income statement" as a separate section within shareholders' equity. Within this we show three sub-sections, Foreign currency translation (which was an existing line in shareholders' equity, reported in previous years) and two new sub-sections introduced as a result of the adoption of IAS 39 on 1 January 2001: Unrealized gains/losses on available for sale investments and Changes in fair value of derivative instruments designated as cash flows hedges. Both sub-sections had opening balances:

- The opening balance of Unrealized gains/losses on available-for-sale investments was a net gain of CHF 1,577 million, net of taxes, due to unrealized mark-to-market gains on financial investments classified as available for sale which were principally attributable to private equity investments, but also included other financial investments held by the Group.
- The opening balance of Changes in fair value of derivative instruments designated as cash flows hedges was a net loss of CHF 380 million, net of taxes, due to unrealized mark-to-market losses on derivatives designated as cash flow hedges. These losses were previously

UBS / SBC merger restructuring provision used

					For the year ended		
CHF million	Personnel	IT	Premises	Other	**31.12.01**	31.12.00	31.12.99
UBS Switzerland	361	23	35	0	**419**	228	916
UBS Asset Management	2	0	0	0	**2**	7	15
UBS Warburg	0	0	0	0	**0**	0	348
Corporate Center	7	0	267	14	**288**	464	565
Group total	**370**	**23**	**302**	**14**	**709**	**699**	**1,844**

Initial restructuring provision in 1997	**7,000**
Additional provision in 1999	**300**
Used in 1998	**4,027**
Used in 1999	**1,844**
Used in 2000	**699**
Used in 2001	**709**
Total used up to 31.12.2001	**7,279**
Released to the income statement	**21**
Restructuring provision at 31.12.2001	**0**

recorded in the balance sheet as a part of deferred losses.

All movements within these categories are now recorded each year in the Statement of changes in equity.

Other changes to accounting presentation

For comparative purposes, UBS Group's 2000 and 1999 figures have been restated to conform to the presentation used in 2001, reflecting changes in methods of presentation, including the reclassification of Money market paper held as Trading portfolio assets or Financial Investments, as appropriate, and of Money market paper issued as Debt issued.

Note 1 to the UBS Group Financial Statements includes a detailed explanation of these and other accounting changes.

The segment reporting shown in Note 2 to UBS Group Financial Statements has been restated to reflect the organization of the Group during 2001. See the Review of Business Group performance for details of changes since the 2000 presentation.

PaineWebber merger

Except where otherwise stated, all 2000 figures for UBS Group throughout this report, include the impact of the merger with Paine Webber Group, Inc., which was completed on 3 November 2000. Under purchase accounting rules, the results for 2000 reflect PaineWebber's income and expenses for two months only, from 3 November 2000 until 31 December 2000. Results for 2001 include PaineWebber for the full year, while results for 1999 contain no contribution from PaineWebber.

Restructuring provision

The 1998 merger of Swiss Bank Corporation and Union Bank of Switzerland, which was completed on 29 June 1998, was accounted for under the "pooling-of-interests" method of accounting, referred to in IAS as "uniting of interests". Under this method, a single uniform set of accounting policies was adopted and applied retrospectively for the restatement of comparative information.

After the merger was effected, we began integrating the operations of the two predecessor banks. This process included streamlining operations, eliminating duplicate information technology infrastructure, and consolidating banking premises. At the time of the merger, we established a restructuring provision of CHF 7 billion to cover UBS's expected costs associated with the integration process.

In December 1999, we recognized an additional pre-tax restructuring charge of CHF 300 million in respect of the merger. The majority of the additional provision was due to revised estimates of the cost of lease breaks and property disposals.

We have now completed the integration and restructuring process relating to the merger. At

31 December 2001, CHF 21 million of the restructuring provision remained and was released to the income statement.

Critical accounting policies

We prepare our Financial Statements in accordance with IAS, and provide a reconciliation to US GAAP. When feasible, we try to reduce the differences between our Financial Statements under the two standards by applying accounting policies that are in accordance with both sets of standards. This approach limits (but does not completely eliminate) the range of elective accounting treatments available to us, but there are still rules under both standards which require us to apply judgment and make estimates in preparing our Financial Statements. The more significant of these accounting treatments are discussed in this section, as a guide to better understanding how their application affects our reported results and our disclosure. A broader description of the accounting policies we employ is shown in Note 1 to the UBS Group Financial Statements.

The existence of alternatives and the application of judgment mean that any selection of different alternatives or estimates would cause our reported results to differ. We believe that the choices we have made are appropriate, and that our Financial Statements therefore present our financial position and results fairly, in all material respects. The alternative outcomes discussed below are presented solely to assist the reader to understand our Financial Statements, and are not intended to suggest that other alternatives or estimates would be more appropriate.

Many of the judgments which we make in applying accounting principles depend on an assumption, which we believe to be correct, that UBS maintains sufficient liquidity to hold positions or investments until a particular trading strategy matures – i.e. that we do not need to realize positions at unfavorable prices in order to fund immediate cash needs. Liquidity is discussed in more detail on pages 80 to 83 of the UBS Handbook 2001/2002.

Financial instruments – fair value

Our *trading portfolio* assets and liabilities are recorded at fair value. As such, they must be recorded at fair value at each balance sheet date, with changes in fair value recorded as trading income in the income statement. Key judgments affecting this accounting policy relate to how we determine fair value for such assets and liabilities.

Where liquid markets exist, fair value is based on quoted market prices. However, for certain complex or illiquid financial instruments, we have to use projections, estimates and models to determine fair value. In addition, judgmental factors such as the need for credit adjustments, liquidity adjustments and other valuation adjustments affect the reported fair value amounts of many assets and liabilities. Further details of our valuation policies, including stress loss scenarios and interest rate risks, are given in the Risk Analysis section of the UBS Handbook 2001/2002, on pages 61 to 76.

We believe the assumptions and estimates we have used are reasonable and supportable in the existing market environment. Because of the range of assumptions and estimates that could be used and the number of different sorts of products covered, it is not possible to quantify or meaningfully disclose the impact of using different assumptions and estimates that would also be supportable.

Hedge accounting. IAS 39 allows a company to apply hedge accounting if it fully complies with the specified hedge criteria. We have chosen to apply hedge accounting whenever we meet these criteria so that our Financial Statements clearly reflect the economic hedge effect obtained from the use of these instruments.

Over the entire life of an effective hedging instrument, changes in the fair value or cash flows of the hedged item can be expected to be almost fully offset by changes in the fair value or cash flows of the hedging instrument, so the net impact on profit over time is relatively small. However, if the hedged item is one that would normally not be recorded at fair value (for instance if it is held at cost less impairment), but the hedging instrument is of a sort that would normally be accounted for at fair value, there could be substantial differences in the profit and loss effect for the two items during specific accounting periods, although over the whole life of the instrument these would be expected to balance out.

Applying hedge accounting means that changes in the fair values of designated hedging instruments affect reported net profit in a period *only to the extent that each hedge is ineffective*.

Alternatively, if we were to choose not to apply hedge accounting, the entire change in fair value of the designated hedging instruments in each individual reporting period would be reported in net income for that period, regardless of the economic effectiveness of the hedge. For 2001, this would have resulted in a pre-tax gain of CHF 240 million. We believe that not applying hedge accounting could lead to misinterpretations of our results and financial position, since hedging transactions could have a material impact on reported net profit in a particular period, although over the total life of a hedge the net effect of the two treatments is identical.

Financial investments – available for sale

UBS has classified some of its financial assets, including investments not held for trading purposes, as available-for-sale. This classification is based on our determination that these assets are not held for the purpose of generating short-term trading gains. Upon adoption of IAS 39 at 1 January 2001, we elected to record changes in the fair value of available-for-sale assets in a separate component of shareholders' equity rather than in income. Had we made a different election, any changes in the fair value of these assets (i.e. unrealized gains or losses) would be reflected in the income statement. Similarly, if we had originally decided that these were trading assets, or if we were to reclassify these assets as trading assets, changes in fair value would then have to be reflected in income rather than shareholders' equity. The amount of unrealized gains or losses on the balance sheet date is disclosed in the statement of changes in equity in the UBS Group Financial Statements.

Companies held in our private equity portfolio are not consolidated in UBS's Financial Statements. This treatment has been determined after considering such matters as liquidity, exit strategies and degree and timing of our influence and control over these investments.

We classify our private equity investments as financial investments available-for-sale, and carry them on the balance sheet at fair value, with changes in fair value being recorded directly in equity, while unrealized losses which are determined to be permanent are recorded in our income statement as impairment charges. Since quoted market prices are generally unavailable for these companies, fair value is determined by applying recognized valuation techniques, which require the use of assumptions and estimates. While we believe that the assumptions and estimates we use to determine fair value are reasonable and supportable, different assumptions and estimates could be used, which would lead to different results. In addition, the determination of when a decline in fair value below cost is permanent is judgmental by nature, so profit and loss would be affected by differences in this judgment.

Goodwill and other intangible assets

We regularly review assets that are not carried at fair value for possible impairment indications. If impairment indicators are identified we make an assessment about whether the carrying value of such assets remains fully recoverable. When making this assessment we compare the carrying value to the market value, if available, or the value in use. Value in use is determined by discounting expected future net cash flows generated by an asset or group of assets to its present value. Determination of the value in use requires management to make assumptions and use estimates. We believe that our assumptions and estimates used are reasonable and supportable in the existing market environment, but different ones could be used which would lead to different results.

The single most significant amount of goodwill relates to the acquisition of PaineWebber. The valuation model used to determine the fair value of UBS PaineWebber is sensitive to changes in the assumptions about the discount rate, growth rate and expected cash flows (i.e., assumptions about the future performance of the business). Adverse changes in any of these factors could lead us to record a goodwill impairment charge.

Allowances and provisions for credit losses

UBS has an extensive loan portfolio which is exposed to credit risk. These loans are initially recorded at cost (i.e., at the net amount of proceeds lent), and then held at amortized cost reduced for credit reserves. Credit reserves are based upon management's assessment of the likelihood that the borrower will not repay principal and interest according to the contractually agreed terms. Had we made different judgments about the need for credit reserves and their amounts, our credit loss expense charge would have been different.

Further details of our policies in this area are given in the Risk Analysis section of the UBS Handbook 2001/2002, on pages 61 to 76.

Securitizations and Special Purpose Entities

UBS sponsors the formation of Special Purpose Entities (SPEs) primarily for the purpose of allowing clients to hold investments, for asset securitization transactions, and for credit protection. In accordance with IAS we do not consolidate those SPEs that we do not control. Under applicable accounting standards, determining the existence of control of an SPE is a complex matter and often requires judgments to be made about risks and rewards and the ability to make operating decisions for the SPE.

The main difference to our financial statements between consolidation and non-consolidation of SPEs is generally that only in the latter case can we recognize gains arising on securitization of assets and other transactions.

UBS has a comprehensive process for monitoring and controlling the creation and running of SPEs, designed to ensure that they are only created for purposes connected with our business, that any change of status, such as the activation of a dormant SPE, is appropriate and that the SPEs and their assets and liabilities are correctly accounted for.

UBS manages the risk of consolidated SPEs in the same way as for any other subsidiary. Unconsolidated SPEs are treated like any other unaffiliated counterparty, under normal credit risk principles.

Principal types of SPE used by UBS

SPEs used to allow clients to hold investments are structures that allow one or more clients to invest in an asset or set of assets which are purchased by the SPE in the open market and not transferred from UBS. The risk or reward of the assets held by the SPE resides with the customer – UBS has no exposure to them. Typically, UBS will receive service and commission fees for creation of the SPE, or because it acts as investment manager, custodian or in some other function.

These SPEs range from mutual funds to trusts investing in real estate, for example UBS Alternative Portfolio AG, which provides a vehicle for investors to invest in a diversified range of alternative investments through a single share. The majority of our SPEs fall into this category. SPEs created for client investment purposes are generally not consolidated.

SPEs used for securitization. SPEs for securitization are created when UBS has an asset (for example a portfolio of loans) which it sells to an SPE. The SPE in turn sells interests in the asset as securities to investors. Consolidation of these SPEs depends on whether UBS retains the risks and rewards of the assets in the SPE.

We do not consolidate SPEs for securitization if UBS no longer retains any significant exposure (gain or loss) to the returns, including liquidation, on the assets sold to the SPE. This type of SPE is a bankruptcy remote entity – if UBS were to go bankrupt the holders of the securities would clearly be owners of the asset, while if the SPE were to go bankrupt the securities holders would have no recourse to UBS.

However, in some cases UBS does retain exposure to some of the returns from the assets sold to the SPE – for example first loss on a loan portfolio. In these cases we consolidate the SPE and then derecognize the assets to the extent that we do not have exposure.

SPEs for credit protection are set up to allow UBS to sell the credit risk on portfolios to investors. They are primarily to allow UBS to have a single counterparty (the SPE) which sells credit protection to UBS. The SPE in turn has a large number of investors who provide it with capital and participate in the risks and rewards of the credit events that it insures. SPEs for credit protection are generally consolidated.

Equity compensation

IAS does not specifically address the recognition and measurement of equity-based compensation plans, including employee option plans. Extensive literature on accounting for options granted to employees exists under US GAAP, which permits a company to elect either the intrinsic value method or the fair value method. Under the intrinsic value method, if the exercise price of options granted is equal to or greater than the fair value of the underlying equity at grant date, no compensation expense need be recorded. Under the fair value method, an amount would be computed for such options and charged to compensation expense. For IAS, UBS records as compensation expense only the intrinsic value at grant date, if any, of options granted to employees. Subsequent changes in value are not recognized. Further information on UBS equity compensation plans is disclosed in Note 33 to the Financial Statements.

Deferred tax

UBS records a valuation allowance to reduce its deferred tax assets to the amount that we believe can be realized in our future tax returns. Our valuation allowance is based on the assessment of future taxable income and our tax planning strategies. At each balance sheet date, existing assessments are reviewed and, if necessary, revised to reflect changed circumstances. Changes in circumstances may result in either an increase or reduction of the valuation allowance, and therefore net income, depending on an adverse or favorable change of the factors that impact the recognized deferred tax assets. See Note 22 to the Financial Statements for further details.

Segment reporting

The policies used in preparation of our segment reporting affect the split of our income and expenses between the different Business Groups. Applying different rules would lead to different net profit in the different Business Groups, but would have no effect on the total Group profits.

The most significant of these policies is the treatment of credit loss expense. If we had not applied the concept of adjusted expected loss in calculating the credit loss expense for each Business Group, Corporate Center would have incurred a significantly higher loss, UBS Warburg would have achieved a slightly lower profit and UBS Switzerland a significantly higher profit, in both 2001 and 2000. The concept of adjusted expected credit loss is explained in more detail in the Management Accounting section of this report on pages 32 to 36, which includes a table which reconciles the adjusted expected credit loss amount charged to the Business Groups with the actual IAS credit loss.

Significant financial events

We analyze UBS's performance on a reported basis determined in accordance with IAS, and on a normalized basis which excludes from the reported amounts certain items we term significant financial events.

We use figures adjusted for significant financial events to illustrate the underlying operational performance of our business, insulated from the impact of one off gains or losses outside the normal run of business. In particular, our financial targets have been set in terms of adjusted results, excluding significant financial events. A policy approved by the Group Executive Board defines which items may be classified as significant financial events. In general an item that is treated as a significant financial event should be:

- Non-recurring
- Event specific
- Material at Group level
- UBS-specific, not industry-wide

and should not be a consequence of the normal run of business.

Examples of items that we would treat as significant financial events include the gain or loss on the sale of a significant subsidiary or associate, such as the divestment in 1999 of UBS's stake in Swiss Life/Rentenanstalt, or the restructuring costs associated with a major integration, such as the merger with PaineWebber.

Significant financial events are not a recognized accounting concept under IAS or US GAAP, and are therefore not separately reflected in the UBS Group Financial Statements. We restrict the use of numbers which have been adjusted for significant financial events to UBS's business unit reporting and to the discussion and analysis of the Group's results and the accompanying illustrative tables. Where tables in the Business Group reporting show adjusted figures, we also include a table showing the reported figures.

We clearly identify all adjusted figures as such, and clearly disclose both the pre-tax amount of each individual significant financial event, and the net tax benefit or loss associated with all the significant financial events in each period.

We have not declared any significant financial events in 2001.

Significant financial events during 1999 and 2000 are shown in the table on page 14 and described in more detail below.

- During 2000, we recorded restructuring charges and provisions of CHF 290 million pre-tax relating to the integration of PaineWebber into UBS.
- During 1999, we recognized pre-tax gains of CHF 1,490 million on the sale of our 25% stake in Swiss Life/Rentenanstalt; CHF 110

Significant Financial Events

CHF million For the year ended	31.12.01	31.12.00	31.12.99	% change from 31.12.00
Operating income as reported	**37,114**	36,402	28,425	2
Julius Baer registered shares divestment			(110)	
International Global Trade Finance divestment			(200)	
Swiss Life / Rentenanstalt divestment			(1,490)	
LTCM gain			(38)	
Adjusted operating income	**37,114**	36,402	26,587	2
Operating expenses as reported	**30,396**	26,203	20,532	16
US Global Settlement Fund provision		(150)	(154)	
Pension Fund Accounting credit			456	
UBS / SBC Restructuring provision			(300)	
PaineWebber integration costs		(290)		
Adjusted operating expenses	**30,396**	25,763	20,534	18
Adjusted operating profit before tax and minority interests	**6,718**	10,639	6,053	(37)
Tax expense	**1,401**	2,320	1,686	(40)
Tax effect of significant financial events		100	(352)	
Adjusted tax expense	**1,401**	2,420	1,334	(42)
Minority interests	**(344)**	(87)	(54)	295
Adjusted net profit	**4,973**	8,132	4,665	(39)
Adjusted net profit before goodwill	***6,296***	*8,799*	*5,005*	*(28)*

million on the disposal of Julius Baer registered shares; CHF 200 million on the sale of our international Global Trade Finance business; and CHF 38 million from our residual holding in Long Term Capital Management.

- In fourth quarter 1999, we recognized a one-time credit of CHF 456 million in connection with excess employer pre-payments to staff pension funds.
- In fourth quarter 1999, UBS recognized an additional pre-tax restructuring charge of CHF 300 million in respect of the 1998 merger between Union Bank of Switzerland and Swiss Bank Corporation.
- During 1998, we established a provision of CHF 842 million in connection with the US Global Settlement of World War II related claims. We recognized additional pre-tax provisions relating to this claim of CHF 154 million in 1999 and CHF 150 million in 2000.

Risk factors

As a global financial services firm, UBS's businesses are affected by the external environment in the markets in which UBS operates. In particular, the results of our business in Switzerland, and notably the results of our credit-related activities, would be adversely affected by any deterioration in the state of the Swiss economy because of the impact this would have on our customers' creditworthiness. More generally, global economic and political conditions can impact UBS's results and financial position by affecting the demand for our products and services, and the credit quality of our borrowers and counterparties. Similarly, any continued prolonged weakness in international securities markets would affect our business revenues through its effect on our clients' investment activity and the value of their invested assets, which would in turn reduce our revenues from wealth management businesses.

Competitive forces

UBS faces intense competition in all aspects of its business. We compete with asset managers, retail and commercial banks, private banking firms, investment banking firms, brokerage firms and other investment services firms. In addition, the trend toward consolidation in the global financial services industry is creating competitors with broader ranges of product and service offerings, increased access to capital, and greater efficiency and pricing power.

Fluctuations in currency exchange rates and interest rates

Because UBS prepares its accounts in Swiss francs, changes in currency exchange rates, particularly between the Swiss franc and the US dollar, may have an effect on the earnings that UBS reports. (Revenues in US dollars represent the major part of our non-Swiss franc earnings). Our approach to managing this risk is explained in the Currency management section of the Group Treasury chapter in the UBS Handbook 2001/2002.

In addition, changes in financial market structures can affect our earnings. For example, the establishment of the euro during 1999 affected foreign exchange markets in Europe by reducing the extent of foreign exchange dealings among member countries and generating more harmonized financial products. Movements in interest rates can also affect our results. Our interest income is affected by changes in interest rates, although the precise mechanisms are complicated. Interest rate movements can also affect our fixed income trading portfolio and the investment performance of our asset management businesses. For further discussion of the effect of interest rate changes on our business see the Interest rate risk management section of the discussion of the Group Treasury chapter in the UBS Handbook 2001/2002.

Operational risks

All our businesses are dependent on our ability to process a large number of complex transactions across numerous and diverse markets in different currencies and subject to many different legal and regulatory regimes. UBS's systems and processes are designed to ensure that the risks associated with our activities are appropriately controlled, but we recognize that any weaknesses in these systems could have a negative impact on the results of our operations.

As a result of these and other factors beyond our control, UBS's revenues and operating profit have been and are likely to continue to be subject to a measure of variability from period to period. Therefore UBS's revenues and operating profit for any particular fiscal period may not be indicative of sustainable results, may vary from year to year and may impact our ability to achieve UBS's strategic objectives.

For a discussion of UBS's risk management and control procedures see the Risk Management and Control section of the UBS Handbook 2001/2002.

Group Financial Review

Group Results

2001

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 has been 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 has remained strong and we have benefited from our prudent attitude to risk and careful cost control.

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 measured pre-goodwill amortization, and adjusted for significant financial events.

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

- Our return on equity for 2001 was 14.8%, only just below our target range of 15–20%.

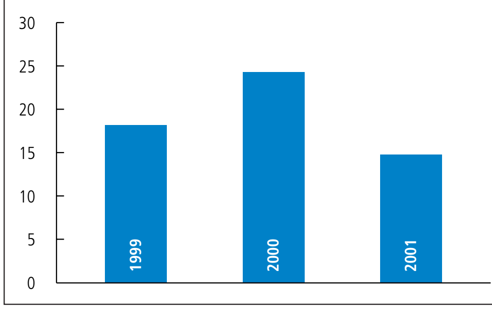
UBS Group Performance against Targets

For the year ended	31.12.01	31.12.00	31.12.99
RoE (%)			
as reported	11.7	21.5	22.4
before goodwill and adjusted for significant financial events [1]	14.8	24.3	18.2
Basic EPS (CHF)			
as reported	3.93	6.44	5.07
before goodwill and adjusted for significant financial events [1]	4.97	7.28	4.12
Cost / income ratio (%)			
as reported	80.8	72.2	69.9
before goodwill and adjusted for significant financial events [1]	77.3	69.2	73.3
Net new money, private client units (CHF bn)[2,3]			
UBS Switzerland – Private Banking	22.5	2.8	2.3
UBS Warburg – Private Clients	36.0	15.2	2.0
Total	58.5	18.0	4.3

[1] Excludes the amortization of goodwill and other intangible assets. [2] Excludes interest and dividend income. [3] Calculated using the former definition of assets under management in 2000 and 1999.

Although this is lower than the 24.3% that we achieved in 2000, it represents a solid performance when set in the context of the trading environment. Our return on equity in 2000 was boosted by extremely high returns in the exuberant markets of the first half-year, while this year has seen much weaker economic and stock market performance combined with higher average equity resulting from the acquisition of PaineWebber in fourth quarter 2000.

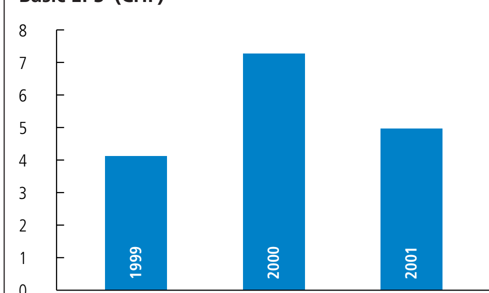
RoE[1] (%)



[1] Excludes the amortization of goodwill and other intangible assets and adjusted for significant financial events.

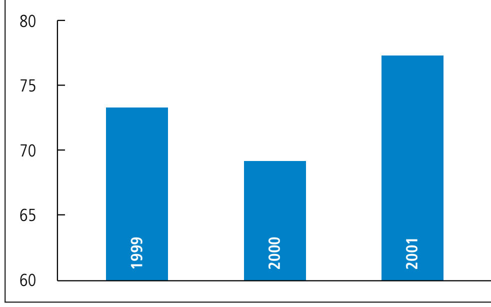
– Basic earnings per share fell 32% to CHF 4.97, a level still 21% higher than we achieved in 1999. Outstanding shares started 2001 higher than in most of 2000, as a result of issuance to fund the merger with PaineWebber, but our continued buy-back program meant that by 31 December 2001 they were again below the pre-merger level.
– 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 this year 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.

Basic EPS[1] (CHF)



[1] Excludes the amortization of goodwill and other intangible assets and adjusted for significant financial events.

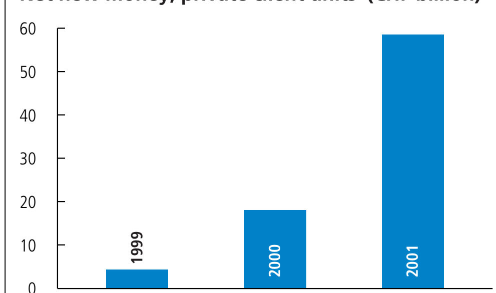
Cost/income ratio[1] (%)



[1] Excludes the amortization of goodwill and other intangible assets and adjusted for significant financial events.

Our disciplined approach to both compensation and non-personnel costs allows us to continue investing in the future growth of our key businesses. The percentage 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.

Net new money, private client units[1] (CHF billion)



[1] Private Banking and Private Clients.

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

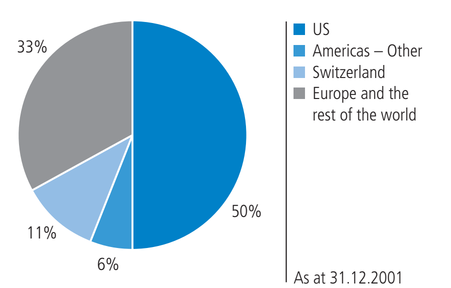
Invested Assets

CHF billion	31.12.01	31.12.00[1]	Net new money[2] 2001	Net new money[2,3] 2000
UBS Group	**2,457**	2,452		
UBS Switzerland				
Private and Corporate Clients	**320**	345	**8.5**	0.4
Private Banking	**682**	691	**22.5**	2.8
UBS Asset Management				
Institutional	**328**	323	**6.2**	(70.8)
Mutual funds	**344**	319	**28.7**	2.9
UBS Warburg				
Private Clients	**782**	773	**36.0**	15.2
UBS Capital	**1**	1	**0.1**	

[1] Calculated using the new definition of invested assets. [2] Excludes interest and dividend income. [3] Calculated using the former definition of assets under management.

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.

The UBS Group
Private client invested assets by client domicile



Net profit

Our net profit for the year 2001 was CHF 4,973 million, 36% less than the CHF 7,792 million achieved in 2000, reflecting the much more difficult market environment in 2001.

The merger with PaineWebber resulted in much higher goodwill amortization expense in 2001 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 if adjusted for significant financial events.

Operating income

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.

There were no significant financial events that affected operating income in either 2001 or 2000.

Net interest income was 1% lower than in 2000, at CHF 8,041 million, compared to CHF 8,130 million in 2000, and *net trading income* was 12% lower than in 2000 at CHF 8,802 million, compared to CHF 9,953 million in 2000.

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.

Furthermore, the classification of income arising from positions and their offsetting economic hedging transactions may be different. In fourth quarter 2001 this effect was particularly pronounced, as a result of the significant fall in short term USD interest rates which substantially reduced our borrowing costs, so boosting net interest income for the quarter. Our overall interest rate exposures are limited by hedging transactions using derivative instruments. As the USD rates fell, these economic hedges generated mark-to-market losses recorded in fixed income net trading income, offsetting a portion of the gains in net interest income.

Net Interest and Trading Income

CHF million For the year ended	**31.12.01**	31.12.00	31.12.99	% change from 31.12.00
Net interest income	**8,041**	8,130	5,909	(1)
Net trading income	**8,802**	9,953	7,719	(12)
Total net interest and trading income	**16,843**	18,083	13,628	(7)
Breakdown by business activity:				
Net income from interest margin products	**5,694**	5,430	5,139	5
Net income from trading activities	**11,529**	12,642	8,200	(9)
Net income from treasury activities	**1,424**	762	628	87
Other [1]	**(1,804)**	(751)	(339)	(140)
Total net interest and trading income	**16,843**	18,083	13,628	(7)

[1] Principally goodwill funding costs.

In order to provide a better explanation of the movements in net interest income and net trading income, we produce the disclosure shown above which sums net interest income and net trading income, and then analyzes the total 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% from CHF 5,430 million 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 the CHF 12,642 million achieved 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 CHF 1,053 million increase in cost from CHF 751 million in 2000 to CHF 1,804 million in 2001 mainly due to goodwill funding costs arising from the acquisition of PaineWebber.

Credit loss expense. In 2001 credit loss expenses amounted to CHF 498 million, compared to a net recovery of CHF 130 million in 2000 but down from an expense of CHF 956 million in 1999.

The global credit environment declined rapidly throughout 2001, with overall default rates as high as during the last major global recession in 1991. The phenomenon of investment grade companies falling into restructuring and default within a very short period of time became very prominent in the United States during 2001, and subsequently spread to Europe. In this difficult

Actual IAS Credit Loss Expense (Recovery)

CHF million For the year ended	**31.12.01**	31.12.00	31.12.99
UBS Switzerland	**123**	(695)	965
UBS Asset Management	**0**	0	0
UBS Warburg	**375**	565	0
Corporate Center			(9)
Total	**498**	(130)	956

Net Fee and Commission Income

CHF million For the year ended	31.12.01	31.12.00	31.12.99	% change from 31.12.00
Underwriting fees	**2,158**	1,434	905	50
Corporate finance fees	**1,339**	1,772	1,298	(24)
Brokerage fees [1]	**6,445**	5,742	3,934	12
Investment fund fees	**4,276**	2,821	1,915	52
Fiduciary fees	**355**	351	317	1
Custodian fees	**1,356**	1,439	1,583	(6)
Portfolio and other management and advisory fees [1]	**4,650**	3,666	2,612	27
Insurance-related and other fees [1]	**538**	111	57	385
Total security trading and investment activity fees	**21,117**	17,336	12,621	22
Credit-related fees and commissions	**307**	310	372	(1)
Commission income from other services	**946**	802	765	18
Total fee and commission income	**22,370**	18,448	13,758	21
Brokerage fees paid	**1,281**	1,084	795	18
Other	**878**	661	356	33
Total fee and commission expense	**2,159**	1,745	1,151	24
Net fee and commission income	**20,211**	16,703	12,607	21

[1] Fee and commission income from insurance products now reported in Insurance-related and other fees was previously reported in Brokerage fees and in Portfolio and other management and advisory fees. Prior years have been restated.

and challenging environment we have focused on ensuring that our counterparty ratings are rapidly adjusted to reflect the changing economic situation. At the same time, we have increased the frequency of sector and geographic rating reviews.

In UBS Warburg, the ongoing strategy of actively hedging credit exposure has kept new provisions to a relatively low level, resulting in a credit loss expense of CHF 375 million in 2001, compared to CHF 565 million in 2000.

Corporate bankruptcies in Switzerland have now reached their lowest level since the early 1990s, and we have successfully improved the credit quality of our domestic portfolio over recent years. The level of recoveries of previously existing provisions has, however, declined compared to the somewhat exceptional levels of 2000, reflecting less robust growth in the Swiss economy towards the end of 2001, following the global economic slowdown. As a result, the trend of net recoveries of loan loss provisions observed in the previous year was reversed and credit loss expenses increased accordingly during 2001, although remaining below the long-term trend. Credit loss expense in UBS Switzerland in 2001 was CHF 123 million, compared to a net recovery of CHF 695 million in 2000.

For further details on our risk management approach, how we measure credit risk and the development of our credit risk exposures, please see the Capital and Risk Management chapter of our Handbook 2001/2002.

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 much 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.

Underwriting fees increased 50%, from CHF 1,434 million in 2000 to CHF 2,158 million in 2001. The majority of this increase was due to UBS PaineWebber, whose extensive retail network in the US provides a strong platform for distribution of both bonds and equities.

UBS PaineWebber has a significant US municipal securities business, which completed the largest deal in its history in fourth quarter, raising USD 1.9 billion for the New Jersey Transit Trust Fund Authority, and helping to push it into first place in the league table rankings for fourth quarter, and second place for the whole of 2001. The mortgage-backed securities business in the US has also benefited from the combination of UBS's franchise and capital strength with existing PaineWebber expertise. UBS Warburg ranked first in US residential mortgage-backed securities in 2001, according to Thomson Financial Data.

Equity underwriting was depressed in 2001, as volatile and uncertain markets reduced issuance. However, UBS's league table rankings improved, from seventh in international equity new issues in 2000 to second in 2001, according to Capital Data Bondware. Even excluding the contribution from UBS PaineWebber, equity underwriting revenues increased by CHF 77 million, or 7%, from 2000.

Although our corporate finance league table rankings were disappointing, down from sixth in 2000 for completed global mergers and acquisitions to eighth in 2001, we outperformed 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. Despite this, Corporate Finance fees were down 24%, from CHF 1,772 million in 2000 to CHF 1,339 million in 2001, reflecting the much more difficult market environment this year.

Net brokerage fees rose 11% from CHF 4,658 million in 2000 to CHF 5,164 million in 2001, driven by the inclusion of UBS PaineWebber. Without the contribution from UBS PaineWebber, net brokerage fees would have fallen by about 17% compared to 2000, reflecting the much lower trading volumes experienced in almost all major markets world wide in 2001. The level of net brokerage fees is closely linked to transaction volumes, and performance in 2002 will largely depend on whether markets improve and investor confidence returns.

Investment fund fees rose 52% from CHF 2,821 million in 2000 to CHF 4,276 million in 2001, driven by the inclusion of UBS PaineWebber. Excluding UBS PaineWebber, investment fund fees would have increased by CHF 268 million, mainly reflecting a change in the pricing structure for UBS Investment Funds, introduced in January 2001, which brought charges up to market levels.

Custodian fees, at CHF 1,356 million in 2001 were down 6% from 2000's level of CHF 1,439 million, principally reflecting lower average assets in Private Banking in Switzerland.

Portfolio and other management and advisory fees increased 27% from CHF 3,666 million in 2000 to CHF 4,650 million in 2001, due to the addition of UBS PaineWebber. Excluding UBS PaineWebber, there would have been a slight decline from 2000, as a full year's contribution from the O'Connor business in UBS Asset Management (created in June 2000) was more than offset by the effect of lower average assets on managed account fees.

Insurance related and other fees increased substantially from CHF 111 million in 2000 to CHF 538 million in 2001, with almost all this increase due to UBS PaineWebber, where the biggest contribution came from the deferred annuities business.

Other income fell 62% from CHF 1,486 million in 2000 to CHF 558 million in 2001, 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.

Operating expenses

In light of lower revenues in 2001, cost control was a key focus of all our management teams, as we maintained strong discipline on both personnel and non-personnel costs, particularly in the Corporate and Institutional Clients and Private and Corporate Clients business units, bringing their operating expenses to record low levels.

*Total operating expense*s increased 16% from CHF 26,203 million in 2000 to CHF 30,396 million in 2001, driven by the inclusion of UBS PaineWebber. Excluding significant financial events in 2000 and UBS PaineWebber, costs fell 7%, as performance-related compensation reduced, and non-personnel costs were carefully restricted.

The principal significant financial events affecting the comparison of operating expenses are the CHF 150 million additional provision for the US Global Settlement of World War II related claims, recorded in 2000 in General and administrative expenses, and CHF 290 million of costs from the integration of PaineWebber, also recorded in 2000. Of this CHF 290 million, CHF 118 million was charged to Personnel expenses, CHF 93 million to General and administrative expenses and CHF 79 million to Depreciation.

Headcount[1]

(full time equivalents)	31.12.01	31.12.00	Change in %
UBS Switzerland	**29,204**	30,025	(3)
Private and Corporate Clients	**19,938**	21,100	(6)
Private Banking	**9,266**	8,925	4
UBS Asset Management	**3,281**	2,860	15
UBS Warburg	**36,368**	37,205	(2)
Corporate and Institutional Clients	**15,562**	15,262	2
UBS Capital	**128**	129	(1)
Private Clients	**20,678**	21,814	(5)
Corporate Center	**1,132**	986	15
Group total	**69,985**	71,076	(2)
thereof: Switzerland	***29,163***	*30,095*	*(3)*

[1] The Group headcount does not include the Klinik Hirslanden AG headcount of 2,450 at 31 December 2001 and 1,839 at 31 December 2000.

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 ratio 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. Approximately 43% of this year's personnel expenses were bonus or other variable compensation, down from 48% last year.

UBS Group *headcount* fell by 2% from 71,076 at 31 December 2000 to 69,985 at 31 December 2001, principally reflecting the effect of successful cost control efforts at UBS Switzerland's Private and Corporate Clients business unit and UBS Warburg's Private Clients business unit, slightly offset by the effect of acquisitions in UBS Asset Management and the expansion in Europe of UBS Switzerland's Private Banking business unit.

General and administrative expenses increased by 13% from CHF 6,765 million in 2000 to CHF 7,631 million in 2001 reflecting a full year's costs for UBS PaineWebber, which more than offset the absence of the one-off charges and provisions recorded in 2000.

General and administrative expenses in 2000 included a final provision of CHF 150 million related to the US Global Settlement of World War II related claims, and CHF 93 million of PaineWebber integration costs, which were both treated as significant financial events. Excluding these provisions and the extra costs in 2001 due to the inclusion of UBS PaineWebber, general and administrative costs would have been almost unchanged in 2001 compared to 2000.

Depreciation and amortization increased 29% from CHF 2,275 million in 2000 to CHF 2,937 million in 2001, driven primarily by the goodwill amortization resulting from the merger with PaineWebber.

UBS Group incurred a *tax expense* of CHF 1,401 million in 2001, down from CHF 2,320 million in 2000. This corresponds to an effective tax rate of 21% in 2001, compared to 23% in 2000. This 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.

PaineWebber merger-related costs

In 2001, UBS incurred amortization costs of CHF 846 million on goodwill and intangible assets resulting from the acquisition of UBS PaineWebber, while goodwill funding costs amounted to CHF 763 million.

As part of the merger, UBS agreed to make retention payments to PaineWebber financial advisors, senior executives and other staff, subject to these employees' continued employment and other restrictions. The payments vest over periods of up to four years from the merger and the vast majority of them will be paid in the form of UBS shares. Because these payments are a regular and continuing cost of the business, they are not treated as significant financial events. Personnel expenses in 2001 include retention payments for key PaineWebber staff of USD 284 million (CHF 482 million) for the full year.

Dividend

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 last year's total per share distribution to shareholders of CHF 2.03.

Balance sheet

Total assets increased CHF 165 billion, or 15%, from CHF 1,088 billion at 31 December 2000, to CHF 1,253 billion at 31 December 2001. The balance sheet growth mostly occurred during the first half of the year, with a contraction following the terrorist attacks in the US on 11 September 2001, although this reduction was reversed during fourth quarter.

Cash and balances with central banks rose from CHF 3 billion at 31 December 2000 to 21 billion at 31 December 2001, of which the overwhelming part stemmed from increased deposits with the Bank of Japan. This build-up relates to a change in the structure of our Japanese financial assets triggered by the regime of negative short-term interest rates in Japan.

Trading related assets (cash collateral on securities borrowed, trading portfolio assets and reverse repurchase agreements), grew by CHF 143 billion from 31 December 2000 to 31 December 2001. A significant part of this change reflects an increase in collateralized positions, which grew by CHF 61 billion, due to increased client demand for collateralized funding in uncertain markets.

Loans, net of allowances for credit losses declined from CHF 245 billion at 31 December 2000 to CHF 227 billion at 31 December 2001 as a result of reduced lending to corporate customers and public authorities.

Total liabilities increased 16%, from CHF 1,040 billion at 31 December 2000 to CHF 1,206 billion at 31 December 2001, principally reflecting expansion of trading related liabilities (cash collateral on securities lent, repurchase agreements and trading portfolio liabilities) which together increased by CHF 103 billion during 2001. Amounts due to customers rose CHF 23 billion to CHF 334 billion at 31 December 2001 due to an increase in time deposits originated with our retail and institutional customer base in Switzerland. Debt issued increased CHF 26.6 billion largely due to increased issuance of money market paper in support of the Principal Finance business in the US.

UBS's long-term debt portfolio increased from CHF 55 billion at 31 December 2000 to CHF 57 billion at 31 December 2001, driven by increased sales of retail structured products in the US and Europe, as clients sought ways to compensate for higher market volatility. During this year CHF 18.2 billion of long-term debt were issued while CHF 18.5 billion matured. UBS believes the maturity profile of the long-term debt portfolio is well balanced to match the maturity profile of UBS's assets.

Shareholders' equity decreased CHF 1.3 billion, or 3%, from 31 December 2000 to 31 December 2001. The increase in retained earnings was more than offset by the effect of the repurchase of own shares in 2001. Shares were repurchased under UBS' second trading line buy-back program, for employee share schemes and in order to repay the shares borrowed to pay the PaineWebber merger consideration.

UBS maintains a significant percentage of liquid assets, including collateralized receivables and trading portfolios that can be converted into cash on relatively short notice and without adversely affecting UBS's ability to conduct its ongoing businesses, in order to meet short-term funding needs. Collateralized receivables include reverse repurchase agreements and cash collateral on securities borrowed, and marketable corporate debt and equity securities and a portion of UBS's loans and amounts due from banks which are secured primarily by real estate. The value of UBS's collateralized receivables and trading portfolio will fluctuate depending on market conditions and client business. The individual components of UBS's total assets, including the proportion of liquid assets, may vary significantly from period to period due to changing client needs, economic and market conditions and trading strategies.

Cash flows

In the twelve-month period to December 2001, cash equivalents increased by CHF 22,889 million, principally as a result of financing activities, which generated positive cash flow of CHF 18,103 million. CHF 24,226 million from the issuance of money market paper was offset by

CHF 6,038 million for treasury shares and treasury share contract activity as well as CHF 683 million for capital repayment.

Operating activities generated positive cash flow of CHF 12,873 million. Of this amount, CHF 4,973 million resulted from net profit, CHF 27,306 million from a net increase in amounts due to and from banks, a net increase in amounts due to customers and loans of CHF 42,813 million and a net cash inflow of CHF 19,470 million from repurchase and reverse repurchase agreements and cash collateral on securities borrowed and lent. These were offset by CHF 78,456 million from an increase in the size of the trading portfolio. Investing activities generated negative cash flow of CHF 7,783 million. CHF 5,770 million from the purchase of financial investments and CHF 2,021 million from the purchase of property and equipment.

Outlook 2002

UBS's core businesses have performed relatively strongly in 2001, demonstrating their ability to enhance market share in a challenging environment. As 2002 begins, markets remain 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.

2000

Group targets

Adjusted for significant financial events, our pre-goodwill return on equity for the year 2000 was 24.3%, clearly above our target range of 15–20%. Pre-goodwill earnings per share, again on an adjusted basis, were CHF 7.28 in 2000, representing an increase of 77% over 1999, well in excess of our target of double-digit growth over the cycle. Continued focus on cost control brought the pre-goodwill cost/income ratio, adjusted for significant financial events, down to 69.2% in 2000, from 73.3% in 1999.

Net new money in the private client businesses (Private Banking and Private Clients) was CHF 18.0 billion for the year, compared to CHF 4.3 billion in 1999, and including CHF 8.3 billion of net new money in UBS PaineWebber in the last two months of 2000. UBS PaineWebber's net new money growth since completion of the merger demonstrates the strength of its franchise and the momentum that it brings to UBS's asset gathering performance.

Net profit

Full year net profit was CHF 7,792 million, up 27% from the CHF 6,153 million reported in 1999. When adjusted for significant financial events, net profit for 2000 was CHF 8,132 million, up 74% from the CHF 4,665 million achieved in 1999. These results reflect the very strong and consistent performance recorded by the Group in every quarter of 2000.

Operating income and expense includes income and expense of the former PaineWebber businesses from 3 November 2000, the date of the completion of the merger with PaineWebber.

Operating income

Total operating income increased 28% from 1999, to CHF 36,402 million, from CHF 28,425 million. Adjusted for significant financial events, total operating income increased 37%, to CHF 36,402 million, from CHF 26,587 million in 1999. This strong performance relative to 1999 was driven by excellent trading results, improved credit conditions in the Swiss market, much higher fee and commission income, and a successful year for the Group's investment banking business.

The principal significant financial events affecting the income comparison were from the one-off sales of businesses and investments in 1999, including pre-tax gains of CHF 1,490 million on the sale of UBS's 25% stake in Swiss Life/Rentenanstalt, CHF 110 million on the disposal of Julius Baer registered shares, and

CHF 200 million on the sale of UBS's international Global Trade Finance business, which were all recorded in Other income. In addition UBS recognized a CHF 38 million gain in 1999 from its residual holdings in Long Term Capital Management, L.P., which was also recorded in Other income.

Net interest income before credit loss increased by CHF 2,221 million, or 38%, from CHF 5,909 million in 1999 to CHF 8,130 million in 2000. This was principally the result of much stronger trading-related performance, as a result of buoyant markets, and the return of the balance sheet to more normal proportions after the contraction implemented as part of the Group's precautions against potential Year 2000 related problems.

Net trading income increased CHF 2,234 million, or 29%, to CHF 9,953 million for 2000, compared to CHF 7,719 million for 1999, driven by strong growth in equity trading income as a result of increased global market activity, especially in the first quarter of 2000, and the increasing strength of UBS Warburg's secondary client franchise.

Net income from interest margin products increased 6% from 1999 to CHF 5,430 million in 2000, driven by the addition of UBS PaineWebber. In the main lending and deposit taking business in Switzerland, a reduction in loan volumes was more than offset by a slight improvement in margins, reflecting a change in product mix.

Net income from trading activities in 2000 was CHF 12,642 million, 54% higher than in 1999, driven by the exceptionally strong performance of the equity business in first half 2000, reflecting increased trading volumes, higher market share and record levels of mergers and acquisitions activity. Fixed income and foreign exchange trading income also improved compared to 1999, driven by improved markets, a strong government bond and derivatives business and higher client flow in treasury products.

Net income from treasury activities was CHF 762 million in 2000, 21% higher than in 1999, reflecting better results from the hedging of foreign currency revenues and higher income from the investment of equity. Income from invested equity increased due to the higher average equity following the issuance of trust preferred securities in September 2000 and the merger with PaineWebber.

Other net trading and interest income principally reflects the costs of goodwill funding, with the increase since 2000 mainly due to goodwill funding costs arising from the acquisition of PaineWebber in November 2000 and the acquisition of Global Asset Management (GAM) at the end of 1999.

Credit loss expense. As a result of the significant recovery of the Swiss economy in 2000 and especially its effect on the real estate and construction markets, UBS was able to write back CHF 695 million of credit loss provisions in UBS Switzerland in 2000. These write-backs were only partly offset by additional provisions for the UBS Warburg portfolio of CHF 565 million, leading to an overall net credit recovery of CHF 130 million for 2000, compared to an expense of CHF 956 million in 1999.

Net fee and commission income increased by CHF 4,096 million, or 32%, from CHF 12,607 million in 1999 to CHF 16,703 million in 2000. This was principally the result of high levels of brokerage fees, due to increased client activity in strong markets, especially in the first quarter of 2000, and the addition of PaineWebber. In addition, two other new businesses, GAM, acquired at the end of 1999, and O'Connor, created in June 2000, contributed to the increase, as did the strong performance of UBS's investment banking business during 2000.

Credit-related fees and commissions decreased by CHF 62 million in 2000 mainly as a result of the sale of UBS's international Global Trade Finance business in 1999.

Underwriting fees increased by 58% over 1999 with strong results in both fixed income and equity underwriting, despite UBS's relatively limited involvement in the Technology, Media and Telecoms (TMT) sector, which led to lower equity league table rankings in 2000 than in 1999. Corporate Finance fees grew 37%, or CHF 474 million, from CHF 1,298 million in 1999 to CHF 1,772 million in 2000, reflecting good results in Europe and a strong performance in mergers and acquisitions, where our league table rankings improved compared to 1999.

Net brokerage fees were 48% higher in 2000 than in 1999 as a result of high levels of client activity in the exuberant markets of the early part of the year, and the inclusion of two months of results from PaineWebber. The increase of

47% in Investment fund fees from 1999 to 2000 resulted from higher average volumes in 2000 and a shift in the product mix, with a higher proportion of assets under management invested in higher margin equity funds. In addition, Investment fund fees in 2000 benefited from the inclusion of GAM and PaineWebber's contribution. Custodian fees and Portfolio and other management and advisory fees increased by a total of CHF 910 million, or 22%, from 1999, due to higher asset-related fees in 2000 and the inclusion of PaineWebber and the new O'Connor business.

Other income decreased CHF 1,660 million, or 53%, from CHF 3,146 million in 1999 to CHF 1,486 million in 2000, driven by gains from the sales of our holdings in Swiss Life/Rentenanstalt in 1999.

Operating expenses

Total operating expenses increased 28% from CHF 20,532 million to CHF 26,203 million in 2000. Adjusted for significant financial events, total operating expenses increased 25% to CHF 25,763 million from CHF 20,534 million in 1999. The increase was principally due to increased personnel expenses, reflecting higher performance-related pay driven by UBS's excellent results in 2000, the inclusion of PaineWebber and the cost of retention payments for PaineWebber staff.

The principal significant financial events affecting the comparison of operating expenses are the CHF 150 million additional provision for the US Global Settlement of World War II related claims, recorded in 2000 in General and administrative expenses, and CHF 290 million of costs from the integration of PaineWebber, also recorded in 2000. Of this CHF 290 million, CHF 118 million was charged to Personnel expenses, CHF 93 million to General and administrative expenses and CHF 79 million to Depreciation.

The various significant financial events affecting expenses in 1999, described on page 13, resulted in an increase in expense of CHF 2 million, made up of a CHF 456 million increase to personnel expenses and a decrease of CHF 454 million in General and administrative expenses.

Personnel expenses increased CHF 4,586 million, or 36%, from CHF 12,577 million in 1999 to CHF 17,163 million in 2000. This increase was driven by increased bonus compensation, in line with the Group's excellent results, and CHF 1,083 million resulting from the inclusion of PaineWebber. Approximately 48% of the annual total represented bonus and other variable compensation.

Personnel expenses in 2000 include retention payments for key UBS PaineWebber staff of USD 76 million (CHF 128 million), charged in fourth quarter 2000.

UBS's *headcount* grew 45% over the year from 31 December 1999, to 71,076. The vast majority of this change was due to the inclusion of 23,000 PaineWebber staff.

General and administrative expenses increased CHF 667 million, or 11%, from CHF 6,098 million in 1999 to CHF 6,765 million in 2000.

General and administrative expenses in 2000 included a final provision of CHF 150 million related to the US Global Settlement of World War II related claims, and CHF 93 million of PaineWebber integration costs, which were both treated as significant financial events. General and administrative expenses in 1999 included a provision of CHF 154 million related to the US Global Settlement of World War II related claims, and CHF 300 million of additional provisions in respect of the 1998 merger of Union Bank of Switzerland and Swiss Bank Corporation.

Adjusting for these effects, General and administrative costs rose 16%, reflecting the incremental costs from the inclusion of PaineWebber offset by the success of UBS's continued efforts to control non-revenue driven costs.

Depreciation and amortization expenses increased CHF 418 million, or 23%, from CHF 1,857 million in 1999 to CHF 2,275 million in 2000, mainly due to the PaineWebber merger.

Tax expense increased CHF 634 million, or 38%, from CHF 1,686 million in 1999 to CHF 2,320 million in 2000, principally due to increased operating profit. The effective tax rate of 23% in 2000 is slightly higher than the 21% effective tax rate in 1999, reflecting increased income in higher taxation jurisdictions.

UBS Group's performance without the impact of PaineWebber

There are limitations to our ability to track the effect of the PaineWebber merger on the Group's performance. Principally this is because of the full integration of PaineWebber's capital markets business into the Corporate and Institutional

Earnings Adjusted for Significant Financial Events and the Estimated Impact of the PaineWebber Merger

CHF million, except where indicated For the year ended	31.12.00	31.12.99	% change from 31.12.99
Operating income	35,309	26,587	33
Operating expenses	24,319	20,534	18
Operating profit before tax	10,990	6,053	82
Net profit	8,403	4,665	80
Cost / income ratio before goodwill (%)	67.6	73.3	
Basic earnings per share before goodwill (CHF)	7.48	4.12	82
Diluted earnings per share before goodwill (CHF)	7.39	4.09	81
Return on shareholders' equity before goodwill (%)	27.5	18.2	

Clients unit. This was carried out very soon after the merger was completed on 3 November 2000, with staff and revenues completely integrated into the existing UBS Warburg structure. It is therefore not possible to identify clearly the specific impact of the capital markets business on results. However, the remaining PaineWebber businesses were reported as a separate business unit: US Private Clients. It is possible therefore to distinguish their contribution to Group profits. If additional adjustments are made for: goodwill amortization, funding costs, the share issuance, borrowing and subsequent repurchase, restructuring costs, and retention payments; it is possible to make an approximate estimate of the underlying performance of UBS for 2000.

Although this analysis should not be relied on as a definitive indication of the performance of the continuing UBS businesses during 2000, it demonstrates the very positive underlying performance of the Group.

Par value reduction

In October 2000, UBS paid a dividend of CHF 4.50 per share (CHF 1.50 per share adjusted for the July 2001 share split) in respect of the first three quarters of 2000, as part of the arrangements for the merger with PaineWebber.

On 16 July 2001, UBS made a distribution to shareholders in respect of fourth quarter 2000 of CHF 1.60 per share (CHF 0.53 per share post split), paid in the form of a reduction in the par value of its shares, from CHF 10.00 to CHF 8.40. For shareholders who pay tax in Switzerland this payment is treated as a return of capital to shareholders, not as income, and is therefore tax efficient. The par value reduction also has advantages for shareholders outside Switzerland, as no Swiss withholding tax is payable on it.

This par value reduction brought the total distribution for the year 2000 to CHF 6.10 per share (CHF 2.03 per share post split), compared to the dividend of CHF 5.50 per share (CHF 1.83 per share post split) for 1999.

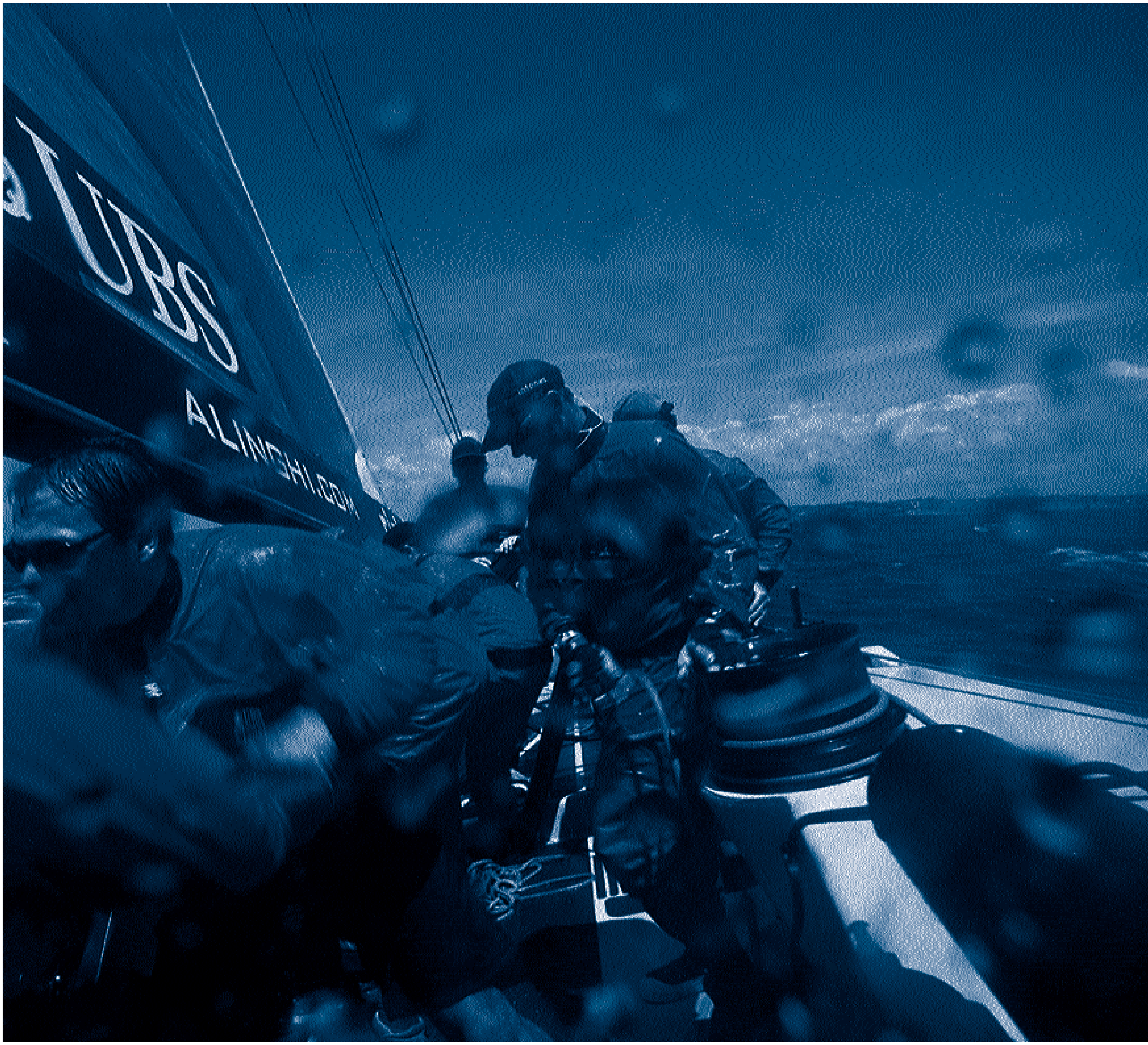
At the same time as the par value reduction, UBS split its share 3 for 1, resulting in a new par value of CHF 2.80 per share.

Cash flows

In the twelve-month period to December 2000, cash equivalents decreased by CHF 8,907 million, principally as a result of investment activities, which generated negative cash flow of CHF 19,135 million. This was mainly due to CHF 10,722 million of cash required for the PaineWebber merger and the purchase of CHF 8,770 million of financial investments.

The positive cash flow of CHF 11,697 million from operating activities principally resulted from net profit of CHF 7,792 million, a net increase in amounts due to customers and loans of CHF 12,381 million, CHF 11,553 million from an increase in the size of the trading portfolio and a net cash inflow of CHF 10,236 million from other assets and liabilities and accrued income and expenses. These were partially offset by a net cash outflow of CHF 30,292 million for repurchase and reverse repurchase agreements and cash collateral on securities borrowed and lent.

Financing activities generated net cash outflow of CHF 1,581 million. CHF 10,125 million from the issuance of money market paper, CHF 14,884 million from long-term debt and CHF 2,594 million from the issuance of trust preferred securities were offset by CHF 24,640 million for repayment of long-term debt and CHF 3,928 million for dividend payments.


UBS
ALINGHI.COM

Review of Business Group Performance

Introduction

Reporting by Business Unit[1]

CHF million	Private and Corporate Clients		Private Banking	
For the year ended	**31.12.01**	31.12.00	**31.12.01**	31.12.00
Income	**7,161**	7,443	**6,314**	6,928
Credit loss expense / recovery[2]	**(576)**	(759)	**(28)**	(26)
Total operating income	**6,585**	6,684	**6,286**	6,902
Personnel expenses	**2,988**	3,187	**1,776**	1,956
General and administrative expenses	**991**	1,058	**1,609**	1,561
Depreciation	**459**	419	**157**	142
Amortization of goodwill and other intangible assets	**0**	27	**41**	43
Total operating expenses	**4,438**	4,691	**3,583**	3,702
Business unit performance before tax	**2,147**	1,993	**2,703**	3,200
Business unit performance before tax and goodwill[3]	**2,147**	2,020	**2,744**	3,243
Cost income ratio before goodwill (%)[3,4]	**62**	63	**56**	53
Invested assets	**320**	345	**682**	691
Net new money[5]	**8.5**	0.4	**22.5**	2.8
Headcount	**19,938**	21,100	**9,266**	8,925

1 Figures for 2000 have been restated to reflect the current business structure of the Group. All figures have been adjusted for significant financial events.
2 In management accounts, statistically derived adjusted expected credit loss rather than the IAS actual net credit loss expense is reported in the business units. See Note 2 to the Financial Statements for further details.
3 Excludes the amortization of goodwill and other intangible assets.
4 Operating expenses/operating income before credit loss expense.
5 Excludes dividend and interest income. Figures for 2000 are calculated using the former definition of assets under management.

Management accounting

The discussion in this chapter reviews UBS's 2001 and 2000 results by Business Group and business unit.

Our management reporting systems and policies determine the revenues and expenses directly attributable to each business unit. Internal charges and transfer pricing adjustments are reflected in the performance of each business unit.

Inter-business unit revenues and expenses. Revenue sharing agreements are used to allocate external customer revenues to Business Groups on a reasonable basis. Transactions between Business Groups are conducted at arms length. Inter-business unit charges are recorded as a reduction to expenses in the business unit providing the service. Corporate Center expenses are allocated to the operating business units, to the extent appropriate.

Interest revenues are apportioned to business units based on the opportunity costs of funding their activities. Accordingly, all assets and liabilities are refinanced with the Group Treasury based on market rates. Revenues relating to balance sheet products are calculated on a fully-funded basis. As a result, business units are additionally credited with the risk-free return on the average equity used.

Commissions are credited to the business unit with the corresponding customer relationship.

Regulatory equity is allocated to business units based on the average regulatory capital requirement during the period. Only utilized equity is taken into account, and a buffer of 10% is added. The remaining equity, mainly covering real estate, and any unallocated equity, remains in Corporate Center.

Headcount includes trainees and staff in management development programs, but not contractors.

Changes to disclosure since 2000

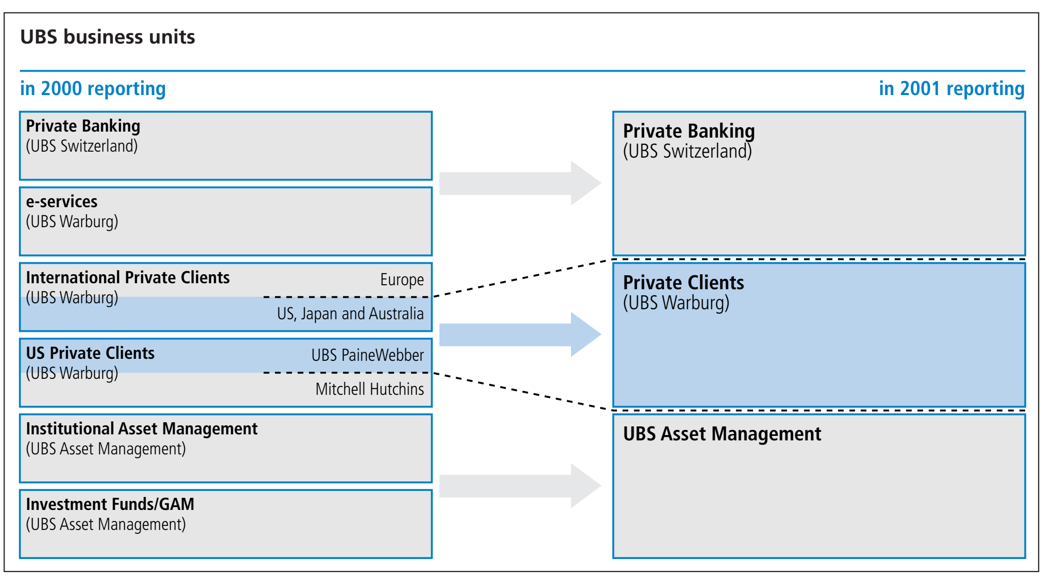
Business unit structure

We now report UBS Asset Management as a single Business Group, with no split into business units. However we continue to report separate revenues and Key performance indicators

	UBS Asset Management		Corporate and Institutional Clients		UBS Capital		Private Clients		Corporate Center	
	31.12.01	31.12.00	**31.12.01**	31.12.00	**31.12.01**	31.12.00	**31.12.01**	31.12.00	**31.12.01**	31.12.00
	2,110	1,953	**16,011**	18,033	**(868)**	368	**6,969**	1,321	**678**	358
	0	0	**(112)**	(243)	**0**	0	**(18)**	(3)	**236**	1,161
	2,110	1,953	**15,899**	17,790	**(868)**	368	**6,951**	1,318	**914**	1,519
	1,003	880	**8,339**	9,284	**96**	142	**5,080**	1,106	**546**	490
	564	439	**2,705**	2,779	**66**	49	**1,489**	355	**207**	281
	46	49	**454**	555	**2**	2	**124**	42	**372**	320
	266	263	**145**	149	**0**	2	**0**	1	**25**	44
	1,879	1,631	**11,643**	12,767	**164**	195	**6,693**	1,504	**1,150**	1,135
	231	322	**4,256**	5,023	**(1,032)**	173	**258**	(186)	**(236)**	384
	497	585	**4,401**	5,172	**(1,032)**	175	**258**	(185)	**(211)**	428
	76	70	**72**	70			**96**	114		
	672	642			**1**	1	**782**	773		
	34.9	(67.9)					**36.0**	15.2		
	3,281	2,860	**15,562**	15,262	**128**	129	**20,678**	21,814	**1,132**	986

for the mutual funds and institutional businesses. In addition, UBS Asset Management now includes Brinson Advisors (formerly Mitchell Hutchins), whose results were previously reported in UBS Warburg's US Private Clients business unit.

Reflecting the launch of our European wealth management initiative in February 2001, we



reorganized our business unit reporting with effect from first quarter 2001.

The e-services and International Private Clients business units which were previously part of UBS Warburg are no longer reported separately. The e-services initiative is no longer running as a stand-alone project and its infrastructure has now been inherited by the European wealth management initiative within UBS Private Banking.

The domestic European private client businesses previously reported as part of International Private Clients are now part of the Private Banking business unit, with separate key performance indicators for the European wealth management initiative, maintaining the transparency of this strategic development.

We now report UBS Warburg's US, Australian and Japanese private client operations, including the UBS PaineWebber business, in a combined Private Clients business unit.

We have restated prior periods for the Private Banking and Private Clients units to reflect these changes.

In December 2001 we announced that UBS Warburg's Private Clients business unit would become a separate Business Group, and be renamed UBS PaineWebber. This change is effective 1 January 2002 and will first be reflected in our financial reporting starting with the First Quarter 2002 Report, which will be published in May 2002.

Client assets reporting

In November 2000, we launched a proposal for a new definition of assets held for our clients. Following a positive reception for this initiative, we introduced the definitions into our reporting in our first quarter 2001 report. We now show the two assets metrics, Client assets and Invested assets, replacing the assets under management definition we previously used.

– *Client assets* represents all client assets managed by or deposited with UBS.
– *Invested assets* is more restricted and includes all client assets managed by or deposited with UBS *for investment purposes*.

Invested assets is our central measure and excludes all assets held for purely transactional purposes. It includes, for example, managed institutional assets, mutual funds, discretionary and advisory private client portfolios, and private client securities or brokerage accounts, but excludes wholesale custody-only assets, correspondent banking assets and transactional cash or current accounts. Non-bankable assets (e. g. Art collections) and interbank deposits are excluded from both measures.

Where products are created in one Business Group, but sold in another, they are counted in both the investment management unit and the distribution unit, and double counted in group totals. (For example a mutual fund provided by UBS Asset Management but sold by Private Banking will be counted as invested assets in both business units.)

Net new money is defined as the net inflow or outflow of invested assets during a period, excluding interest and dividend income. The effects of market or currency movements and of acquisitions and divestments are reported separately.

System limitations mean that we are unable to restate 1999 assets under management figures in terms of the new definition, but invested assets at 31 December 2000 have been restated under the new definition. Group invested assets for 31 December 2000 were CHF 2,452 billion, CHF 17 billion lower than assets under management at the same date, under the old definition.

Further details of the new definition can be found at: www.ubs.com/e/index/investors/archive/corporate_information.html in the client assets reporting section.

Credit loss expense

Credit loss expense represents the charges to the profit and loss account relating to amounts due to UBS from loans and advances, OTC derivatives or off-balance sheet products, that have had to be written-down because they are impaired or uncollectable.

We determine the amounts of Credit loss expense in UBS's financial accounts and in the business unit reporting on different bases. In the Group income statement, we report UBS's results according to IAS. Under these standards, Credit loss expense is the total of net new allowances and direct write-offs less recoveries. These actual losses are recognized and charged to the income statement in the period when they arise.

In contrast, in our segment and business unit reporting, we apply a different approach to the measurement of credit risk which reflects the average annual cost that management antici-

Business Group Credit Loss Charge

CHF million For the year ended 31.12.01	UBS Switzerland	UBS Warburg	UBS Asset Management	**Total**
Actuarial expected loss	722	168	0	**890**
Deferred releases	(118)	(38)	0	**(156)**
Credit loss expense charged to the Business Groups	**604**	**130**	**0**	**734**
IAS actual credit loss expense	**123**	**375**	**0**	**498**
Balancing item charged as Credit loss expense in Corporate Center				(236)

pates will arise from today's transactions that may become impaired in future. In order to manage exposure to credit risk more effectively, we price transactions with a view to earning – over time – sufficient income to compensate for the losses that are expected to be caused by value adjustments for impaired assets. The basis for measuring these inherent risks in the credit portfolios is the concept of "actuarial expected loss" (see further page 62 in the Risk Analysis section of the UBS Handbook 2001/2002).

We quantify Credit loss expense at business unit level based on the actuarial expected loss rather than the actual credit loss expense reported in UBS's income statement. However, while the actuarial expected loss should equal the actual credit loss expense over time, the latter are more erratic, in both timing and amount. In the business unit reporting therefore, in addition to the actuarial expected loss, we amortize the difference between actual credit loss expense and actuarial expected loss. This deferral mechanism aims to ensure that each business unit is ultimately accountable for its credit decisions.

Under amended management accounting policies effective for all Business Groups from 1 January 2001, the difference between actual credit losses and the actuarial expected loss calculated for management reporting purposes is charged or credited back to the business units over a three-year period, so that the risks and rewards are better reflected in their results. The sum of this deferral is reported together with the expected loss as the credit loss expense charged in the segment and business unit reporting.

We reconcile the difference between the Credit loss expense in UBS's income statement (the actual loss) and the credit loss expense shown in business unit reporting (expected loss plus deferral), by recording a balancing item in the Corporate Center. We also show the allocation of actual Credit loss expense to the business units in the footnotes to Note 2a of the UBS Group Financial Statements.

Key performance indicators

We report carefully chosen key performance indicators for each of UBS's business units or Business Groups, as appropriate. These do not carry explicit targets, but are intended as indicators of the business units' success in creating value for shareholders and are an important part of our business planning process. They include both financial metrics, such as the cost / income ratio, and non-financial metrics, such as Invested assets or the number of Client advisors in a business unit.

We use these key performance indicators for internal performance measurement as well as external reporting. This ensures that manage-

Reconciliation of Business Group Credit Loss Charge to IAS Actual Credit Loss Expense/(Recovery)

CHF million	Credit loss charge			IAS actual credit loss expense		
For the year ended	**31.12.01**	31.12.00	31.12.99	**31.12.01**	31.12.00	31.12.99
UBS Switzerland	**604**	785	1,071	**123**	(695)	965
UBS Asset Management	**0**	0	0	**0**	0	0
UBS Warburg	**130**	246	333	**375**	565	0
Corporate Center						(9)
Total	**734**	1,031	1,404	**498**	(130)	956
Balancing item in Corporate Center	**(236)**	(1,161)	(448)			

Indicative Tax Rates

	Tax rate	
	Pre-goodwill	Post-goodwill
UBS Switzerland	**20**	**20**
Private and Corporate Clients	22	22
Private Banking	19	19
UBS Asset Management	**23**	**33**
UBS Warburg	**39**	**68**
Corporate and Institutional Clients	32	33
US Private Clients	37	37
UBS Capital	4	4

ment have a clear responsibility to lead their businesses towards achieving success in the Group's key value drivers and avoids any risk of managing to purely internal performance measures.

Business Group tax rates

The Business Groups of UBS do not represent separate legal entities. Business Group results are prepared through the application of UBS's management accounting policies to the results of the entities through which they operate.

Indicative Business Group and business unit tax rates are calculated on an annual basis based on the results and statutory tax rates of the current financial year. These rates are approximate calculations, based upon the application to the year's adjusted earnings of statutory tax rates for the locations in which the Business Groups operated. These tax rates therefore give guidance on the tax cost to each Business Group of doing business during 2001 on a stand alone basis, without the benefit of tax losses brought forward from earlier years.

The indicative tax rates are presented "pre-goodwill" and "post-goodwill". The tax rate pre-goodwill gives an indication of what the tax rate would have been if goodwill were not charged for accounting purposes. It is the sum of the tax expense payable on net profit before tax and goodwill in each location, divided by the total net profit before tax and goodwill. In contrast, the tax rate post-goodwill reflects the actual tax treatment of goodwill in different jurisdictions, expressed as a percentage of net profit before tax (after goodwill). The tax rates post-goodwill are higher than the pre-goodwill rates, because in some jurisdictions there are limitations on the tax deductibility of amortization costs.

Please note that these tax rates are not necessarily indicative of future tax rates for the businesses or UBS Group as a whole.

Changes to disclosure in 2002

The following changes will be implemented in our financial disclosure with effect from the First Quarter Report 2002. They do not apply to the Business Group disclosures in this Financial Report – details are provided here to help readers who may read our future reports.

With effect from the beginning of 2002, we will implement a new Business Group structure, with UBS PaineWebber becoming a separate Business Group, and we will be making some other changes to our financial disclosure and management accounting.

At present, goodwill and intangible assets relating to the merger of UBS and PaineWebber are reported in the UBS Warburg Business Group and are not reflected in the results of the business units which make up the Business Group. With the separation of UBS PaineWebber to form a new Business Group, this goodwill will be assigned to the different business units that have benefited from the merger with PaineWebber. We expect that the majority of the goodwill will be allocated to UBS PaineWebber, but that a significant portion will also be allocated to the Corporate and Institutional Clients business unit in UBS Warburg and smaller amounts to UBS Asset Management, which inherited the Mitchell Hutchins asset management business (now called Brinson Advisors), and also to UBS Switzerland's Private Banking business unit. Associated amortization expense and funding charges will be charged to each business unit in proportion to its share of the goodwill and intangible assets.

At the same time, we will take the opportunity to rationalize our allocation of Corporate Center costs to the Business Groups, restricting charges to those services which are provided directly under explicit Service Level Agreements ("SLAs"), and discontinuing the practice of allocating a proportion of central Group overheads.

Finally, earnings from the O'Connor business, which are currently allocated equally between the Equities business area in UBS Warburg's Corporate and Institutional Clients unit and UBS Asset Management will now be allocated fully to UBS Asset Management.

We will provide restated Business Group figures for 2000 and 2001 reflecting the new Business Group structure and other disclosure changes, and expect to publish these at least two weeks prior to our first quarter 2002 financial report, which will be published on 14 May 2002.

Accounting for goodwill under US GAAP

A new accounting standard, SFAS 142, changes the treatment of goodwill in Financial Statements prepared under US GAAP. Instead of amortizing goodwill over its expected life, it will be retained on a company's balance sheet at the level of 31 December 2001 and the company will be required to perform an annual impairment test according to detailed rules set out in the standard. These specify that the goodwill impairment test must be carried out at the level of a "reporting unit", equivalent in UBS terms to a Business Group. If the goodwill is found to be impaired, the company must record a write-down, charged to its income statement.

The introduction of SFAS 142 under US GAAP will not have a direct effect on our accounts, which are prepared under IAS, and will still show amortization costs. However, as part of the preparation of the reconciliation of our IAS Financial Statements to US GAAP we will have to perform annual SFAS 142 goodwill impairment tests, starting on 1 January 2002. We do not anticipate that we will need to record any write-downs of goodwill upon adoption of this standard. See Note 40 to the Financial Statements for further details.

UBS Switzerland

Stephan Haeringer
CEO UBS Switzerland and
CEO Private and Corporate Clients

Georges Gagnebin
CEO UBS Private Banking

"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

Business Group Reporting

CHF million, except where indicated For the year ended	31.12.01	31.12.00[1]	31.12.99[1]	% change from 31.12.00
Income	**13,475**	14,371	12,884	(6)
Credit loss expense[2]	**(604)**	(785)	(1,071)	(23)
Total operating income	**12,871**	13,586	11,813	(5)
Personnel expenses	**4,764**	5,143	4,882	(7)
General and administrative expenses	**2,600**	2,699	2,450	(4)
Depreciation	**616**	633	475	(3)
Amortization of goodwill and other intangible assets	**41**	70	38	(41)
Total operating expenses	**8,021**	8,545	7,845	(6)
Business Group performance before tax	**4,850**	5,041	3,968	(4)
Business Group performance before tax and goodwill[4]	**4,891**	5,111	4,006	(4)
Additional information				
Regulatory equity used (average)	**9,300**	10,550	10,150	(12)
Cost / income ratio (%)[5]	**60**	59	61	
Cost / income ratio before goodwill (%)[4, 5]	**59**	59	61	

Business Group Reporting Adjusted for Significant Financial Events

CHF million, except where indicated				% change from
For the year ended	**31.12.01**	31.12.00[1]	31.12.99[1]	31.12.00
Income	**13,475**	14,371	12,884	(6)
Credit loss expense[2]	**(604)**	(785)	(1,071)	(23)
Total operating income	**12,871**	13,586	11,813	(5)
Personnel expenses	**4,764**	5,143	4,882	(7)
General and administrative expenses	**2,600**	2,619[3]	2,450	(1)
Depreciation	**616**	561[3]	475	10
Amortization of goodwill and other intangible assets	**41**	70	38	(41)
Total operating expenses	**8,021**	8,393	7,845	(4)
Business Group performance before tax	**4,850**	5,193	3,968	(7)
Business Group performance before tax and goodwill[4]	**4,891**	5,263	4,006	(7)
Additional information				
Cost / income ratio (%)[5]	**60**	58	61	
Cost / income ratio before goodwill (%)[4, 5]	**59**	58	61	

[1] The 2000 and 1999 figures have been restated to reflect the restructuring of the Group on 1 January 2001. [2] In management accounts, statistically derived adjusted expected loss rather than the net IAS actual credit loss is reported in the business units (see Note 2 of the Financial Statements). [3] Excludes Significant Financial Events: General and administrative expenses, CHF 80 million, Depreciation, CHF 72 million for the PaineWebber integration. [4] Excludes the amortization of goodwill and other intangible assets. [5] Operating expenses / operating income before credit loss expense.

Private and Corporate Clients

Business Unit Reporting

CHF million, except where indicated For the year ended	31.12.01	31.12.00	31.12.99	% change from 31.12.00
Individual clients	**4,532**	5,026	4,553	(10)
Corporate clients	**1,891**	1,975	1,855	(4)
Risk transformation and capital management	**358**	307	330	17
Operations	**242**	205	313	18
Other	**138**	(70)	142	
Income	**7,161**	7,443	7,193	(4)
Credit loss expense [1]	**(576)**	(759)	(1,050)	(24)
Total operating income	**6,585**	6,684	6,143	(1)
Personnel expenses	**2,988**	3,187	3,363	(6)
General and administrative expenses	**991**	1,058	1,123	(6)
Depreciation	**459**	419	384	10
Amortization of goodwill and other intangible assets	**0**	27	2	(100)
Total operating expenses	**4,438**	4,691	4,872	(5)
Business unit performance before tax	**2,147**	1,993	1,271	8
Business unit performance before tax and goodwill [2]	**2,147**	2,020	1,273	6
KPI's				
Invested assets (CHF billion)	**320**	345	439 [3]	(7)
Net new money (CHF billion) [4, 5]	**8.5**	0.4		
Cost / income ratio (%) [6]	**62**	63	68	
Cost / income ratio before goodwill (%) [2, 6]	**62**	63	68	
Non-performing loans / gross loans outstanding (%)	**4.6**	5.3	6.8	
Impaired loans / gross loans outstanding (%)	**7.4**	9.1	11.4	

Additional information As at	31.12.01	31.12.00	31.12.99	% change from 31.12.00
Client assets (CHF billion)	**640**			
Regulatory equity used (average)	**7,350**	8,550	8,550	(14)
Headcount (full time equivalents)	**19,938**	21,100	24,098	(6)

[1] In management accounts, statistically derived adjusted expected loss rather than the net IAS actual credit loss is reported in the business units (see Note 2 of the Financial Statements). [2] Excludes the amortization of goodwill and other intangible assets. [3] Calculated using the former definition of assets under management. [4] Calculated using the former definition of assets under management up to and including second quarter 2001. [5] Excludes dividend and interest income. [6] Operating expenses / operating income before credit loss expense.

Components of Operating Income

Private and Corporate Clients derives its operating income principally from:
- net interest income from its loan portfolio and customer deposits;
- fees for investment management services; and
- transaction fees.

As a result, Private and Corporate Clients' operating income is affected by movements in interest rates, fluctuations in invested assets, client activity levels, investment performance and changes in market conditions.

Significant Financial Events

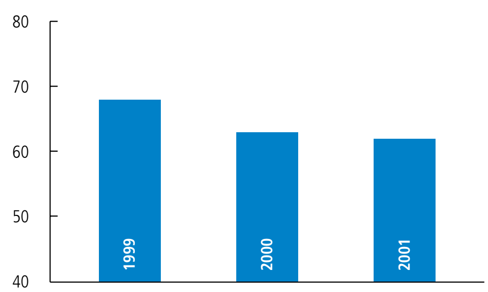
There were no significant financial events that affected this business unit in 2001, 2000 or 1999.

2001

Key performance Indicators

In 2001, Private and Corporate Clients attracted net new money of CHF 8.5 billion, a clear improvement over last year's disappointing CHF 0.4 billion, and reflecting improved flows from both private clients and corporate clients, where flows can be larger and more volatile. Invested assets declined CHF 25 billion from CHF 345 billion at 31 December 2000 to CHF 320 billion at 31 December 2001, reflecting the effect of market declines during the year.

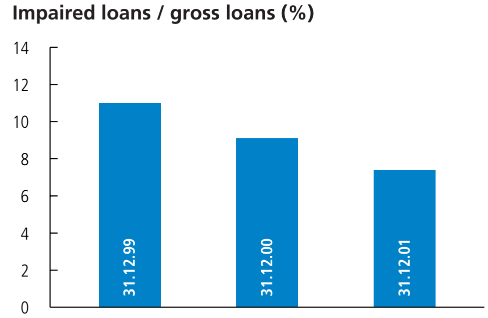
Pre-goodwill cost / income ratio (%)



Private and Corporate Clients continues to focus successfully on stringent cost control measures, reflected in a 1 percentage point decline in the full year's pre-goodwill cost/income ratio from 63% in 2000 to 62% in 2001. This resulted from reductions in headcount and in performance-related compensation expense.

Private and Corporate Clients' loan portfolio decreased from CHF 156 billion at 31 December 2000 to CHF 152 billion at 31 December 2001, driven by reductions in the more volatile business with banks and the further reduction in the recovery portfolio from CHF 15 billion to CHF 12 billion.

Impaired loans / gross loans (%)

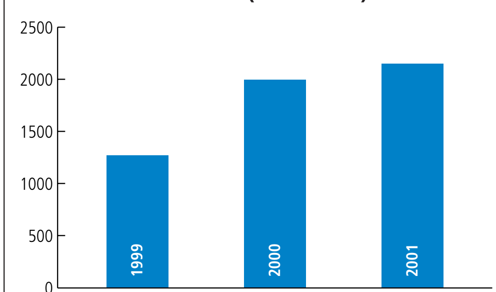


The strength of the Swiss economy in the early part of 2001 and our continued successful recovery efforts were reflected in an improvement in key asset quality ratios since the end of last year. The non-performing loans to total loans ratio decreased from 5.3% to 4.6% while the ratio of impaired loans to gross loans further improved from 9.1% to 7.4%.

Results

Private and Corporate Clients enjoyed a very strong year, despite the much more difficult market conditions, with profit before tax in 2001 up 8% compared to 2000, at CHF 2,147 million, its highest level ever. The implementation of risk adjusted pricing and the strength of the Swiss economy in 2000 and early 2001 led to a significant increase in credit quality, while operating expenses have remained under tight control, falling 5% compared to 2000.

Performance before tax (CHF million)



Operating income

Operating income in 2001 was down CHF 99 million from 2000 at CHF 6,585 million, principally reflecting the effect of weaker markets in 2001 on fee and commission income, which more than offset the reduction in credit loss expense.

Private and Corporate Clients has improved the quality of its loan portfolio considerably in recent years, principally through the introduction of risk adjusted pricing, leading to a lower adjusted expected loss charge in 2001 compared to 2000. We have also introduced a new process for calculating the adjusted expected loss charged to the Business Groups, under which the difference between the actual IAS credit losses and the actuarial expected loss calculated for management reporting purposes is charged or credited back to the business units over a three year period, so that the risks and rewards over the cycle are better reflected in their results. Since actual credit losses in Private and Corporate Clients have recently been lower than the adjusted expected loss charge, this deferral process has also resulted in a lower adjusted expected loss charge (see page 35 for further details).

Together these effects led to a credit loss expense of CHF 576 million in 2001, down 24% from CHF 759 million in 2000.

Income in *Individual Clients* declined 10% from CHF 5,026 million in 2000 to CHF 4,532 million in 2001. This change was driven by the much more difficult and uncertain conditions in securities markets, which led to lower brokerage fees and lower sales of investment funds. Interest income also declined, driven by the effect of the sale of Solothurner Bank in fourth quarter 2000.

Income in *Corporate Clients* declined 4% from CHF 1,975 million in 2000 to CHF 1,891 in 2001, principally reflecting lower interest income as risk adjusted pricing shifted our focus to higher credit quality counterparties leading to lower lending volumes, but also to lower credit loss expense.

Income from the *Risk Transformation and Capital Management* area benefited from higher interest income, following a change in the treatment of interest on impaired loans (previously recorded as a reduction in credit loss expense), which more than offset the effects of write-downs in some small investments. Overall income increased to CHF 358 million in 2001, from CHF 307 million in 2000.

Income from *Operations* rose CHF 37 million, to CHF 242 million in 2001, reflecting one-off revenues from minority holdings in other companies, a decrease in custody fees paid due to lower average assets, which more than offset a decrease in custody revenues, again reflecting lower average assets, and higher interest income from correspondent bank overdraft balances.

Operating expenses

Operating expenses remain under strict control, totaling CHF 4,438 million in 2001, CHF 253 million lower than in 2000. Operating expenses declined through the year and reached an all-time low in fourth quarter 2001.

General and administrative expenses in 2001, were 6% lower than in 2000, at CHF 991 million, principally reflecting lower IT outsourcing costs and the continued effect of our efforts to control costs. As a result, general and administrative expenses have now fallen for two years running, and are below their 1998 level.

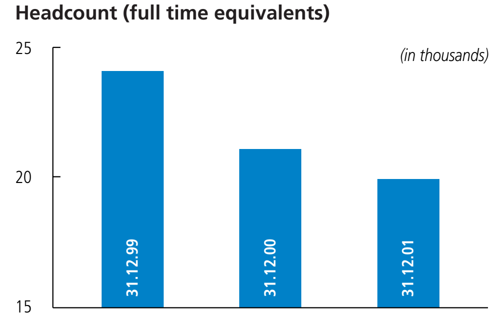
Personnel expenses declined by CHF 199 million compared to 2000, to CHF 2,988 million, reflecting a fall in headcount of 1,162 since the end of 2000, and lower performance related pay. Over the full year, the compensation ratio in Private and Corporate clients was 42%, down from 43% in 2000.

Depreciation increased 10% from 2000, to CHF 459 million, principally reflecting cancellation of previously capitalized software projects as a result of cost control measures. Goodwill amortization dropped from CHF 27 million in 2000 to CHF 0 in 2001, reflecting the write-off of goodwill on a credit card portfolio in 2000.

Headcount

Private and Corporate Clients' headcount declined by a further 6% in 2001, from 21,100 at 31 December 2000 to 19,938 at 31 December 2001, as the cost control effects from the systematic implementation of the strategic projects portfolio and the benefits of the merger between Union Bank of Switzerland and Swiss Bank Corporation continue to be realized. Headcount has reduced by more than 5,700 since the merger, in line with the targets we set at the time. We expect that headcount will remain around the current level during 2002.

Headcount (full time equivalents)



2000

Key performance indicators

Invested assets decreased by CHF 94 billion from CHF 439 billion at 31 December 1999 to CHF 345 billion at 31 December 2000. The vast majority of this change was due to the new definition of invested assets introduced at 31 December 2000, which excludes certain asset classes previously included in the old definition of assets under management, particularly current accounts. The underlying development was almost flat, with net new money of CHF 0.4 billion and slightly positive market performance over the year, roughly offsetting transfers of CHF 5 billion to other business units.

The pre-goodwill cost / income ratio in 2000, at 63%, improved significantly from 68% in 1999. This was principally due to lower operating expenses resulting from continuing strict cost control, as the benefits of the 1998 merger between Union Bank of Switzerland and Swiss Bank Corporation continued to be realized.

The quality of the Private and Corporate Clients' loan portfolio improved considerably during the year, resulting in a non-performing loans / total loans ratio of 5.3% at 31 December 2000, compared to 6.8% at the end of 1999. This improvement was due in part to the unexpected strengthening of the Swiss economy, and also to Private and Corporate Clients' efforts to further enhance the risk / return profile of its loan portfolio. This was achieved through selective origination with clear focus on higher quality counterparties, secondary market transactions, the disposal of non-core business subsidiaries, and the continued work-out of the recovery portfolio, which decreased from CHF 21 billion to CHF 15 billion during the year.

Although UBS Switzerland's non-performing loans ratio is somewhat higher than some comparable banks, particularly in the US, the comparison reflects different structural practices rather than underlying asset quality. In general, Swiss practice is to write off loans entirely only on final settlement of bankruptcy proceedings, the sale of the underlying assets or a formal debt forgiveness. In contrast, US practice is to write off non-performing loans much sooner, reducing the amount of such loans and corresponding provisions recorded at any given date.

Results

Record pre-tax profit for the year, at CHF 1,993 million, was an increase of CHF 722 million, or 57%, over 1999, clearly demonstrating the substantial benefits of the merger between the Union Bank of Switzerland and Swiss Bank Corporation for the combined domestic banking franchise.

Operating income

Private and Corporate Clients' operating income in 2000 was CHF 6,684 million, CHF 541 million, or 9%, higher than in 1999. This improved performance primarily reflected higher fee income, particularly in the first half of the year, and reduced expected credit losses as the quality of the loan portfolio improved.

Both of Private and Corporate Clients' two main client business areas recorded increases in their operating income in 2000 as compared to 1999.

- *Individual Clients:* Operating income in 2000 was CHF 5,026 million, an increase of CHF 473 million, or 10%, from CHF 4,553 million in 1999. This was primarily due to increases in brokerage and investment fund fees resulting from increased investment activity, and minor gains on sales of subsidiaries and participations.
- *Corporate Clients:* Operating income in 2000 was CHF 1,975 million, an increase of CHF 120 million, or 6%, from CHF 1,855 million in 1999, primarily due to higher interest income resulting from improved margins as well as increased fee and commission income.

On the other hand, the two support business areas saw their incomes reduce.

- *Risk Transformation and Capital Management:* Income was CHF 307 million in 2000. This was a decrease of CHF 23 million, or 7%, from the CHF 330 million recorded in 1999, primarily as a result of the reduced average size of the recovery loan portfolio, managed by this unit.
- *Operations:* Revenues in 2000 were CHF 205 million, a decrease of CHF 108 million, or 35%, from CHF 313 million in 1999. Operations revenues were affected by lower interest revenues as a result of reduced correspondent bank overdraft balances, partially offset by small one-off revenues from the revaluation of minority holdings in other companies.

Operating expenses

Full year operating expenses in 2000 were CHF 4,691 million, down 4%, or CHF 181 million, from 1999. This was primarily due to falling personnel costs as headcount was reduced.

Personnel expense fell by CHF 176 million, or 5%, from CHF 3,363 million in 1999 to CHF 3,187 million in 2000. Increased performance-related compensation, reflecting the good results, was more than offset by a substantial reduction in headcount during the year.

General and administrative expenses fell 6% over the year, despite our continued investments in online services, reflecting continued cost control efforts.

Depreciation expense increased by CHF 35 million, or 9%, to CHF 419 million, primarily due to the implementation of IAS 38, relating to the capitalization of software costs.

Amortization of goodwill and other intangible assets increased CHF 25 million, from CHF 2 million in 1999 to CHF 27 million in 2000. This increase was primarily due to the acquisition of a credit card portfolio during second quarter 2000.

Headcount

Private and Corporate Clients' headcount declined by almost 3,000 in 2000 from 24,098 at the end of 1999 to 21,100 at 31 December 2000. This reduction includes 948 staff transferred with Systor, which became an independent company at the start of 2000, 413 staff of Solothurner Bank, which was sold during 2000, and the transfer of 148 financial planning and wealth management staff to Private Banking. The remaining reduction of 1,489 staff demonstrates UBS's continued success in realizing UBS/SBC merger-related synergies.

Private Banking

Business Unit Reporting

CHF million, except where indicated For the year ended	31.12.01	31.12.00[1]	31.12.99[1]	% change from 31.12.00
Income	**6,314**	6,928	5,691	(9)
Credit loss expense[2]	**(28)**	(26)	(21)	8
Total operating income	**6,286**	6,902	5,670	(9)
Personnel expenses	**1,776**	1,956	1,519	(9)
General and administrative expenses	**1,609**	1,561[3]	1,327	3
Depreciation	**157**	142[3]	91	11
Amortization of goodwill and other intangible assets	**41**	43	36	(5)
Total operating expenses	**3,583**	3,702	2,973	(3)
Business unit performance before tax	**2,703**	3,200	2,697	(16)
Business unit performance before tax and goodwill[4]	**2,744**	3,243	2,733	(15)
KPI's				
Invested assets (CHF billion)	**682**	691	682[5]	(1)
Net new money (CHF billion)[6]	**22.5**	2.8[5]	2.3[5]	
Gross margin on invested assets (bps)[7]	**92**	99	90	(7)
Cost / income ratio (%)[8]	**57**	53	52	
Cost / income ratio before goodwill (%)[4, 8]	**56**	53	52	
Cost / income ratio before goodwill and excluding the European Wealth Management Initiative (%)[4, 8]	**49**			
Client advisors (full time equivalents)	**2,346**	1,744		35

KPI's for the European Wealth Management Initiative	
Income	**140**
Invested assets (CHF billion)	**16**
Net new money (CHF billion)[6]	**5.6**
Client advisors (full time equivalents)	**370**

Additional information As at	31.12.01	31.12.00	31.12.99	% change from 31.12.00
Client assets (CHF billion)	**840**			
Regulatory equity used (average)	**1,950**	2,000	1,600	(3)
Headcount (full time equivalents)	**9,266**	8,925	8,131	4

[1] The 2000 and 1999 figures have been restated to reflect the restructuring of the Group on 1 January 2001. [2] In management accounts, statistically derived adjusted expected loss rather than the net IAS actual credit loss is reported in the business units (see Note 2 of the Financial Statements). [3] Excludes Significant Financial Events: General and administrative expenses, CHF 80 million, Depreciation, CHF 72 million for the PaineWebber integration. [4] Excludes the amortization of goodwill and other intangible assets. [5] Calculated using the former definition of assets under management. [6] Excludes dividend and interest income. [7] Income / average invested assets. [8] Operating expenses / operating income before credit loss expense.

Components of Operating Income

Private Banking derives its operating income principally from:
- fees for financial planning and wealth management services;
- fees for investment management services; and
- transaction-related fees.

Private Banking's fees are based on the market value of invested assets and the level of transaction-related activity. As a result, Private Banking's operating income is affected by such factors as fluctuations in invested assets, changes in market conditions, investment performance and inflows and outflows of client funds.

Significant financial events

Following the merger with PaineWebber, our strategy for extending our wealth management services in Europe was reassessed and focus shifted to more affluent clients than those originally targeted by the e-services initiative. The multi-currency and multi-entity core banking systems developed by the e-services initiative now form part of UBS Private Banking's new wealth management strategy in Europe. Those parts of the infrastructure that were tailored to the mass affluent market, such as telephone call-centers, were closed and the investment in them written off. This resulted in a charge of CHF 80 million to General and administrative expenses. In addition, capitalized software costs relating to parts of the systems which will now not be used were written off, resulting in a CHF 72 million charge to depreciation. These two amounts form part of the PaineWebber integration costs, which were treated as a significant financial event in 2000, and as a result these costs do not appear in the adjusted business unit results above.

There were no significant financial events that affected this business unit in 2001 or 1999.

2001

Key performance indicators

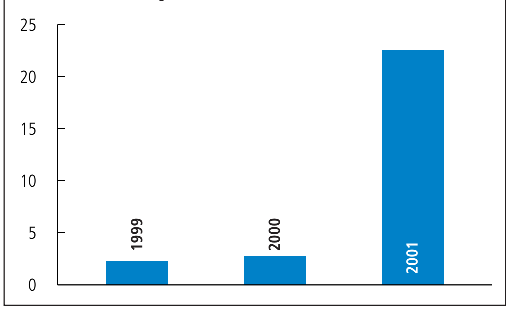
Net new money inflows in 2001, at CHF 22.5 billion, an eight-fold increase over 2000, demonstrate our success this year in re-energizing our asset-gathering performance, and our determined focus on growing this world-leading business.

Over the year from 31 December 2000, invested assets have fallen only 1%, despite the poor performance of securities markets, reflecting strong net new money growth and a relatively conservative asset mix.

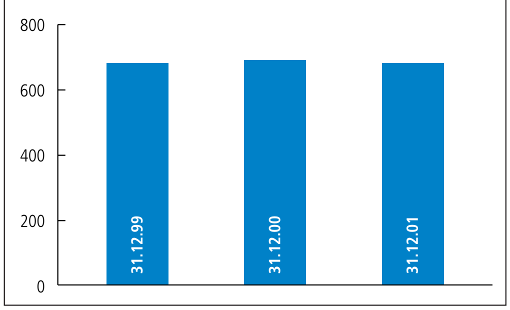
The gross margin fell from 99 basis points in 2000 to 92 basis points in 2001, clearly reflecting reduced transaction volumes, especially compared to the exuberant markets of the early part of 2000.

The pre-goodwill cost/income ratio increased by three percentage points from 53% in 2000 to 56% in 2001, reflecting the costs of our invest-

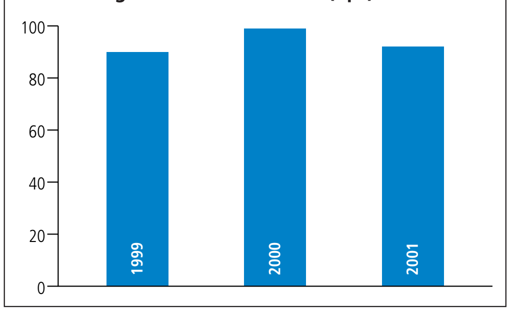
Net new money (CHF billion)



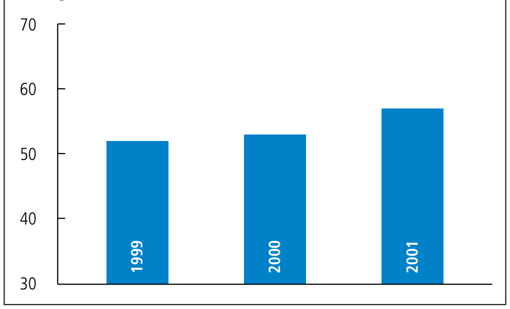
Invested assets (CHF billion)



Gross margin on invested assets (bps)



Pre-goodwill cost / income ratio (%)



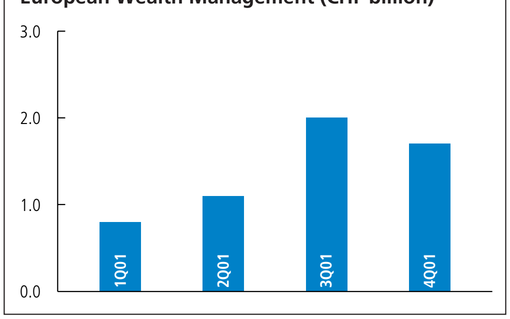
ments in the European wealth management initiative, and weaker transaction volumes.

European wealth management

Early in 2001 we launched a European wealth management initiative, designed to expand our market share in five key target countries: Germany, the UK, France, Italy and Spain, a scope that covers about 80% of Europe's investable assets.

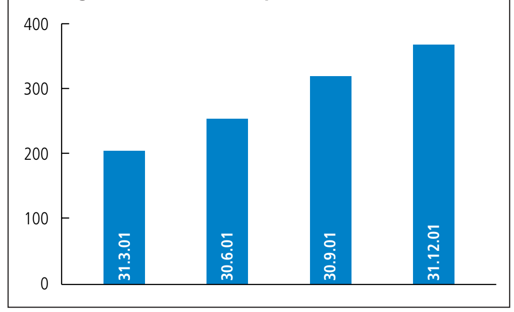
Our strategy is focused on wealthy clients, with services designed primarily for those with more than EUR 500,000 of investable assets, and developed within the context of our clear commitment to open architecture and the provision of a full range of "best of breed" investment products to all our clients. The initiative makes full use of UBS PaineWebber's top-class abilities in marketing, product management and innovation, technology, and training, deployed as a key catalyst for our European businesses.

Net new money
European Wealth Management (CHF billion)



Initial progress has been very promising, with net new money of CHF 5.6 billion in our target countries in 2001, despite the relatively difficult market conditions. Opening new offices and hiring new staff is a key component of the initiative – expanding our physical presence in the target markets. Hiring plans progressed well in 2001, with the number of client advisers in our five target countries rising to 370 at 31 December 2001, an increase of 208 for the year. A further 40 newly hired advisors started on 1 January 2002, bringing our total hiring in 2001 to 248, in line with our intention to recruit around 250 advisors a year.

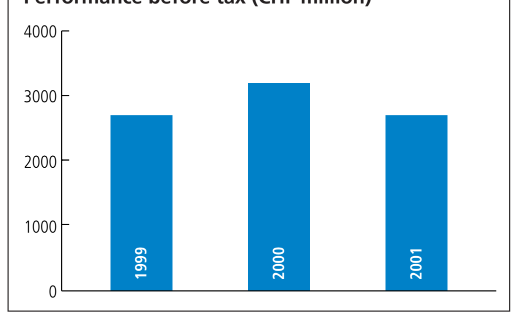
Client advisors European Wealth Management (full time equivalents)



Results

Weaker markets than 2000 and the costs of investing in the European wealth management initiative brought 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.

Performance before tax (CHF million)



Operating income

Full year operating income was CHF 6,286 million, down 9% from the record CHF 6,902 million in 2000. This was driven by falling transaction based revenues, reflecting the much less active markets in 2001. Asset based revenues fell only very slightly compared to last year, despite lower average assets, reflecting our success in providing added value services to our clients.

Operating expenses

At CHF 3,583 million, operating expenses in 2001 were down 3% from 2000, driven by lower personnel expenses, which were down 9% at CHF 1,776 million due to lower performance-related compensation despite a 4% increase in headcount during the year.

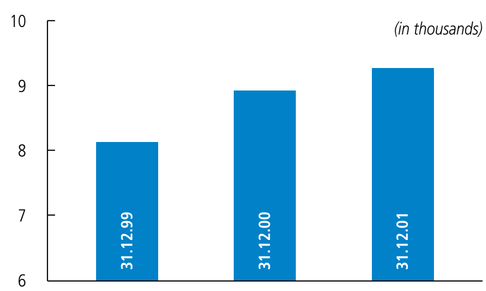
General and administrative expenses increased 3% from CHF 1,561 million in 2000 to CHF 1,609 million in 2001, principally reflecting the cost of investments in new product development, premises and systems in support of the European wealth management initiative.

Depreciation increased from CHF 142 million in 2000 to CHF 157 million in 2001, reflecting increased investment in IT and premises.

Headcount

At 31 December 2001, Private Banking employed 9,266 professionals, a 4% increase compared with year end 2000, driven by recruitment of client advisors and support personnel for the European Wealth Management initiative. At 31 December 2001, client advisors represented 25% of Private Banking's staff, up from 20% at the end of 2000.

Headcount (full time equivalents)



2000

Key performance indicators

Invested assets increased by CHF 9 billion, or 1%, from CHF 682 billion to CHF 691 billion during 2000, primarily reflecting market performance and currency effects. Net new money during the year was disappointing, with a net inflow of CHF 2.8 billion, with the majority of the net inflow in the domestic European business.

Gross margin for the year, at 99 basis points, partly reflects the very strong performance in the exceptional markets of the first quarter. The rates for most of the year, (95 basis points in second quarter, 94 basis points in third quarter, and 96 basis points in fourth quarter) represent a solid improvement over the average of 90 basis points recorded in 1999, as we introduce more value-added products to our client base.

The pre-goodwill cost / income ratio was 53% a slight increase from 52% in 1999, as higher revenues were offset by investment in the e-services project and expansion of the domestic business during 1999 and 2000.

Results

Net profit before tax for the year increased significantly, by CHF 503 million, or 19%, to CHF 3,200 million, from CHF 2,697 million in 1999. This reflects strong markets in the early part of 2000, and the margin enhancing benefits of introducing more added-value products during the year.

Operating income

The increase in gross margin to 99 basis points resulted in operating income of CHF 6,902 million, which was 22%, or CHF 1,232 million, higher than in 1999. Revenue quality also improved with asset-based fees growing faster over the year than transaction-based fees.

Operating expenses

Full year operating expenses were CHF 3,702 million, CHF 729 million or 25% higher than in 1999.

Personnel expenses increased CHF 437 million, or 29%, mainly due to higher performance related compensation, investment in the e-services project and the transfer of financial planning and wealth management staff from the Private and Corporate Clients unit.

General and administrative expenses increased CHF 234 million, or 18%, primarily due to the investment in the e-services project. Recruitment and training expenses, and volume-driven transaction processing costs, also increased, as did project related technology costs.

Depreciation expense increased by CHF 51 million, or 56%, principally due to investments in the e-services project.

Headcount

Headcount at year end 2000 was 8,925, representing an increase of 794 during the year. This was mainly the result of an increase of 340 employees relating to the e-services project, the transfer of 148 financial planning and wealth management staff from the Private and Corporate Clients business unit and the completion in first quarter 2000 of previous initiatives to strengthen product capabilities.

UBS Asset Management

John Fraser
CEO UBS Asset Management

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

John Fraser

Business Group Reporting

CHF million, except where indicated				% change from
For the year ended	**31.12.01**	31.12.00	31.12.99	31.12.00
Institutional fees	**1,007**	1,119	857	(10)
Mutual funds fees	**1,103**	834	512	32
Total operating income	**2,110**	1,953	1,369	8
Personnel expenses	**1,003**	880	516	14
General and administrative expenses	**564**	439	271	28
Depreciation	**46**	49	32	(6)
Amortization of goodwill and other intangible assets	**266**	263	113	1
Total operating expenses	**1,879**	1,631	932	15
Business Group performance before tax	**231**	322	437	(28)
Business Group performance before tax and goodwill [1]	**497**	585	550	(15)
KPI's				
Cost / income ratio (%) [2]	**89**	84	68	
Cost / income ratio before goodwill (%) [1, 2]	**76**	70	60	
Institutional				
Invested assets (CHF billion)	**328**	323	367[3]	2
Net new money (CHF billion) [4]	**6.2**	(70.8)[3]	(49.9)[3]	
Gross margin on invested assets (bps) [5]	**32**	34	24	(6)
Mutual funds				
Invested assets (CHF billion)	**344**	319	231[3]	8
Net new money (CHF billion) [4]	**28.7**	2.9[3]	(0.3)[3]	
Gross margin on invested assets (bps) [5]	**33**	36	25	(8)

Additional information				% change from
As at	**31.12.01**	31.12.00	31.12.99	31.12.00
Client assets (CHF billion)	**672**			
Regulatory equity used (average)	**1,250**	1,250	162	0
Headcount (full time equivalents)	**3,281**	2,860	2,576	15

[1] Excludes the amortization of goodwill and other intangible assets. [2] Operating expenses / operating income. [3] Calculated using the former definition of assets under management. [4] Excludes dividend and interest income. [5] Income / average invested assets.

Components of Operating Income

UBS Asset Management generates most of its revenue from the asset management services it provides to institutional clients, and from the distribution of investment funds. Fees charged to institutional clients and on investment funds are based on the market value of invested assets and on successful investment performance. As a result, UBS Asset Management's revenues are affected by changes in market levels as well as flows of client funds.

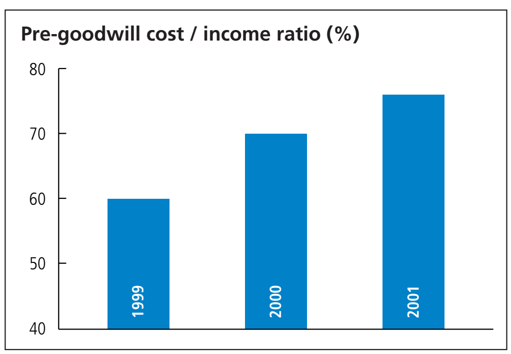
Significant Financial Events

There were no significant financial events that affected this Business Group in 2001, 2000 or 1999.

2001

Key performance indicators

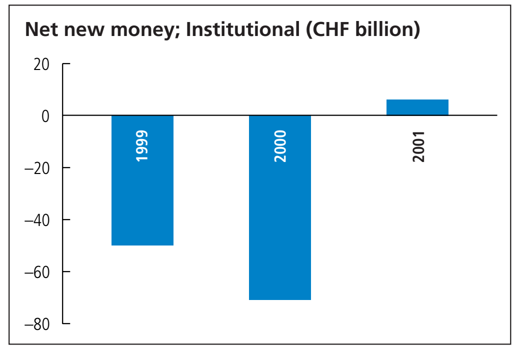
Invested assets increased 5% during the year from CHF 642 billion at 31 December 2000 to CHF 672 billion at 31 December 2001. Net new money was CHF 34.9 billion for the year, reflecting the recognition of strong relative investment performance and business development efforts. The pre-goodwill cost/income ratio rose from 70% in 2000 to 76% in 2001, principally reflecting the higher cost/income ratio of the Brinson Advisors business transferred from UBS PaineWebber at the start of the year.

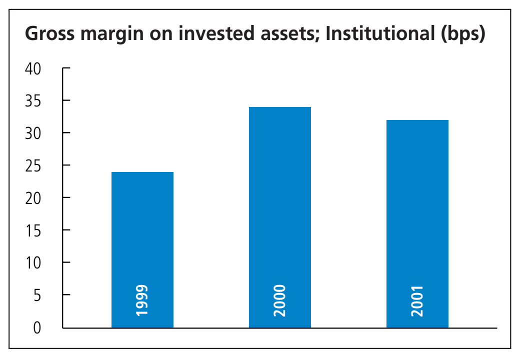


Institutional

Institutional invested assets increased from CHF 323 billion at 31 December 2000 to CHF 328 billion at 31 December 2001. This 2% increase was due to CHF 6.2 billion net new money and a CHF 34 billion increase in invested assets from the acquisition of RT Capital (now Brinson Canada) which more than offset negative market performance.

Net new money in 2001 was CHF 6.2 billion, a great improvement from net outflows of CHF 70.8 billion in 2000 and CHF 49.9 billion in 1999, as clients start to recognize the success of our integrated global investment management platform, which delivered strong relative investment performance in both 2001 and 2000.



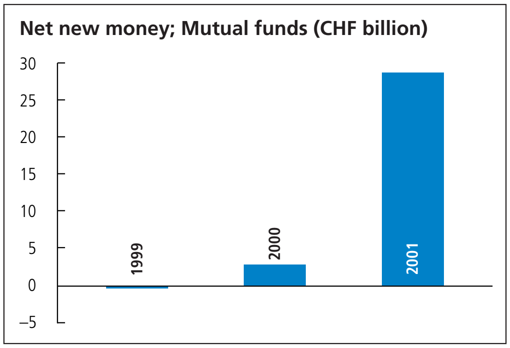


Full year gross margin was 32 basis points, a decrease of 2 basis points from 2000, primarily due to lower performance fees in O'Connor and the addition of the lower margin Brinson Advisors business.

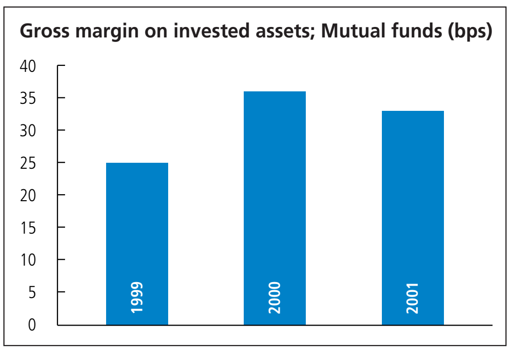
Mutual funds

Mutual funds invested assets increased CHF 25 billion, from CHF 319 billion at 31 December 2000 to CHF 344 billion at 31 December 2001, driven by net new money. Market performance was limited to a negative impact on invested assets of less than 1%.

Net new money of CHF 28.7 billion in 2001,



compared to CHF 2.9 billion in 2000, reflected much better asset gathering performance in both Europe and the Americas, particularly in fixed income mandates.



The gross margin for the year decreased 3 basis points to 33 basis points due to the addition of Brinson Advisors, which has a high proportion of lower margin money market funds, partially offset by the introduction of a new pricing structure for UBS Investment Funds.

Investment capabilities and performance

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, owing much to the benefits of our integrated global investment platform, and our improved ability to share research and knowledge across investment teams worldwide. A slowing global economy, continued declines in equity markets, and the ramifications from the terrorist attacks of 11 September were the predominant developments in 2001.

Our Multi Asset Composite had another impressive year exceeding its benchmark by more than 10% and placing it in the top decile for the last two years. It currently sits ahead of its benchmark for all periods since inception. The Multi Asset Composite has only had one down year in twenty and in the challenging equity market of the last two years returned 12.2% and 3.7%, respectively.

Our Global Equity and US Equity composites also had a strong year in very tough markets. The Global Equity Composite outperformed its benchmark by more than 12%, placing it in the top quartile of peers. Its two-year annualized return compares favorably to its benchmark by more than 13% and by more than 6% for three years. Many of our equity portfolios returned positive absolute gains for the year despite considerable declines in their benchmark indices. For example, our US Equity Large/Intermediate and US Value Equity Composite each gained more than 3%, while their benchmarks had losses of 11% and 5.6%. Both of these composites ranked near the top decile for the year. Nearly all of our major equity composites hold a sizable edge when compared to their benchmarks over two-, three- and five-year periods.

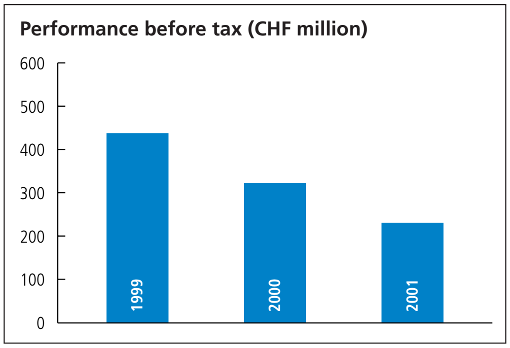
Our fixed income composites also fared well during the year. The UK Fixed Interest portfolio gained 5% and the US Bond Composite posted gains of nearly 9% for the year, both beating their benchmark. In addition, the Emerging Markets Debt Composite returned 11% for the year, placing it well ahead of its benchmark.

Our UK Balanced Composite finished in the top five of its peer group, giving up only 5.8% as the average balanced fund in the UK fell nearly 12% for the year. The UK Balanced Composite currently sits ahead of the CAPS median for one-, three-, five- and ten-year periods.

UBS Investment Funds continued their strong relative investment performance with 70% of all funds outperforming their peer group averages for the year. More specifically, the UBS Strategy Funds performed well as a group, with more than 90% outperforming the peer group for the year. In addition, GAM had a successful year benefiting from a defensive stance on equities, excellent security selection and an allocation to alternative investments.

Results

Pre-tax profit of CHF 231 million in 2001 was 28% lower than 2000. Despite market declines and lower performance fees in the O'Connor business, income increased as a result of the new investment funds pricing structure introduced in 2001, the acquisition of RT Capital (renamed Brinson Canada) and the inclusion of Brinson Advisors. This was more than offset by higher personnel expenses and general and administrative expenses driven by spending on growth initiatives, the integration of Brinson Advisors and the acquisition of Brinson Canada in third quarter.



Operating income

Operating income increased CHF 157 million, or 8%, from 2000 to CHF 2,110 million in 2001, as a result of the inclusion of Brinson Advisors, the new pricing structure introduced this year for investment funds and the acquisition of Brinson Canada. These effects were partially offset by lower performance fees at O'Connor, our alternative investment business, and the effect on asset based revenues of market declines in 2001 and institutional asset outflows in 2000 which led to lower average assets compared to 2000.

Institutional income fell 10% in 2001 compared to 2000, to CHF 1,007 million, while mutual fund revenue increased 32% from 2000 to CHF 1,103 million in 2001.

Operating expenses

Operating expenses increased 15% to CHF 1,879 million in 2001, driven by the addition of Brinson Advisors and Brinson Canada.

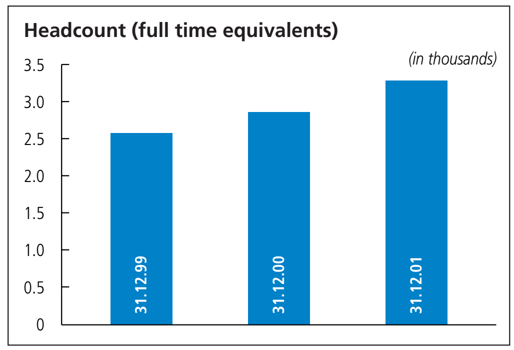
General and administrative expenses increased 28% from CHF 439 million in 2000 to CHF 564 million in 2001, principally reflecting the addition of Brinson Advisors.

Personnel expenses increased 14% from CHF 880 million in 2000 to CHF 1,003 million in 2001, again mostly due to the addition of Brinson Advisors, which more than offset a considerable decline in performance related compensation.

Depreciation decreased 6% from CHF 49 million in 2000 to CHF 46 million in 2001. Amortization of goodwill and other intangible assets increased 1% to CHF 266 million in 2001, reflecting the effect of the acquisition of Brinson Canada.

Headcount

Headcount increased by 421 in 2001, from 2,860 at 31 December 2000 to 3,281 at 31 December 2000, mostly due to the integration of Brinson Advisors and Brinson Canada.



2000

Key performance indicators

The cost/income ratio before goodwill increased to 70% in 2000, from 60% in 1999, principally as a result of the inclusion of O'Connor, Global Asset Management (GAM) and UBS Realty Investors (which generate higher gross margins than the rest of the business, but at higher cost), spending on strategic initiatives to expand global reach, and lower asset-based revenues towards the end of the year.

Institutional

Invested assets at 31 December 2000 include CHF 31 billion invested at Brinson Advisors (formerly Mitchell Hutchins), which was purchased as part of the acquisition of Paine Webber Group, Inc. and subsequently transferred to UBS Asset Management.

Invested assets decreased 12%, or CHF 44 billion, from CHF 367 billion at 31 December 1999 to CHF 323 billion at 31 December 2000, with the majority of the decline due to client losses in the institutional business, particularly in the earlier part of the year.

Net new money for the year saw a net outflow of CHF 70.8 billion. Net new money outflows moderated as the year progressed, as losses of equity mandates continued to decline. Client losses continued to be concentrated primarily within US and to a lesser degree UK mandates, reflecting past investment performance issues.

The gross margin in 2000 was 34 basis points, an increase of 10 basis points over 1999. This rise reflects the contributions from two new higher margin businesses: O'Connor, created in June 2000, and UBS Realty Investors (formerly Allegis), purchased in December 1999.

Mutual funds

Invested assets at 31 December 2000 include CHF 90 billion invested at Brinson Advisors (formerly Mitchell Hutchins), which was purchased as part of the acquisition of Paine Webber Group, Inc., and subsequently transferred to UBS Asset Management.

Invested assets increased 38%, from CHF 231 billion at 31 December 1999 to CHF 319 billion at year end 2000. The addition of Brinson Advisors assets offset a slight underlying decline. This underlying performance was largely a result of negative currency and market movements, partly offset by net new money of CHF 2.9 billion.

The gross margin for the year, at 36 basis points, is significantly higher than the 25 basis points recorded in 1999, principally due to the contribution from GAM.

Investment performance in 2000

The return of global equity markets towards fundamental values was the predominant development during 2000. This trend accelerated during the fourth quarter as the US economy began to slow, and many companies within the Technology, Media and Telecommunications (TMT) sector posted disappointing earnings. Within this challenging environment, strategic positions benefiting from the decline in the TMT sector, the associated drop in equity markets, the under-performance of the very largest capitalization equities, and the year-end turnaround in the euro, helped Institutional Asset Management deliver the best relative annual investment performance in its history.

US equity strategies outperformed benchmarks by wide margins. Global, international and UK equity strategies were also significantly positive. Phillips & Drew was ranked the top-performing pension fund manager in Britain for the year 2000 by Combined Actuarial Performance Services (CAPS), the leading UK performance measurement consultancy. Phillips & Drew's flagship Managed Exempt fund (equities mixed with property) outperformed the average fund manager by more than 10% for the full year. Phillips & Drew's strong performance in 2000 also benefited their balanced fund's three and five year records, moving its ranking up from fourth quartile at the end of 1999 to second quartile at the end of 2000.

Results

Pre-tax profit of CHF 322 million was 26% lower than 1999. Despite asset losses in the core institutional business, operating income increased as a result of the launch of the O'Connor business and the acquisition of Allegis; but this was more than offset by higher performance-related personnel expenses, the additional costs of spending on new business initiatives, chiefly targeted at marketing investment funds outside UBS, and goodwill amortization costs relating to Allegis and GAM.

Operating income

Operating income increased CHF 584 million, or 43%, from CHF 1,369 million in 1999 to CHF 1,953 million in 2000.

Institutional revenue increased CHF 262 million, or 31%, from CHF 857 million in 1999 to CHF 1,119 million in 2000. Despite the decrease in invested assets, operating income increased as a result of the acquisition of Allegis and the creation of the new O'Connor alternative asset management business, partially offset by lost revenue from client losses.

Mutual fund income increased CHF 322 million, or 63%, from CHF 512 million in 1999 to CHF 834 million in 2000, primarily as a result of the GAM acquisition.

Operating expenses

Full year expenses increased by CHF 699 million to CHF 1,631 million.

Personnel expenses increased 71%, or CHF 364 million, from CHF 516 million in 1999 to CHF 880 million in 2000 and General and administrative expenses increased 62%, or CHF 168 million, over 1999 to CHF 439 million in 2000. Both categories of expense increased as a result of the acquisitions of GAM and Allegis, the addition of the new O'Connor business and investments in distribution initiatives.

Depreciation and amortization expense increased CHF 167 million, or 115%, from CHF 145 million in 1999 to CHF 312 million in 2000, principally due to the goodwill amortization resulting from the acquisitions of Allegis and GAM.

Headcount

Headcount increased 11% from 2,576 at 31 December 1999 to 2,860 at 31 December 2000, primarily as a result of an increase of staff to support mutual funds distribution initiatives and the creation of the new O'Connor business in June 2000.

UBS Warburg

Markus Granziol
Chairman UBS Warburg

John Costas
CEO UBS Warburg

Joseph J. Grano
Chairman and CEO, UBS PaineWebber

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

Markus Granziol

Business Group Reporting

CHF million, except where indicated For the year ended	31.12.01	31.12.00[1]	31.12.99[1]	% change from 31.12.00
Income[2]	**21,349**	19,590	13,118	9
Credit loss expense[3]	**(130)**	(246)	(333)	(47)
Total operating income	**21,219**	19,344	12,785	10
Personnel expenses	**13,515**	10,618	7,087	27
General and administrative expenses	**4,260**	3,196	2,538	33
Depreciation	**580**	606	644	(4)
Amortization of goodwill and other intangible assets[2]	**991**	290	139	242
Total operating expenses	**19,346**	14,710	10,408	32
Business Group performance before tax	**1,873**	4,634	2,377	(60)
Business Group performance before tax and goodwill[6]	**2,864**	4,924	2,516	(42)
Additional information				
Regulatory equity used (average)	**26,200**	24,850	10,590	5
Cost / income ratio (%)[7]	**91**	75	79	
Cost / income ratio before goodwill (%)[6, 7]	**86**	74	78	

Business Group Reporting Adjusted for Significant Financial Events

CHF million, except where indicated				% change from
For the year ended	**31.12.01**	31.12.00[1]	31.12.99[1]	31.12.00
Income[2]	**21,349**	19,590	12,918[4]	9
Credit loss expense[3]	**(130)**	(246)	(333)	(47)
Total operating income	**21,219**	19,344	12,585	10
Personnel expenses	**13,515**	10,532[5]	7,087	28
General and administrative expenses	**4,260**	3,183[5]	2,538	34
Depreciation	**580**	599[5]	644	(3)
Amortization of goodwill and other intangible assets[2]	**991**	290	139	242
Total operating expenses	**19,346**	14,604	10,408	32
Business Group performance before tax	**1,873**	4,740	2,177	(60)
Business Group performance before tax and goodwill[6]	**2,864**	5,030	2,316	(43)
Additional information				
Cost / income ratio (%)[7]	**91**	75	81	
Cost / income ratio before goodwill (%)[6, 7]	**86**	73	79	

[1] The 2000 and 1999 figures have been restated to reflect the restructuring of the Group on 1 January 2001. [2] Goodwill funding costs of CHF 763 million (2000: CHF 132 million) and amortization of goodwill and other intangible assets of CHF 846 million (2000: CHF 138 million) in respect of the PaineWebber acquisition are included in UBS Warburg results but are not reflected in any of its individual business units. [3] In management accounts, statistically derived adjusted expected loss rather than the net IAS actual credit loss is reported in the business units (see Note 2 of the Financial Statements). [4] Excludes Significant Financial Events: Income, CHF 200 million for the sale of the international Global Trade Finance business. [5] Excludes Significant Financial Events: Personnel expenses, CHF 86 million, General and administrative expenses, CHF 13 million and Depreciation, CHF 7 million, for the PaineWebber integration. [6] Excludes the amortization of goodwill and other intangible assets. [7] Operating expenses / operating income before credit loss expense.

Goodwill costs

UBS Warburg's Business Group operating expenses for 2001 include CHF 846 million (2000: CHF 138 million) of amortization of goodwill and intangible assets and CHF 763 million (2000: CHF 132 million) of goodwill funding costs which result from the merger with PaineWebber on 3 November 2000. These costs are recorded at the Business Group level, but are not allocated to the individual business units.

In particular, the results of the Private Clients business unit, which includes the former PaineWebber private client businesses, do not reflect amortization or funding costs relating to the merger.

Corporate and Institutional Clients

Business Unit Reporting

CHF million, except where indicated For the year ended	31.12.01	31.12.00	31.12.99	% change from 31.12.00
Corporate Finance	**2,544**	2,701	2,054	(6)
Equities	**6,655**	10,429	5,724	(36)
Fixed income and foreign exchange	**6,536**	4,622	4,269	41
Non-core business	**276**	281	482[1]	(2)
Income	**16,011**	18,033	12,529	(11)
Credit loss expense[2]	**(112)**	(243)	(330)	(54)
Total operating income	**15,899**	17,790	12,199	(11)
Personnel expenses[3]	**8,339**	9,284[4]	6,861	(10)
General and administrative expenses	**2,705**	2,779[4]	2,429	(3)
Depreciation	**454**	555[4]	629	(18)
Amortization of goodwill and other intangible assets	**145**	149	134	(3)
Total operating expenses	**11,643**	12,767	10,053	(9)
Business unit performance before tax	**4,256**	5,023	2,146	(15)
Business unit performance before tax and goodwill[5]	**4,401**	5,172	2,280	(15)
KPI's				
Compensation ratio (%)[6]	**52**	51	55	
Cost / income ratio (%)[7]	**73**	71	80	
Cost / income ratio before goodwill (%)[5, 7]	**72**	70	79	
Non-performing loans / gross loans outstanding (%)	**2.6**	2.8	1.6	
Impaired loans / gross loans outstanding (%)	**5.4**	5.6	3.4	
Average VaR (10-day 99%)	**252**	242	213	4

Additional information As at	31.12.01	31.12.00	31.12.99	% change from 31.12.00
Client assets (CHF billion)	**108**			
Regulatory equity used (average)	**9,900**	10,000	10,050	(1)
Headcount (full time equivalents)	**15,562**	15,262	12,694	2

[1] Excludes Significant Financial Events: Income, CHF 200 million for the sale of the international Global Trade Finance business. [2] In management accounts, statistically derived adjusted expected loss rather than the net IAS actual credit loss is reported in the business units (see Note 2 of the Financial Statements). [3] Includes retention payments in respect of the PaineWebber acquisition. 2001: CHF 46 million. 2000: CHF 11 million. [4] Excludes Significant Financial Events: Personnel expenses, CHF 86 million, General and administrative expenses, CHF 13 million and Depreciation, CHF 7 million, for the PaineWebber integration. [5] Excludes the amortization of goodwill and other intangible assets. [6] Personnel expenses / operating income before credit loss expense. [7] Operating expenses / operating income before credit loss expense.

Components of Operating Income

The Corporate and Institutional Clients unit generates operating income from:
– commissions on agency transactions and spreads or markups on principal transactions;
– fees from debt and equity capital markets transactions, leveraged finance, and the structuring of derivatives and complex transactions;
– mergers and acquisitions and other advisory fees;
– interest income on principal transactions and from the loan portfolio; and
– gains and losses on market making, proprietary, and arbitrage positions.

As a result, Corporate and Institutional Clients' operating income is affected by movements in market conditions, interest rate swings, the level of trading activity in primary and secondary markets and the extent of merger and acquisition activity. These and other factors have had, and may in the future have, a significant impact on results of operations from year to year.

Significant financial events

PaineWebber integration costs were treated as a significant financial event in 2000, and are not reflected in the figures shown in the table. The amounts involved were: personnel expenses CHF 86 million, general and administrative expenses CHF 13 million and depreciation CHF 7 million.

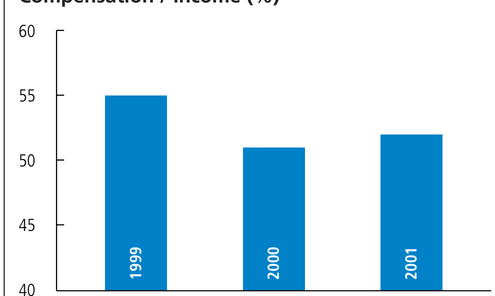
In addition, a CHF 200 million gain on the sale of UBS's international Global Trade Finance business in 1999 was treated as a significant financial event and is not reflected in the operating income shown in the table.

There were no significant financial events that affected this business unit in 2001.

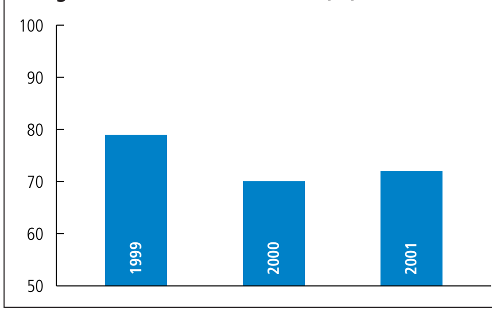
2001

Key performance indicators

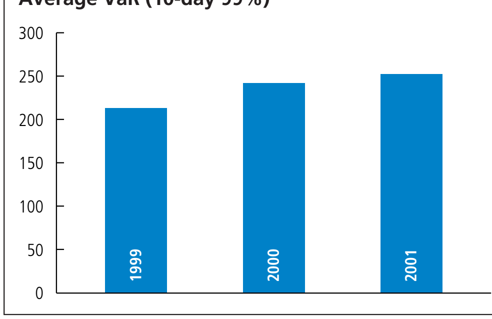
UBS Warburg measures its expense base primarily in terms of percentage of revenues, looking at both personnel costs and non-personnel costs on this basis.



We continue to maintain a tight focus on cost management in light of the current operating environment, and achieved a pre-goodwill cost/income ratio of 72% in 2001, up slightly from 70% in 2000, as a result of the reduced revenues in difficult market conditions. The ratio of personnel costs to income was 52% in 2001, only a slight increase on the 51% recorded in 2000, and favorably comparable with our peer group.

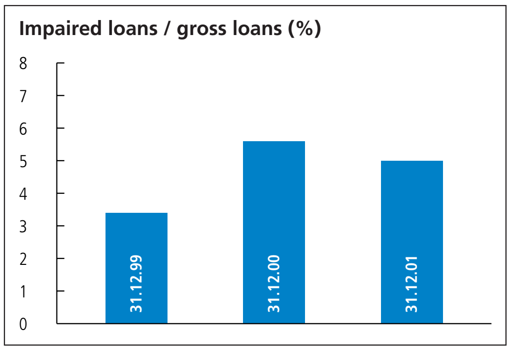


Average Value at Risk (VaR) for Corporate and Institutional Clients increased only slightly from CHF 242 million in 2000 to CHF 252 million in 2001 and, in general, market risk exposures have stayed within the normal ranges. There was, however, a short term but significant increase in VaR in December 2001 resulting from sizeable client-driven equity transactions. The need for a temporary increase in limits was anticipated and pre-approved by the Group



Executive Board. The trades were successfully executed and the risk reduced to normal levels.

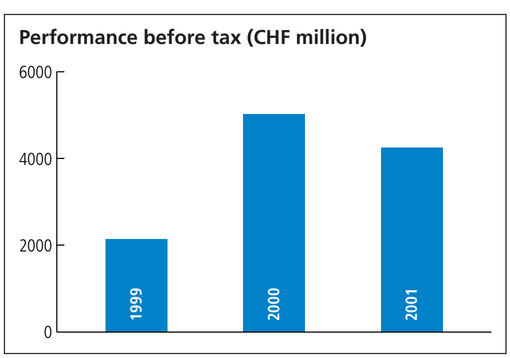
Total loans decreased by 17% from CHF 73.8 billion at 31 December 2000 to CHF 61.2 billion at 31 December 2001, due to a reduction in Japanese government exposures, and repayments from European multinationals, reflecting the continued reduction of our commercial lending risk profile.



Continued successful recovery efforts led the ratio of impaired loans to total loans to fall from 5.6% at 31 December 2000 to 5.4% at the end of 2001. The non-performing loans to total loans ratio declined from 2.8% to 2.6% over the same period.

Results

We recorded a strong performance in 2001, relative to the much weaker markets this year. Pre-tax profit in 2001 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.

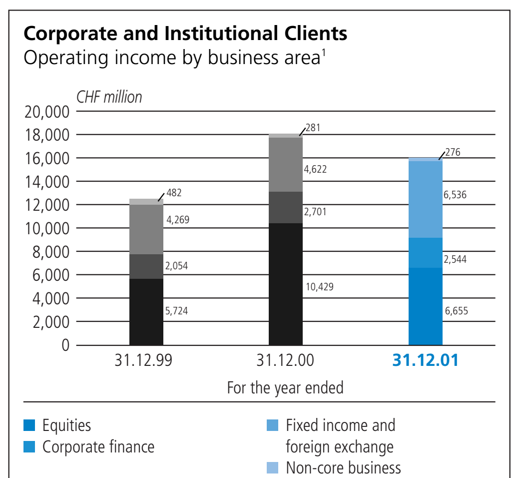


Operating income

Operating income of CHF 15,899 million in 2001 was 11% lower than in 2000.

Corporate finance revenues were CHF 2,544 million in 2001, 6% lower than in 2000, as our improved share of fees this year was more than offset by the general contraction experienced in corporate finance in 2001.

Equities revenues for 2001 were also lower than in 2000, down 36% from CHF 10,429 million to CHF 6,655 million in 2000. This decline principally reflects reduced trading revenues, driven by the lack of mergers and acquisitions activity and increased volatility, together with a cautious approach to risk in difficult market conditions. Commission revenues have been broadly consistent with levels in 2000, reflecting the breadth and depth of our client franchise.



[1] Before credit loss expense.

Fixed income and foreign exchange performed very strongly in 2001, with revenues up 41% from 2000, at CHF 6,536 million. This reflects the effect of interest rate reductions during the year, which led to increased issuance and higher volatility, and the inclusion of businesses taken over from PaineWebber.

Non core revenues in 2001 were 2% lower than in 2000, at CHF 276 million.

Operating expenses

Personnel expenses declined 10%, from CHF 9,284 million in 2000 to CHF 8,339 million in 2001, driven by reductions in incentive compensation in line with labor market conditions and full year results.

General and administrative expenses in 2001 were 3% lower than in 2000, at CHF 2,705 million, reflecting the impact of cost control measures put in place during 2001. (Fourth quarter 2001 general and administrative expenses were 25% lower than in fourth quarter 2000.)

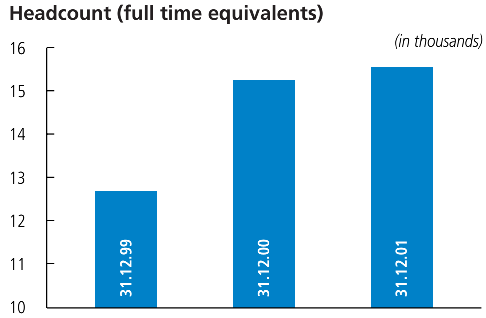
Depreciation fell 18% from 2000 to CHF 454 million in 2001, driven by reductions in IT expenditure as a result of cost control initiatives.

Amortization of goodwill and other intangibles was almost unchanged at CHF 145 million in 2001, just CHF 4 million lower than in 2000.

Headcount

Headcount at 31 December 2001 remained little changed, at 15,562 compared to 15,262 at the end of 2000. We have not engaged in widespread headcount reductions that might have long-term detrimental impact on our client franchises, but are upgrading staff quality in selected areas.

Headcount (full time equivalents)



2000

The results for Corporate and Institutional Clients include the costs and revenues for November and December 2000 of the former PaineWebber capital markets businesses, which were integrated into this business unit from the completion of the merger on 3 November 2000.

Key performance indicators

Continued strong revenue performance in 2000 and active cost management led to a pre-goodwill cost / income ratio of 70%, down from 79% in the previous year, representing the result of significant cost management efforts on both personnel and non-personnel expenses.

Corporate and Institutional Clients' ratio of personnel cost to income fell to 51% in 2000, from 55% in 1999. UBS Warburg continues to invest in top quality professionals to help expand its capabilities and client reach and aims to compensate its employees at similar levels to its global competitors.

Changes in non-personnel costs are less directly related to changes in income than personnel costs. As a percentage of income, non-personnel costs decreased to 19% in 2000, from 25% in 1999. Improvements in overall cost management were offset by increased expenditure on technology and professional fees and the incremental costs of the PaineWebber capital markets business.

Corporate and Institutional Clients' non-performing loans rose CHF 905 million, or 78%, from CHF 1,163 million at 31 December 1999 to CHF 2,068 million at 31 December 2000, reflecting the weaker credit environment in the US. At the same time, the gross loans outstanding rose from CHF 72,717 million at 31 December 1999 to CHF 73,761 million at 31 December 2000. As a result, the ratio of non-performing loans to total loans increased to 2.8% at the end of 2000 from 1.6% at the end of 1999.

Market risk utilization, as measured by average VaR, continued to remain well within the limit of CHF 450 million, although increasing from an average of CHF 213 million in 1999 to an average of CHF 242 million in 2000, reflecting the exceptional trading opportunities in the early part of 2000.

Results

UBS Warburg's Corporate and Institutional Clients business unit delivered record financial results in 2000, with each quarter performing significantly above the levels in the comparable quarter of 1999. Pre-tax profit of CHF 5,023 million was more than double the CHF 2,146 million achieved in 1999, itself a good year.

Operating income

Corporate and Institutional Clients generated revenues of CHF 18,033 million in 2000, an increase of 44% over 1999.

Equities revenues during 2000 were CHF 10,429 million, or 82% higher than 1999's revenues of CHF 5,724 million reflecting the strength of UBS Warburg's global client franchise and increased market share in significantly stronger secondary markets, and strong market-making and trading revenues. UBS Warburg's secondary equity sales business continues to be ranked as one of the global leaders, and the leading non-US equities house.

Fixed Income and Foreign Exchange experienced a strong 2000, driven by active fixed income markets, significant principal finance activity and a good performance by the government bond and derivatives business, contributing to overall revenues for the year 2000 of CHF 4,622 million, an improvement of 8%, or CHF 353 million over 1999's revenues of CHF 4,269 million. Revenues for 1999 also included revenues relating to exchange-traded derivatives and alternative asset management, which were transferred to the Equities business area in 2000.

Market conditions for mergers and acquisitions, advisory work and primary underwriting continued to be strong, driving *Corporate Finance's* excellent performance. UBS Warburg's corporate client franchise continued to develop, with strong performance in critical sectors in 2000, particularly Telecommunications and Consumer Goods. Productivity per head also increased in comparison to prior years. Overall, 2000 was a year of very strong growth in this area for UBS Warburg, with revenues of CHF 2,701 million, 31% ahead of 1999.

The Corporate Finance business area within Corporate and Institutional Clients provides both advisory services and financing services. Financing services include both equity and fixed-income offerings undertaken in cooperation with the Equities and Fixed income business areas. Accordingly, a portion of operating income associated with these services is allocated to those areas.

Non core income

In October and November 1998, UBS's Board of Directors mandated and undertook a review of UBS's risk profile and risk management and of UBS's control processes and procedures. Corporate and Institutional Clients used the review to define its core and non-core business areas, and decided to wind down over time the identified non-core businesses, and the associated loan portfolio. In 2000, non-core revenues fell 42% compared to 1999, to CHF 281 million.

UBS's non-core loan portfolio decreased approximately CHF 65 billion, or 61%, from approximately CHF 106 billion as of 31 December 1998 to CHF 41 billion as of 31 December 1999. It has further reduced since, to CHF 23 billion at 31 December 2000 and CHF 10 billion at 31 December 2001.

Operating expenses

Corporate and Institutional Clients continues to carefully manage its cost base, with the pre-goodwill cost/income ratio remaining well below 1999 levels at 70%. Personnel expenses increased 35% from 1999, to CHF 9,284 million, reflecting increased headcount and growth in performance-related compensation in line with the excellent results. Personnel expenses include CHF 11 million of retention payments made to former PaineWebber staff.

General and administrative expenses increased 14% compared to 1999, as a result of increased expenditure on technology outsourcing, professional fees and the incremental costs of the PaineWebber capital markets business.

Overall costs grew at a significantly slower rate than revenues, delivering continued strong pre-tax profit growth.

Headcount

Corporate and Institutional Clients headcount rose 20% during the year, to 15,262, mainly due to business growth in the Corporate Finance and Equities areas, including the impact of the integration of 1,628 staff from the PaineWebber capital markets businesses.

UBS Capital

Business Unit Reporting

CHF million, except where indicated For the year ended	31.12.01	31.12.00	31.12.99	% change from 31.12.00
Total operating income / (loss)	**(868)**	368	315	
Personnel expenses	**96**	142	105	(32)
General and administrative expenses	**66**	49	46	35
Depreciation	**2**	2	2	0
Amortization of goodwill and other intangible assets	**0**	2	5	(100)
Total operating expenses	**164**	195	158	(16)
Business unit performance before tax	**(1,032)**	173	157	
Business unit performance before tax and goodwill [1]	**(1,032)**	175	162	
KPI's				
Value creation (CHF billion)	**(1.4)**	0.6	0.6	

As at	31.12.01	31.12.00	31.12.99	% change from 31.12.00
Investment (CHF billion) [2]	**5.0**	5.5	3.0	(9)
Additional information				
Portfolio fair value (CHF billion)	**5.6**	6.9	4.2	(19)
Invested assets (CHF billion)	**1**	1		0
Regulatory equity used (average)	**800**	600	340	33
Headcount (full time equivalents)	**128**	129	116	(1)

[1] Excludes the amortization of goodwill and other intangible assets. [2] Historic cost of investments made, less divestments and permanent impairments.

Components of Operating Income

UBS Capital's primary source of operating income is capital gains from the disposal or sale of its investments, which are recorded at the time of ultimate divestment. As a result, appreciation in fair market value is recognized as operating income only at the time of sale. The level of annual operating income from UBS Capital is directly affected by the level of investment disposals that take place during the year. Similarly, depreciation in fair market value is only recognized against operating income if an investment becomes permanently impaired and has to be written-down. Write-downs of the value of its investments can negatively affect UBS Capital's operating income.

Significant financial events

There were no significant financial events that affected this business unit in 2001, 2000 or 1999.

2001

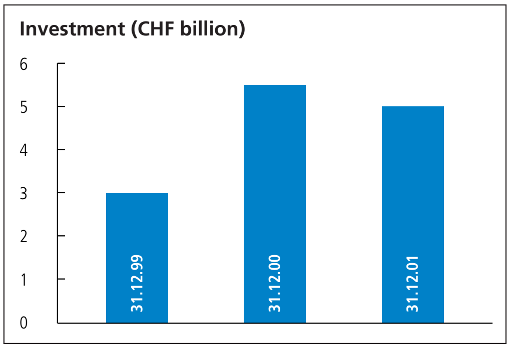
Full year results for UBS Capital reflect the very challenging market in 2001, with few opportunities for divestments, and write-downs of several investments as a result of the problems caused for some of our investee companies by the deteriorating economic conditions. Pre-tax losses for 2001 of CHF 1,032 million, compared to pre-tax profits of CHF 173 million in 2000.

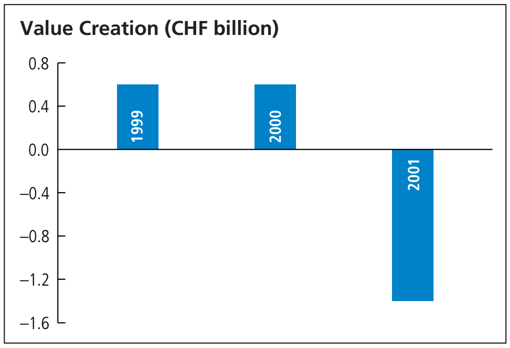
Following a strategic review of the business, UBS will in future be focused on private equity asset management, with a restricted level of direct investments through UBS Capital, limited to those sectors and regions with a strong performance track record. We expect results in 2002 to show continued volatility,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

Key performance indicators

UBS Capital's private equity investments have decreased to CHF 5.0 billion at 31 December 2001, from CHF 5.5 billion at the end of 2000, with the decline due to write-downs on the book value of investments, as well as a small number of divestments during the year, which more than offset the draw-down of previously committed investments and the small level of other new investments during the year.

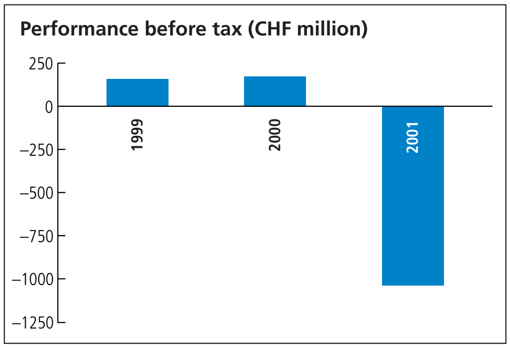
The fair value of the portfolio at the end of December 2001 was CHF 5.6 billion, down 19% from CHF 6.9 billion at 31 December 2000. The fair value included net unrealized gains of CHF 0.6 billion. Value reduction during 2001, was CHF 1.4 billion, compared to value creation of CHF 0.6 billion in 2000.





Results

UBS Capital recorded an operating loss of CHF 868 million in 2001, compared to income of CHF 368 million in 2000. Challenging markets and the continued slow-down in corporate activity meant that there were few opportunities for significant divestments in 2001, while weak economic conditions led to deteriorating valuations across a range of industry sectors resulting in a high level of write-downs of investments in the portfolio.



Personnel expenses were CHF 96 million in 2001, down from CHF 142 million in 2000, reflecting lower incentive compensation which is driven by realized gains on divestments.

General and administrative expenses were CHF 66 million, up from CHF 49 million in 2000 due principally to professional fees relating to our strategic review of the business.

2000

Key performance indicators

The book value of UBS Capital's private equity investments grew from CHF 3.0 billion at the end of 1999 to CHF 5.5 billion at 31 December 2000. New investments of CHF 2.1 billion were made during the full year, including new shareholdings across a diverse range of sectors. In addition, CHF 0.8 billion of investments made by PaineWebber were added to UBS Capital's private equity portfolio in December 2000. The portfolio value was reduced by certain write-downs in investments in second and fourth quarters 2000.

Until the introduction in 2001 of IAS 39, UBS Capital accounted for its private equity investments at cost less permanent impairments. Our regular portfolio review and valuation at 31 December 2000 resulted in an approximate current fair value of CHF 6.9 billion, compared to CHF 4.2 billion at 31 December 1999. This equated to unrealized gains of approximately CHF 1.4 billion at 31 December 2000, compared to CHF 1.2 billion at year-end 1999. The value creation during the year 2000, including realized gains since 1 January 2000, and the increase in the portfolio's unrealized gains, was approximately CHF 0.6 billion.

Results

In 2000, net profit was CHF 173 million, up CHF 16 million or 10% from CHF 157 million in 1999.

Operating income

Operating income increased 17% to CHF 368 million in 2000, from CHF 315 million in 1999. This reflects the realized gains from sales of investments in the year, partially offset by write-downs of the value of several under-performing companies in different sectors of the portfolio.

Operating expenses

Personnel, general and administrative expenses were CHF 191 million in 2000, an increase from the previous year of CHF 40 million, or 26%, driven mainly by bonus expenses. Bonuses are accrued when an investment is successfully exited, so personnel expenses move in line with successful divestments.

Private Clients

Business Unit Reporting

CHF million, except where indicated For the year ended	31.12.01[2]	31.12.00[1, 2]	31.12.99[1]	% change from 31.12.00
Income	6,969	1,321	74	428
Credit loss expense[3]	(18)	(3)	(3)	500
Total operating income	6,951	1,318	71	427
Personnel expenses[4]	5,080	1,106	121	359
General and administrative expenses	1,489	355	63	319
Depreciation	124	42	13	195
Amortization of goodwill and other intangible assets	0	1	0	(100)
Total operating expenses	6,693	1,504	197	345
Business unit performance before tax	258	(186)	(126)	
Business unit performance before tax and goodwill[5]	258	(185)	(126)	
KPI's				
Invested assets (CHF billion)	782	773	25[6]	1
Net new money (CHF billion)[7]	36.0	15.2[6]	2.0[6]	
Gross margin on invested assets (bps)[8]	90	72	35	25
Cost / income ratio (%)[9]	96	114	266	
Cost / income ratio before goodwill (%)[5, 9]	96	114	266	
Cost / income ratio before goodwill and retention payments (%)[5, 9]	90	105		
Recurring fees[10]	2,277	430		430
Financial advisors (full time equivalents)	8,870	8,871		0

Additional information As at	31.12.01	31.12.00	31.12.99	% change from 31.12.00
Client assets (CHF billion)	854			
Regulatory equity used (average)	1,750	2,750	200	(36)
Headcount (full time equivalents)	20,678	21,814	581	(5)

[1] The 2000 and 1999 figures have been restated to reflect the restructuring of the Group on 1 January 2001. [2] Private Clients results include PaineWebber for 2001 and for 2000 from the date of acquisition, 3 November 2000. [3] In management accounts, statistically derived adjusted expected loss rather than the net IAS actual credit loss is reported in the business units (see Note 2 of the Financial Statements). [4] Includes retention payments in respect of the PaineWebber acquisition. 2001: CHF 436 million. 2000: CHF 117 million. [5] Excludes the amortization of goodwill and other intangible assets. [6] Calculated using the former definition of assets under management. [7] Excludes interest and dividend income. [8] Income / average invested assets. [9] Operating expenses / operating income before credit loss expense. [10] Asset based and advisory revenues including fees from mutual funds, wrap fee products and insurance products.

Components of Operating Income

The Private Clients business unit principally derives its operating income from:
- fees for financial planning and wealth management services;
- fees for discretionary management services; and
- transaction-related fees.

These fees are based on the market value of invested assets and the level of transaction-related activity. As a result, operating income is affected by such factors as fluctuations in invested assets, changes in market conditions, investment performance and inflows and outflows of client funds.

Significant financial events

There were no significant financial events that affected this business unit in 2001, 2000 or 1999.

PaineWebber

The Private Clients business unit primarily consists of UBS PaineWebber, the fourth largest private client business in the US, which became part of UBS following the merger between UBS and Paine Webber Group, Inc., which was completed on 3 November 2000.

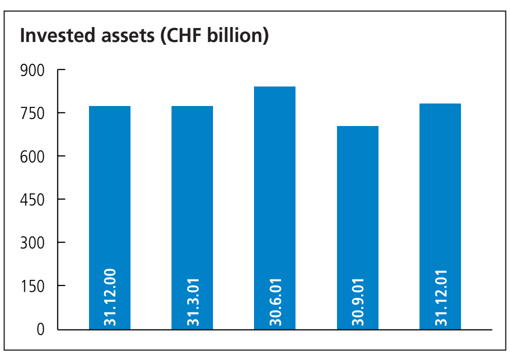
The merger was accounted for using purchase accounting, so the results shown for Private Clients for 2000 reflect the inclusion of the PaineWebber businesses only for the period from 3 November 2000 until 31 December 2000. Results for 1999 do not include any contribution from UBS PaineWebber, while results for 2001 reflect a full year's contribution.

2001

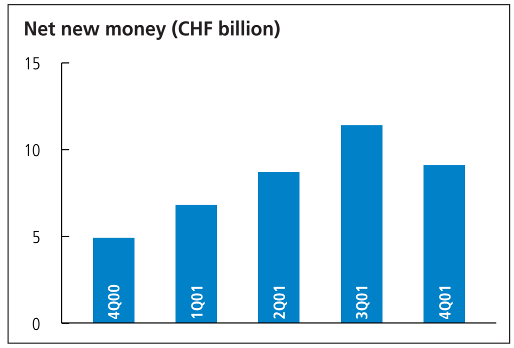
Comparisons of full year results reflect the very different scale of the UBS Warburg Private Clients business prior to the acquisition of PaineWebber in November 2000.

Key performance indicators

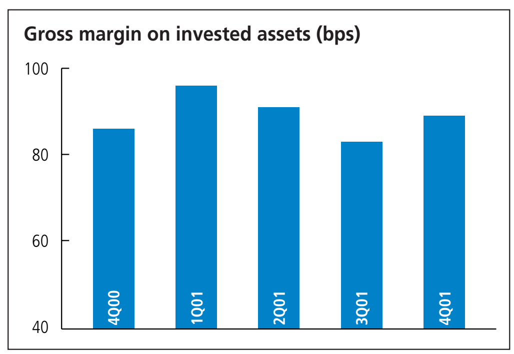
At the end of 2001, Private Clients had CHF 782 billion of invested assets, compared to CHF 773 billion at 31 December 2000, a change of 1%, with negative market performance during the year more than offset by strong net new money flows.



Net new money for the year was CHF 36.0 billion, compared to CHF 15.2 billion in 2000, more than half of which was earned in the last quarter of 2000 after the integration of PaineWebber. Private Clients' ability to continue to generate high levels of net new money despite the uncertain markets in 2001 reflects the strength of its client franchise amongst high net worth individuals in the US.



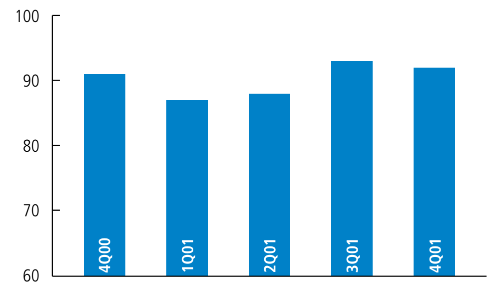
Gross Margin on invested assets increased to 90 basis points, from 72 basis points in 2000, reflecting the addition of UBS PaineWebber. Gross margin in the pre-existing business for the 9 months to 30 September 2000, before the addition of UBS PaineWebber was 36 basis points. The gross margin fell slightly during 2001, reflecting the effect of uncertain markets on transaction volumes.



The cost / income ratio before goodwill and retention payments was 90% in 2001 compared to 105% in 2000. Until the addition of UBS PaineWebber, the pre-existing business was loss making, reflecting the relatively early stage of its business development. Cost control has remained a strong focus during the year, with the cost income ratio in fourth quarter 2001 only one percentage point higher than in fourth quarter 2000.

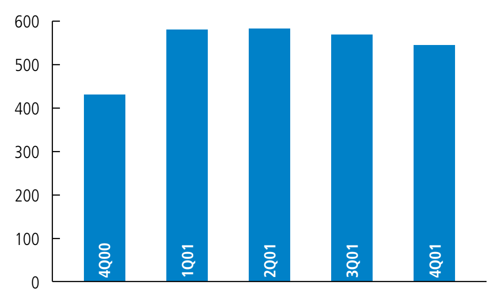
Recurring fees were CHF 2,277 million in 2001. This metric was not tracked prior to the

Pre-goodwill cost / income ratio before retention (%)



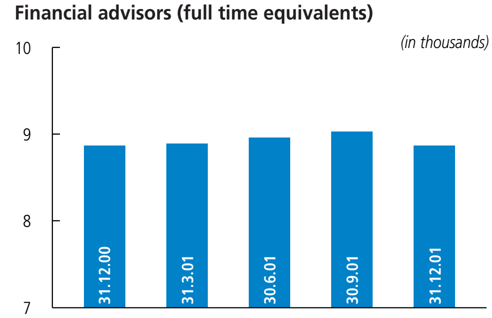
integration of UBS PaineWebber in November 2000. During 2001, recurring fees declined 6% to CHF 545 million in fourth quarter 2001 compared to CHF 580 in first quarter 2001, due to the effects of market depreciation on client assets – recurring fees are priced based on the asset level at the end of the prior quarter.

Recurring fees (CHF million)



At the end of December 2001, Private Clients had 8,870 financial advisors, unchanged from a year before. Although we have continued to recruit and train new financial advisors during the year, the difficult market conditions have led to higher turnover amongst the least productive advisors.

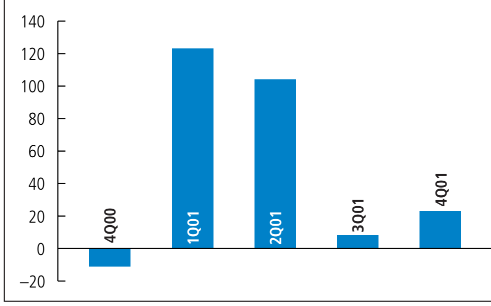
Financial advisors (full time equivalents)



Results

Pre-tax profits 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 leading to much lower transaction volumes. In 2000, Private Clients incurred a loss of CHF 186 million.

Performance before tax (CHF million)



Operating income

Operating income for the year was CHF 6,951 million, compared to CHF 1,318 million in 2000. Revenues were resilient during 2001, declining just 11% from first quarter to fourth quarter, despite recession and market uncertainty in the US.

Operating expenses

Total operating expenses were CHF 6,693 million in 2001 compared to CHF 1,504 million in 2000, reflecting the addition of UBS PaineWebber.

Private Clients implemented a number of cost control initiatives during the year, aimed at reducing discretionary expenditure and support costs, while protecting the business's ability to serve its clients to the highest standards.

Personnel expenses were CHF 5,080 million in 2001, compared to CHF 1,106 million in 2000, reflecting the completely different scale of the business. Expenses in 2001 included CHF 436 million of retention payments for key UBS PaineWebber staff, compared to CHF 117 million in 2000. Through 2001 personnel expenses reduced, from CHF 1,311 million in first quarter to CHF 1,216 million in fourth quarter, reflecting lower performance related and variable compensation and a reduction of support headcount.

General and administrative expenses were CHF 1,489 million in 2001, compared to CHF

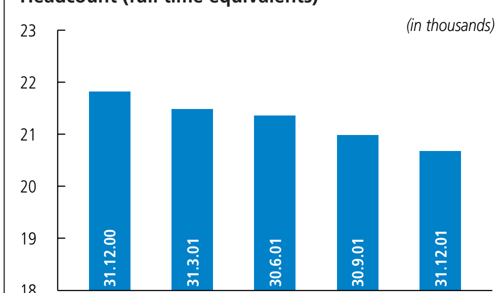
355 million in 2000, reflecting the addition of UBS PaineWebber. Cost control efforts drove expenses down during 2001, with fourth quarter general and administrative expenses 4% lower than in first quarter.

Depreciation expenses were CHF 124 million in 2001, compared to CHF 42 million in 2000, reflecting the addition of UBS PaineWebber.

Headcount

Headcount decreased 5% during the year from 21,814 at 31 December 2000 to 20,678 at 31 December 2001. We continue to monitor market conditions, but prudent cost control in previous years means that we have not needed to make franchise threatening cuts to our headcount. Financial advisor headcount is almost unchanged over the year, but we continue to implement efficiency measures to help manage support headcount downwards.

Headcount (full time equivalents)



2000

Results for 2000 reflect the inclusion of UBS PaineWebber only for the period from the merger, on 3 November 2000, until 31 December 2000.

Key performance indicators

At 31 December 2000, Private Clients had CHF 773 billion of invested assets.

Net new money for the year was significant, at CHF 15.2 billion. Private Clients' asset gathering continued successfully after the merger, with net new money flows averaging CHF 202.3 million per day in November and December 2000, and totaling CHF 8.3 billion between the merger and the end of the quarter. This compared very favorably to the average pre-merger rate in the third quarter of 2000 of CHF 172.5 million per day, despite the effects of the holiday season.

Results

Private Clients recorded a net loss for 2000 of CHF 186 million, compared to a net loss in 1999 of CHF 126 million. Adjusting for the addition of UBS PaineWebber, the previously existing businesses made a loss of CHF 167 million in 2000, partly due to restructuring costs incurred in first quarter 2000.

Operating income

Operating income was CHF 1,318 million in 2000, an increase of CHF 1,247 million from the CHF 71 million achieved in 1999. This change was mainly due to CHF 1,225 million income of UBS PaineWebber in November and December 2000.

Operating expenses

Operating expenses were CHF 1,504 million in 2000, up from CHF 197 in 1999 including CHF 1,244 million at UBS PaineWebber in November and December.

Personnel expenses in 2000 were CHF 1,106 million, an increase of CHF 985 million from 1999. CHF 955 million of this increase resulted from UBS PaineWebber, and included CHF 117 million of retention payments to staff under the terms of the PaineWebber merger agreement.

General and administrative expenses in 2000 were CHF 355 million, an increase of CHF 292 million from 1999, including CHF 258 million from UBS PaineWebber.

Headcount

Total headcount at 31 December 2000 was 21,814, up from 581 at 31 December 1999, with the vast majority of the change due to the addition of UBS PaineWebber.

Corporate Center

Business Group Reporting

CHF million, except where indicated				% change from
For the year ended	**31.12.01**	31.12.00	31.12.99	31.12.00
Income	**678**	358	2,010	89
Credit loss recovery [1]	**236**	1,161	448	(80)
Total operating income	**914**	1,519	2,458	(40)
Personnel expenses	**546**	522	92	5
General and administrative expenses	**207**	431	839	(52)
Depreciation	**372**	320	366	16
Amortization of goodwill and other intangible assets	**25**	44	50	(43)
Total operating expenses	**1,150**	1,317	1,347	(13)
Business Group performance before tax	**(236)**	202	1,111	
Business Group performance before tax and goodwill [2]	**(211)**	246	1,161	

Additional information				% change from
As at	**31.12.01**	31.12.00	31.12.99	31.12.00
Regulatory equity used (average)	**6,200**	8,450	7,850	(27)
Headcount (full time equivalents)	**1,132**	986	862	15

Business Group Reporting Adjusted for Significant Financial Events[3]

CHF million, except where indicated				% change from
For the year ended	**31.12.01**	31.12.00	31.12.99	31.12.00
Income	**678**	358	372	89
Credit loss recovery [1]	**236**	1,161	448	(80)
Total operating income	**914**	1,519	820	(40)
Personnel expenses	**546**	490	548	11
General and administrative expenses	**207**	281	385	(26)
Depreciation	**372**	320	366	16
Amortization of goodwill and other intangible assets	**25**	44	50	(43)
Total operating expenses	**1,150**	1,135	1,349	1
Business Group performance before tax	**(236)**	384	(529)	
Business Group performance before tax and goodwill [2]	**(211)**	428	(479)	

[1] In order to show the relevant Business Group performance over time, adjusted expected loss figures rather than the net IAS actual credit loss expenses are reported for all business units. The statistically derived adjusted expected losses reflect the inherent counterparty and country risks in the respective portfolios. The difference between the statistically derived adjusted expected loss figures and the net IAS actual credit loss expenses recorded at Group level is reported in the Corporate Center (see Note 2 to the Financial Statements). [2] Excludes the amortization of goodwill and other intangible assets. [3] Excludes Significant Financial Events: Income, year ended 31 December 1999, CHF 38 million from the Long Term Capital Management (LTCM) fund, CHF 1,490 million for the sale of our 25% stake in Swiss Life / Rentenanstalt and CHF 110 million for the sale of Julius Baer registered shares. Personnel expenses, year ended 31 December 2000, CHF 32 million for the PaineWebber integration. General and administrative expenses, year ended 31 December 2000, CHF 150 million net additional provision relating to the US Global Settlement. Personnel expenses, year ended 31 December 1999, CHF 456 million for the Pension Fund Accounting Credit. General and administrative expenses, year ended 31 December 1999, CHF 300 million for the UBS / SBC Restructuring Provision and CHF 154 million for the increase in the provision for the US Global Settlement.

Significant financial events

There were no significant financial events in Corporate Center in 2001.

Significant financial events booked in Corporate Center in 2000 and 1999 were:

- Personnel expenses of CHF 32 million relating to the integration of PaineWebber into UBS in 2000.
- Costs of CHF 154 million in 1999 and CHF 150 million in 2000 in General and administrative expenses in connection with the US Global Settlement of World War II related claims.
- Operating income of CHF 1,490 million from the sale of UBS's 25% stake in Swiss Life/Rentenanstalt, CHF 110 million from the sale of Julius Baer registered shares, and CHF 38 million from UBS's residual holding in Long Term Capital Management L.P., all in 1999.
- A credit to Personnel expenses in 1999 of CHF 456 million in connection with excess pension fund employer pre-payments.
- Costs of CHF 300 million in General and administrative expenses in 1999 in respect of an additional restructuring charge relating to the 1998 merger between UBS and SBC.

2001

Results

Corporate Center recorded a pre-tax loss of CHF 236 million in 2001, compared to a pre-tax profit of CHF 384 million in 2000, adjusted for significant financial events.

Operating income

The credit loss expense or recovery booked in Corporate Center represents the difference between the adjusted statistically expected losses charged to the business units and the actual credit loss recognized in the Group income statement. UBS Group's credit loss expense increased to CHF 498 million in 2001, compared to a recovery of CHF 130 million in 2000. For both 2000 and 2001, actual credit loss was less than the charge to the business units, resulting in a credit loss recovery in Corporate Center of CHF 236 million in 2001, compared to a recovery of CHF 1,161 million in 2000.

Operating income decreased by CHF 605 million from 2000 to CHF 914 million in 2001, principally reflecting the swing in the credit loss results, offset by higher income from treasury activities.

Operating expenses

Total operating expenses were CHF 1,150 million in 2001, 1% higher than in 2000.

General and administrative expenses for 2001 were CHF 74 million lower than in 2000, at CHF 207 million. This was due to lower corporate real estate costs and lower professional fees connected to the US global settlement of World War II related claims, offset by higher IT costs and one-off charges relating to the bankruptcy of SAir Group.

In 2001 personnel expenses were CHF 546 million, an increase of 11% compared to 2000, driven by severance payments and the full year cost of senior management and other additional personnel added through the PaineWebber merger.

Headcount

Headcount increased 15% during 2001 to 1,132 at 31 December 2001, driven by the transfer of International Mobility Program participants to Corporate Center headcount and the transfer of human resources staff from UBS Warburg. The International Mobility Program provides outstanding young employees of UBS with opportunities for work experience overseas.

2000

Results

Operating income

Adjusted for significant financial events, operating income before credit loss expense decreased CHF 14 million, or 4%, from CHF 372 million in 1999 to CHF 358 million in 2000. Gains and losses attributable to Corporate Center arise from funding, capital and balance sheet management, the management of corporate real estate and the management of foreign currency activities.

Credit loss expense in Corporate Center reconciles the difference between management accounting and financial accounting, that is between the adjusted statistically calculated expected losses charged to the business units and the actual credit loss expense recognized in the Group income statement. The Swiss economy was strong in 2000, leading to credit loss expenses below the statistically calculated expected level, and to a net write back of credit loss provisions of CHF 695 million, resulting in a credit of CHF 130 million at the Group level. Corporate Center's credit loss recovery of CHF 1,161 million reflects the balancing item between this amount and the CHF 1,031 million expected loss charged to the business units.

Operating expenses

Operating expenses decreased from CHF 1,349 million in 1999 to CHF 1,135 million in 2000.

Headcount

Headcount in Corporate Center increased 124 during 2000, reflecting the addition of staff from PaineWebber.

UBS Group Financial Statements

Financial Statements
Table of Contents

Financial Statements

UBS Group Income Statement

CHF million, except per share data For the year ended	Note	31.12.01	31.12.00	31.12.99	% change from 31.12.00
Operating income					
Interest income	3	52,277	51,745	35,604	1
Interest expense	3	(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	4	20,211	16,703	12,607	21
Net trading income	5	8,802	9,953	7,719	(12)
Other income	6	558	1,486	3,146	(62)
Total operating income		37,114	36,402	28,425	2
Operating expenses					
Personnel expenses	7	19,828	17,163	12,577	16
General and administrative expenses	8	7,631	6,765	6,098	13
Depreciation of property and equipment	15	1,614	1,608	1,517	0
Amortization of goodwill and other intangible assets	16	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	22	1,401	2,320	1,686	(40)
Net profit before minority interests		5,317	7,879	6,207	(33)
Minority interests	23	(344)	(87)	(54)	295
Net profit		4,973	7,792	6,153	(36)
Basic earnings per share (CHF) [1]	9	3.93	6.44	5.07	(39)
Basic earnings per share before goodwill (CHF) [1, 2]	9	4.97	7.00	5.35	(29)
Diluted earnings per share (CHF) [1]	9	3.78	6.35	5.02	(40)
Diluted earnings per share before goodwill (CHF) [1, 2]	9	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.

UBS Group Balance Sheet

CHF million	Note	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	10	**27,526**	29,147	(6)
Cash collateral on securities borrowed	11	**162,938**	177,857	(8)
Reverse repurchase agreements	11	**269,256**	193,801	39
Trading portfolio assets	12	**397,886**	315,588	26
Positive replacement values	24	**73,447**	57,875	27
Loans, net of allowance for credit losses	10	**226,545**	244,842	(7)
Financial investments	13	**28,803**	19,583	47
Accrued income and prepaid expenses		**7,554**	7,062	7
Investments in associates	14	**697**	880	(21)
Property and equipment	15	**8,695**	8,910	(2)
Goodwill and other intangible assets	16	**19,085**	19,537	(2)
Other assets	17, 22	**9,875**	9,491	4
Total assets		**1,253,297**	1,087,552	15
Total subordinated assets		***407***	*475*	*(14)*
Liabilities				
Due to banks	18	**106,531**	82,240	30
Cash collateral on securities lent	11	**30,317**	23,418	29
Repurchase agreements	11	**368,620**	295,513	25
Trading portfolio liabilities	12	**105,798**	82,632	28
Negative replacement values	24	**71,443**	75,923	(6)
Due to customers	18	**333,781**	310,679	7
Accrued expenses and deferred income		**17,289**	21,038	(18)
Debt issued	19	**156,218**	129,635	21
Other liabilities	20, 21, 22	**15,658**	18,756	(17)
Total liabilities		**1,205,655**	1,039,834	16
Minority interests	23	**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
Total subordinated liabilities		***13,818***	*13,996*	*(1)*

[1] Changes have been made to prior year to conform to the current presentation (see Note 1: Summary of Significant Accounting Policies).

UBS Group Statement of Changes in Equity

CHF million For the year ended	31.12.01	31.12.00	31.12.99
Issued and paid up share capital			
Balance at the beginning of the year	4,444	4,309	4,300
Issue of share capital	12	135	9
Capital repayment by par value reduction [3]	(683)		
Cancellation of second trading line treasury shares (2000 Program)	(184)		
Balance at the end of the year	3,589	4,444	4,309
Share premium			
Balance at the beginning of the year	20,885	14,437	13,617
Premium on shares issued and warrants exercised	80	139	45
Net premium / (discount) on treasury share and own equity derivative activity	(239)	(391)	775
Share premium increase due to PaineWebber acquisition		4,198	
Borrow of own shares to be delivered		5,895	
Settlement of own shares to be delivered	(2,502)	(3,393)	
Cancellation of second trading line treasury shares (2000 Program)	(3,816)		
Balance at the end of the year	14,408	20,885	14,437
Gains / (losses) not recognized in the income statement			
Foreign currency translation			
Balance at the beginning of the year	(687)	(442)	(456)
Movements during the year	(82)	(245)	14
Subtotal – balance at the end of the year	(769)	(687)	(442)
Unrealized gains / (losses) on available for sale investments, net of taxes			
Balance at the beginning of the year	0		
Change in accounting policy [1]	1,577		
Net unrealized gains / (losses) on available for sale investments	(92)		
Gains reclassified to the income statement	(461)		
Losses reclassified to the income statement	11		
Subtotal – balance at the end of the year	1,035		
Change in fair value of derivative instruments designated as cash flow hedges, net of taxes			
Balance at the beginning of the year	0		
Change in accounting policy [1]	(380)		
Net unrealized gains / (losses) on the revaluation of cash flow hedges	(316)		
Net losses reclassified to the income statement	237		
Subtotal – balance at the end of the year	(459)		
Balance at the end of the year	(193)	(687)	(442)
Retained earnings			
Balance at the beginning of the year	24,191	20,327	16,224
Change in accounting policy [1]	(61)		
Balance at the beginning of the year (restated)	24,130	20,327	16,224
Net profit for the year	4,973	7,792	6,153
Dividends paid [2, 3]		(3,928)	(2,050)
Balance at the end of the year	29,103	24,191	20,327
Treasury shares, at cost			
Balance at the beginning of the year	(4,000)	(8,023)	(4,891)
Acquisitions	(13,506)	(16,330)	(6,595)
Disposals	10,129	20,353	3,463
Cancellation of second trading line treasury shares (2000 Program)	4,000		
Balance at the end of the year	(3,377)	(4,000)	(8,023)
Total shareholders' equity	43,530	44,833	30,608

[1] Opening adjustments to reflect the adoption of IAS 39 (see Note 1: Summary of Significant Accounting Policies). [2] Dividends declared per share were CHF 1.50 in 2000 and CHF 1.83 in 1999, both paid in the year 2000. [3] On 16 July 2001, UBS made a distribution to shareholders of CHF 1.60 per share, paid in the form of a reduction in the par value of its shares, from CHF 10.00 to CHF 8.40. At the same time, UBS split its share 3 for 1, resulting in a new par value of CHF 2.80 per share.

UBS Group Statement of Changes in Equity (continued)

Shares issued

	Number of shares			% change from
For the year ended	**31.12.01**	31.12.00	31.12.99	31.12.00
Balance at the beginning of the year	**1,333,139,187**	1,292,679,486	1,289,857,836	3
Issue of share capital	**3,843,661**	4,459,701	2,821,650	(14)
Issue of share capital due to PaineWebber acquisition		36,000,000		
Cancellation of second trading line treasury shares (2000 Program)	**(55,265,349)**			
Balance at the end of the year	**1,281,717,499**	1,333,139,187	1,292,679,486	(4)

Treasury shares

	Number of shares			% change from
For the year ended	**31.12.01**	31.12.00	31.12.99	31.12.00
Balance at the beginning of the year	**55,265,349**	110,621,142	73,370,094	(50)
Acquisitions	**162,818,045**	16,824,039	87,659,019	868
Disposals	**(121,563,094)**	(72,179,832)	(50,407,971)	68
Cancellation of second trading line treasury shares (2000 Program)	**(55,265,349)**			
Balance at the end of the year	**41,254,951**	55,265,349	110,621,142	(25)

During the year a total of 55,265,349 shares acquired under the second trading line buyback program 2000 were cancelled. At 31 December 2001, a maximum of 13,017,716 shares can be issued against the excercise of options from former PaineWebber employee option plans. Out of the total number of 41,254,951 treasury shares, 23,064,356 shares (CHF 1,834 million) were acquired under the second trading line buyback program 2001 and are earmarked for cancellation. The Board of Directors will propose to the Annual General Meeting on 18 April 2002 to reduce the outstanding number of shares and the share capital by the number of shares purchased for cancellation.

UBS Group Statement of Cash Flows

CHF million For the year ended	31.12.01	31.12.00	31.12.99
Cash flow from / (used in) operating activities			
Net profit	4,973	7,792	6,153
Adjustments to reconcile net profit to cash flow from / (used in) operating activities			
Non-cash items included in net profit and other adjustments:			
Depreciation of property and equipment	1,614	1,608	1,517
Amortization of goodwill and other intangible assets	1,323	667	340
Credit loss expense / (recovery)	498	(130)	956
Equity in income of associates	(72)	(58)	(211)
Deferred tax expense	292	544	479
Net loss / (gain) from investing activities	513	(730)	(2,282)
Net (increase) / decrease in operating assets:			
Net due from / to banks	27,306	(915)	(5,298)
Reverse repurchase agreements, cash collateral on securities borrowed	(60,536)	(81,054)	(12,656)
Trading portfolio including net replacement values and securities pledged as collateral	(78,456)	11,553	(49,956)
Loans / due to customers	42,813	12,381	17,222
Accrued income, prepaid expenses and other assets	(424)	6,923	2,545
Net increase / (decrease) in operating liabilities:			
Repurchase agreements, cash collateral on securities lent	80,006	50,762	52,958
Accrued expenses and other liabilities	(5,235)	3,313	(7,366)
Income taxes paid	(1,742)	(959)	(1,063)
Net cash flow from / (used in) operating activities	12,873	11,697	3,338
Cash flow from / (used in) investing activities			
Investments in subsidiaries and associates	(467)	(9,729)	(1,720)
Disposal of subsidiaries and associates	95	669	3,782
Purchase of property and equipment	(2,021)	(1,640)	(2,820)
Disposal of property and equipment	380	335	1,880
Net (investment) / divestment in financial investments	(5,770)	(8,770)	356
Net cash flow from / (used in) investing activities	(7,783)	(19,135)	1,478
Cash flow from / (used in) financing activities			
Net money market paper issued	24,226	10,125	13,128
Net movements in treasury shares and treasury share contract activity	(6,038)	(647)	(2,312)
Capital issuance	12	15	9
Capital repayment by par value reduction	(683)		
Dividends paid		(3,928)	(2,050)
Issuance of long-term debt	18,233	14,884	12,661
Repayment of long-term debt	(18,477)	(24,640)	(7,112)
Issuance of trust preferred securities	1,291	2,683	
Dividend payments to / and purchase from minority interests	(461)	(73)	(689)
Net cash flow from / (used in) financing activities	18,103	(1,581)	13,635
Effects of exchange rate differences	(304)	112	148
Net increase / (decrease) in cash equivalents	22,889	(8,907)	18,599
Cash and cash equivalents, beginning of the year	93,370	102,277	83,678
Cash and cash equivalents, end of the year	116,259	93,370	102,277
Cash and cash equivalents comprise:			
Cash and balances with central banks	20,990	2,979	5,073
Money market paper [1]	69,938	66,454	69,717
Due from banks maturing in less than three months	25,331	23,937	27,487
Total	116,259	93,370	102,277

[1] Money market paper is included in the Balance sheet under Trading portfolio assets and Financial investments.

Notes to the Financial Statements

Note 1 Summary of Significant Accounting Policies

a) Basis of accounting

UBS AG and subsidiaries ("UBS" or the "Group") provide a broad range of financial services including advisory services, underwriting, financing, market making, asset management, brokerage, and retail banking on a global level. The Group was formed on 29 June 1998 when Swiss Bank Corporation and Union Bank of Switzerland merged. The merger was accounted for using the uniting of interests method of accounting.

The consolidated financial statements of the Group (the "Financial Statements") are prepared in accordance with International Accounting Standards and stated in Swiss francs (CHF), the currency of the country in which UBS AG is incorporated. On 12 February 2002 the Board of Directors approved them for issue.

b) Use of estimates in the preparation of Financial Statements

In preparing the Financial Statements, management is required to make estimates and assumptions that affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and application of judgement are inherent in the formation of estimates. Actual results in the future could differ from such estimates and the differences may be material to the Financial Statements.

c) Consolidation

The Financial Statements comprise those of the parent company (UBS AG), its subsidiaries and certain special purpose entities, presented as a single economic entity. The effects of intra-group transactions are eliminated in preparing the Financial Statements. Subsidiaries and special purpose entities which are directly or indirectly controlled by the Group are consolidated. Subsidiaries acquired are consolidated from the date control is transferred to the Group. Subsidiaries to be divested are consolidated up to the date of disposal. Temporarily controlled entities that are acquired and held with a view to their subsequent disposal, are recorded as Financial investments.

Assets held in an agency or fiduciary capacity are not assets of the Group and are not reported in the Financial Statements.

Equity and net income attributable to minority interests are shown separately in the Balance sheet and Income statement, respectively.

Investments in associates in which the Group has a significant influence are accounted for under the equity method of accounting. Significant influence is normally evidenced when UBS owns 20% or more of a company's voting rights. Investments in associates are initially recorded at cost and the carrying amount is increased or decreased to recognize the Group's share of the investee's profits or losses after the date of acquisition.

The Group sponsors the formation of companies, which may or may not be directly or indirectly owned subsidiaries, for the purpose of asset securitization transactions and to accomplish certain narrow and well defined objectives. These companies may acquire assets directly or indirectly from UBS or its affiliates. Some of these companies are bankruptcy-remote entities whose assets are not available to satisfy the claims of creditors of the Group or any of its subsidiaries. Such companies are consolidated in the Group's Financial Statements when the substance of the relationship between the Group and the company indicate that the company is controlled by the Group. Certain transactions of consolidated entities meet the criteria for derecognition of financial assets. Derecognition of a financial asset takes place when the Group loses control of the contractual rights that comprise the financial asset. These transactions do not affect the consolidation status of an entity.

d) Foreign currency translation

Foreign currency transactions are recorded at the rate of exchange on the date of the transaction. At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are reported using the closing exchange rate. Exchange differences arising on the settlement of transactions at rates different from those at the date of the transaction, and unrealized foreign exchange differences on unsettled foreign currency monetary assets and liabilities, are recognized in the income statement.

Exchange differences on non-monetary financial assets are a component of the change in their fair value. Depending on the classification of a non-monetary financial asset, exchange differences are either recognized in the income statement (applicable for example for equity securities held for trading), or within Shareholder's equity if non-monetary financial assets are classified as available-for-sale financial investments.

Assets and liabilities of foreign entities are translated at the exchange rates at the balance sheet date, while income statement items and cash flows are translated at average rates over the year. Differences resulting from the use of these different exchange rates are recognized directly in Foreign currency translation within Shareholders' equity.

e) Business and geographical segments

The Group is organized on a worldwide basis into Business Groups and the Corporate Center. This organizational structure is the basis upon which the Group reports its primary segment information.

Segment income, segment expenses and segment performance include transfers between business segments and between geographical segments. Such transfers are accounted for at prices in line with charges to unaffiliated customers for similar services.

f) Cash and cash equivalents

Cash and cash equivalents consist of Cash and balances with central banks, balances included in Due from banks that mature in less than three months, and Money market paper included in Trading portfolio assets and Financial investments.

g) Fee income

Brokerage fees earned from executing securities transactions are recorded when the service has been provided. Portfolio and other management, advisory and other service fees are recognized based on the terms of the applicable service contracts. Asset management fees related to investment funds are recognized ratably over the period the service is provided. The same principle is applied for fees earned for wealth management, financial planning and custody services that are continuously provided over an extended period of time. Transaction-related fees earned from merger and acquisition and other advisory services, securities underwriting, fund raising, and from other investment banking and similar services that have a non-recurring character, are recognized at the time the service has been completed.

h) Securities borrowing and lending

Securities borrowed and securities lent are recorded at the amount of cash collateral advanced or received. The Group monitors the market value of the securities borrowed and lent on a daily basis and calls for additional collateral when appropriate.

Fees and interest received or paid are recorded as interest income or interest expense, on an accrual basis.

i) Repurchase and reverse repurchase transactions

Securities purchased under agreements to resell (reverse repurchase agreements) and securities sold under agreements to repurchase (repurchase agreements) are generally treated as collateralized financing transactions and are carried at the amounts at which the securities were acquired or sold, plus accrued interest. The Group monitors the market value of the underlying securities, (which collateralize the related receivables) on a daily basis and requests additional collateral when appropriate.

Interest earned on reverse repurchase agreements and interest incurred on repurchase agreements is recognized as interest income and interest expense, over the life of each agreement.

The Group offsets reverse repurchase agreements and repurchase agreements with the same counterparty for transactions covered by legally enforceable master netting agreements when net or simultaneous settlement is intended.

j) Trading portfolio

Trading portfolio assets consist of money market paper, other debt instruments and equity instruments as well as traded loans and precious metals which are owned by the Group ("long" positions). Obligations to deliver trading securities sold but not yet purchased are reported as Trading portfolio liabilities. Trading portfolio liabilities consist of money market paper, other debt instruments and equity instruments which the Group has sold to third parties but does not own ("short" positions).

The trading portfolio is carried at fair value, which includes valuation allowances for instruments, for which liquid markets do not exist, to adjust primarily for credit and settlement risks. Gains and losses realized on disposal or redemption and unrealized gains and losses from changes in the fair value of trading portfolio assets or liabilities are reported as Net trading income. Interest and dividend income and expense on trading portfolio assets or liabilities are included in Interest and dividend income or Interest and dividend expense, respectively.

When the Group becomes party to a contract classified in its trading portfolio, it recognizes from that date (trade date) in the income statement any unrealized profits and losses arising from revaluing that contract to fair value. On a date subsequent to the trade date, the terms of spot and forward trading transactions are fulfilled (settlement date) and a resulting financial asset or liability is recognized on the balance sheet at the fair value of the consideration given or received plus the change in fair value of the contract since the trade date.

The determination of fair values of trading portfolio assets or liabilities is based on quoted market prices in active markets or dealer price quotations, pricing models (using assumptions based on market and economic conditions), or management's estimates, as applicable.

k) Loans originated by the Group

Loans originated by the Group include loans where money is provided directly to the borrower, other than those that are originated with the intent to be sold immediately or in the short term, which are recorded as Trading portfolio assets. A participation in a loan from another lender is considered to be originated by the Group, provided it is funded on the date the loan is originated by the lender. Purchased loans are either classified as Financial investments available-for-sale, or as Trading portfolio assets, as appropriate.

Loans originated by the Group are recognized when cash is advanced to borrowers. They are initially recorded at cost, which is the fair value of the cash given to originate the loan, including any transaction costs, and are subsequently measured at amortized cost using the effective interest rate method.

l) Allowance and provision for credit losses

An allowance for credit losses is established if there is objective evidence that the Group will be unable to collect all amounts due. The allowance and provision for credit losses represents management's estimate of probable losses inherent in the loan portfolio and other lending-related commitments. Such commitments normally include letters of credit, guarantees and commitments to extend credit. However, credit risk exposures are also inherent in other instruments.

The allowance for credit losses is reported as a reduction of loans whereas the provision for credit losses for lending related commitments is reported in Other liabilities. Additions to the allowances and provisions for credit losses are made through the credit loss expense account. Allowance and provision for credit exposures are evaluated at a counterparty-specific and/or country-specific level based on following principles:

Counterparty-specific: Individual credit exposures are evaluated based upon the borrower's character, overall financial condition, resources and payment record; the prospects for support from any financially responsible guarantors; and, if appropriate, the realizable value of any collateral. Impairment is measured and allowances for credit losses are established for the difference between the carrying amount and its estimated recoverable amount.

A loan is considered impaired when management determines that it is probable that the Group will not be able to collect all amounts due according to the original contractual terms, unless such loans are secured, in process of collection, or other factors exist which make the Group expect that all future cash flows according to the original terms of the contract will be received. An impaired loan is classified as non-performing when the contractual payments of principal and/or interest are in arrears for 90 days or more.

When a loan has been identified as impaired, the carrying amount of the loan is reduced by recording specific allowances for credit losses to its estimated recoverable amount, which is the present value of expected future cash flows discounted at the original effective interest rate of the loan. Upon impairment the accrual of interest income based on the original terms of the loan is discontinued. The increase of the present value of impaired loans due to the passage of time is reported as interest income.

All impaired loans are reviewed and analyzed at least annually. Any subsequent changes to the amounts and timing of the expected future cash flows compared to the prior estimates will result in a change in the allowance for credit losses and be charged to credit loss expense. If there are indications of significant probable losses in the portfolio that have not been specifically identified, allowances for credit losses would also be provided for on a portfolio basis.

An allowance for an impairment is reversed only when the credit quality has improved such that there is reasonable assurance of timely collection of principal and interest in accordance with the original contractual terms of the loan agreement.

A write-off is made when all or part of a loan is deemed uncollectible or in the case of debt forgiveness. Write-offs are charged against previously established allowances for credit losses and reduce the principal amount of a loan. Recoveries in part or in full of amounts previously written off are credited to credit loss expense.

Country-specific: Probable losses resulting from exposures in countries experiencing political and transfer risk, countrywide economic distress, or problems regarding the legal enforceability of contracts are assessed using country specific scenarios and taking into consideration the nature of the individual exposures. Specific country allowances are established based on this assessment, and exclude exposures addressed in counterparty-specific allowances.

m) Securitizations

The Group securitizes various consumer and commercial financial assets, which generally results in the sale of these assets to special-purpose vehicles which, in turn issue securities to investors. Financial assets are partially or wholly derecognized when the Group gives up control of the contractual rights that comprise the financial asset.

Interests in the securitized financial assets may be retained in the form of senior or subordinated tranches, interest-only strips or other residual interests ("retained interests"). Retained interests are primarily recorded in Trading portfolio assets and carried at fair value. The determination of fair values of retained interest is generally based on listed market prices or by determining the present value of expected future cash flows using pricing models that incorporate management's best estimates of critical assumptions which may include credit losses, discount rates, yield curves and other factors.

Gains or losses on securitization depend in part on the carrying amount of the transferred financial assets, allocated between the financial assets derecognized and the retained interests based on their relative fair values at the date of the transfer. Gains or losses on securitization are recorded in Net trading income.

n) Financial investments

Financial investments are classified as available-for-sale and recorded on a settlement date basis. Management determines the appropriate classification of its investments at the time of the purchase. Financial investments consist of money market paper, other debt instruments and equity instruments, including private equity investments.

Available-for-sale financial investments may be sold in response to needs for liquidity or changes in interest rates, foreign exchange rates or equity prices.

Available-for-sale financial investments are carried at fair value. Unrealized gains or losses on available-for-sale investments are reported in Shareholders' equity, net of applicable taxes, until such investment is sold, collected or otherwise disposed of, or until such investment is determined to be impaired. If an available-for-sale investment is determined to be impaired, the cumulative unrealized gain or loss previously recognized in Shareholders' equity is included in net profit or loss for the period and reported in Other income. A financial investment is considered impaired if its carrying value exceeds the recoverable amount. For non-quoted investments, the recoverable amount is determined by applying recognized valuation techniques. Quoted financial investments are considered impaired if the decline in market price below cost is of such a magnitude that recovery of the cost value cannot be reasonably expected within the foreseeable future.

On disposal of an available-for-sale investment, the accumulated unrealized gain or loss included in Shareholders' equity is transferred to net profit or loss for the period and reported in Other income. Gains and losses on disposal are determined using the average cost method.

The determination of fair values of available-for-sale financial investments is generally based on quoted market prices in active markets, dealer price quotations, discounted expected cash flows using market rates commensurate with the credit quality and maturity of the investment or based upon review of the investee's financial results, condition and prospects including comparisons to similar companies for which quoted market prices are available.

Interest and dividend income on available-for-sale financial investments is included in Interest and dividend income from financial investments.

o) Property and equipment

Property and equipment includes bank occupied properties, investment properties, software, IT and communication and other machines and equipment.

Bank-occupied property is defined as property held by the Group for use in the supply of services or for administrative purposes whereas investment property is defined as property held by the Group to earn rentals and/or for capital appreciation. If a property of the Group includes a portion that is bank occupied and another portion that is held to earn rentals or for capital appreciation, the classification is based on whether or not these portions can be sold separately. If both portions of the property can be sold separately these portions are accounted for as bank-occupied property and investment property, respectively. If the portions can not be sold separately, the whole property is classified as bank-occupied property unless the portion used by the bank is minor. The classification of property is reviewed on a regular basis to account for major changes in its usage. In 2001, investment properties with a carrying value of CHF 350 million (cost CHF 447 million less accumulated depreciation of CHF 97 million) have been reclassified to Bank occupied property. Assets with a value of CHF 144 million related to the PaineWebber acquisition were transferred from Other machines and equipment to IT, software and communication, and CHF 30 million for leasehold improvements were reclassified from Investment properties to Other machines and equipment.

Software development costs are capitalized when they meet certain criteria relating to identifiability, it is probable that future economic benefits will flow to the enterprise, and the cost can be measured reliably. Internally developed software meeting these criteria is classified in Property and equipment on the balance sheet.

Property and equipment is carried at cost less accumulated depreciation and accumulated impairment losses. Property and equipment is periodically reviewed for impairment.

Property and equipment is depreciated on a straight-line basis over its estimated useful life as follows:

Properties	Not exceeding 50 years
Other machines and equipment	Not exceeding 10 years
IT, software and communication	Not exceeding 3 years

Property formerly bank-occupied or leased to third parties under an operating lease, which the Group has decided to dispose of and foreclosed property are defined as Properties held for resale and disclosed in Other assets. They are carried at the lower of cost or recoverable value. During 2001, properties with a carrying value of CHF 293 million (cost CHF 482 million less accumulated depreciation of CHF 189 million) have been reclassified from Investment property to Property held for resale.

p) Goodwill and other intangible assets

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of net identifiable assets of the acquired entity at the date of acquisition.

Other intangible assets are comprised of separately identifiable intangible items arising from acquisitions and certain purchased trademarks and similar items.

Goodwill and other intangible assets are recognized as assets and are amortized using the straight-line basis over their estimated useful economic life, not exceeding 20 years. At each balance sheet date, goodwill and other intangible assets are reviewed for indications of impairment. If such indications exist an analysis is performed to assess whether the carrying amount of goodwill or other intangible assets is fully recoverable. A write-down is made if the carrying amount exceeds the recoverable amount.

q) Income taxes

Income tax payable on profits, based on the applicable tax laws in each jurisdiction, is recognized as an expense in the period in which profits arise. The tax effects of income tax losses available for carry-forward are recognized as an asset when it is probable that future taxable profit will be available against which those losses can be utilized.

Deferred tax liabilities are recognized for temporary differences between the carrying amounts of assets and liabilities in the Group balance sheet and their amounts as measured for tax purposes, which will result in taxable amounts in future periods. Deferred tax assets are recognized for temporary differences which will result in deductible amounts in future periods, but only to the extent it is probable that sufficient taxable profits will be available against which these differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the asset will be realized or the liability will be settled based on enacted rates.

Current and deferred tax assets and liabilities are offset when they arise from the same tax reporting group and relate to the same tax authority and when the legal right to offset exists.

Current and deferred taxes are recognized as income tax benefit or expense except for deferred taxes recognized or disposed of upon the acquisition or disposal of a subsidiary.

r) Debt issued

Debt issued is initially measured at cost, which is the fair value of the consideration received, net of transaction costs incurred. Subsequent measurement is at amortized cost, using the effective interest rate method to amortize cost at inception to the redemption value over the life of the debt.

Combined debt instruments that are related to non-UBS AG equity instruments, foreign exchange or credit instruments or indices are considered structured instruments. The embedded derivative is separated from the host contract and accounted for as a stand alone derivative if the criteria for separation are met. The host contract is subsequently measured at amortized cost.

Debt instruments with embedded derivatives that are related to UBS AG shares or to a derivative instrument that has UBS AG shares as underlying are separated into a liability and an equity component at issue date, if they will be physically settled. Initially, a portion of the net proceeds from issuing the combined debt instrument are allocated to the equity component based on its fair value and reported in Share premium account. The determination of fair values is generally based on listed market prices or option pricing models. Subsequent changes in fair value of the separated equity component are not recognized. The remaining amount is allocated to the liability component and reported as Debt issued. The liability component is subsequently measured at amortized cost.

However, if the combined instrument or the embedded derivative related to UBS AG shares is cash settled or the holder of the hybrid instrument has the right to require cash settlement, then the separated derivative is accounted for as a trading instrument with changes in fair value recorded in income.

It is the Group’s policy to hedge the fixed interest rate risk on debt issues (except for certain subordinated long-term notes issues, see Note 30a) and apply fair value hedge accounting. The effect is such that when hedge accounting is applied to fixed rate debt instruments, the carrying value of debt issues are adjusted for changes in fair value related to the hedged exposure rather than carried at amortized cost. See v) Derivative instruments for further discussion.

Interest expense on debt instruments is included in Interest on debt issued.

s) Treasury shares

UBS AG shares held by the Group are classified in Shareholders’ equity as Treasury shares and accounted for at weighted average cost. The difference between the proceeds from sales of treasury shares and their cost (net of tax, if any) is classified as Share premium.

Contracts that require physical settlement or net share settlement in UBS AG shares or provide the Group with a choice to physically settle are classified as Shareholders’ equity and reported as Share premium. Upon settlement of such contracts the proceeds received less cost (net of tax, if any), are reported as Share premium.

t) Retirement benefits

The Group sponsors a number of retirement benefit plans for its employees worldwide. These plans include both defined benefit and defined contribution plans and various other retirement benefits such as post-employment medical benefits. Group contributions to defined contribution plans are expensed when employees have rendered services in exchange for such contributions, generally in the year of contribution.

The Group uses the projected unit credit actuarial method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost.

The principal actuarial assumptions used by the actuary are set out in Note 32.

The Group recognizes a portion of its actuarial gains and losses as income or expenses if the net cumulative unrecognized actuarial gains and losses at the end of the previous reporting period exceeded the greater of:

a) 10% of present value of the defined benefit obligation at that date (before deducting plan assets); and

b) 10% of the fair value of any plan assets at that date.

The unrecognized actuarial gains and losses exceeding the greater of the two values are recognized in the income statement over the expected average remaining working lives of the employees participating in the plans.

u) Equity participation plans

The Group provides various equity participation plans in the form of stock plans and stock option plans. UBS generally uses the intrinsic value based method of accounting for such awards. Consequently, compensation expense is measured as the difference between the quoted market price of the stock at the measurement date less the amount, if any, that the employee is required to pay, or by the excess of stock price over option strike price, if any. The Group's policy is to recognize compensation expense for equity awards at the date of grant.

v) Derivative instruments

All derivative instruments of the Group are carried at fair value on the balance sheet and are reported as Positive or Negative replacement values. Fair values are obtained from quoted market prices, dealer price quotations, discounted cash flow models and option pricing models, which consider current market and contractual prices for the underlying instrument, as well as time value of money, yield curve and volatility of the underlying. The Group offsets positive and negative replacement values with the same counterparty for transactions covered by legally enforceable master netting agreements.

Where the Group enters into derivatives for trading purposes, realized and unrealized gains and losses are recognized in Net trading income.

The Group also uses derivative instruments as part of its asset and liability management activities to manage exposures to interest rate risks, credit risks and foreign currency risks. The Group applies either fair value or cash flow hedge accounting when it meets the specified criteria to obtain hedge accounting treatment. Derivative instruments not qualifying for hedge accounting are treated as derivative instruments used for trading purposes. The Group has entered into economic hedges of credit risk within the loan portfolio using credit default swaps to which it does not apply hedge accounting. However, in the event the Group recognizes an impairment on a loan that is economically hedged in this way, the gain on the credit default swap is offset against Credit loss expense/recovery. See Note 24 for additional information.

In a qualifying hedge of exposures to changes in fair value, the change in fair value of the hedging derivative is recognized in net profit and loss. The change in fair value of the hedged item attributable to the hedged risks adjusts the carrying value of the hedged item and is also recognized in net profit or loss. If the hedge relationship is terminated, the unamortized fair value adjustment of the hedged item is amortized to net profit or loss over the original hedge term or recognized in income if the hedged item is derecognized. In a qualifying cash flow hedge, the effective portion of the gain or loss on the hedging derivative is recognized in Shareholders' equity while the ineffective portion is reported in net profit or loss. When the hedged firm commitment or forecasted transaction results in income or expense, then the associated gain or loss on the hedging derivative is removed from Shareholders' equity and included in net profit or loss in the same period during which the forecasted transaction affects net profit or loss. If the forecasted transaction is no longer expected to occur, the cumulative gain or loss on the hedging derivative is recognized immediately in net profit or loss. If the hedge relationship is terminated, the cumulative gain or loss on the hedging derivative that initially had been reported in Shareholders' equity when the hedge was effective, remains in Shareholders' equity until the committed or forecasted transaction occurs, at which point it is reported in net profit or loss.

In some cases, a derivative may be part of a hybrid instrument that includes both a derivative and a host contract. This is known as an embedded derivative. An embedded derivative is separated from the host contract and accounted for as a stand alone derivative instrument if and only if the following conditions are met: the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract, the host contract is not carried at fair value with changes in fair value reported in net profit or loss, and the embedded derivative meets the definition of a derivative.

w) Comparability

Certain amounts have been reclassified from previous years to conform to the 2001 presentation.

The Group adopted the following revised or new International Accounting Standards and Interpretations of the Standing Interpretation Committee (SIC) in 2001:

IAS 12 (Revised)	Income Taxes
IAS 39	Financial Instruments: Recognition and Measurement
IAS 40	Investment Property
Interpretation SIC 17	Equity – Costs of an Equity Transaction
Interpretation SIC 18	Consistency – Alternative Methods
Interpretation SIC 19	Reporting Currency – Measurement and Presentation of Financial Statements under IAS 21 and IAS 29
Interpretation SIC 22	Business Combinations – Subsequent Adjustment of Fair Values and Goodwill Initially Reported
Interpretation SIC 24	Earnings Per Share – Financial Instruments and Other Contracts that May Be Settled in Shares

Additional SIC interpretations became effective during 2001, which are not applicable to the Group. The implementation of the above standards and interpretations had no material impact on the Group's Financial Statements in 2001 except for the following:

IAS 39, Recognition and measurement of financial instruments

The Group adopted IAS 39 prospectively as at 1 January 2001. The Standard provides comprehensive guidance on accounting for financial instruments.

Upon adoption, the Group decided to record unrealized gains and losses arising from changes in the fair value of available-for-sale financial investments directly in Shareholders' equity until such investment is disposed of or until such investment is determined to be impaired.

As a result of the adoption of IAS 39, the following adjustments or changes in classification occurred:

Gains/losses not recognized in the income statement is a new component of Shareholders' equity as at 1 January 2001. It includes unrealized gains and losses on available for sale financial investments and on derivatives designated as cash flow hedges as well as Foreign currency translation. The opening adjustment as at 1 January 2001 to financial investments recorded as available for sale was a net unrealized gain of CHF 1,769 million (CHF 1,577 million net of taxes), and for derivatives designated as cash flow hedges an unrealized net loss of CHF 506 million (CHF 380 million net of taxes).

Available-for-sale financial investments were previously carried at the lower of cost or market value and private equity investments were carried at cost less write-downs for impairments in value. Reductions of the carrying amount of available-for-sale financial investments and private equity investments and reversals of such reductions as well as gains and losses on disposal are included in Other income. As at 1 January 2001 these financial investments are now classified as available-for-sale financial investments and carried at fair value. Changes in fair value are reported in Gains/losses not recognized in the income statement within Shareholders' equity until these investments are disposed of. At the time an available-for-sale financial investment is determined to be impaired, the cumulative unrealized loss previously recognized in Shareholders' equity is included in net profit or loss for the period.

The opening adjustment to Retained earnings, a net debit of CHF 61 million as at 1 January 2001, consisted of CHF 19 million reflecting the impact of adopting the new hedge accounting rules and CHF 42 million reflecting the impact of remeasuring assets to either amortized cost or fair value as required under the Standard.

Properties held for resale include properties formerly bank-occupied or leased to third parties under an operating lease, which the Group has decided to dispose of, and foreclosed properties which the Group received in satisfaction of a secured loan and which it does not intend to occupy. As at 1 January 2001, Properties held for resale in the amount of CHF 984 million were reclassified from Financial investments to Other assets. Comparative amounts have been reclassified accordingly.

Money market paper and Money market paper issued

Money market paper held for trading is now disclosed within Trading portfolio assets and Money market paper held as available-for-sale is now disclosed within Financial investments. Money market paper issued is disclosed within Debt issued. Interest income on Money market paper held as available-for-sale is disclosed as Interest and dividend income from financial investments. These changes became effective as at 1 January 2001 and all prior periods presented have been reclassified.

The reclassification of Money market paper in the amount of CHF 66,454 million as at 31 December 2000 resulted in an increase of Trading portfolio assets by CHF 62,292 million and Financial investments by CHF 4,162 million for the year ended 31 December 2000. Money market paper issued in the amount of CHF 74,780 million as at 31 December 2000 was reclassified to Debt issued.

Note 2a Segment Reporting by Business Group

UBS is organized into three Business Groups: UBS Switzerland, UBS Warburg and UBS Asset Management, and our Corporate Center.

UBS Switzerland

UBS Switzerland is the leading bank in Switzerland. It is made up of two business units.

The Private Banking business unit offers a comprehensive range of products and services individually tailored for wealthy clients, from offices around the world. It is the world's largest private banking business.

Within Switzerland, the Private and Corporate Clients business unit provides a complete set of banking and securities services for individual and corporate clients, focused foremost on customer service excellence, profitability and growth via multi-channel distribution.

The two business units share technological and physical infrastructure, and have joint departments supporting major functions such as e-commerce, financial planning and wealth management, and investment policy and strategy.

UBS Asset Management

UBS Asset Management is a leading institutional asset manager and mutual fund provider, 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. It is made up of three business units.

Corporate and Institutional Clients 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 Capital is the private equity business unit of UBS Warburg, investing UBS and third party funds, primarily in unlisted companies.

UBS PaineWebber, one of the top US wealth managers, became part of UBS Warburg in November 2000. On 1 January 2002, UBS PaineWebber was separated from UBS Warburg and in future years will be reported as a separate Business Group within UBS.

Corporate Center

UBS's Business Groups are accountable for their results and enjoy considerable autonomy in pursuing their business objectives. The Corporate Center ensures that the Business Groups operate as a coherent and effective whole with a common set of values and principles. Corporate Center's remit covers areas such as risk management, financial reporting, marketing and communications, funding, capital and balance sheet management and management of foreign currency earnings.

Note 2a Segment Reporting by Business Group (continued)

The Business Group results are presented on a management reporting basis. Consequently, internal charges and transfer pricing adjustments have been reflected in the performance of each business. Revenue sharing agreements are used to allocate external customer revenues to a Business Group on a reasonable basis. Transactions between Business Groups are conducted at arm's length. The segment reporting for all periods presented reflects the changes in business unit structure implemented 1 January 2001.

For the year ended 31 December 2001

CHF million	UBS Switzerland	UBS Asset Management	UBS Warburg	Corporate Center	UBS Group
Income	13,475	2,110	21,349	678	37,612
Credit loss expense [1]	(604)	0	(130)	236	(498)
Total operating income	12,871	2,110	21,219	914	37,114
Personnel expenses	4,764	1,003	13,515	546	19,828
General and administrative expenses	2,600	564	4,260	207	7,631
Depreciation	616	46	580	372	1,614
Amortization of goodwill and other intangible assets	41	266	991	25	1,323
Total operating expenses	8,021	1,879	19,346	1,150	30,396
Business Group performance before tax	**4,850**	**231**	**1,873**	**(236)**	**6,718**
Tax expense					1,401
Net profit before minority interests					**5,317**
Minority interests					(344)
Net profit					**4,973**
Other information as at 31 December 2001 [2]					
Total assets	313,389	5,988	1,045,297	(111,377)	**1,253,297**
Total liabilities and minority interests	304,875	4,638	1,022,907	(122,653)	**1,209,767**
Capital expenditure	540	37	633	811	**2,021**

[1] In order to show the relevant Business Group performance over time, adjusted expected loss figures rather than the IAS actual net credit loss expense are reported for each Business Group. The statistically derived adjusted expected losses reflect the inherent counterparty and country risks in the respective portfolios. The difference between the statistically derived adjusted expected loss figures and the IAS actual net credit loss expense recorded at Group level for financial reporting purposes is reported in the Corporate Center. The Business Group breakdown of the net credit loss expense for financial reporting purposes of CHF 498 million for the year ended 31 December 2001 is as follows: UBS Switzerland CHF 123 million, UBS Warburg CHF 375 million. [2] The funding surplus or requirement is reflected in each Business Group and adjusted in Corporate Center.

Note 2a Segment Reporting by Business Group (continued)

For the year ended 31 December 2000

CHF million	UBS Switzerland	UBS Asset Management	UBS Warburg	Corporate Center	UBS Group
Income	14,371	1,953	19,590	358	36,272
Credit loss recovery [1]	(785)	0	(246)	1,161	130
Total operating income	13,586	1,953	19,344	1,519	36,402
Personnel expenses	5,143	880	10,618	522	17,163
General and administrative expenses	2,699	439	3,196	431	6,765
Depreciation	633	49	606	320	1,608
Amortization of goodwill and other intangible assets	70	263	290	44	667
Total operating expenses	8,545	1,631	14,710	1,317	26,203
Business Group performance before tax	**5,041**	**322**	**4,634**	**202**	**10,199**
Tax expense					2,320
Net profit before minority interests					**7,879**
Minority interests					(87)
Net profit					**7,792**
Other information as at 31 December 2000 [2]					
Total assets	281,780	6,727	870,608	(71,563)	**1,087,552**
Total liabilities and minority interests	272,134	5,513	846,451	(81,379)	**1,042,719**

[1] In order to show the relevant Business Group performance over time, adjusted expected loss figures rather than the IAS actual net credit loss expense are reported for each Business Group. The statistically derived adjusted expected losses reflect the inherent counterparty and country risks in the respective portfolios. The difference between the statistically derived adjusted expected loss figures and the IAS actual net credit loss expense recorded at Group level for financial reporting purposes is reported in the Corporate Center. The Business Group breakdown of the net credit loss recovery for financial reporting purposes of CHF 130 million for the year ended 31 December 2000 is as follows: UBS Switzerland CHF 695 million recovery, UBS Warburg CHF 565 million expense. [2] The funding surplus or requirement is reflected in each Business Group and adjusted in Corporate Center.

For the year ended 31 December 1999

CHF million	UBS Switzerland	UBS Asset Management	UBS Warburg	Corporate Center	UBS Group
Income	12,884	1,369	13,118	2,010	29,381
Credit loss expense [1]	(1,071)	0	(333)	448	(956)
Total operating income	11,813	1,369	12,785	2,458	28,425
Personnel expenses	4,882	516	7,087	92	12,577
General and administrative expenses	2,450	271	2,538	839	6,098
Depreciation	475	32	644	366	1,517
Amortization of goodwill and other intangible assets	38	113	139	50	340
Total operating expenses	7,845	932	10,408	1,347	20,532
Business Group performance before tax	**3,968**	**437**	**2,377**	**1,111**	**7,893**
Tax expense					1,686
Net profit before minority interests					**6,207**
Minority interests					(54)
Net profit					**6,153**
Other information as at 31 December 1999 [2]					
Total assets	254,577	10,451	719,568	(88,040)	**896,556**
Total liabilities and minority interests	270,137	4,614	693,633	(102,436)	**865,948**

[1] In order to show the relevant Business Group performance over time, adjusted expected loss figures rather than the IAS actual net credit loss expense are reported for each Business Group. The statistically derived adjusted expected losses reflect the inherent counterparty and country risks in the respective portfolios. The difference between the statistically derived adjusted expected loss figures and the IAS actual net credit loss expense recorded at Group level for financial reporting purposes is reported in the Corporate Center. The Business Group breakdown of the net credit loss expense for financial reporting purposes of CHF 956 million for the year ended 31 December 1999 is as follows: UBS Switzerland CHF 965 million expense and Corporate Center CHF 9 million recovery. [2] The funding surplus or requirement is reflected in each Business Group and adjusted in Corporate Center.

Note 2b Segment Reporting by Geographic Location

The geographic analysis of total assets is based on customer domicile whereas operating income and capital expenditure is based on the location of the office in which the transactions and assets are recorded. Because of the global nature of financial markets the Group's business is managed on an integrated basis worldwide, with a view to profitability by product line. The geographical analysis of operating income, total assets, and capital expenditure is provided in order to comply with International Accounting Standards, and does not reflect the way the Group is managed. Management believes that analysis by Business Group, as shown in Note 2a to these Financial Statements, is a more meaningful representation of the way in which the Group is managed.

For the year ended 31 December 2001

	Total operating income		Total assets		Capital expenditure	
	CHF million	Share %	CHF million	Share %	CHF million	Share %
Switzerland	14,223	38	195,321	16	1,039	52
Rest of Europe	7,411	20	236,775	19	303	15
Americas	13,587	37	691,157	55	630	31
Asia / Pacific	1,859	5	126,725	10	48	2
Africa / Middle East	34	0	3,319	0	1	0
Total	**37,114**	**100**	**1,253,297**	**100**	**2,021**	**100**

For the year ended 31 December 2000

	Total operating income		Total assets		Capital expenditure	
	CHF million	Share %	CHF million	Share %	CHF million	Share %
Switzerland	15,836	44	211,851	19	1,135	43
Rest of Europe	10,907	30	305,342	28	311	12
Americas	6,976	19	474,617	44	1,169	44
Asia / Pacific	2,626	7	87,831	8	36	1
Africa / Middle East	57	0	7,911	1	8	0
Total	**36,402**	**100**	**1,087,552**	**100**	**2,659**	**100**

For the year ended 31 December 1999

	Total operating income		Total assets		Capital expenditure	
	CHF million	Share %	CHF million	Share %	CHF million	Share %
Switzerland	14,976	52	207,702	23	1,990	70
Rest of Europe	7,626	27	303,365	34	356	13
Americas	3,861	14	281,974	31	386	14
Asia / Pacific	1,945	7	96,469	11	87	3
Africa / Middle East	17	0	7,046	1	1	0
Total	**28,425**	**100**	**896,556**	**100**	**2,820**	**100**

Income Statement

Note 3 Net Interest Income

CHF million For the year ended	31.12.01	31.12.00	31.12.99	% change from 31.12.00
Interest income				
Interest earned on loans and advances [1]	16,955	20,413	18,340	(17)
Interest earned on securities borrowed and reverse repurchase agreements	18,337	19,088	11,422	(4)
Interest and dividend income from financial investments [2]	453	402	244	13
Interest and dividend income from trading portfolio	16,532	11,842	5,598	40
Total	52,277	51,745	35,604	1
Interest expense				
Interest on amounts due to banks and customers	14,088	15,660	13,845	(10)
Interest on securities lent and repurchase agreements	14,517	14,915	8,446	(3)
Interest and dividend expense from trading portfolio	7,815	5,309	2,070	47
Interest on debt issued	7,816	7,731	5,334	1
Total	44,236	43,615	29,695	1
Net interest income	8,041	8,130	5,909	(1)

[1] Includes interest income from finance leasing and other interest income. All prior year figures have been restated accordingly. [2] Includes interest income from money market paper available for sale which was previously disclosed as other interest income. All prior year figures have been restated accordingly.

Note 4 Net Fee and Commission Income

CHF million For the year ended	31.12.01	31.12.00	31.12.99	% change from 31.12.00
Underwriting fees	2,158	1,434	905	50
Corporate finance fees	1,339	1,772	1,298	(24)
Brokerage fees [1]	6,445	5,742	3,934	12
Investment fund fees	4,276	2,821	1,915	52
Fiduciary fees	355	351	317	1
Custodian fees	1,356	1,439	1,583	(6)
Portfolio and other management and advisory fees [1]	4,650	3,666	2,612	27
Insurance-related and other fees [1]	538	111	57	385
Total Security trading and investment activity fees	21,117	17,336	12,621	22
Credit-related fees and commissions	307	310	372	(1)
Commission income from other services	946	802	765	18
Total fee and commission income	22,370	18,448	13,758	21
Brokerage fees paid	1,281	1,084	795	18
Other	878	661	356	33
Total fee and commission expense	2,159	1,745	1,151	24
Net fee and commission income	20,211	16,703	12,607	21

[1] Fee and commission income from insurance products now reported in Insurance-related and other fees was previously reported in Brokerage fees and in Portfolio and other management and advisory fees. All prior year figures have been restated accordingly.

Note 5 Net Trading Income

Foreign exchange net trading income include gains and losses from spot and forward contracts, options, futures, and translation of foreign currency assets and liabilities, bank notes, precious metals, and commodities. Fixed income net trading income includes the results of making markets in instruments of both developed and emerging countries in government securities, corporate debt securities, money market instruments, interest rate and currency swaps, options, and other derivatives. Equities net trading income includes the results of making markets globally in equity securities and equity derivatives such as swaps, options, futures, and forward contracts.

CHF million For the year ended	**31.12.01**	31.12.00	31.12.99	% change from 31.12.00
Foreign exchange [1]	**2,045**	1,287	1,108	59
Fixed income	**2,731**	912	2,603	199
Equities	**4,026**	7,754	4,008	(48)
Net trading income	**8,802**	9,953	7,719	(12)

[1] Includes other trading income such as banknotes, precious metals and commodities.

Note 6 Other Income

CHF million For the year ended	**31.12.01**	31.12.00	31.12.99	% change from 31.12.00
Gains / losses from disposal of associates and subsidiaries				
Net gain from disposal of:				
Consolidated subsidiaries	**3**	57	8	(95)
Investments in associates	**0**	26	1,813	(100)
Total	**3**	83	1,821	(96)
Financial Investments available for sale				
Net gain from disposal of:				
Private equity investments	**454**	919	374	(51)
Other financial investments	**256**	162	180	58
Impairment charges on private equity investments and other financial investments	**(1,294)**	(507)	(102)	155
Total	**(584)**	574	452	
Net income from investments in property	**68**	96	(20)	(29)
Equity in income of associates	**72**	58	211	24
Other [1]	**999**	675	682	48
Total other income	**558**	1,486	3,146	(62)

[1] Includes income from properties held for disposal.

Note 7 Personnel Expenses

CHF million For the year ended	**31.12.01**	31.12.00	31.12.99	% change from 31.12.00
Salaries and bonuses	**15,238**	13,523	9,872	13
Contractors	**729**	725	886	1
Insurance and social contributions	**984**	959	717	3
Contribution to retirement plans	**603**	475	8	27
Employee share plans	**103**	97	151	6
Other personnel expenses	**2,171**	1,384	943	57
Total personnel expenses	**19,828**	17,163	12,577	16

Note 8 General and Administrative Expenses

CHF million For the year ended	31.12.01	31.12.00	31.12.99	% change from 31.12.00
Occupancy	**1,314**	979	847	34
Rent and maintenance of machines and equipment	**632**	520	410	22
Telecommunications and postage	**1,213**	914	756	33
Administration	**906**	750	784	21
Marketing and public relations	**574**	480	335	20
Travel and entertainment	**700**	656	552	7
Professional fees	**667**	660	526	1
IT and other outsourcing	**1,224**	1,246	1,289	(2)
Other	**401**	560	599	(28)
Total general and administrative expenses	**7,631**	6,765	6,098	13

Note 9 Earnings per Share (EPS) and Outstanding Shares

CHF million For the year ended	31.12.01	31.12.00	31.12.99	% change from 31.12.00
Earnings (CHF million)				
Net profit	**4,973**	7,792	6,153	(36)
Net profit before goodwill amortization [1]	**6,296**	8,459	6,493	(26)
Net profit for diluted EPS	**4,874** [2]	7,778 [2]	6,153	(37)
Net profit before goodwill amortization for diluted EPS [1]	**6,197** [2]	8,445 [2]	6,493	(27)
Weighted average shares outstanding				
Weighted average shares outstanding	**1,266,038,193**	1,209,087,927	1,214,227,446	5
Potentially dilutive ordinary shares resulting from outstanding options, warrants and convertible debt securities [3]	**22,539,745**	16,489,773	10,898,010	37
Weighted average shares outstanding for diluted EPS	**1,288,577,938**	1,225,577,700	1,225,125,456	5
Earnings per share (CHF)				
Basic EPS	**3.93**	6.44	5.07	(39)
Basic EPS before goodwill amortization [1]	**4.97**	7.00	5.35	(29)
Diluted EPS	**3.78**	6.35	5.02	(40)
Diluted EPS before goodwill amortization [1]	**4.81**	6.89	5.30	(30)

[1] Excludes amortization of goodwill and other intangible assets. [2] Net profit has been adjusted for the dilutive impact of own equity derivative activity. [3] Total equivalent shares outstanding on options that were not dilutive for the respective periods but could potentially dilute earnings per share in the future were 28,741,886, 27,524,280 and 72,135,783 for the years ended 31 December 2001, 31 December 2000 and 31 December 1999, respectively.

Shares outstanding As at	31.12.01	31.12.00	31.12.99	% change from 31.12.00
Total ordinary shares issued	**1,281,717,499**	1,333,139,187	1,292,679,486	(4)
Own shares to be delivered		28,444,788		
Second trading line treasury shares				
(2000 program)		55,265,349		
(2001 program)	**23,064,356**			
Other treasury shares	**18,190,595**	0	110,621,142	
Total treasury shares	**41,254,951**	55,265,349	110,621,142	(25)
Outstanding shares	**1,240,462,548**	1,306,318,626	1,182,058,344	(5)

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

Balance Sheet: Assets

Note 10a Due from Banks and Loans to Customers

By type of exposure

CHF million	31.12.01	31.12.00
Banks	28,261	30,064
Allowance for credit losses	(735)	(917)
Net due from banks	27,526	29,147
Loans to customers		
Mortgages	126,211	120,554
Other loans	107,512	133,898
Subtotal	233,723	254,452
Allowance for credit losses	(7,178)	(9,610)
Net loans to customers	226,545	244,842
Net due from banks and loans to customers	254,071	273,989
thereof subordinated	*249*	*393*

By geographical region (based on the location of the borrower)

CHF million	31.12.01	31.12.00
Switzerland	158,996	164,645
Rest of Europe	42,279	46,882
Americas	42,809	52,939
Asia / Pacific	15,986	16,504
Africa / Middle East	1,914	3,546
Subtotal	261,984	284,516
Allowance for credit losses	(7,913)	(10,527)
Net due from banks and loans to customers	254,071	273,989

By type of collateral

CHF million	31.12.01	31.12.00
Secured by real estate	128,259	122,898
Collateralized by securities	30,635	37,714
Guarantees and other collateral	20,217	28,373
Unsecured	82,873	95,531
Subtotal	261,984	284,516
Allowance for credit losses	(7,913)	(10,527)
Net due from banks and loans to customers	254,071	273,989

Note 10b Allowances and Provisions for Credit Losses

CHF million	Specific allowances	Country risk allowances and provisions	Total 31.12.01	Total 31.12.00
Balance at the beginning of the year	9,289	1,292	10,581	13,398
Write-offs	(2,967)	(41)	(3,008)	(2,995)
Recoveries	81	0	81	163
Increase / (decrease) in credit loss allowance and provision	756	(258)	498	(130)
Foreign currency translation and other adjustments	53	13	66	145
Balance at the end of the year	7,212	1,006	8,218	10,581

CHF million	31.12.01	31.12.00
As a reduction of Due from banks	735	917
As a reduction of Loans to customers	7,178	9,610
Subtotal	7,913	10,527
Included in other liabilities related to commitments and contingent liabilities	305	54
Total allowances and provisions for credit losses	8,218	10,581

Note 10c Impaired Loans

A loan is classified as impaired if the book value of the claim exceeds the present value of the cash flows actually expected in future periods – interest payments, scheduled principal repayments and including liquidation of collateral. Impaired obligations are thus obligations where losses are probable and estimable. A provision is then made with respect to the loan in question.

CHF million	31.12.01	31.12.00
Impaired loans [1, 2]	14,629	18,494
Amount of allowance for credit losses related to impaired loans	7,294	9,685
Average impaired loans [3]	16,555	20,804

[1] All impaired loans have a specific allowance for credit losses. [2] Interest income on impaired loans was CHF 504 million for 2001. [3] Average balances were calculated from quarterly data.

Note 10d Non-Performing Loans

When principal, interest or commission are overdue by 90 days, loans are classified as non-performing, the recognition of interest or commission income ceases according to the original terms of the loan agreement. Allowances are provided for non-performing loans to reflect their net estimated recoverable amount.

CHF million	**31.12.01**	31.12.00
Non-performing loans	**8,639**	10,452
Amount of allowance for credit losses related to non-performing loans	**5,374**	6,329[1]
Average non-performing loans[2]	**9,648**	11,884

[1] 31 December 2000 figure has been restated to account for an overallocation of allowances to non-performing loans. [2] Average balances are calculated from quarterly data.

CHF million	**31.12.01**	31.12.00
Non-performing loans at beginning of year	**10,452**	13,073
Net additions / (reductions)	**1,111**	(290)
Write-offs and disposals	**(2,924)**	(2,331)
Non-performing loans at the end of the year	**8,639**	10,452

By type of exposure

CHF million	**31.12.01**	31.12.00
Banks	**386**	172
Loans to customers		
Mortgages	**2,659**	4,586
Other	**5,594**	5,694
Total loans to customers	**8,253**	10,280
Total non-performing loans	**8,639**	10,452

By geographical region (based on the location of the borrower)

CHF million	**31.12.01**	31.12.00
Switzerland	**6,531**	7,588
Rest of Europe	**466**	342
Americas	**737**	1,865
Asia / Pacific	**653**	307
Africa / Middle East	**252**	350
Total non-performing loans	**8,639**	10,452

Note 11 Securities Borrowing, Securities Lending, Repurchase and Reverse Repurchase Agreements and Other Collateralized Transactions

The Group enters into collateralized reverse repurchase and repurchase agreements and securities borrowing and securities lending transactions that may result in credit exposure in the event that the counterparty to the transaction is unable to fulfill its contractual obligations. The Group minimizes credit risk associated with these activities by monitoring counterparty credit exposure and collateral values on a daily basis and requiring additional collateral to be deposited with or returned to the Group when deemed necessary.

CHF million	**Securities borrowed 31.12.01**	**Securities lent 31.12.01**	Securities borrowed 31.12.00	Securities lent 31.12.00
Cash collateral by counterparty				
Banks	**155,214**	**27,640**	159,619	18,291
Customers	**7,724**	**2,677**	18,238	5,127
Total cash collateral on securities borrowed and lent	**162,938**	**30,317**	177,857	23,418

CHF million	**Reverse repurchase agreements 31.12.01**	**Repurchase agreements 31.12.01**	Reverse repurchase agreements 31.12.00	Repurchase agreements 31.12.00
Agreements by counterparty				
Banks	**197,902**	**213,942**	144,505	175,421
Customers	**71,354**	**154,678**	49,296	120,092
Total repurchase and reverse repurchase agreements	**269,256**	**368,620**	193,801	295,513

Under reverse repurchase, securities borrowing, and other collateralized arrangements, the Group obtains securities on terms which permit it to repledge or resell the securities to others. At 31 December 2001, the Group held CHF 593 billion (CHF 478 billion at 31 December 2000) of securities on such terms, CHF 475 billion (CHF 407 billion at 31 December 2000) of which have been either pledged or otherwise transferred to others in connection with its financing activities or to satisfy its commitments under short sale transactions.

Note 12 Trading Portfolio

CHF million	31.12.01	31.12.00
Trading portfolio assets		
Money market paper [1]	63,164	62,292
Debt instruments		
Swiss government and government agencies	1,246	1,104
US Treasury and government agencies	95,203	19,769
Other government	18,811	33,222
Corporate listed instruments	108,114	64,514
Other unlisted instruments [2]	32,781	26,583
Total	256,155	145,192
thereof pledged as collateral	*153,464*	*63,071*
thereof can be repledged or resold by the counterparty	*101,517*	*49,687*
Equity instruments		
Listed instruments	67,772	102,571
Unlisted instruments	6,367	2,320
thereof pledged as collateral	*21,264*	*8,683*
thereof can be repledged or resold by the counterparty	*19,939*	*9,761*
Total	74,139	104,891
Precious metals	4,428	3,213
Total trading portfolio assets	397,886	315,588
Trading portfolio liabilities		
Debt instruments		
Swiss government and government agencies	565	439
US Treasury and government agencies	25,117	13,645
Other government	12,187	5,070
Corporate listed instruments	10,868	31,905
Other unlisted instruments	30,793	192
Total	79,530	51,251
Equity instruments	26,268	31,381
Total trading portfolio liabilities	105,798	82,632

[1] CHF 29,895 million is pledged with central banks (CHF 28,395 million at 31 December 2000). [2] Includes CHF 6,139 million of traded loans reclassified to trading portfolio assets at 31 December 2001, upon the adoption of IAS 39. The amounts at 31 December 2000 have not been restated.

The Group trades money market paper, debt, equity, precious metals, foreign currency and derivatives to meet the financial needs of its customers and to generate revenue through its trading activities. Note 24 provides a description of the various classes of derivatives together with the related notional amounts, whereas Note 11 provides further details about cash collateral on securities borrowed and lent and repurchase and reverse repurchase agreements.

Note 13 Financial Investments

Due to the adoption of IAS 39, Financial investments, available for sale, are reported at fair value from 1 January 2001. 31 December 2000 amounts have not been restated.

CHF million	**31.12.01**	31.12.00
Money market paper	**6,774**	4,162
Debt instruments		
Listed	**1,194**	1,403
Unlisted	**10,348**	4,803
Total	**11,542**	6,206
Equity investments		
Listed	**1,949**	1,119
Unlisted	**1,819**	1,438
Total	**3,768**	2,557
Private equity investments	**6,719**	6,658
Total financial investments	**28,803**	19,583
thereof eligible for discount at central banks	***10,370***	*381*

The following table gives additional disclosure in respect of the valuation methods used in 2000.

CHF million	**Book Value 31.12.00**	Fair Value 31.12.00[1]
Valued at fair value		
Money market paper	**4,162**	4,162
Valued at amortized cost		
Debt instruments	**5,851**	5,853
Valued at the lower of cost or market value		
Debt instruments	**355**	367
Equity instruments	**2,557**	3,031
Total	**2,912**	3,398
Valued at cost less adjustments for impairments		
Private equity investments	**6,658**	7,940
Total financial investments	**19,583**	21,353

[1] This column is presented for comparison purposes only and does not reflect amounts recorded in the Financial Statements.

Note 13 Financial Investments (continued)

CHF million	Fair value	Unrealized gains not recognized in the income statement			Unrealized losses not recognized in the income statement		
		Gross	Tax effect	Net	Gross	Tax effect	Net
31 December 2001							
Money market paper	6,774	1	0	1	0	0	0
Debt securities issued by the Swiss national government and agencies	36	1	0	1	0	0	0
Debt securities issued by Swiss local governments	45	1	0	1	0	0	0
Debt securities issued by US Treasury and agencies	32	2	1	1	0	0	0
Debt securities issued by foreign governments and official institutions	10,089	31	11	20	1	0	1
Corporate debt securities	1,218	4	1	3	2	1	1
Mortgage-backed securities	5	0	0	0	0	0	0
Other debt securities	117	0	0	0	0	0	0
Equity securities	3,768	627	206	421	65	19	46
Private equity investments	6,719	1,189	28	1,161	539	13	526
Total	**28,803**	**1,856**	**247**	**1,609**	**607**	**33**	**574**

Contractual maturities of the investments in debt instruments

CHF million, except percentages	Within 1 year		1–5 years		5–10 years		Over 10 years	
	Amount	Yield (%)	Amount	Yield (%)	Amount	Yield (%)	Amount	Yield (%)
31 December 2001								
Swiss national government and agencies	9	5.26	10	4.50	16	3.43	1	4.00
Swiss local governments	3	4.36	38	3.90	4	3.59	0	0.00
US Treasury and agencies	0	0.00	24	4.38	8	5.15	0	0.00
Foreign governments and official institutions	5,014	0.97	5,048	1.01	27	2.88	0	0.00
Corporate debt securities	63	4.53	1,102	4.59	30	3.22	23	15.37[1]
Mortgage-backed securities	0	0.00	5	5.41	0	0.00	0	0.00
Other debt securities	2	4.77	87	3.91	28	3.56	0	0.00
Total fair value	**5,091**		**6,314**		**113**		**24**	

1 The yield presented is the current contractual yield based on current market rates at 31 December 2001, but may not represent the yield through maturity since this is a floating rate debt instrument.

Proceeds from sales and maturities of investment securities available for sale during the year ended 31 December 2001 were CHF 27,910 million. Gross gains of CHF 223 million and gross losses of CHF 28 million were realized on those sales in 2001.

Note 14 Investments in Associates

CHF million	**31.12.01**	31.12.00
Carrying amount at the beginning of the year	**880**	1,102
Additions	**11**	65
Disposals	**(216)**[2]	(287)[1]
Income	**74**	62
Write-offs	**(2)**	(4)
Change in equity	**(50)**	(58)
Carrying amount at the end of the year	**697**	880

[1] Primarily consists of disposal of an investment in National Versicherung AG. [2] Includes a transfer of CHF 172 million to Financial Investments following a review of the level of influence by the bank over certain investees. The impact of this reclassification on net profit is immaterial.

Note 15 Property and Equipment

CHF million	Bank occupied properties	Investment properties[5]	IT, software and communication	Other machines and equipment	**31.12.01**	31.12.00
Historical cost						
Balance at the beginning of the year	8,807	1,830	4,257	3,737	**18,631**	17,210
Additions	222	148	919	728	**2,017**	1,640
Additions from acquired companies	0	0	4	0	**4**	1,019
Disposals[1]	(179)	(132)	(184)	(220)	**(715)**	(769)
Reclassifications[2]	447	(959)	144	(114)	**(482)**	(432)
Foreign currency translation	0	6	6	12	**24**	(37)
Balance at the end of the year	9,297	893	5,146	4,143	**19,479**	18,631
Accumulated depreciation						
Balance at the beginning of the year	3,840	550	3,074	2,257	**9,721**	8,509
Depreciation[3]	262	13	933	446	**1,654**	1,885
Disposals[1]	(162)	(40)	(76)	(125)	**(403)**	(453)
Reclassifications[2]	97	(286)	0	0	**(189)**	(176)
Foreign currency translation	2	2	1	(4)	**1**	(44)
Balance at the end of the year	4,039	239	3,932	2,574	**10,784**	9,721
Net book value at the end of the year[4]	5,258	654	1,214	1,569	**8,695**	8,910

[1] Includes write-offs of fully depreciated assets. [2] Properties held for resale and foreclosed properties have been reclassified (see Note 1: Summary of significant accounting policies). [3] Depreciation of CHF 1,654 million at 31 December 2001 and CHF 1,885 million at 31 December 2000 includes CHF 40 million in 2001 and CHF 277 million in 2000 which were charged against the UBS / SBC restructuring provision. [4] Fire insurance value of property and equipment is CHF 15,531 million (2000: CHF 14,570 million). [5] At 31 December 2001 the fair value of Investment properties was CHF 990 million.

Note 16 Goodwill and Other Intangible Assets

CHF million	Goodwill	Other intangible assets	31.12.01	31.12.00
Historical cost				
Balance at the beginning of the year	16,272	4,894	21,166	4,534
Additions	454	2	456	17,841
Write-offs [1]	(232)	(15)	(247)	(16)
Foreign currency translation	325	92	417	(1,193)
Balance at the end of the year	16,819	4,973	21,792	21,166
Accumulated amortization				
Balance at the beginning of the year	1,445	184	1,629	991
Amortization	1,025	298	1,323	667
Write-offs [1]	(232)	(15)	(247)	(16)
Foreign currency translation	3	(1)	2	(13)
Balance at the end of the year	2,241	466	2,707	1,629
Net book value at the end of the year	14,578	4,507	19,085	19,537

[1] Represents write-offs of fully amortized goodwill and other intangible assets.

A significant portion of the Goodwill and other intangible assets relates to the acquisition of Paine Webber Group, Inc. For more information, please refer to Note 37.

Note 17 Other Assets

CHF million	Note	31.12.01	31.12.00
Deferred tax assets	22	3,449	2,208
Settlement and clearing accounts		1,431	3,153
VAT and other tax receivables		452	419
Prepaid pension costs		567	405
Properties held for resale		844	984
Other receivables		3,132	2,322
Total other assets		9,875	9,491

Balance Sheet: Liabilities

Note 18 Due to Banks and Customers

CHF million	**31.12.01**	31.12.00
Due to banks	**106,531**	82,240
Due to customers in savings and investment accounts	**67,782**	68,213
Other amounts due to customers	**265,999**	242,466
Total due to customers	**333,781**	310,679
Total due to banks and customers	**440,312**	392,919

Note 19 Debt Issued

The Group issues both CHF and non-CHF denominated fixed and floating rate debt. Floating rate debt pays interest based on the three-month or six-month London Interbank Offered Rate (LIBOR).

Subordinated debt securities are unsecured obligations of the Group and are subordinated in right of payment to all present and future senior indebtedness and certain other obligations of the Group. At 31 December 2001 and 31 December 2000, the Group had CHF 14,598 million and CHF 14,233 million, respectively, in subordinated debt. Subordinated debt usually pays interest annually and provides for single principal payments upon maturity. At 31 December 2001 and 31 December 2000, the Group had CHF 42,613 million and CHF 40,622 million, respectively, in unsubordinated debt (excluding money market paper).

The Group issues debt with returns linked to equity, foreign exchange and credit instruments or indices. As described in Note 1r), derivatives embedded in these instruments are separated from the host debt contract and reported as stand alone derivatives. The amount recorded within Debt issued represents the host contract after the separation of the embedded derivative. At 31 December 2001 and 31 December 2000, the Group had CHF 1,397 million and CHF 1,380 million, respectively, in convertible and exchangeable debt on UBS shares and notes with warrants attached on UBS shares outstanding.

In addition the Group uses interest rate and foreign exchange derivatives to manage the risk inherent in certain debt issues. In the case of interest rate risk management, the Group applies hedge accounting as discussed in Note 1 – Summary of Significant Accounting Policies and Note 24 – Derivative Instruments. As a result of applying hedge accounting, the carrying value of Debt issued has increased by CHF 220 million to reflect changes in fair value due to interest rate risk.

CHF million	**31.12.01**	31.12.00
Money market paper issued	**99,006**	74,780
Total bond issues	**51,061**	48,179
Shares in bond issues of the Swiss Regional or Cantonal Banks' Central Bond Institutions	**934**	1,305
Medium-term notes	**5,217**	5,371
Total debt issued	**156,218**	129,635

Note 19 Debt Issued (continued)

Contractual maturity date

	UBS AG (Parent Bank)		Subsidiaries		
CHF million	Fixed rate	Floating rate	Fixed rate	Floating rate	**Total 31.12.01**
2002	64,596	1,503	48,161	1,779	**116,039**
2003	6,287	887	1,461	125	**8,760**
2004	2,661	778	1,451	1,164	**6,054**
2005	3,119	1,041	700	227	**5,087**
2006	3,343	1,833	1,242	635	**7,053**
2007–2009	2,930	592	2,353	1,708	**7,583**
Thereafter	2,581	984	1,387	690	**5,642**
Total	**85,517**	**7,618**	**56,755**	**6,328**	**156,218**

The table above shows the split between fixed and floating rate debt issues based on the contractual terms. However, it should be noted that the Group uses interest rate swaps to hedge many of the fixed rate debt issues, which changes their re-pricing characteristics into that of floating rate debt.

The table below shows the notional amount and stated interest rate on the Group's publicly placed bonds prior to the separation of any embedded derivatives or the application of hedge accounting. As a result, the notional amount shown does not necessarily correspond to the carrying amount of the debt and the stated interest rate on the debt does not necessarily refelect the effective interest rate the Group is paying to service its debt after the separation of embedded derivatives and the application of hedge accounting.

Publicly placed bond issues of UBS AG (Parent Bank) outstanding as at 31.12.2001 [1]

Year of issue	Interest rate in %	Remarks	Maturity	Early redemption option	Currency	Notional amount in millions in local currency
1992	7.250		10.01.2002		CHF	150
2000	13.250	GOAL on Carrefour shares	18.01.2002		EUR	45
2000	12.500	GOAL on Bayer shares	18.01.2002		EUR	85
2000	0.100	Convertible into Nikkei 225 Index	28.01.2002		JPY	13,000
1992	7.000	subordinated	06.02.2002		CHF	200
2001	FRN	Resettable Daily Accrual Note	08.02.2002		USD	200
1986	5.000		10.02.2002		CHF	250
2000	3.300		12.02.2002		JPY	3,807
2001	1.980		28.02.2002		USD	130
2001	16.000	GOAL on JP Morgan Chase shares	01.03.2002		USD	30
2001	20.750	GOAL on Nokia shares	01.03.2002		EUR	135
2001	11.250	GOAL on Royal Dutch Petroleum shares	08.03.2002		EUR	85
2001	11.250	GOAL on Allianz shares	08.03.2002		EUR	50
2000	9.010	GOAL on ABB shares	14.03.2002		CHF	366
1998	5.750		18.03.2002		USD	250
2001	18.000	GOAL on Alcatel shares	22.03.2002		EUR	75
2000	10.010	GOAL on UBS shares	10.04.2002		CHF	100
1996	4.000		18.04.2002		CHF	200
2000	18.500	GOAL on Motorola shares	28.05.2002		USD	75
2001	23.125	GOAL on EMC Corp shares	31.05.2002		USD	45
1990	7.500	subordinated	07.06.2002		CHF	300

PIP Protected Index Participation
PEP Protected Equity Participation
GOAL Geld- oder Aktien-Lieferung (cash or share delivery)
BULS Bullish Underlying Linked Securities
GROI Guaranteed Return On Investment
FRN Floating Rate Note

Note 19 Debt Issued (continued)

Publicly placed bond issues of UBS AG (Parent Bank) outstanding as at 31.12.2001[1]

Year of issue	Interest rate in %	Remarks	Maturity	Early redemption option	Currency	Notional amount in millions in local currency
2000	18.250	GOAL on Intel shares	27.06.2002		USD	50
1997	6.500		08.07.2002		USD	300
2001	19.500	GOAL on Deutsche Telecom shares	08.07.2002		EUR	45
1992	7.500	subordinated	10.07.2002		CHF	200
2001	19.250	GOAL on SAP shares	15.07.2002		EUR	45
2001	19.500	GOAL on Cisco Systems shares	23.07.2002		USD	60
2001	8.000	GOAL on Nestlé shares	25.07.2002		CHF	325
2001	12.250	GOAL on Deutsche Post shares	25.07.2002		EUR	45
2001	18.250	GOAL on UBS shares	31.07.2002		USD	45
2000	8.375	GOAL on DaimlerChrysler shares	07.08.2002		EUR	70
2001	14.125	GOAL on Home Depot shares	15.08.2002		USD	30
2001	14.000	GOAL on Deutsche Bank shares	19.08.2002		EUR	70
1996	2.002		23.08.2002		CHF	299
2001	26.000	GOAL on Uniphase Corporaton shares	12.09.2002		USD	51
2000	9.000	GOAL on UBS shares	02.10.2002		CHF	345
1992	7.000	subordinated	16.10.2002		CHF	200
1996	6.750		18.10.2002		USD	250
2001	12.500	GOAL on AOL Time Warner shares	01.11.2002		USD	48
1995	4.375		07.11.2002		CHF	250
2001	10.000	GOAL on Credit Suisse shares	15.11.2002		CHF	325
2001	7.375	GOAL on Novartis shares	22.11.2002		CHF	100
2001	8.125	GOAL on Roche shares	06.12.2002		CHF	325
1996	3.250		20.12.2002		CHF	350
2001	8.000	GOAL on UBS shares	26.02.2003		CHF	220
1993	4.875	subordinated	03.03.2003		CHF	200
2001	8.750	GOAL on General Electric shares	07.03.2003		USD	105
1997	1.500	Indexed to UBS Currency Portfolio	14.03.2003		EUR	51
1998	1.000	Convertible into UBS Dutch Corporate Basket	20.03.2003		EUR	57
2001	8.500	GOAL on PepsiCo shares	28.03.2003		USD	30
1993	3.500	subordinated	31.03.2003		CHF	200
1993	4.000	subordinated	31.03.2003		CHF	200
2001	FRN	BULS on technology stock basket	10.04.2003		USD	80
2001	0.000	BULS on Celestica and others	28.04.2003		USD	40
2001	0.000	BULS on Biotech shares	16.05.2003		USD	32
2001	7.250	GOAL on Aventis shares	05.06.2003		EUR	55
1995	FRN	subordinated	20.06.2003		CHF	200
2001	8.250	GOAL on Pfizer shares	16.07.2003		USD	45
1993	3.000		26.11.2003		CHF	200
1994	FRN	subordinated	06.01.2004		USD	300
2000	0.500	Convertible into NTT shares	10.02.2004		USD	40
2001	0.000		14.04.2004		USD	46
2001	0.000	Cliquet GROI on NASDAQ 100 Index	27.05.2004		USD	40
1991	4.250	subordinated	25.06.2004		CHF	300
1999	3.500		01.07.2004		EUR	250
2001	1.750	Exchangeable bonds on Yukos	31.08.2004		USD	310
1997	7.375	subordinated	26.11.2004		GBP	265
1993	4.750	subordinated	08.01.2005	08.01.2003	CHF	200
1995	4.000	subordinated	07.02.2005		CHF	150
1995	5.500		10.02.2005		CHF	150
2000	1.000	Convertible into Nasdaq 100 Index	18.02.2005		USD	50
2000	1.000	Convertible into STOXX 50 Index	21.03.2005		EUR	50

PIP Protected Index Participation
PEP Protected Equity Participation
GOAL Geld- oder Aktien-Lieferung (cash or share delivery)
BULS Bullish Underlying Linked Securities
GROI Guaranteed Return On Investment
FRN Floating Rate Note

Note 19 Debt Issued (continued)

Publicly placed bond issues of UBS AG (Parent Bank) outstanding as at 31.12.2001[1]

Year of issue	Interest rate in %	Remarks	Maturity	Early redemption option	Currency	Notional amount in millions in local currency
1995	5.625	subordinated	15.04.2005		CHF	150
2000	0.000	Convertible into Nikkei 225 Index	31.05.2005		JPY	5,000
1995	FRN	subordinated	20.06.2005		GBP	249
1995	6.750	subordinated	15.07.2005		USD	200
1995	5.250	subordinated	18.07.2005		CHF	200
1995	5.000	subordinated	24.08.2005		CHF	250
2001	0.000		18.10.2005		USD	288
1995	4.500		21.11.2005		CHF	300
1999	0.000	PEP on Internet Perf. Basket	08.12.2005		USD	50
1999	3.500		26.01.2006		EUR	650
2001	1.000	Equity Exchangeables into Euro. Insurance Basket	01.02.2006		EUR	100
1996	4.250	subordinated	06.02.2006		CHF	250
1996	4.000		14.02.2006		CHF	200
2000	2.500		29.03.2006		CHF	250
2001	FRN	Bermuda Callable Daily Accrual Range Note	29.06.2006		USD	98
1996	7.250	subordinated	17.07.2006		USD	500
2001	7.500	Bermuda Callable Daily Accrual Note	26.07.2006		USD	39
2001	FRN	Callable Reverse Floater	17.08.2006		USD	30
1996	7.250	subordinated	01.09.2006		USD	150
2001	0.000	BULS on S&P 500	01.09.2006		USD	54
2001	5.500	GOAL on UBS shares	02.10.2006		CHF	66
1995	5.000	subordinated	07.11.2006		CHF	250
1996	FRN	subordinated	06.12.2006		EUR	254
2001	0.000	Zero-rate Note O'Connor Fund	29.12.2006		EUR	40
1997	8.000	subordinated	08.01.2007		GBP	237
1997	8.000	subordinated	08.01.2007		GBP	296
1997	5.750	subordinated	12.03.2007		EUR	197
2001	FRN	Fixed/Reverse Floating Note	02.11.2007		USD	59
2001	1.000	Notes on World Index Basket	11.12.2007		EUR	50
1998	3.500		27.08.2008		CHF	300
1997	5.875	subordinated	18.08.2009		EUR	329
1995	7.375	subordinated	15.07.2015		USD	150
1995	7.000	subordinated	15.10.2015		USD	300
1997	7.375	subordinated	15.06.2017		USD	300
1995	7.500	subordinated	15.07.2025		USD	350
1995	FRN	subordinated	18.12.2025		GBP	149
1996	7.750	subordinated	01.09.2026		USD	300

PIP Protected Index Participation
PEP Protected Equity Participation
GOAL Geld- oder Aktien-Lieferung (cash or share delivery)
BULS Bullish Underlying Linked Securities
GROI Guaranteed Return On Investment
FRN Floating Rate Note

Note 19 Debt Issued (continued)

Publicly placed bond issues of UBS subsidiaries outstanding as at 31.12.2001[1]

Year of issue	Interest rate in %	Remarks	Maturity	Early redemption option	Currency	Notional amount in millions in local currency
Brooklands Euro Referenced Linked Notes 2001-1 Ltd						
2001	FRN		20.12.2003	20.12.2003	EUR	50
2001	FRN		20.12.2013	20.12.2013	EUR	50
Alpine Partners L.P.						
2000	FRN		08.10.2009	08.01.2003	USD	709
North Street						
2000	FRN		28.04.2011		USD	31
2000	FRN		28.04.2011		USD	40
2000	FRN		28.04.2011		USD	36
2000	20.000		28.04.2011		USD	43
2000	9.490		30.10.2011		USD	36
2000	18.000		30.10.2011		USD	43
2000	FRN		30.10.2011		USD	61
2000	FRN		30.10.2011		USD	33
2001	FRN		30.04.2031		USD	100
2001	FRN		30.04.2031		USD	60
2001	FRN		30.07.2031		USD	100
2001	FRN		30.07.2031		USD	60
UBS Americas Inc. (former PaineWebber)						
1999	6.020		22.04.2002		USD	45
1995	8.250		01.05.2002		USD	125
2000	FRN		15.07.2002		USD	100
1992	7.750		02.09.2002		USD	175
1999	FRN		18.11.2002		USD	40
1993	7.875		17.02.2003		USD	100
2000	1.270		13.03.2003		JPY	9,000
1998	6.320		18.03.2003		USD	45
1993	6.785		01.07.2003		USD	30
1998	6.450		01.12.2003		USD	340
1999	FRN		11.05.2004		USD	45
1999	6.375		17.05.2004		USD	525
1999	2.580		13.10.2004		USD	30
1999	2.670		15.03.2005		USD	45
1995	8.875		15.03.2005		USD	125
1998	6.520		06.04.2005		USD	30
1993	6.500		01.11.2005		USD	200
1996	6.750		01.02.2006		USD	100
1998	6.720		01.04.2008		USD	35
1998	6.730		03.04.2008		USD	43
1998	6.550		15.04.2008		USD	250
1996	7.625		15.10.2008		USD	150
1999	7.625		01.12.2009		USD	275
1998	6.640		14.04.2010		USD	30
1994	7.625		17.02.2014		USD	200
1997	8.060		17.01.2017		USD	25
1997	8.080	subordinated	01.03.2037	01.03.2002	USD	199
UBS Principal Finance LLC						
2000	8.670		20.01.2009	20.01.2002	USD	102

PIP Protected Index Participation
PEP Protected Equity Participation
GOAL Geld- oder Aktien-Lieferung (cash or share delivery)
BULS Bullish Underlying Linked Securities
GROI Guaranteed Return On Investment
FRN Floating Rate Note

Note 19 Debt Issued (continued)

Publicly placed bond issues of UBS subsidiaries outstanding as at 31.12.2001[1]

Year of issue	Interest rate in %	Remarks	Maturity	Early redemption option	Currency	Notional amount in millions in local currency
Eisberg Finance Ltd.						
1998	FRN		15.06.2004	10.10.2003	USD	41
1998	FRN		15.06.2004	10.10.2003	USD	65
1998	FRN		15.06.2004	10.10.2003	USD	83
UBS Finance N.V., Curaçao						
1990	9.125		08.02.2002		USD	225
1992	FRN		13.11.2002		USD	250
1997	0.000		29.01.2027		EUR	210
1998	0.000		03.03.2028	03.03.2003	EUR	77
UBS Australia Holdings Ltd.						
1999	5.000		25.02.2002		AUD	104
1999	5.000		25.02.2004		AUD	104
SBC Glacier Finance Ltd.						
1997	FRN		10.09.2004	10.09.2002	USD	36
1997	FRN		10.09.2004	10.03.2002	USD	798
1997	FRN		10.09.2006	10.03.2002	USD	798
UBS Warburg AG						
1998	0.000		19.12.2005		EUR	56
2001	0.000		30.06.2006		USD	202
2001	0.000		30.06.2006		EUR	505
2001	0.000		31.07.2006		EUR	500
2001	0.000		30.09.2006		CHF	200
2001	0.000		30.09.2006		USD	200
2001	0.000		02.01.2007		EUR	100
2001	0.000		02.01.2007		EUR	100
2001	0.000		02.01.2007		EUR	100
2001	0.000		30.09.2011		EUR	50

[1] In this table only bonds with a carrying value exceeding CHF 50 million have been disclosed. The total notional amount of the bonds disclosed in this table is CHF 40,859 million. The total notional amount of publicly placed bonds of UBS Group is CHF 48,646 million of the total bond issues.

PIP Protected Index Participation
PEP Protected Equity Participation
GOAL Geld- oder Aktien-Lieferung (cash or share delivery)
BULS Bullish Underlying Linked Securities
GROI Guaranteed Return On Investment
FRN Floating Rate Note

Note 20 Other Liabilities

CHF million	Note	31.12.01	31.12.00
Provisions, including restructuring provision	21	**1,748**	3,024
Provision for commitments and contingent liabilities	10b	**305**	54
Current tax liabilities		**1,799**	2,423
Deferred tax liabilities	22	**2,827**	1,565
VAT and other tax payables		**622**	1,071
Settlement and clearing accounts		**4,473**	4,906
Other payables		**3,884**	5,713
Total other liabilities		**15,658**	18,756

Note 21 Provisions, including Restructuring Provision

Business risk provisions

CHF million	31.12.01	31.12.00
Balance at the beginning of the year	**2,294**	2,182
New provisions charged to income	**384**	746
Provisions applied	**(1,020)**	(1,316)
Recoveries and adjustments	**90**	682
Balance at the end of the year	**1,748**	2,294

CHF million	31.12.01	31.12.00
Litigation	**712**	598
Operational	**240**	374
Other	**796**	1,322
Total	**1,748**	2,294

UBS / SBC merger restructuring provision

CHF million	31.12.01	31.12.00
Balance at the beginning of the year	**730**	1,429
Addition	**0**	0
Applied [1]		
Personnel	**(370)**	(188)
IT	**(23)**	(63)
Premises	**(302)**	(399)
Other	**(14)**	(49)
Total utilized during the year	**(709)**	(699)
Released to the Income Statement	**(21)**	0
Balance at the end of the year	**0**	730
Total provisions, including restructuring provision	**1,748**	3,024

[1] The expense categories refer to the nature of the expense rather than the income statement expense line.

Note 21 Provisions, including Restructuring Provision (continued)

Cumulative utilization, since establishment of UBS / SBC merger restructuring provision through 31 December 2001

CHF million	Personnel	IT	Premises	Other	Total
UBS Switzerland	837	1,109	219	220	**2,385**
Private and Corporate Clients	707	974	209	217	**2,107**
Private Banking	130	135	10	3	**278**
UBS Asset Management	34	9	0	3	**46**
UBS Warburg	1,983	373	1	413	**2,770**
Corporate Center	106	34	1,421	517	**2,078**
Group total	**2,960**	**1,525**	**1,641**	**1,153**	**7,279**
Released to the Income Statement					**21**
Total					**7,300**

At the announcement of the UBS / SBC merger in December 1997, it was communicated that the merged firm's operations in various locations would be combined, resulting in vacant properties, reductions in personnel, elimination of redundancies in the information technology platforms, exit costs and other costs. As a result, a restructuring provision of CHF 7,300 million (of which CHF 7,000 million was recognized as a restructuring expense in 1997 and CHF 300 million was recognized as a component of general and administrative expense in the fourth quarter of 1999) was established, to be used over a period of four years.

The restructuring provision included approximately CHF 3,000 million for employee termination benefits, CHF 1,500 million for sale and lease breakage costs associated with the closure of premises, CHF 1,650 million for IT integration projects and write-offs of equipment which management had committed to dispose of and CHF 1,150 million for other costs classified as Personal expenses, General and administrative expense or Other income.

The employee terminations affected all functional levels and all operating Business Groups. CHF 2,000 million of the provision related to employee termination benefits reflects the costs of eliminating approximately 7,800 positions, after considering attrition and redeployment within the Company. CHF 1,000 million of the provision related to payments to maintain stability in the workforce during the integration period. As of 31 December 2001, approximately 7,100 employees had been made redundant or retired early.

At 31 December 2001, the restructuring plan was completed, substantially in accordance with the above-mentioned plans. The remaining balance of the restructuring provision of CHF 21 million was recognized in the income statement.

Note 22 Income Taxes

CHF million For the year ended	31.12.01	31.12.00	31.12.99
Domestic			
Current payable	563	1,325	849
Deferred	231	233	511
Foreign			
Current payable	546	451	359
Deferred	61	311	(33)
Total income tax expense	1,401	2,320	1,686

The Group made net tax payments, including domestic and foreign taxes, of CHF 1,742 million, CHF 959 million and CHF 1,063 million for the full years of 2001, 2000 and 1999, respectively.

The components of operating profit before tax, and the differences between income tax expense reflected in the financial statements and the amounts calculated at the Swiss statutory rate of 25% are as follows:

CHF million For the year ended	31.12.01	31.12.00	31.12.99
Operating profit before tax	6,718	10,199	7,893
Domestic	5,565	7,079	6,957
Foreign	1,153	3,120	936
Income taxes at Swiss statutory rate of 25%	1,680	2,550	1,973
Increase / (decrease) resulting from:			
Applicable tax rates differing from Swiss statutory rate	(239)	(336)	55
Tax losses not recognized	77	164	39
Previously unrecorded tax losses now recognized	(630)	(655)	(215)
Lower taxed income	(499)	(401)	(278)
Non-deductible goodwill amortization	429	159	98
Other non-deductible expenses	134	432	34
Adjustments related to prior years	371	245	(112)
Change in deferred tax valuation allowance	78	162	92
Income tax expense	1,401	2,320	1,686

Note 22 Income Taxes (continued)

Significant components of the Group's deferred income tax assets and liabilities (gross) are as follows:

CHF million	**31.12.01**	31.12.00
Deferred tax assets		
Compensation and benefits	**1,778**	1,705
Restructuring provision	**0**	160
Allowance for credit losses	**122**	148
Net operating loss carry forwards	**2,902**	1,690
Trading assets	**259**	24
Other	**1,365**	1,045
Total	**6,426**	4,772
Valuation allowance	**(2,977)**	(2,564)
Net deferred tax assets	**3,449**	2,208
Deferred tax liabilities		
Property and equipment	**449**	457
Investments	**464**	86
Other provisions	**571**	133
Trading assets	**298**	306
Other	**1,045**	583
Total deferred tax liabilities	**2,827**	1,565

The change in the balance of net deferred tax assets and deferred tax liabilities does not equal the deferred tax expense in those years. This is due to the effect of foreign currency rate changes on tax assets and liabilities denominated in currencies other than CHF and also due to the acquisition of PaineWebber.

Certain foreign branches and subsidiaries of the Group have deferred tax assets related to net operating loss carry forwards and other items. Because realization of these assets is uncertain, the Group has established valuation allowances of CHF 2,977 million (CHF 2,564 million at 31 December 2000). For companies that suffered tax losses in either the current or preceding year an amount of CHF 965 million (CHF 59 million at 31 December 2000) has been recognized as deferred tax assets based on expectations that sufficient taxable income will be generated in future years to utilize the tax loss carry forwards.

The company provides deferred income taxes on undistributed earnings of non-Swiss subsidiaries except to the extent that such earnings are indefinitely invested. In the event these earnings were distributed, additional taxes of approximately CHF 22 million would be due.

At 31 December 2001 net operating loss carry forwards totaling CHF 7,462 million are available to reduce future taxable income of certain branches and subsidiaries.

The carry forwards expire as follows:	**31.12.01**
Within 1 year	**123**
From 2 to 4 years	**148**
After 4 years	**7,191**
Total	**7,462**

Note 23 Minority Interests

CHF million	31.12.01	31.12.00
Balance at the beginning of the year	2,885	434
Issuance of trust preferred securities	1,291	2,594
Increases	0	2
Decreases and dividend payments	(461)	(73)
Foreign currency translation	53	(159)
Minority interest in net profit	344	87
Balance at the end of the year	**4,112**	2,885

Note 24 Derivative Instruments

Type of derivatives

The Group uses the following derivative financial instruments for both trading and hedging purposes:

Swaps

Swaps are transactions in which two parties exchange cash flows on a specified notional amount for a predetermined period. The major types of swaps transactions undertaken by the Group are described below.

Interest rate swap contracts generally represent the contractual exchange of fixed and floating rate payments of a single currency, based on a notional amount and an interest reference rate.

Foreign currency swaps generally involve the exchange of two different currency principal balances at inception and re-exchanged at an agreed upon rate at a specified future date. In addition, foreign currency interest rate swaps include the exchange of interest payments based on the two different currency principal balances and interest reference rates.

Credit default swaps (CDS) are instruments where the seller of the CDS promises to pay the buyer an amount equal to the loss that would be incurred on holding an underlying reference asset as a result of a defined credit event. The buyer is not required to hold the underlying reference asset. The buyer pays the seller a credit protection fee expressed in basis points, the amount of which is dependent on the credit spread of the reference asset.

Forwards and futures

Forwards and futures are contractual obligations to buy or sell a financial instrument on a future date at a specified price. Forward contracts are effectively tailor-made agreements that are transacted between counterparties in the over-the-counter market (OTC), whereas futures are standardized contracts that are transacted on regulated exchanges.

Options

Options are contractual agreements under which the seller (writer) grants the purchaser the right, but not the obligation, either to buy (call option) or sell (put option) by or at a set date, a specified amount of a financial instrument at a predetermined price. The seller receives a premium from the purchaser for this right.

Derivatives held or issued for trading purposes

Most of the Group's derivative transactions relate to sales and trading activities. Sales activities include the structuring and marketing of derivative products to customers at competitive prices to enable them to transfer, modify or reduce current or expected risks. Trading involves market-making, positioning and arbitrage activities. Market-making involves quoting bid and offer prices to other market participants with the intention of generating revenues based on spread and volume. Positioning involves managing market risk positions with the expectation of profiting from favorable movements in prices, rates or indices. Arbitrage activities involve identifying and profiting from price differentials between markets and products.

Derivatives held or issued for hedging purposes

The Group enters into various derivative financial instruments which are designated and qualify as either fair value or cash flow hedges. The Group also enters into derivative transactions to hedge against economic risk exposures that do not receive hedge accounting treatment. As stated in Note 1 Summary of Significant Accounting Policies, the Group uses CDS to economically hedge credit risk exposures in the loan portfolio to which it does not apply hedge accounting. Gains on CDS used as economic hedges have been offset against Credit loss expense/recovery.

Derivatives designated and accounted for as hedging instruments

At inception of a hedge, the Group formally documents the relationship between hedging instruments and hedged items. This includes its risk management objectives and strategies for undertaking the hedge transaction, which are in accordance with the Group's risk management policies, together with the methods that will be used to assess the effectiveness of the hedging relationship. In accordance with this, the Group formally assesses, both at the inception of the hedge and on an ongoing basis, whether the derivatives used in its hedging transactions have been highly effective in offsetting changes in the fair value or cash flows of the hedged item. In the case of hedging a forecasted transaction, the transaction must be highly probable and present an exposure to variations in cash flows that could ultimately affect reported net profit or loss. A hedge is normally regarded as highly effective if, at inception and throughout the life of the hedge, the Group can expect changes in the fair value or cash flows of the hedged item to be almost fully offset by the changes in the fair value or cash flows of the hedging instrument, and actual results are within a range of 80% to 125%. The Group discontinues hedge accounting when it is determined that a derivative is not, or has ceased to be, highly effective as a hedge, or if the derivative expires, or is sold, terminated, or exercised.

A highly effective hedging relationship is one in which the Group achieves offsetting changes in fair value or cash flows for the risk being hedged. Hedge ineffectiveness (which represents the amount by which the changes in the fair value of the derivative differ from changes in the fair value of the hedged item or where changes in the cash flow of the derivative differ from expected changes in the cash flow of the hedged item) and gains and losses on components of a derivative that are excluded from assessing hedge effectiveness are recorded in current period earnings.

Fair value hedges

The Group's fair value hedges principally consist of interest rate swaps that are used to protect against changes in the fair value of fixed-rate long-term debt due to changes in market interest rates.

For the year ended 31 December 2001, the Group recognized a net loss of CHF 12 million (reported as Net trading income in the Financial Statements), which represents the ineffective portion of fair value hedges. Foreign currency interest rate swaps are also used as hedging instruments but only the interest rate element is designated against the interest rate risk exposure of the underlying hedged debt instruments. Therefore, when measuring hedge effectiveness, we consider only changes in fair value due to market interest rates. For the year ended 31 December 2001, CHF 275 million of foreign currency transaction net gains associated with foreign currency interest rate swaps used as fair value hedges were excluded from the assessment of hedge effectiveness. These foreign currency transaction gains were recorded as Net trading income. As of 31 December 2001, the fair values of outstanding derivatives designated as fair value hedges was a CHF 895 million net unrealized gain.

Cash flow hedges of individual variable rate assets and liabilities

The Group also uses interest rate swaps to protect against changes in cash flows of certain variable rate debt issues. For the year ended 31 December 2001, there has been no material gain or loss associated with ineffective portions of cash flow hedges. Gains and losses on derivative contracts that are reclassified from accumulated Gains/losses not recognized in the income statement to current period earnings are included in Net interest income. As of 31 December 2001, CHF 14 million of the deferred net gains on derivative instruments accumulated in shareholders' equity is expected to be reclassified into earnings during the next twelve months at the time the hedged cash flows occur. As of 31 December 2001, the

Note 24 Derivative Instruments (continued)

fair value of outstanding derivatives designated as cash flow hedges was a CHF 16 million net unrealized gain recorded in shareholders' equity.

Cash flow hedges of forecasted transactions

The Group applies hedge accounting for its non-trading interest rate risk in major currencies by analyzing expected cash flows on an enterprise basis. The objective is to protect against changes in future interest cash flows relating to the forecasted reinvestment or re-borrowing of cash flows due to changes in market interest rates. The Group accumulates information about financial assets and liabilities that it uses to estimate and aggregate cash flows and to schedule such estimated cash flows into applicable future periods in which they are expected to be paid or received. The forecasted cash flows include the expected future reinvestment or re-borrowing of financial assets and liabilities and are extended over a twenty-four year period. The Group has hedges that extend over this twenty-four year period. These cash flows are based on the contractual terms of the instruments and other factors, including estimates of prepayments and defaults. The aggregate cash flows form the basis for identifying the non-trading interest rate risk of the Group. Interest rate swaps are designated as hedges of these forecasted cash inflows and outflows.

The schedule of forecasted cash flows as of 31 December 2001 is as follows.

CHF million	< 1 year	1–3 years	3–5 years	5–10 years	over 10 years
Cash in flows (Assets)	92,483	154,733	81,015	92,027	11,253
Cash out flows (Liabilities)	183,482	299,566	229,368	401,674	352,707
Net cash flows	**(90,999)**	**(144,833)**	**(148,353)**	**(309,647)**	**(341,454)**

Gains and losses on derivative contracts that are reclassified from accumulated Gains/losses not recognized in the income statement to current period earnings are included in Net interest income. As of 31 December 2001, the fair value of outstanding derivatives designated as cash flow hedges of forecasted transactions was a CHF 554 million unrealized loss. Amounts reclassified from Gains/losses not recognized in the income statement to the Income statement due to discontinued hedges of forecasted transactions were immaterial.

Notional amounts and replacement values

The following table provides the notional amounts and the positive and negative replacement values of the Group's derivative transactions.

The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. It provides an indication of the volume of business transacted by the Group but does not provide any measure of risk.

Some derivatives are standardized in terms of their notional amounts and settlement dates, and these are designed to be bought and sold in active markets (exchange traded). Others are packaged specifically for individual customers and are not exchange traded, although they may be bought and sold between counterparties at negotiated prices (OTC instruments).

Positive replacement value represents the cost to the Group of replacing all transactions with a receivable amount if all the Group's counterparties were to default. This measure is the industry standard for the calculation of current credit exposure. Negative replacement value is the cost to the Group's counterparties of replacing all the Group's transactions with a commitment if the Group were to default. The total positive and negative replacement values are included in the balance sheet separately.

Note 24 Derivative Instruments (continued)

As at 31 December 2001

CHF million	Term to maturity: Within 3 months PRV[1]	NRV[2]	3–12 months PRV	NRV	1–5 years PRV	NRV	over 5 years PRV	NRV	**Total PRV**	**Total NRV**	Total notional amount CHF bn
Interest rate contracts											
Over the counter (OTC) contracts											
Forward contracts	2,844	3,260	114	530	108	245	48	134	**3,114**	**4,169**	1,768.7
Swaps	2,807	4,322	5,724	6,393	49,043	45,029	25,232	22,866	**82,806**	**78,610**	4,552.4
Options	388	950	670	2,095	3,037	4,048	2,830	3,336	**6,925**	**10,429**	784.9
Exchange-traded contracts[3]											
Futures									**0**	**0**	83.6
Options	3			24					**3**	**24**	63.2
Total	**6,042**	**8,532**	**6,508**	**9,042**	**52,188**	**49,322**	**28,110**	**26,336**	**92,848**	**93,232**	**7,252.8**
Credit derivative contracts											
Over the counter (OTC) contracts											
Credit default swaps	6	18	707	1,104	1,020	1,490	773	1,184	**2,506**	**3,796**	75.7
Total rate of return swaps			84	621		636	12	0	**96**	**1,257**	3.6
Total	**6**	**18**	**791**	**1,725**	**1,020**	**2,126**	**785**	**1,184**	**2,602**	**5,053**	**79.3**
Foreign exchange contracts											
Over the counter (OTC) contracts											
Forward contracts	3,615	3,163	1,639	1,899	755	428	20		**6,029**	**5,490**	279.7
Interest and currency swaps	19,344	11,224	8,991	7,763	7,463	7,673	3,465	2,312	**39,263**	**28,972**	1,699.3
Options	2,138	1,942	2,148	1,888	445	433	23	1	**4,754**	**4,264**	1,033.7
Exchange-traded contracts[3]											
Futures									**0**	**0**	0.0
Options			1	2					**1**	**2**	0.8
Total	**25,097**	**16,329**	**12,779**	**11,552**	**8,663**	**8,534**	**3,508**	**2,313**	**50,047**	**38,728**	**3,013.5**
Precious metals contracts											
Over the counter (OTC) contracts											
Forward contracts	242	223	210	198	195	179	6		**653**	**600**	17.0
Options	177	164	535	507	740	805	90	81	**1,542**	**1,557**	54.1
Exchange-traded contracts[3]											
Futures											0.0
Options		2	3	1					**3**	**3**	0.9
Total	**419**	**389**	**748**	**706**	**935**	**984**	**96**	**81**	**2,198**	**2,160**	**72.0**
Equity / Index contracts											
Over the counter (OTC) contracts											
Forward contracts	1,402	1,422	445	1,713	1,461	1,464	111	85	**3,419**	**4,684**	35.3
Options	6,140	6,222	4,294	5,105	4,076	6,991	1,087	2,844	**15,597**	**21,162**	238.0
Exchange-traded contracts[3]											
Futures									**0**	**0**	12.4
Options	1,497	1,080	1,187	1,431	601	463	21	14	**3,306**	**2,988**	440.3
Total	**9,039**	**8,724**	**5,926**	**8,249**	**6,138**	**8,918**	**1,219**	**2,943**	**22,322**	**28,834**	**726.0**
Commodity contracts											
Over the counter (OTC) contracts											
Forward contracts	8	14	1	1					**9**	**15**	6.4
Options									**0**	**0**	0.0
Total	**8**	**14**	**1**	**1**	**0**	**0**	**0**	**0**	**9**	**15**	**6.4**
Total derivative instruments	**40,611**	**34,006**	**26,753**	**31,275**	**68,944**	**69,884**	**33,718**	**32,857**	**170,026**	**168,022**	
Replacement value netting									**96,579**	**96,579**	
Replacement values after netting									**73,447**	**71,443**	

[1] PRV: Positive replacement value. [2] NRV: Negative replacement value. [3] Exchange-traded products include proprietary trades only.

Note 24 Derivative Instruments (continued)

As at 31 December 2000

CHF million	Within 3 months PRV[1]	Within 3 months NRV[2]	3–12 months PRV	3–12 months NRV	1–5 years PRV	1–5 years NRV	over 5 years PRV	over 5 years NRV	**Total PRV**	**Total NRV**	Total notional amount CHF bn
Interest rate contracts											
Over the counter (OTC) contracts											
Forward contracts	517	791	167	360	284	256			**968**	**1,407**	1,066.3
Swaps	1,566	4,231	5,398	1,694	15,759	7,793	27,892	20,872	**50,615**	**34,590**	3,030.2
Options	542	453	865	2,882	623	5,162	625	2,044	**2,655**	**10,541**	829.1
Exchange-traded contracts[3]											
Futures									**0**	**0**	454.6
Options		6		10					**0**	**16**	24.1
Total	**2,625**	**5,481**	**6,430**	**4,946**	**16,666**	**13,211**	**28,517**	**22,916**	**54,238**	**46,554**	**5,404.3**
Credit derivative contracts											
Over the counter (OTC) contracts											
Credit default swaps		88		87	889	1,700	76	2,497	**965**	**4,372**	35.5
Total rate of return swaps	313			91	1,087	1,453	356	121	**1,756**	**1,665**	3.0
Total	**313**	**88**	**0**	**178**	**1,976**	**3,153**	**432**	**2,618**	**2,721**	**6,037**	**38.5**
Foreign exchange contracts											
Over the counter (OTC) contracts											
Forward contracts	22,652	20,140	8,098	9,410	939	1,084	35	27	**31,724**	**30,661**	1,250.3
Interest and currency swaps	2,563	1,621	2,921	2,507	8,715	7,031	3,019	2,098	**17,218**	**13,257**	345.9
Options	2,958	2,726	2,896	3,031	821	438	28	35	**6,703**	**6,230**	786.8
Exchange-traded contracts[3]											
Futures									**0**	**0**	1.0
Options	4	1	21	4					**25**	**5**	1.2
Total	**28,177**	**24,488**	**13,936**	**14,952**	**10,475**	**8,553**	**3,082**	**2,160**	**55,670**	**50,153**	**2,385.2**
Precious metals contracts											
Over the counter (OTC) contracts											
Forward contracts	176	187	211	181	369	394	2	17	**758**	**779**	15.3
Options	128	80	206	201	934	936	85	119	**1,353**	**1,336**	75.2
Exchange-traded contracts[3]											
Futures											0.7
Options	1	2	6	12					**7**	**14**	1.3
Total	**305**	**269**	**423**	**394**	**1,303**	**1,330**	**87**	**136**	**2,118**	**2,129**	**92.5**
Equity / Index contracts											
Over the counter (OTC) contracts											
Forward contracts	1,417	3,186	1,170	2,271	2,424	3,019	1,715	2,948	**6,726**	**11,424**	32.2
Options	1,751	3,867	6,977	12,358	4,752	17,985	311	2,648	**13,791**	**36,858**	283.8
Exchange-traded contracts[3]											
Futures									**0**	**0**	15.3
Options	1,771	1,647	819	1,051	400	446	2	3	**2,992**	**3,147**	45.2
Total	**4,939**	**8,700**	**8,966**	**15,680**	**7,576**	**21,450**	**2,028**	**5,599**	**23,509**	**51,429**	**376.5**
Commodity contracts											
Over the counter (OTC) contracts											
Forward contracts		1				1			**0**	**2**	0.0
Options		1	1		3	3			**4**	**4**	0.0
Total	**0**	**2**	**1**	**0**	**3**	**4**	**0**	**0**	**4**	**6**	**0.0**
Total derivative instruments	**36,359**	**39,028**	**29,756**	**36,150**	**37,999**	**47,701**	**34,146**	**33,429**	**138,260**	**156,308**	
Replacement value netting									**80,385**	**80,385**	
Replacement values after netting									**57,875**	**75,923**	

[1] PRV: Positive replacement value. [2] NRV: Negative replacement value. [3] Exchange-traded products include proprietary trades only.

Off-Balance Sheet and other Information

Note 25 Pledged Assets

Assets pledged or assigned as security for liabilities and assets subject to reservation of title

CHF million	**Carrying amount 31.12.01**	**Related liability 31.12.01**	Carrying amount 31.12.00	Related liability 31.12.00
Mortgage loans	**1,311**	**873**	1,639	1,121
Securities [1]	**204,623**	**163,134**	116,266	62,616
Property and equipment	**160**	**89**	137	66
Other	**2**	**0**	1	0
Total pledged assets	**206,096**	**164,096**	118,043	63,803

[1] Includes securities pledged in respect of securities lending and repurchase agreements.

Assets are pledged as collateral for collateralized credit lines with central banks, loans from central mortgage institutions, deposit guarantees for savings banks, security deposits relating to stock exchange membership and mortgages on the Group's property.

Note 26 Fiduciary Transactions

CHF million	**31.12.01**	31.12.00
Placements with third parties	**58,466**	69,300
Fiduciary credits and other fiduciary financial transactions	**1,136**	1,234
Total fiduciary transactions	**59,602**	70,534

Fiduciary placement represents funds which customers have instructed the Group to place in foreign banks. The Group is not liable to the customer for any default by the foreign bank nor do creditors of the Group have a claim on the assets placed.

Note 27 Commitments and Contingent Liabilities

The Group utilizes various lending-related financial instruments in order to meet the financial needs of its customers. The Group issues commitments to extend credit, standby and other letters of credit, guarantees, commitments to enter into repurchase agreements, note issuance facilities and revolving underwriting facilities. Guarantees represent irrevocable assurances, subject to the satisfaction of certain conditions, that the Group will make payment in the event that the customer fails to fulfill its obligation to third parties. The Group also enters into commitments to extend credit in the form of credit lines which are available to secure the liquidity needs of our customers, but not yet drawn upon by them, the majority of which range in maturity from 1 month to 5 years.

The contractual amount of these instruments is the maximum amount at risk for the Group if the customer fails to meet its obligations. The risk is similar to the risk involved in extending loan facilities and is monitored with the same risk control processes and specific credit risk policies. For the years ended 31 December 2001, 2000 and 1999 the Group recognized expense in the income statement related to obligations incurred for contingencies and commitments of CHF 25 million, CHF 1 million and CHF 2 million, respectively.

The Group generally enters into sub-participations to mitigate the risks from the Group's commitments and contingencies. A sub-participation is an agreement with another party to fund a portion of the credit facility and to take a share of the loss in the event that the borrower fails to fulfill its obligations. The Group retains the contractual relationship with the borrower and the sub-participant has only an indirect relationship with the borrower. The Group will only enter into sub-participation agreements with banks whose rating is at least equal to or higher than that of the borrower.

CHF million	**31.12.01**	31.12.00
Contingent liabilities		
Credit guarantees and similar instruments[1]	**18,566**	18,651
Sub-participations	**(4,944)**	(5,669)
Total	**13,622**	12,982
Performance guarantees and similiar instruments[2]	**4,865**	6,337
Sub-participations	**(4)**	(62)
Total	**4,861**	6,275
Irrevocable commitments under documentary credits	**2,056**	2,798
Sub-participations	**0**	0
Total	**2,056**	2,798
Gross contingent liabilities	**25,487**	27,786
Sub-participations	**(4,948)**	(5,731)
Net contingent liabilities	**20,539**	22,055
Irrevocable commitments		
Undrawn irrevocable credit facilities	**50,608**	53,510
Sub-participations	**(532)**	(788)
Total	**50,076**	52,722
Liabilities for calls on shares and other equities	**98**	133
Gross irrevocable commitments	**50,706**	53,643
Sub-participations	**(532)**	(788)
Net irrevocable commitments	**50,174**	52,855
Gross commitments and contingent liabilities	**76,193**	81,429
Sub-participations	**(5,480)**	(6,519)
Net commitments and contingent liabilities	**70,713**	74,910

[1] Credit guarantees in the form of bill of exchange and other guarantees, including guarantees in the form of irrevocable letters of credit, endorsement liabilities from bills rediscounted, advance payment guarantees and similar facilities. [2] Bid bonds, performance bonds, builders' guarantees, letters of indemnity, other performance guarantees in the form of irrevocable letters of credit and similar facilities.

Note 27 Commitments and Contingent Liabilities (continued)

CHF million	Mortgage collateral	Other collateral	Unsecured	**Total**
Overview of collateral				
Gross contingent liabilities	293	14,243	10,951	**25,487**
Gross irrevocable commitments	1,418	11,382	37,808	**50,608**
Liabilities for calls on shares and other equities			98	**98**
Total 31.12.2001	**1,711**	**25,625**	**48,857**	**76,193**
Total 31.12.2000	1,278	20,158	59,993	81,429

Other commitments

The Group enters into commitments to fund external private equity funds and investments, which typically expire within five years. These commitments do not involve credit or market risk as the funds purchase investments at market value at the time the commitments are drawn. The maximum amount available to fund these investments at 31 December 2001 and 31 December 2000 was CHF 3,548 million and CHF 3,276 million, respectively.

Note 28 Operating Lease Commitments

Our minimum commitments for non-cancellable leases of premises and equipment are presented as follows:

CHF million	**31.12.01**
Operating leases due	
2002	**1,200**
2003	**1,081**
2004	**965**
2005	**823**
2006	**742**
2007 and thereafter	**5,953**
Total commitments for minimum payments under operating leases	**10,764**

Operating expenses include CHF 1,092 million, CHF 816 million and CHF 742 million in respect of operating lease rentals for the year ended 31 December 2001, 31 December 2000 and 31 December 1999, respectively.

Note 29 Litigation

In the United States, several class actions in relation to the business activities of Swiss Companies during World War II, have been brought against the bank (as legal successor to Swiss Bank Corporation and Union Bank of Switzerland) in the United States District Court for the Eastern District of New York (Brooklyn). These lawsuits were initially filed in October 1996. Another Swiss bank was designated as a defendant alongside us. On 12 August 1998, however, a settlement was reached between the parties. This settlement provides for a payment by the defendant banks to the plaintiffs, under certain terms and conditions, of an aggregate amount of USD 1.25 billion. UBS agreed to contribute up to two-thirds of this amount. As a result of contributions by Swiss industrial companies to the settlement, UBS' share was reduced by CHF 50 million. A number of persons have elected to opt out of the settlement and not to participate in the class action. The settlement agreement was approved by the court on 26 July 2000, and on 22 November 2000 the distribution plan has been approved. By 23 November 2000 the banks have transferred the last instalment of the settlement amount to the court for distribution. The approval of the Settlement became final by 30 May 2001. There is one appeal by the banks regarding the interpretation of the Settlement Agreement which has yet to be decided. However, this appeal is without financial impact to the bank.

In addition, the bank and other companies within the UBS Group are subject to various claims, disputes and legal proceedings, as part of the normal course of business. The Group makes provision for such matters when, in the opinion of management and its professional advisors, it is probable that a payment will be made by the Group, and the amount can be reasonably estimated. All litigation provisions are included within Business risk provisions.

In respect of the further claims asserted against the Group of which management is aware (and which, according to the principles outlined above, have not been provided for), it is the opinion of management that such claims are either without merit, can be successfully defended or will result in exposure to the Group which is immaterial to both financial position and results of operations.

Note 30 Financial Instruments Risk Position

Overall risk position

The Group manages risk in a number of ways, including the use of a Value-at-Risk (VaR) model combined with a system of trading limits.

This section presents information about Group's exposure to and its management of the risks associated with the use of financial instruments.

a) Interest Rate Risk

Interest rate risk is the potential impact from changes in market interest rates on the fair values of assets and liabilities on the balance sheet and on the annual interest income and expense in the income statement.

Interest rate sensitivity

One commonly used method to present the potential impact of the market movements is to show the effect of a one basis point (0.01%) change in interest rates on the fair values of assets and liabilities, analyzed by time bands within which the Group is committed. This type of presentation, described as a sensitivity analysis, is set out below. Interest rate sensitivity is one of the inputs to the VaR model used by the Group to manage its overall market risk, of which interest rate risk is a part.

The following table sets out the extent to which the Group was exposed to interest rate risk at 31 December 2001 and 2000. The table shows the potential net impact of a one basis point (0.01%) increase in market interest rates on the fair values of both assets and liabilities that are subject to fixed interest rates. The impact of such an increase in rates depends on the net asset or net liability position of the Group in each category, currency and time band in the table. A negative amount in the table reflects a potential loss to the Group due to the changes in fair values as a result of an increase in interest rates. A positive amount reflects a potential gain as a result of an increase in interest rates. Both primary and derivative instruments in trading and non-trading activities, as well as off-balance-sheet commitments are included in the table.

The information presented below distinguishes between trading and non-trading portfolios. This distinction follows the classification used by the business for VaR purposes, which differs somewhat from the accounting classification of trading and non-trading assets and liabilities. For purposes of this table, trading includes all assets and liabilities that are kept in the Group's trading book and which receive a valuation-at-risk treatment for capital adequacy purposes. Non-trading includes all other assets and liabilities that are kept on the banking book including derivatives designated as hedging instruments for hedge accounting purposes.

Note 30 Financial Instruments Risk Position (continued)
a) Interest Rate Risk (continued)

Interest rate sensitivity position

CHF thousand per basis point increase		Interest sensitivity by time bands as of 31.12.2001					
		Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	**Total**
CHF	Trading	22	(121)	(35)	(297)	(314)	**(745)**
	Non-trading	3	(24)	(366)	(7,656)	(6,030)	**(14,073)**
USD	Trading	(299)	35	96	(960)	(2,115)	**(3,243)**
	Non-trading	35	(113)	(157)	(274)	(15)	**(524)**
EUR	Trading	(129)	73	(269)	(308)	(806)	**(1,439)**
	Non-trading	(2)	(6)	(38)	182	0	**136**
GBP	Trading	(89)	27	(520)	65	172	**(345)**
	Non-trading	0	(7)	(57)	175	624	**735**
JPY	Trading	175	695	(98)	(1,386)	246	**(368)**
	Non-trading	1	0	(3)	1	(4)	**(5)**
Others	Trading	(51)	167	126	(404)	369	**207**
	Non-trading	0	(1)	0	(1)	(4)	**(6)**

CHF thousand per basis point increase		Interest sensitivity by time bands as of 31.12.2000					
		Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	**Total**
CHF	Trading	41	(471)	854	63	(478)	**9**
	Non-trading	(39)	49	(49)	(6,802)	(3,018)	**(9,859)**
USD	Trading	(493)	2,007	293	(2,293)	380	**(106)**
	Non-trading	13	58	11	(342)	(183)	**(443)**
EUR	Trading	(82)	(152)	114	1,190	(1,801)	**(731)**
	Non-trading	0	9	1	82	177	**269**
GBP	Trading	(227)	152	145	(229)	521	**362**
	Non-trading	0	0	(36)	270	585	**819**
JPY	Trading	293	(1,532)	1,088	62	(450)	**(539)**
	Non-trading	0	0	0	(1)	(4)	**(5)**
Others	Trading	(2)	(41)	124	(50)	(44)	**(13)**
	Non-trading	0	0	0	0	0	**0**

Trading
The major part of the trading related interest rate risk is generated in fixed income securities trading, fixed income derivatives trading, trading in currency forward contracts and money market trading and is managed within the VaR model. Interest rate sensitivity arising from trading activities is quite sizeable in USD, EUR, GBP and JPY as these are still the predominantly traded currencies in the global interest rate markets. It should be noted that it is management's view that an interest sensitivity analysis at a particular point in time has limited relevance with respect to trading positions, which can vary significantly on a daily basis.

Note 30 Financial Instruments Risk Position (continued)
a) Interest Rate Risk (continued)

Non-trading

The management of the non-trading interest rate risk is primarily done within the Corporate Center. The interest rate risk of UBS Switzerland, related to client business with undefined maturities and of CHF transactions with maturities above 1 year, is transferred to the Corporate Center where the strategic interest rate risk management of the overall balance sheet is performed centrally.

The most significant part of the interest rate sensitivity of the CHF book of CHF (14.1) million relates to the investment of the Group's equity. This is invested – in line with the duration and sensitivity targets set by the Board of Directors – in a portfolio of fixed rate CHF loans with an average duration of 3.0 years (previously 2.5 years). Investing in shorter-term or variable rate instruments would mean exposing the earnings stream (interest income) to higher fluctuations. For the currencies EUR and GBP the interest rate sensitivity arises mainly from subordinated notes issues which are intentionally unhedged as they are regarded as constituting a part of the Group's equity for asset and liability management purposes. The interest rate sensitivity in USD can be attributed predominantly to the short-term refinancing of financial investments.

b) Credit Risk

Credit risk represents the loss which the Group would suffer if a counterparty or issuer failed to perform its contractual obligations in all forms. Credit risk is inherent in traditional banking products – loans, commitments to lend, and contracts to support counterparties' obligations to third parties such as letters of credit – and in foreign exchange and derivatives contracts, such as swaps and options ("traded products"). Positions in tradable assets such as bonds and equities, including both direct holdings and synthetic positions through derivatives, also carry credit risk.

This risk is managed primarily based on the review of the financial status of each specific counterparty, which is rated on a 14 point rating scale, based on probability of default for products other than tradeable assets.

Concentrations of credit risk exist if clients are engaged in similar activities, or are located in the same geographic region or have comparable economic characteristics such that their ability to meet contractual obligations would be similarly affected by changes in economic, political or other conditions.

(b)(i) On-balance sheet assets

As of 31 December 2001, due from banks and loans to customers amounted to CHF 262 billion. 60.7% of the loans were with clients domiciled in Switzerland. Please refer to Note 10 for a breakdown by region.

The issuer default risk of securities positions reported at fair value in the trading portfolio assets amounted to CHF 398 billion as of 31 December 2001. Please refer to Note 12 for a further breakdown by type of issuer.

Derivatives

Credit risk represents the current replacement value of all outstanding derivative contracts in a gain position by taking into consideration legally enforceable master netting agreements. Positive replacement values amounted to CHF 73 billion as at 31 December 2001. Based on the location of the ultimate counterparty, 10% of this credit risk amount related to Switzerland, 47% to Europe (excluding Switzerland) and 29% to North America. 50% of the positive replacement values are with other banks.

Note 30 Financial Instruments Risk Position (continued)
b) Credit Risk (continued)

(b)(ii) Off-balance sheet financial instruments

Credit commitments and contingent liabilities

Of the CHF 76 billion in credit commitment and contingent liabilities as at 31 December 2001, 13% related to clients domiciled in Switzerland, 24% in Europe (excluding Switzerland) and 55% in North America.

(b)(iii) Credit risk mitigation techniques

Credit risk associated with derivative instruments is mitigated by the use of master netting agreements. A further method of reducing credit exposure arising from derivative transactions is to use collateralization arrangements.

Master netting agreements eliminate risk to the extent that only the net claim is due to be settled in the case of a default of the counterparty. The impact of master netting agreements as at 31 December 2001 is to mitigate credit risk on derivative instruments by approximately CHF 97 billion. The impact can change substantially over short periods of time, because the exposure is affected by each transaction subject to the arrangement.

The Group subjects its derivative-related credit risks to the same credit approval, limit and monitoring standards that it uses for managing other transactions that create credit exposure. This includes evaluation of counterparties as to creditworthiness and suitability, and managing the size, diversification and maturity structure of the portfolio. Credit utilization for all products is compared against established limits on a continual basis and is subject to a standard exception reporting process.

Note 30 Financial Instruments Risk Position (continued)

c) Currency Risk

The Swiss franc is the Group's reporting currency. Hedging transactions are used to manage forgeign currency risks (see Note 24: Derivative Instruments).

Breakdown of assets and liabilities by currencies

	31.12.01				31.12.00			
CHF billion	**CHF**	**USD**	**EUR**	**Other**	CHF	USD	EUR	Other
Assets								
Cash and balances with central banks	**3.0**	**0.3**	**0.6**	**17.1**	1.9	0.2	0.5	0.4
Due from banks	**5.0**	**8.6**	**5.2**	**8.7**	5.8	10.4	8.0	4.9
Cash collateral on securities borrowed	**0.1**	**156.4**	**2.5**	**3.9**	0.5	169.2	2.4	5.8
Reverse repurchase agreements	**5.1**	**142.9**	**40.2**	**81.1**	5.3	83.7	37.4	67.4
Trading portfolio assets	**9.6**	**265.2**	**47.2**	**75.9**	16.1	184.1	38.2	77.2
Positive replacement values	**30.6**	**11.4**	**1.2**	**30.2**	11.7	6.9	0.6	38.7
Loans, net of allowance for credit losses	**151.4**	**43.1**	**11.9**	**20.1**	154.2	52.3	7.1	31.2
Financial investments	**2.9**	**7.4**	**1.5**	**17.0**	6.5	8.3	0.9	3.9
Accrued income and prepaid expenses	**0.7**	**4.9**	**0.8**	**1.2**	1.6	4.4	0.2	0.9
Investments in associates	**0.7**	**0.0**	**0.0**	**0.0**	0.7	0.0	0.1	0.1
Property and equipment	**6.3**	**1.5**	**0.1**	**0.8**	6.9	1.4	0.0	0.6
Goodwill and other intangible assets	**0.2**	**18.5**	**0.0**	**0.4**	0.3	19.1	0.0	0.1
Other assets	**2.1**	**5.6**	**0.8**	**1.4**	3.2	3.3	0.6	2.4
Total assets	**217.7**	**665.8**	**112.0**	**257.8**	214.7	543.3	96.0	233.6
Liabilities								
Due to banks	**8.0**	**68.6**	**12.9**	**17.0**	6.5	46.5	10.6	18.6
Cash collateral on securities lent	**0.0**	**24.3**	**3.2**	**2.8**	0.1	12.6	5.0	5.7
Repurchase agreements	**12.8**	**271.1**	**30.7**	**54.0**	10.0	194.6	16.1	74.9
Trading portfolio liabilities	**2.8**	**65.2**	**12.5**	**25.3**	2.0	52.4	11.4	16.8
Negative replacement values	**25.7**	**6.5**	**1.6**	**37.7**	8.6	6.3	2.0	59.0
Due to customers	**123.3**	**138.8**	**41.5**	**30.2**	118.8	129.7	29.9	32.4
Accrued expenses and deferred income	**2.4**	**10.0**	**0.9**	**4.0**	3.0	11.8	1.7	4.5
Debt issued	**15.7**	**120.0**	**8.8**	**11.7**	18.3	90.7	4.4	16.2
Other liabilities	**7.2**	**6.1**	**0.9**	**1.5**	9.9	3.6	2.5	2.8
Minority interests	**0.1**	**3.9**	**0.0**	**0.1**	0.2	2.5	0.1	0.1
Shareholders' equity	**43.5**	**0.0**	**0.0**	**0.0**	44.8	0.0	0.0	0.0
Total liabilities, minority interests and shareholders' equity	**241.5**	**714.5**	**113.0**	**184.3**	222.2	550.7	83.7	231.0

Note 30 Financial Instruments Risk Position (continued)

d) Liquidity Risk

Maturity analysis of assets and liabilities

CHF billion	On demand	Subject to notice[1]	Due within 3 mths	Due between 3 and 12 mths	Due between 1 and 5 years	Due after 5 years	Total
Assets							
Cash and balances with central banks	21.0						21.0
Due from banks	10.6	0.0	14.7	1.5	0.4	0.3	27.5
Cash collateral on securities borrowed	0.0	0.0	162.5	0.0	0.4	0.0	162.9
Reverse repurchase agreements	0.0	0.0	236.9	31.4	1.0	0.0	269.3
Trading portfolio assets	397.9	0.0	0.0	0.0	0.0	0.0	397.9
Positive replacement values	73.4	0.0	0.0	0.0	0.0	0.0	73.4
Loans, net of allowance for credit losses	0.0	29.7	96.0	36.5	54.7	9.6	226.5
Financial investments	9.3	0.3	3.3	4.8	7.1	4.0	28.8
Accrued income and prepaid expenses	7.6	0.0	0.0	0.0	0.0	0.0	7.6
Investments in associates	0.0	0.0	0.0	0.0	0.0	0.7	0.7
Property and equipment	0.0	0.0	0.0	0.0	0.0	8.7	8.7
Goodwill and other intangible assets	0.0	0.0	0.0	0.0	0.0	19.1	19.1
Other assets	9.9	0.0	0.0	0.0	0.0	0.0	9.9
Total 31.12.2001	**529.7**	**30.0**	**513.4**	**74.2**	**63.6**	**42.4**	**1,253.3**
Total 31.12.2000	351.8	38.8	502.3	87.3	60.8	46.6	1,087.6
Liabilities							
Due to banks	11.1	2.7	87.9	4.2	0.5	0.1	106.5
Cash collateral on securities lent	0.0	0.0	30.3	0.0	0.0	0.0	30.3
Repurchase agreements	0.0	0.0	336.9	31.7	0.0	0.0	368.6
Trading portfolio liabilities	105.8	0.0	0.0	0.0	0.0	0.0	105.8
Negative replacement values	71.5	0.0	0.0	0.0	0.0	0.0	71.5
Due to customers	141.4	3.7	178.9	7.7	1.2	0.9	333.8
Accrued expenses and deferred income	17.3	0.0	0.0	0.0	0.0	0.0	17.3
Debt issued	0.0	0.0	66.0	50.3	27.6	12.3	156.2
Other liabilities	15.7	0.0	0.0	0.0	0.0	0.0	15.7
Total 31.12.2001	**362.8**	**6.4**	**700.0**	**93.9**	**29.3**	**13.3**	**1,205.7**
Total 31.12.2000	283.1	77.2	536.5	84.3	33.3	25.4	1,039.8

[1] Deposits without a fixed term, on which notice of withdrawal or termination has not been given (such funds may be withdrawn by the depositor or repaid by the borrower subject to an agreed period of notice).

Note 30 Financial Instruments Risk Position (continued)

e) Capital Adequacy

Risk-weighted assets (BIS)

CHF million	Balance sheet / notional amount 31.12.01	Risk-weighted amount 31.12.01	Balance sheet / notional amount[1] 31.12.00	Risk-weighted amount[1] 31.12.00
Balance sheet assets				
Due from banks and other collateralized lendings	**380,641**	**7,640**	333,270	7,409
Net positions on securities[2]	**29,500**	**10,992**	20,463	10,979
Positive replacement values	**73,447**	**19,556**	57,875	18,763
Loans, net of allowances for credit losses and other collateralized lendings	**305,624**	**154,908**	312,376	162,539
Accrued income and prepaid expenses	**7,554**	**3,679**	7,062	4,653
Property and equipment	**13,202**	**13,202**	13,620	13,620
Other assets	**9,875**	**4,504**	9,491	5,565
Off-balance sheet and other positions				
Contingent liabilities	**25,487**	**9,868**	27,786	12,548
Irrevocable commitments	**50,705**	**5,034**	53,643	12,599
Forward and swap contracts[3]	**8,362,374**	**9,256**	5,743,239	10,933
Purchased options[3]	**365,100**	**1,777**	380,411	2,922
Market risk positions[4]		**13,319**		10,760
Total risk-weighted assets		**253,735**		273,290

[1] Changes have been made to prior year to conform to the current presentation (see Note 1: Summary of Significant Accounting Policies). [2] Excluding positions in the trading book, these are included in market risk positions. [3] The risk-weighted amount corresponds to the security margin (add-on) of the contracts. [4] Value at Risk according to the internal model multiplied by a factor of 12.5 to create the risk-weighted amount of the market risk positions in the trading book.

BIS capital ratios

	Capital CHF million 31.12.01	Ratio % 31.12.01	Capital CHF million 31.12.00	Ratio % 31.12.00
Tier 1	**29,322**	**11.6**	31,892	11.7
of which hybrid Tier 1	**3,638**	**1.4**	2,456	0.9
Tier 2	**8,149**	**3.2**	10,968	4.0
Total BIS	**37,471**	**14.8**	42,860	15.7

The Tier 1 capital includes CHF 3,638 million (USD 2,175 million) trust preferred securities at 31 December 2001 and CHF 2,456 million (USD 1,500 million) at 31 December 2000.

Among other measures the Group monitors the adequacy of its capital using ratios established by the Bank for International Settlements (BIS). The BIS ratio is required to be at least 8%. The Group has complied with all BIS and Swiss capital adequacy rules for all periods presented. These ratios measure capital adequacy by comparing the Group's eligible capital with its risk weighted positions which include balance sheet assets, net positions in securities not held in the trading book, off-balance sheet transactions converted into their credit equivalents and market risk positions at a weighted amount to reflect their relative risk.

The capital adequacy rules require a minimum amount of capital to cover credit and market risk exposures. For the calculation of the capital required for credit risk the balance sheet assets are weighted according to broad categories of notional credit risk, being assigned a

Note 30 Financial Instruments Risk Position (continued)
e) Capital Adequacy (continued)

risk weighting according to the amount of capital deemed to be necessary to support them. Four categories of risk weights (0%, 20%, 50%, 100%) are applied; for example cash, claims collateralized by cash or claims collateralized by OECD central-government securities have a zero risk weighting which means that no capital is required to be held in respect of these assets. Uncollateralized loans granted to corporate or private customers carry a 100% risk weighting, meaning that they must be supported by capital equal to 8% of the carrying amount. Other asset categories have weightings of 20% or 50% which require 1.6% or 4% capital.

The net positions in securities not held in the trading book reflect the Group's exposure to an issuer of securities arising from its physical holdings and other related transactions in that security.

For contingent liabilities and irrevocable facilities granted, the credit equivalent is calculated by multiplying the nominal value of each transaction by its corresponding credit conversion factor. The resulting amounts are then weighted for credit risk using the same percentage as for balance sheet assets. In the case of OTC forward contracts and purchased options, the credit equivalent is computed on the basis of the current replacement value of the respective contract plus a security margin (add-on) to cover the future potential credit risk during the remaining duration of the contract.

The Group calculates its capital requirement for market risk positions, which includes interest-rate instruments and equity securities in the trading book as well as positions in foreign exchange throughout the Group, using an internal Value-at-Risk (VaR) model. This approach was introduced in the BIS 1996 market risk amendment to the Basel Accord of July 1988 and incorporated in the Swiss capital adequacy rules of the Swiss Banking Ordinance.

The BIS proposal requires that the regulators perform tests of the bank internal models before giving permission for these models to be used to calculate the market risk capital. Based on extensive checks, the use of the Group internal models was accepted by the Swiss Federal Banking Commission in July 1999.

Tier 1 capital consists of share capital, share premium, retained earnings including current year profit, foreign currency translation and minority interest less accrued dividends, net long positions in own shares and goodwill. Tier 2 capital includes the Group's subordinated long-term debt.

Note 31 Fair Value of Financial Instruments

The following table presents the fair value of financial instruments based on the following valuation methods and assumptions. It is presented because not all financial instruments are reflected in the financial statements at fair value.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's-length transaction. We use market price to determine fair value, where an active market (such as a recognized stock exchange) exists, as it is the best evidence of the fair value of a financial instrument. However, market prices are not available for a significant number of the financial assets and liabilities held and issued by the Group. Therefore, for financial instruments where no market price is available, the fair values presented in the following table have been estimated using present value or other estimation and valuation techniques based on market conditions existing at balance sheet dates.

The values derived from applying these techniques are significantly affected by the underlying assumptions used concerning both the amounts and timing of future cash flows and the discount rates. The following methods and assumptions have been used:

(a) trading assets, derivatives and other transactions undertaken for trading purposes are measured at fair value by reference to quoted market prices when available. If quoted market prices are not available, then fair values are estimated on the basis of pricing models, or discounted cash flows. Fair value is equal to the carrying amount for these items;

(b) financial investments classified as available-for-sale are measured at fair value by reference to quoted market prices when available. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or other recognized valuation techniques. Prior to the adoption of IAS 39 in 2001, financial investments were carried at cost or if considered held for sale, at the lower of cost or market. Upon the adoption of the standard, all financial investments are carried at fair value. Unrealized gains and unrealized losses, excluding impairment write-downs, are recorded in shareholders' equity until an asset is sold, collected or otherwise disposed of;

(c) the fair value of liquid assets and other assets maturing within 12 months is assumed to approximate their carrying amount. This assumption is applied to liquid assets and the short-term elements of all other financial assets and financial liabilities;

(d) the fair value of demand deposits and savings accounts with no specific maturity is assumed to be the amount payable on demand at the balance sheet date;

(e) the fair value of variable rate financial instruments is assumed to approximate their carrying amounts;

(f) the fair value of fixed rate loans and mortgages is estimated by comparing market interest rates when the loans were granted with current market rates offered on similar loans. Changes in the credit quality of loans within the portfolio are not taken into account in determining gross fair values as the impact of credit risk is recognized separately by deducting the amount of the allowance for credit losses from both book and fair values.

The assumptions and techniques have been developed to provide a consistent measurement of fair value for the Group's assets and liabilities in the following table. However, because other institutions may use different methods and assumptions, such fair value disclosures in this note cannot necessarily be compared from one financial institution to another.

Note 31 Fair Value of Financial Instruments (continued)

CHF billion	**Carrying value 31.12.01**	**Fair value 31.12.01**	**Unrealized gain / (loss) 31.12.01**	Carrying value 31.12.00	Fair value 31.12.00	Unrealized gain / (loss) 31.12.00
Assets						
Cash and balances with central banks	**21.0**	**21.0**	**0.0**	3.0	3.0	0.0
Due from banks	**27.7**	**27.7**	**0.0**	29.1	29.1	0.0
Cash collateral on securities borrowed	**162.9**	**162.9**	**0.0**	177.9	177.9	0.0
Reverse repurchase agreements	**269.3**	**269.3**	**0.0**	193.8	193.8	0.0
Trading portfolio assets	**397.9**	**397.9**	**0.0**	315.6	315.6	0.0
Positive replacement values	**73.4**	**73.4**	**0.0**	57.9	57.9	0.0
Loans, net of allowance for credit losses	**226.7**	**227.0**	**0.3**	245.1	244.9	(0.2)
Financial investments	**28.8**	**28.8**	**0.0**	19.6	21.4	1.8
Liabilities						
Due to banks	**107.2**	**107.2**	**0.0**	82.8	82.8	0.0
Cash collateral on securities lent	**30.3**	**30.3**	**0.0**	23.4	23.4	0.0
Repurchase agreements	**368.6**	**368.6**	**0.0**	295.5	295.5	0.0
Trading portfolio liabilities	**105.8**	**105.8**	**0.0**	82.6	82.6	0.0
Negative replacement values	**71.4**	**71.4**	**0.0**	75.9	75.9	0.0
Due to customers	**334.0**	**334.0**	**0.0**	311.2	311.2	0.0
Debt issued	**157.5**	**158.6**	**(1.1)**	130.5	131.4	(0.9)
Subtotal			**(0.8)**			0.7
Unrealized gains and losses recorded in shareholders' equity before tax on:						
Financial investments			**1.2**			
Derivative instruments designated as cash flow hedges			**(0.6)**			(0.5)[1]
Net unrealized gains and losses not recognized in the income statement			**(0.2)**			0.2

[1] Relates to the cash flow hedge opening adjustment for IAS 39 at 1 January 2001 (see Note 1 Summary of Significant Accounting Policies for more information on the adoption of IAS 39).

Note 31 Fair Value of Financial Instruments (continued)

The table does not reflect the fair values of non-financial assets and liabilities such as property, equipment, goodwill, prepayments and non-interest accruals. The interest amounts accrued to date for respective financial instruments are included, for purposes of the above fair value disclosure, in the carrying value of the financial instruments.

Substantially all of the Group's commitments to extend credit are at variable rates. Accordingly, the Group has no significant exposure to fair value fluctuations related to these commitments.

Changes in the fair value of the Group's fixed rate loans, long- and medium-term notes and bonds issued are predominantly hedged by derivative instruments, mainly interest rate swaps. The interest rate risk inherent in the balance sheet positions with no specific maturity is also hedged with derivative instruments based on the management view on the economic maturity of the products.

The hedging derivative instruments are carried at fair value on the balance sheet and are part of the replacement values in the above table. When fixed rate financial instruments are hedged with derivatives in a fair value hedge, they are reflected in the above table at fair value related to the hedged exposure with fair value changes recorded in net profit. When derivative instruments are designated as cash flow hedges, the difference between the total amount of valuation gains and losses and the amortized amount of the derivatives is deferred and shown net in the table as unrealized gains and losses on derivative instruments designated as cash flow hedges.

The decrease in the Net unrealized gains and losses during 2001 of CHF 0.4 billion is mainly attributable to the lower unrealized fair value gain from financial investments (down CHF 0.6 billion to CHF 1.2 billion). The change in the unrealized gains and losses of fixed rate long-term assets has increased by CHF 0.5 billion from the prior year as a result of declining interest rates during 2001. This was partially offset by an increase in fair value loss from fixed rate long-term debt issues and from hedging derivatives.

Note 32 Retirement Benefit Plans and Other Employee Benefits

The Group has established various pension plans inside and outside of Switzerland. The major plans are located in Switzerland, the UK, the US and Germany. Independent actuarial valuations are performed for the plans in these locations.

Swiss pension plans until 30 June 1999

The pension funds of the Group were set up as trusts, domiciled in Basel and Zurich. All domestic employees were covered. The pension funds were defined benefit plans. The pension plan benefits exceeded the minimum benefits required under Swiss law.

Contributions were paid for by the Group and its employees. The employee contributions were calculated as a percentage of the insured annual salary and were deducted monthly. The percentages deducted from salary were dependent on age and varied between 8% and 12%. The Group contributions were variable and amount to 125% to 250% of the employees contributions depending on the financial situation of the pension fund.

The pension plan formula was based on years of contributions and final covered salary. The benefits covered included retirement benefits, disability, death and survivor pension.

Swiss pension plans starting 1 July 1999

The pension plans of both former banks in Switzerland are in the process of being liquidated and a new foundation with domicile in Zurich was created as of 21 January 1999. The new pension scheme became operational as of 1 July 1999.

As a result of the merger of the plans of the former banks in Switzerland, on 1 July 1999 there was an increase of vested plan benefits for the beneficiaries of such plans due to the allocation of the excess of the fair value of plan assets over the benefit obligation. This had the effect of increasing the Defined benefit obligation by

Note 32 Retirement Benefit Plans and Other Employee Benefits (continued)

CHF 3,525 million. In accordance with IAS 19 (revised 2000) this resulted in a one-time charge to income which was offset by the recognition of assets previously unrecognized due to the paragraph 58 (b) limitation of IAS 19 (revised 2000) used to fund this increase in benefits.

The pension plan covers practically all employees in Switzerland and exceeds the minimum benefit requirements under Swiss law. Contributions to the pension plan are paid for by employees and the Group. The employee contributions are calculated as a percentage of insured annual salary and are deducted monthly. The percentages deducted from salary for full benefit coverage (including risk benefits) depend on age and vary between 7% and 10%. The Group pays a variable contribution that ranges between 150% and 220% of the sum of employees' contributions.

The pension plan formula is based on years of contributions and final covered salary. The benefits covered include retirement benefits, disability, death and survivor pension.

In 1999, the Group recognized a prepaid pension asset of CHF 456 million representing excess employer contributions. In 2000, CHF 100 million of this asset was used to satisfy the benefit obligation. There was no asset used in 2001.

Foreign pension plans

The foreign locations of UBS operate various pension schemes in accordance with local regulations and practices. Among these schemes are defined contribution plans as well as defined benefit plans. The locations with defined benefit plans of a material nature are in the UK, the US and Germany. These locations together with Switzerland cover nearly 90% of the active workforce. Certain of these schemes permit employees to make contributions and earn matching or other contributions from the Group.

The retirement plans provide benefits in the event of retirement, death, disability or employment termination. The plans' retirement benefits depend on age, contributions and level of compensation. The principal plans are financed in full by the Group. The funding policy for these plans is consistent with local government and tax requirements.

The assumptions used in foreign plans take into account local economic conditions.

The amounts shown for foreign plans reflect the net funded positions of the major foreign plans.

Postretirement medical and life plans

In the US and the UK the Group offers retiree medical benefits that contribute to the health care coverage of employees and beneficiaries after retirement. In addition to retiree medical benefits, the Group in the US also provides retiree life insurance benefits.

The benefit obligation in excess of plan assets for those plans amounts to CHF 142 million as of 31 December 2001 (2000 CHF 111 million, 1999 CHF 113 million) and the total unfunded accrued postretirement liabilities to CHF 130 million as of 31 December 2001 (2000 CHF 108 million, 1999 CHF 83 million). The actuarially determined net postretirement cost amounts to CHF 24 million as of 31 December 2001 (2000 CHF 22 million, 1999 CHF 17 million).

Note 32 Retirement Benefit Plans and Other Employee Benefits (continued)

	Swiss			Foreign		
CHF million	**31.12.01**	31.12.00	31.12.99	**31.12.01**	31.12.00	31.12.99
Reconciliation of benefit obligation						
Defined benefit obligation at beginning of the year	**(17,712)**	(17,011)	(14,944)	**(3,406)**	(2,444)	(2,009)
Service cost	**(541)**	(545)	(464)	**(121)**	(165)	(118)
Interest cost	**(674)**	(666)	(636)	**(204)**	(162)	(123)
Plan amendments			(3,517)	**(1)**		(2)
Special termination benefits	**(262)**	(211)	1,000		(3)	
Actuarial gain/(loss)	**421**		571	**(345)**	(99)	2
Benefits paid	**889**	721	979	**107**	84	133
Acquisition of PaineWebber					(740)	
Currency adjustment				**(12)**	123	(269)
Other				**429**		(58)
Defined benefit obligation at the end of the year	**(17,879)**	(17,712)	(17,011)	**(3,553)**	(3,406)	(2,444)
Reconciliation of fair value of plan assets						
Fair value of plan assets at the beginning of the year	**19,074**	18,565	17,885	**3,378**	2,880	2,173
Actual return on plan assets	**(765)**	535	2,136	**(220)**		352
Employer contributions	**656**	490	515	**258**	13	22
Plan participant contributions	**213**	205	180		23	15
Benefits paid	**(889)**	(721)	(979)	**(107)**	(84)	(133)
Special termination benefits			(1,172)			
Acquisition of PaineWebber					676	
Currency adjustments				**7**	(130)	333
Other				**(429)**		118
Fair value of plan assets at the end of the year	**18,289**	19,074	18,565	**2,887**	3,378	2,880
Funded status						
Plan assets in excess of benefit obligation	**410**	1,362	1,554	**(666)**	(28)	436
Unrecognized net actuarial gains	**961**	(331)	(724)	**673**	(81)	(474)
Unrecognized transition amount					1	1
Unrecognized past service cost				**2**	2	2
Unrecognized assets	**(1,015)**	(675)	(374)		(47)	(28)
(Unfunded accrued) / prepaid pension cost	**356**	356	456	**9**	(153)	(63)
Movement in the net (liability) or asset						
(Unfunded accrued) / prepaid pension cost at the beginning of the year	**356**	456	0	**(153)**	(63)	43
Net periodic pension cost	**(656)**	(590)	(59)	**(97)**	(55)	(123)
Employer contributions	**656**	490	515	**258**	13	22
Acquisition of PaineWebber					(63)	
Currency adjustments				**1**	15	(5)
(Unfunded accrued) / prepaid pension cost	**356**	356	456	**9**	(153)	(63)
Amounts recognized in the balance sheet						
Prepaid pension cost	**356**	356	456	**185**	53	49
Accrued pension liability				**(176)**	(206)	(112)
(Unfunded accrued) / prepaid pension cost	**356**	356	456	**9**	(153)	(63)

Note 32 Retirement Benefit Plans and Other Employee Benefits (continued)

	Swiss			Foreign		
CHF million	**31.12.01**	31.12.00	31.12.99	**31.12.01**	31.12.00	31.12.99
Amounts recognized in the Income Statement						
Current service cost	**541**	545	464	**121**	165	118
Interest cost	**674**	666	636	**204**	162	123
Expected return on plan assets	**(947)**	(927)	(883)	**(228)**	(243)	(195)
Adjustment to limit prepaid pension cost	**339**	300	(150)			21
Amortization of unrecognized prior service costs	**262**	211	172		3	77
Amortization of unrecognized net (gains)/losses					(9)	(6)
Employee contributions	**(213)**	(205)	(180)		(23)	(15)
Actuarially determined net periodic pension cost	**656**	590	59	**97**	55	123
Actual return on plan assets (%)	**(4.0)**	2.9	11.9	**(7.3)**	(0.9)	15.3
Principal actuarial assumptions used (%)						
Discount rate	**4.0**	4.0	4.0	**6.2**	6.3	6.0
Expected rate of return on plan assets	**5.0**	5.0	5.0	**7.9**	8.1	8.1
Expected rate of salary increase	**2.5**	2.5	2.5	**4.4**	4.4	4.6
Rate of pension increase	**1.5**	1.5	1.5	**1.5**	1.6	2.2

	Swiss		
Additional details to fair value of plan assets	**31.12.01**	31.12.00	31.12.99
Own financial instruments	**781**	1,211	846
Securities lent to UBS included in plan assets	**824**	3,432	5,939
Other assets used by UBS included in plan assets	**104**	179	187

Note 32 Retirement Benefit Plans and Other Employee Benefits (continued)

Foreign post-retirement medical and life plans

CHF million	**31.12.01**	31.12.00	31.12.99
Post-retirement benefit obligation at beginning of the year	**(115)**	(117)	(96)
Service cost	**(7)**	(6)	(2)
Interest cost	**(9)**	(8)	(6)
Plan amendments	**(10)**	(7)	0
Actuarial gain/(loss)	**(6)**	27	0
Benefits paid	**4**	5	4
Acquisition of PaineWebber		(9)	0
Currency adjustment	**(2)**	0	(16)
Other		0	(1)
Post-retirement benefit obligation at end of the year	**(145)**	(115)	(117)

CHF million	**31.12.01**	31.12.00	31.12.99
Fair value of plan assets at beginning of the year	**4**	4	3
Actual return on plan assets	**0**	0	1
Company contributions	**3**	4	4
Benefits paid	**(4)**	(4)	(4)
Fair value of plan assets at end of the year	**3**	4	4

The assumed health care cost trend used in determining the benefit expense for 2001 is 5.32%. Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plan. A one-percentage-point change in the assumed health care cost trend rates would change the US post-retirement benefit obligation and the service and interest cost components of the net periodic post-retirement benefit costs as follows:

CHF million	**1% increase**	1% decrease
Effect on total service and interest cost	**3.0**	(2.0)
Effect on the post-retirement benefit obligation	**17.0**	(14.0)

Note 33 Equity Participation Plans

a) Equity Participation Plans Offered

UBS has established several equity participation plans to further align the long-term interests of executives, managers, staff and shareholders. The plans are offered to eligible employees in approximately 50 countries and are designed to meet the complex legal, tax and regulatory requirements of each country in which they are offered. The explanations below describe the most significant plans in general, but specific plan rules and investment offerings may vary by country.

Equity Plus Program (EPP): This plan replaces the Equity Investment Plan (EIP) (see below) and will be the main plan for all UBS employees going forward. It was previously only available to UBS PaineWebber employees. Equity Plus gives eligible UBS employees the opportunity to purchase UBS shares at fair market value on the purchase date and receive two options on UBS shares for each share purchased, up to a maximum limit. The options have a strike price equal to the fair market value of the stock on the date the option is granted. Share purchases can be made annually from bonus compensation or quarterly, based on regular deductions from salary. Shares purchased under EPP are restricted from resale for two years from the time of purchase, and the options granted have either a

Note 33 Equity Participation Plans (continued)

a) Equity Participation Plans Offered (continued)

two or three year vesting requirement and expire either seven or ten years after the date of grant.

Discounted Purchase Plans: All employees in Switzerland are entitled to purchase a specified number of UBS shares at a predetermined discounted price each year (the discount is recorded as compensation expense). The number of shares that can be purchased depends primarily on years of service and rank. Any such shares purchased must be held for a specified period of time.

Equity Ownership Plan (EOP): Selected personnel receive a mandatory portion of their performance related compensation in UBS shares and are also awarded a matching contribution in the form of additional UBS shares or options. Participants in certain countries are eligible to receive a portion of their award in Alternative Investment Vehicles (AIVs). These are generally money market funds, UBS and non-UBS mutual funds and other UBS sponsored funds. The awards vest either at the end of the restriction period ("cliff" vesting) which is normally three years or ratably over the vesting period. Under certain conditions, these awards are fully forfeitable by the employee.

Long Term Incentive Plans: Under these plans, key employees are granted options to purchase UBS shares at a price not less than the fair market value of the shares on the date the option is granted. Long-term stock options are blocked for either three or five years during which they cannot be exercised. Expiration of the options is generally six years. One option gives the right to purchase one registered UBS share at the option's strike price. In some grants, accelerated vesting or non-forfeitability may occur if certain share appreciation targets are met.

Other deferred compensation plans: UBS sponsors other deferred compensation plans for selected eligible employees. Generally, contributions are made on a tax deferred basis. Participants are allowed to invest in UBS shares or AIVs. No additional company match is granted, and the plan is generally not forfeitable. In addition, UBS also grants deferred compensation awards to new recruits, senior management and other key employees in the form of UBS shares, options or other leveraged interests in non-UBS instruments.

Equity Investment Plan (EIP) (now discontinued): Prior to the discontinuance of new awards under this plan in 2001, employees had the choice to invest part of their annual bonus in UBS shares, warrants or other derivatives on UBS shares. A holding period, generally three years, applied during which the instruments could not be sold or exercised. In addition, participants in the plan received a matching contribution of additional UBS shares or derivatives. Only the UBS matching contribution was forfeitable. The last EIP vesting will take place in 2004. Staff who used to have the possibility to take part in EIP are now offered the opportunity to take part in EPP.

Note 33 Equity Participation Plans (continued)

b) UBS Share Awards

i) Stock bonus plans

Shares granted under the various equity participation plans mentioned above are as follows:

Stock bonus plans	31.12.01	31.12.00	31.12.99
Shares awarded	**15,644,000**	38,340,000	10,407,000
Weighted-average fair market value per share (in CHF)	**90**	76	73

The stock bonus awards for 2000 include approximately 19.8 million shares granted under the retention agreements with key employees of UBS PaineWebber. The bonus awards for 1999 include 4.2 million shares issued in exchange for previously issued non-share awards and for special bonuses.

9.5 million, 4.0 million and 3.1 million shares vested in 2001, 2000 and 1999, respectively. Of these shares, the majority vested on 15 March of each year and the remaining shares vested on various dates throughout the year. On 31 December 2001, 2000 and 1999, there were 52.3 million, 47.5 million and 14.4 million unvested shares outstanding in various equity participation plans with a corresponding market value of CHF 4.4 billion in 2001, CHF 4.2 billion in 2000 and CHF 1.0 billion in 1999.

ii) Stock purchase plans

The following table shows the shares awarded and the weighted-average fair value per share for the Group's stock purchase plans.

Stock purchase plans	31.12.01	31.12.00	31.12.99
Share quantity for discounted purchase plans	**1,701,099**	966,000	5,406,000
Weighted-average purchase price (in CHF)	**47**	35	49
Share quantity for UBS PaineWebber plans	**1,221,416**	298,725	
Weighted-average fair value purchase price (in USD)	**51**	46	

Note 33 Equity Participation Plans (continued)

c) UBS Option Awards

Movements in options granted under various equity participation plans are as follows:

	Number of options 31.12.01	**Weighted average exercise price (in CHF) 31.12.01**	Number of options 31.12.00	Weighted average exercise price (in CHF) 31.12.00	Number of options 31.12.99	Weighted average exercise price (in CHF) 31.12.99
Outstanding, at the beginning of the year	**63,308,502**	**58**	30,415,386	66	21,608,358	59
Options due to the acquisition of PaineWebber	**0**		18,975,810[1]	34	0	0
Granted during the year	**11,070,992**	**94**	21,248,046[2]	72	10,317,426	79
Exercised during the year	**(10,083,075)**	**49**	(5,390,307)	50	(215,298)	60
Forfeited during the year	**(1,009,750)**	**74**	(1,940,433)	64	(1,295,100)	63
Outstanding, at the end of the year	**63,286,669**	**66**	63,308,502	58	30,415,386	66
Exercisable, at the end of the year	**25,550,932**	**50**	18,310,839	34	1,951,920	62

[1] UBS AG issued options in exchange for options of PaineWebber which have been included in the purchase price for PaineWebber at a fair value of CHF 992 million. [2] Includes options granted to key employees of UBS PaineWebber, vesting over a 3-year period, subject to employee's continued employment and other restrictions.

Some of the options in the table above have exercise prices denominated in US dollars which have been converted into CHF at the year-end spot exchange rate for purposes of this table. The exercise dates can occur on any business day during the year.

The following table summarizes additional information about stock options outstanding at 31 December 2001:

	Options outstanding			Options exercisable	
Range of exercise prices per share	Number of options outstanding	Weighted-average exercise price	Weighted-average remaining contractual life	Number of options exercisable	Weighted-average exercise price
CHF		***CHF***	***Years***		***CHF***
56.67–70.00	19,966,200	63.08	3.3	4,374,462	57.85
70.01–85.00	11,017,595	78.41	3.3	0	0
85.01–106.00	6,024,480	98.60	6.8	31,800	90.00
56.67–106.00	**37,008,275**	**73.42**	**3.8**	**4,406,262**	**58.08**
USD		***USD***	***Years***		***USD***
6.34–15.00	5,269,657	8.79	2.7	5,269,657	8.79
15.01–25.00	2,879,652	22.61	3.2	2,879,652	22.61
25.01–35.00	5,983,999	28.62	4.3	5,983,999	28.62
35.01–45.00	0	0	0.0	0	0
45.01–55.00	10,067,766	48.05	6.1	7,011,362	47.05
55.01–58.76	2,077,320	57.81	6.1	0	0
6.34–58.76	**26,278,394**	**33.74**	**4.7**	**21,144,670**	**28.97**

Options are normally granted with a strike price either equal to fair market value or approximately 10% greater than the fair value of the underlying share on the grant date.

Note 33 Equity Participation Plans (continued)

d) Compensation Expense

Generally, the Group's policy is to recognize expense at the date of grant for equity participation instruments (shares, warrants, options and other derivatives for which the underlying is the Group's own shares). The amount of expense recognized is equal to the intrinsic value of the instrument at such date and is calculated as follows: 1) For stock options, it is the difference between the strike price and fair value of shares at the date of grant, if any. 2) For UBS shares and other derivative instruments, it is the fair market value. 3) For discounted share plans, the expense is equal to the difference between the fair market value and discounted value.

The accrued expense for share based compensation for the years ended 31 December 2001, 2000 and 1999 was CHF 974 million, CHF 1,749 million and CHF 1,684 million, respectively. The accruals include awards earned currently but issued in the following year.

e) Pro-Forma Net Income

The following table presents Net income and Earnings per share for 2001, 2000 and 1999 as if the Group had adopted the fair value method of accounting for its equity compensation plans, rather than the intrinsic value method described in paragraph d) above.

CHF million, except per share data		**31.12.01**	31.12.00	31.12.99
Net income	As reported	**4,973**	7,792	6,153
	Pro-forma	**4,626**	7,634[1]	6,028[1]
Basic EPS	As reported	**3.93**	6.44	5.07
	Pro-forma	**3.65**	6.31	4.96
Diluted EPS	As reported	**3.78**	6.35	5.02
	Pro-forma	**3.51**	6.22	4.92

[1] Pro-forma net income at 31 December 2000 and 31 December 1999 has been adjusted for expense reversals related to forfeitures.

The effects of recognizing compensation expense and providing pro-forma disclosures are not likely to be representative of the effects on reported Net profit for future years.

The fair value of options granted was determined using a proprietary option pricing model, substantially similar to the Black-Scholes model, with the following assumptions:

	31.12.01	31.12.00	31.12.99
Expected volatility	**30%**	30%	33%
Risk free interest rate (CHF)	**3.51%**	3.27%	2.07%
Risk free interest rate (USD)	**5.81%**	5.66%	–
Expected dividend rate	**2.67%**	2.44%	1.44%
Expected life (years)	**4.5**	4.4	6

The weighted-average fair value of options granted in 2001, 2000 and 1999 was CHF 23, CHF 16 and CHF 20 per share, respectively.

Note 34 Related Parties

Related parties include Associated companies, the Board of Directors, the Group Executive Board, the Group Managing Board, close family members and enterprises which are controlled by these individuals as well as certain persons performing similar functions.

Total remuneration to related parties recognized in the income statement amounted to CHF 321.4 million in 2001, CHF 272.3 million in 2000 and CHF 193.1 million in 1999, including accrued pension benefits of approximately CHF 35.4 million in 2001, CHF 30.0 million in 2000 and CHF 21.2 million in 1999. The remuneration paid to related parties in 2001 includes approximately USD 70 million (CHF 118 million) paid to employees of Paine Webber Group, Inc. who joined UBS at the merger on 3 November 2000.

The number of long-term stock options outstanding to related parties from equity plans was 8,366,103 at 31 December 2001 and 4,693,458 at 31 December 2000. These plans are further explained in Note 33 Equity Participation Plans.

The external members of the Board of Directors do not have employment or service contracts with UBS, and thus are not entitled to benefits upon termination of their service on the Board of Directors. The full-time Chairman and Vice-Chairmen have top-management employment contracts and receive pension benefits upon retirement.

The total amounts of shares and warrants held by members of the Board of Directors, Group Executive Board and Group Managing Board were 4,068,918 and 60,578,417 as of 31 December 2001 and 7,583,184 and 69,504,577 as of 31 December 2000. No member of the Board of Directors, Group Executive Board or Group Managing Board is the beneficial owner of more than 1% of the Group's shares.

Loans and advances receivable from related parties were as follows:

CHF million	**31.12.01**	31.12.00
Mortgages at the beginning of the year	**36**	28
Additions	**8**	9
Reductions	**(12)**	(1)
Mortgages at the end of the year	**32**	36

Members of the Board of Directors, Group Executive Board and Group Managing Board are granted mortgages at the same terms and conditions as other employees. Terms and conditions are based on third-party conditions adjusted for reduced credit risk.

Loans and advances to significant associated companies were as follows:

CHF million	**31.12.01**	31.12.00
Loans and advances at the beginning of the year	**0**	62
Additions	**65**	0
Reductions	**0**	(62)
Loans and advances at the end of the year	**65**	0

All loans and advances to associated companies are transacted at arm's length. At 31 December 2001, there are trading exposures and guarantees to significant associated companies of CHF 306 million. The Group routinely receives services from associated companies at an arm's length basis. For the year ended 31 December 2001, the amount paid to significant associates was CHF 98 million. Note 36 provides a list of significant associates.

Note 35 Post-Balance Sheet Events

There have been no material post-balance sheet events which would require disclosure or adjustment to the 31 December 2001 Financial Statements.

Bond issues have decreased by CHF 1,109 million from the balance sheet date to 12 February 2002.

On 12 February 2002, the Board of Directors reviewed the Financial Statements and authorized them for issue. These Financial Statements will be submitted to the Annual General Meeting of Shareholders to be held on 18 April 2002 for approval.

Note 36 Significant Subsidiaries and Associates

The legal entity group structure of UBS is designed to support the Group's businesses within an efficient legal, tax, regulatory and funding framework. Neither the Business Groups of UBS (namely UBS Warburg, UBS Switzerland and UBS Asset Management) nor Corporate Center are replicated in their own individual legal entities but rather they generally operate out of the parent bank, UBS AG, through its Swiss and foreign branches.

The parent bank structure allows UBS to capitalize on the advantages offered by the use of one legal platform by all the Business Groups. It provides for the most cost efficient and flexible structure and facilitates efficient allocation and use of capital, comprehensive risk management and straightforward funding processes.

Where, usually due to local legal, tax or regulatory rules or due to additional legal entities joining the UBS Group via acquisition, it is either not possible or not efficient to operate out of the parent bank then local subsidiary companies host the appropriate businesses. The significant operating subsidiary companies in the Group are listed below:

Significant subsidiaries

Company	Jurisdiction of incorporation	Business Group [1]		Share capital in millions	Equity interest accumulated in %
Armand von Ernst & Cie AG	Bern, Switzerland	CH	CHF	5.0	100.0
Aventic AG	Zurich, Switzerland	CH	CHF	30.0	100.0
Banco UBS Warburg SA	Rio de Janeiro, Brazil	WA	BRL	52.9	100.0
Bank Ehinger & Cie AG	Basel, Switzerland	CH	CHF	6.0	100.0
BDL Banco di Lugano	Lugano, Switzerland	CH	CHF	50.0	100.0
Brinson Advisors Inc	Delaware, USA	AM	USD	35.2[2]	100.0
Brinson Canada Co	Halifax, Canada	AM	CAD	117.0	100.0
Brinson Partners (New York) Inc	New York, USA	AM	USD	0.5	100.0
Brinson Partners Inc	Delaware, USA	AM	USD	–	100.0
Brunswick UBS Warburg Limited	George Town, Cayman Islands	WA	USD	25.0[2]	50.0
Cantrade Privatbank AG	Zurich, Switzerland	CH	CHF	10.0	100.0
Cantrade Private Bank Switzerland (CI) Limited	St. Helier, Jersey	CH	GBP	0.7	100.0
Crédit Industriel SA	Zurich, Switzerland	CH	CHF	10.0	100.0
EIBA «Eidgenössische Bank» Beteiligungs- und Finanzgesellschaft	Zurich, Switzerland	WA	CHF	14.0	100.0
Factors AG	Zurich, Switzerland	CH	CHF	5.0	100.0
Ferrier Lullin & Cie SA	Geneva, Switzerland	CH	CHF	30.0	100.0
Fondvest AG	Zurich, Switzerland	AM	CHF	4.3	100.0
Global Asset Management Limited	Hamilton, Bermuda	AM	USD	2.0	100.0
Hirslanden Holding AG	Zurich, Switzerland	CC	CHF	22.5	91.2
HYPOSWISS, Schweizerische Hypotheken- und Handelsbank	Zurich, Switzerland	CH	CHF	26.0	100.0[3]

Footnotes

1 CH: UBS Switzerland, AM: UBS Asset Management, WA: UBS Warburg, CC: Corporate Center.
2 Share Capital and Share Premium.
3 Sold subsequently to 31 December 2001.

Note 36 Significant Subsidiaries and Associates (continued)

Significant subsidiaries (continued)

Company	Jurisdiction of incorporation	Business Group [1]		Share capital in millions	Equity interest accumulated in %
IL Immobilien-Leasing AG	Opfikon, Switzerland	CH	CHF	5.0	100.0
PaineWebber Capital Inc	Delaware, USA	WA	USD	25.7[2]	100.0
PT UBS Warburg Indonesia	Jakarta, Indonesia	WA	IDR	11,000.0	85.0
PW Trust Company	New Jersey, USA	WA	USD	4.4[2]	99.6
SG Warburg & Co International BV	Amsterdam, the Netherlands	WA	GBP	40.5	100.0
SG Warburg Securities SA	Geneva, Switzerland	WA	CHF	14.5	100.0
Thesaurus Continentale Effekten-Gesellschaft Zürich	Zurich, Switzerland	CH	CHF	30.0	100.0
UBS (Bahamas) Ltd	Nassau, Bahamas	CH	USD	4.0	100.0
UBS (Cayman Islands) Ltd	George Town, Cayman Islands	CH	USD	5.6	100.0
UBS (France) SA	Paris, France	CH	EUR	10.0	100.0
UBS (Italia) SpA	Milan, Italy	CH	EUR	22.2	100.0
UBS (Luxembourg) SA	Luxembourg, Luxembourg	CH	CHF	150.0	100.0
UBS (Monaco) SA	Monte Carlo, Monaco	CH	EUR	9.2	100.0
UBS (Sydney) Limited	Sydney, Australia	WA	AUD	12.7	100.0
UBS (Trust and Banking) Ltd	Tokyo, Japan	AM	JPY	10,900.0	100.0
UBS (USA) Inc	Delaware, USA	WA	USD	315.0	100.0
UBS Americas Inc	Delaware, USA	WA	USD	3,562.9[2]	100.0
UBS Asset Management (Australia) Ltd	Sydney, Australia	AM	AUD	8.0	100.0
UBS Asset Management (France) SA	Paris, France	AM	EUR	0.8	100.0
UBS Asset Management (Italia) SIM SpA	Milan, Italy	AM	EUR	0.5	100.0
UBS Asset Management (Japan) Ltd	Tokyo, Japan	AM	JPY	2,200.0	100.0
UBS Asset Management (Singapore) Ltd	Singapore, Singapore	AM	SGD	4.0	100.0
UBS Asset Management (Taiwan) Ltd	Taipei, Taiwan	AM	TWD	340.0	84.1
UBS Asset Management Holding Limited	London, Great Britain	AM	GBP	8.0[2]	100.0
UBS Australia Limited	Sydney, Australia	WA	AUD	50.0	100.0
UBS Bank (Canada)	Toronto, Canada	CH	CAD	20.7	100.0
UBS Beteiligungs-GmbH & Co KG	Frankfurt, Germany	WA	EUR	398.8	100.0
UBS Bunting Warburg Inc	Toronto, Canada	WA	CAD	33.3	50.0
UBS Capital (Jersey) Ltd	St. Helier, Jersey	WA	GBP	36.0[2]	100.0
UBS Capital AG	Zurich, Switzerland	WA	CHF	5.0	100.0
UBS Capital Americas Investments II LLC	Delaware, USA	WA	USD	90.0[2]	100.0
UBS Capital Asia Pacific Limited	George Town, Cayman Islands	WA	USD	5.0	92.9
UBS Capital BV	The Hague, the Netherlands	WA	EUR	3.2	100.0
UBS Capital II LLC	Delaware, USA	WA	USD	2.6[2]	100.0
UBS Capital Latin America LDC	George Town, Cayman Islands	WA	USD	–	100.0
UBS Capital LLC	Delaware, USA	WA	USD	18.5[2]	100.0
UBS Capital Partners Limited	London, Great Britain	WA	GBP	6.7	100.0
UBS Capital SpA	Milan, Italy	WA	EUR	25.8	100.0
UBS Card Center AG	Glattbrugg, Switzerland	CH	CHF	40.0	100.0
UBS España SA	Madrid, Spain	CH	EUR	65.3	100.0
UBS Finance (Cayman Islands) Limited	George Town, Cayman Islands	CC	USD	0.5	100.0
UBS Finance (Curaçao) NV	Willemstad, Netherlands Antilles	CC	USD	0.1	100.0
UBS Finance (Delaware) LLC	Delaware, USA	WA	USD	37.3[2]	100.0
UBS Finanzholding AG	Zurich, Switzerland	CC	CHF	10.0	100.0
UBS Fund Holding (Luxembourg) SA	Luxembourg, Luxembourg	AM	CHF	42.0	100.0
UBS Fund Holding (Switzerland) AG	Basel, Switzerland	AM	CHF	18.0	100.0
UBS Fund Management (Switzerland) AG	Basel, Switzerland	AM	CHF	1.0	100.0
UBS Fund Services (Luxembourg) SA	Luxembourg, Luxembourg	AM	CHF	2.5	100.0
UBS Global Trust Corporation	St. John, Canada	CH	CAD	0.1	100.0
UBS Immoleasing AG	Zurich, Switzerland	CH	CHF	3.0	100.0
UBS International Holdings BV	Amsterdam, the Netherlands	CC	CHF	5.5	100.0
UBS Invest Kapitalanlagegesellschaft mbH	Frankfurt, Germany	AM	EUR	6.4	100.0
UBS Leasing AG	Brugg, Switzerland	CH	CHF	10.0	100.0

Footnotes
1 CH: UBS Switzerland, AM: UBS Asset Management, WA: UBS Warburg, CC: Corporate Center.
2 Share Capital and Share Premium.

Note 36 Significant Subsidiaries and Associates (continued)

Significant subsidiaries (continued)

Company	Jurisdiction of incorporation	Business Group [1]		Share capital in millions	Equity interest accumul-ated in %
UBS Life AG	Zurich, Switzerland	CH	CHF	25.0	100.0
UBS Limited	London, Great Britain	WA	GBP	10.0	100.0
UBS O'Connor LLC	Delaware, USA	AM	USD	1.0	100.0
UBS PaineWebber Inc	Delaware, USA	WA	USD	1,672.3[2]	100.0
UBS PaineWebber Incorporated of Puerto Rico	Hato Rey, Puerto Rico	WA	USD	31.0[2]	100.0
UBS PaineWebber Life Insurance Company	California, USA	WA	USD	29.3[2]	100.0
UBS Portfolio LLC	Delaware, USA	WA	USD	0.1	100.0
UBS Principal Finance LLC	Delaware, USA	WA	USD	0.1	100.0
UBS Private Banking Deutschland AG	Hamburg, Germany	CH	EUR	51.0	100.0
UBS Realty Investors LLC	Connecticut, USA	AM	USD	–	100.0
UBS Securities Limited	London, Great Britain	WA	GBP	10.0	100.0
UBS Trust (Canada)	Toronto, Canada	CH	CAD	12.5	100.0
UBS Trustees (Bahamas) Ltd	Nassau, Bahamas	CH	USD	2.0	100.0
UBS Trustees (Cayman) Ltd	George Town, Cayman Islands	CH	USD	0.5	100.0
UBS Trustees (Jersey) Ltd	St. Helier, Jersey	CH	GBP	0.7	100.0
UBS Trustees (Singapore) Ltd	Singapore, Singapore	CH	SGD	3.3	100.0
UBS UK Holding Limited	London, Great Britain	WA	GBP	5.0	100.0
UBS UK Limited	London, Great Britain	WA	GBP	609.0	100.0
UBS Warburg Asia Limited	Hong Kong, China	WA	HKD	20.0	100.0
UBS Warburg (France) SA	Paris, France	WA	EUR	22.9	100.0
UBS Warburg (Italia) SpA	Milan, Italy	WA	EUR	1.9	100.0
UBS Warburg (Japan) Limited	George Town, Cayman Islands	WA	JPY	50,000.0	100.0
UBS Warburg (Malaysia) Sdn Bhd	Kuala Lumpur, Malaysia	WA	MYR	0.5	70.0
UBS Warburg (Nederland) BV	Amsterdam, the Netherlands	WA	EUR	10.9	100.0
UBS Warburg AG	Frankfurt, Germany	WA	EUR	155.7	100.0
UBS Warburg Australia Corporate Finance Ltd	Sydney, Australia	WA	AUD	–	100.0
UBS Warburg Australia Corporation Pty Limited	Sydney, Australia	WA	AUD	50.4[2]	100.0
UBS Warburg Australia Equities Ltd	Sydney, Australia	WA	AUD	190.0[2]	100.0
UBS Warburg Australia Limited	Sydney, Australia	WA	AUD	571.5[2]	100.0
UBS Warburg Derivatives Limited	Hong Kong, China	WA	HKD	20.0	100.0
UBS Warburg Hong Kong Limited	Hong Kong, China	WA	HKD	30.0	100.0
UBS Warburg International Ltd	London, Great Britain	WA	GBP	18.0	100.0
UBS Warburg LLC	Delaware, USA	WA	USD	948.1	100.0
UBS Warburg Ltd	London, Great Britain	WA	GBP	17.5	100.0
UBS Warburg New Zealand Equities Ltd	Auckland, New Zealand	WA	NZD	7.5	100.0
UBS Warburg Private Clients Ltd	Melbourne, Australia	WA	AUD	53.9	100.0
UBS Warburg Pte Limited	Singapore, Singapore	WA	SGD	55.0	100.0
UBS Warburg Real Estate Securities Inc	Delaware, USA	WA	USD	0.4[2]	100.0
UBS Warburg Securities (España) SV SA	Madrid, Spain	WA	EUR	15.0	100.0
UBS Warburg Securities (South Africa) (Pty) Limited	Sandton, South Africa	WA	ZAR	22.1	100.0
UBS Warburg Securities Co Ltd	Bangkok, Thailand	WA	THB	400.0	100.0
UBS Warburg Securities India Private Limited	Mumbai, India	WA	INR	237.8	75.0
UBS Warburg Securities Ltd	London, Great Britain	WA	GBP	140.0	100.0
UBS Warburg Securities Philippines Inc	Makati City, Philippines	WA	PHP	150.0	100.0

Footnotes

1 CH: UBS Switzerland, AM: UBS Asset Management, WA: UBS Warburg, CC: Corporate Center.

2 Share Capital and Share Premium.

Note 36 Significant Subsidiaries and Associates (continued)

Consolidated companies: changes in 2001

Significant new companies
Brinson Canada Co - Halifax, Canada

Deconsolidated companies

Significant deconsolidated companies	Reason for deconsolidation
UBS (Panama) SA - Panama City, Panama	Liquidated

Significant associates

Company	Industry	Equity interest in %	Share capital in millions
FSG Swiss Financial Services Group AG - Zurich, Switzerland	Financial	33.0	CHF 26
Giubergia UBS Warburg SIM SpA - Milan, Italy	Financial	49.9	EUR 15
Motor Columbus AG - Baden, Switzerland	Electricity	35.6	CHF 253
Telekurs Holding AG - Zurich, Switzerland	Financial	33.3	CHF 45
Volbroker.com Limited - London, Great Britain	Financial	20.6	GBP 19

None of the above investments carry voting rights that are significantly different from the proportion of shares held.

Note 37 Acquisition of Paine Webber Group, Inc.

On 3 November 2000, UBS completed its acquisition of 100% of the outstanding common stock of the Paine Webber Group, Inc. ("PaineWebber"), a full-service broker-dealer and one of the largest securities and commodities firms in the United States servicing both individual and institutional clients. The transaction was accounted for using the purchase method of accounting, making PaineWebber a wholly owned subsidiary of UBS. Results of operations of PaineWebber have been included in the consolidated results beginning on the date of acquisition. Under IAS, the valuation of shares and options issued was measured on the date the acquisition was completed, 3 November 2000.

Purchase consideration amounted to CHF 22.0 billion (USD 12.5 billion) consisting of shares, options and cash. Total goodwill recorded in connection with the acquisition amounted to CHF 12.8 billion (USD 7.3 billion) at 3 November 2000 and is being amortized using the straight line method over an estimated useful life of 20 years.

In 2001, the goodwill amount increased by CHF 54.3 million, net of tax benefits, including realized tax benefits on options granted to employees before the merger and subsequently exercised, and other adjustments to the identifiable assets and liabilities acquired. At 31 December 2001 and 2000, the balance of goodwill related to the PaineWebber acquisition amounted to CHF 11.6 billion and CHF 11.8 billion respectively.

Note 38 Currency Translation Rates

The following table shows the principal rates used to translate the financial statements of foreign entities into Swiss francs:

	Spot rate As at		Average rate Year-to-date		
	31.12.01	31.12.00	**31.12.01**	31.12.00	31.12.99
1 USD	**1.67**	1.64	**1.69**	1.69	1.50
1 EUR	**1.48**	1.52	**1.50**	1.56	1.60
1 GBP	**2.43**	2.44	**2.44**	2.57	2.43
100 JPY	**1.27**	1.43	**1.40**	1.57	1.33

Note 39 Swiss Banking Law Requirements

The consolidated financial statements of UBS are prepared in accordance with International Accounting Standards. Set out below are the deviations which would result if the provisions of the Banking Ordinance and the Guidelines of the Swiss Banking Commission governing financial statement reporting pursuant to Article 23 through Article 27 of the Banking Ordinance were applied in the preparation of the consolidated financial statements of UBS.

1. Treasury shares

Under IAS, treasury shares are presented in the balance sheet as a deduction from Shareholders' equity and accounted for at weighted average cost. Contracts that require physical settlement or net share settlement in UBS AG shares are classified in the Shareholders' equity as Share premium and accounted for at weighted average cost. The difference between the proceeds from sales of treasury shares or contracts that require physical settlement or contracts that require net share settlement and their cost (net of tax) is reported as Share premium. The par value of shares repurchased and cancelled is debited to the issued and paid up share capital for the par value, with the remainder of the cost of the repurchased shares debited to Share premium. No dividends are paid on treasury shares.

Under Swiss law, own shares held for market making purposes are presented in the balance sheet as Trading portfolio assets. Own shares held for other purposes are classified as Financial investments and a corresponding reserve for own shares is established within Shareholders' equity. All derivative contracts on own shares are reported as Positive or Negative replacement values. Traded own shares and derivatives on own shares are carried at fair value. Gains and losses realized on disposal and unrealized gains and losses from changes in the fair value are recorded as Net trading income. Own shares reported within Financial investments are reported at the lower of cost or market value. Reductions to market value and reversals of such reductions, as well as gains and losses on disposal, are included in Other income. Own shares repurchased for cancellation are reported as financial investments and accounted for at cost. Upon cancellation, the par value of shares repurchased and cancelled is debited against Share capital for the par value, with the remainder of the purchase cost debited against General statutory reserve.

2. Financial investments

Under IAS, available-for-sale financial investments are carried at fair value. Changes in the fair value of available-for-sale financial investments are recorded as increases or decreases to Shareholders' equity until an investment is sold, collected or otherwise disposed of, or until an investment is determined to be impaired. At the time an available-for-sale investment is determined to be impaired, the cumulative unrealized gain or loss previously recognized in Shareholders' equity is included in net profit or loss for the period. On disposal of an available-for-sale investment, the difference between the net disposal proceeds and the carrying amount, including any previously recognized unrealized gain or loss arising from a change in fair value reported within Shareholders' equity, is included in net profit or loss for the period.

Under Swiss law financial investments are carried at the lower of cost or market value. Reductions to market value and reversals of such reductions as well as gains and losses on disposal are included in Other income.

3. Cash flow hedges

The Group also uses derivative instruments to hedge against the exposure from varying cash flows receivable and payable. Under IAS, when hedge accounting is applied for these instruments, the unrealized gain or loss on the effective portion of the derivatives is recorded in shareholders' equity until the hedged cash flows occur, at which time the accumulated gain or loss is realized and released to income.

Under Swiss law, the gains or losses on the effective portion of the derivative instruments used to hedge cash flow exposures are deferred on the balance sheet. The deferred amounts are released to income when the hedged cash flows occur.

4. Gains/losses not recognized in the income statement

Gains/losses not recognized in the income statement is a separate line within Shareholders' equity where under IAS unrealized gains and losses from currency translation, changes in fair value of financial investments available-for-sale and of derivative instruments designated as cash flow hedges are reported.

Under Swiss law, only foreign currency translation differences are reported in shareholders' equity. The other two components are reported according to the methods described in captions 2. and 3. above.

5. Extraordinary income and expense

Under IAS, items of income and expense can only be classified as extraordinary if they are clearly distinct from the ordinary activities and their occurrence is expected to be rare.

Under Swiss law, income and expense items related to other accounting periods and/or not directly related with the core business activities of the enterprise (e.g. realized gains or losses on sale of Investments in associated companies or Property and equipment) are recorded as extraordinary income or expense.

The significant differences between IAS and Swiss banking law are as follows:

Note 39 Swiss Banking Law Requirements (continued)

CHF million	**31.12.01**	31.12.00
Differences in the Balance Sheet		
Treasury shares		
Trading portfolio	**128**	
Financial investments	**3,253**	4,007
Due to banks	**24**	2,516
Shareholders' equity	**3,357**	1,491
Financial investments		
Due to banks	**(1,856)**	
Other liabilities	**(215)**	
Shareholders' equity	**(1,641)**	
Cash flow hedges		
Other liabilities	**(459)**	
Shareholders' equity	**459**	
Differences in the Income Statement		
Treasury shares		
Net trading income	**(70)**	133
Other income	**(231)**	68
Financial investments		
Other income	**(607)**	
Reclassification of extraordinary income and expense		
Other income	**(95)**	(211)
Extraordinary income	**109**	233
Extraordinary expense	**14**	22

Note 40 Reconciliation of International Accounting Standards (IAS) to United States Generally Accepted Accounting Principles (US GAAP)

Note 40.1 Valuation and income recognition differences between IAS and US GAAP

The consolidated financial statements of the Group have been prepared in accordance with IAS. The principles of IAS differ in certain respects from United States Generally Accepted Accounting Principles ("US GAAP"). The following is a summary of the relevant significant accounting and valuation differences between IAS and US GAAP.

a. Purchase accounting (merger of Union Bank of Switzerland and Swiss Bank Corporation)

Under IAS, the Group accounted for the 1998 merger of Union Bank of Switzerland and Swiss Bank Corporation under the uniting of interests method. The balance sheets and income statements of the banks were combined, and no adjustments were made to the carrying values of the assets and liabilities. Under US GAAP, the business combination creating UBS AG is accounted for under the purchase method with Union Bank of Switzerland being considered the acquirer. Under the purchase method, the cost of acquisition is measured at fair value and the acquirer's interests in identifiable tangible assets and liabilities of the acquiree are restated to fair values at the date of acquisition. Any excess consideration paid over the fair value of net tangible assets acquired is allocated, first to identifiable intangible assets based on their fair values, if determinable, with the remainder allocated to goodwill.

Goodwill

Under US GAAP until 31 December 2001, goodwill acquired before 30 June 2001 is capitalized and amortized over its estimated useful life with adjustments for any impairment.

For US GAAP purposes, the excess of the consideration paid for Swiss Bank Corporation over the fair value of the net tangible assets received has been recorded as goodwill and is being amortized on a straight line basis over a weighted average life of 13 years from 29 June 1998.

Upon the adoption of Statement of Financial Accounting Standard (SFAS) 142, "Goodwill and Other Intangible Assets", on 1 January 2002, the amortization of goodwill will no longer be recorded under US GAAP. Instead, goodwill will be subject to an annual impairment test, with any decrease in value recorded in the Income statement. Refer to section l of this note, "Recently issued accounting standards" for a more detailed discussion of SFAS 142.

In 2001 and 2000, goodwill recorded under US GAAP was reduced by CHF 53 million and CHF 211 million respectively, due to recognition of deferred tax assets of Swiss Bank Corporation which had previously been subject to valuation reserves.

Other purchase accounting adjustments

The restatement of Swiss Bank Corporation's net assets to fair value in 1998 resulted in decreasing net tangible assets by CHF 1,077 million for US GAAP. This amount is being amortized over periods ranging from two years to 20 years.

b. Harmonization of accounting policies

The business combination of Union Bank of Switzerland and Swiss Bank Corporation was accounted for under the uniting of interests method under IAS. Under the uniting of interests method of accounting, a single uniform set of accounting policies was adopted and applied to all periods presented. This resulted in a restatement of 1997 Shareholders' equity and Net loss.

US GAAP requires that accounting changes be recorded in the Income statement in the period the change is made. For US GAAP, the accounting policy harmonization recorded under IAS for 1997 was reversed, and the impact of the accounting changes was recorded in 1998.

c. Restructuring provision

Under IAS, restructuring provisions are recognized when a legal or constructive obligation has been incurred. In 1997, the Group recognized a CHF 7,000 million restructuring provision to cover personnel, IT, premises and other costs associated with combining and restructuring the merged Group. A further CHF 300 million provision was recognized in 1999, reflecting the impact of increased precision in the estimation of certain leased and owned property costs.

Under US GAAP, the criteria for establishing restructuring provisions were more stringent than under IAS prior to 2000. For US GAAP, the aggregate CHF 7,300 million restructuring provision was reversed. As a result of the business combination with Swiss Bank Corporation and the decision to combine and streamline certain activities of the banks for the purpose of reducing costs and improving efficiencies, Union Bank of Switzerland recognized a restructuring provision of CHF 1,575 million during 1998 for US GAAP. CHF 759 million of this provision related to estimated costs for restructuring the operations and activities of Swiss Bank Corporation, and that amount was recorded as a liability of the acquired business. The remaining CHF 816 million of estimated costs were charged to restructuring expense during 1998. The US GAAP restructuring provision was increased by CHF 600 million and CHF 130 million in 1999 and 2000, respectively.

During 2001, CHF 112 million restructuring costs were expensed as incurred under US GAAP. These costs were already part of the restructuring provision under IAS, but were not eligible for recognition under US GAAP until 2001. The restructuring plan was completed and the remaining balance of the US GAAP restructuring provision was used substantially in accordance with previously disclosed plans. At 31 December 2001, the restructuring provision for both IAS and US GAAP has been fully utilized.

d. Derivative instruments held or issued for hedging activities

Prior to 1 January 2001, the Group applied no hedge accounting for US GAAP. As a result, all derivative instruments were carried on the balance sheet at fair value, with changes in fair value recorded in the Income statement. Under IAS, the Group accounted for derivative instruments hedging non-trading positions in the Income statement using the accrual or deferral method, which was the same as the accounting methodology applied to the underlying item hedged.

On 1 January 2001, the Group adopted IAS 39 for its IAS financial statements (see Note 1: Summary of Significant Accounting Policies) and SFAS 133, "Accounting for Derivative Instruments and Hedging Activities" for its US GAAP financial statements. These standards introduce new rules for the accounting and reporting of derivative instruments, including certain derivative instruments embedded in other contracts, and of hedging activities. The adoption of SFAS 133 did not result in any transition items for the Group on 1 January 2001 as the Group previously did not apply hedge accounting under US GAAP.

Under IAS 39, the Group is permitted to hedge interest rate risk based on forecasted cash inflows and outflows on a group basis. For this purpose, the Group accumulates information about financial assets, financial liabilities, and forward commitments which is then used to estimate and aggregate cash flows and to schedule the future periods in which these cash flows are expected to occur. Appropriate derivative instruments are then used to hedge the estimated future cash flows. SFAS 133 does not permit hedge accounting for hedges of future cash flows determined by this methodology. Accordingly, for US GAAP such items continue to be carried at fair value with changes in fair value recognized in Net trading income.

Since 1 January 2001, the Group's hedging relationships have been treated the same under both IAS and US GAAP, except for hedges of interest rate risk of forecasted cash flows on a group basis as mentioned in the previous paragraph.

In addition, amounts deferred under previous hedging relationships that now do not qualify as hedges under IAS 39 are being amortized against IAS net profit over the remaining life of the hedging relationship. Such amounts have been reversed for US GAAP as they have never been treated as hedges.

e. Financial investments (prior to the adoption of IAS 39)

Prior to the adoption of IAS 39 on 1 January 2001, financial investments were classified as either current investments or long-term investments under IAS. The Group considered current financial investments to be held for sale and carried at lower of cost or market value ("LOCOM"). The Group accounted for long-term financial investments at cost, less any permanent impairments. Under US GAAP, the Group's financial investments are classified as available for sale (debt and marketable equity securities), and are carried at fair value with changes in fair value recorded in Other comprehensive income. Gains and losses are recognized in Net profit in the period sold, and losses are recognized in the period of permanent impairment. For the IAS to US GAAP reconciliation, debt and marketable equity securities were adjusted from LOCOM to fair value and classified as available for sale investments. Unrealized gains or unrealized losses relating to these investments were recorded in Other comprehensive income.

f. Financial investments and private equity (after the adoption of IAS 39)

With the adoption of IAS 39 on 1 January 2001, the accounting for financial investments classified as available for sale is now generally the same under IAS and US GAAP. Two exceptions exist, however: 1) private equity investments and non-marketable equity financial investments, which are classified as available for sale and carried at fair value under IAS, continue to be valued at cost less other than temporary impairments under US GAAP; and 2) write-downs on impaired assets can be fully or partially reversed under IAS if the value of the impaired assets increases. Such reversals of impairment write-downs are not allowed under US GAAP. There were no significant reversals under IAS in 2001.

The opening adjustment and subsequent changes in fair value recorded in Unrealized gains/losses on available for sale investments related to private equity investments and non-marketable equity financial investments due to the implementation of IAS 39 on 1 January 2001 have been reversed under US GAAP to reflect the difference between the two standards in measuring such investments.

g. Retirement benefit plans

Under IAS, the Group recognizes pension expense based on a specific method of actuarial valuation used to determine the projected plan liabilities for accrued service, including future expected salary increases, and expected return on plan assets. Plan assets are recorded at fair value and are held in a separate trust to satisfy plan liabilities. Under IAS the recognition of a prepaid asset is subject to certain limitations, and any unrecognized prepaid asset is recorded as pension expense.

Under US GAAP, pension expense is based on the same actuarial method of valuation of liabilities and assets as under IAS. Differences in the amounts of expense and liabilities (or prepaid assets) exist due to different transition date rules, stricter provisions for recognition of a prepaid asset, and the treatment of the 1998 merger of Union Bank of Switzerland and Swiss Bank Corporation.

In addition, under US GAAP, if the fair value of plan assets falls below the accumulated benefit obligation (current value of accrued benefits without allowance for future salary increases), an additional minimum liability must be shown in the balance sheet. If an additional minimum liability is recognized, an equal amount will be recognized as an intangible asset up to the amount of any unrecognized past service cost. Any amount not recognized as an intangible asset is reported in Other comprehensive income. In order to record the net additional minimum liability required under US GAAP in 2001, UBS booked a pre-tax adjustment to the liability of CHF 306 million, of which CHF 3 million was recognized in intangible assets and CHF 303 million in Other comprehensive income. In 2000, no adjustment was required.

h. Other employee benefits

Under IAS, the Group has recorded expenses and liabilities for post-retirement medical and life insurance benefits, determined under a methodology similar to that described above under retirement benefit plans.

Under US GAAP, expenses and liabilities for post-retirement medical and life insurance benefits are determined under the same methodology as under IAS. Differences in the levels of expenses and liabilities have occurred due to different transition date rules and the treatment of the merger of Union Bank of Switzerland and Swiss Bank Corporation under the purchase method.

i. Equity participation plans

IAS does not specifically address the recognition and measurement requirements for equity participation plans.

US GAAP permits the recognition of compensation cost on the grant date for the estimated fair value of equity instruments issued (SFAS 123) or based on the intrinsic value of equity instruments issued (Accounting Principles Board

"APB" No. 25), with the disclosure of the pro forma effects of equity participation plans on net profit and earnings per share, as if the fair value had been recorded on the grant date. Under IAS, the Group recognizes only intrinsic values at the grant date with subsequent changes in value not recognized. Under US GAAP, the Group applies the APB No. 25 intrinsic value method, which requires adjustments to intrinsic values subsequent to the grant date in certain circumstances.

The shares and other diversified instruments of the Group's equity participation plans are held in trusts on behalf of the participants. Certain of these trusts are recorded on the Group's balance sheet for US GAAP presentation, the effect of which is to increase assets by CHF 1,485 million and CHF 1,419 million, liabilities by CHF 1,607 million and CHF 1,559 million, and decrease shareholders' equity by CHF 122 million and CHF 140 million (for UBS AG shares held by the trusts which are treated as treasury shares) at 31 December 2001 and 2000 respectively.

For US GAAP, certain of the Group's option awards have been determined to be variable pursuant to APB No. 25, primarily because they may be settled in cash or because the Group has offered to hedge the value of the award. The effect of applying variable accounting to these option awards in the US GAAP reconciliation for the years ended 31 December 2001, 2000 and 1999, is a CHF 30 million decrease in compensation expense, CHF 85 million increase in compensation expense and CHF 41 million increase in compensation expense, respectively. In addition, certain of the Group's equity participation plans required a new expense measurement date due to diversification or cash settlement of awards. Additional expense was also recorded related to the consolidation of the trusts in the US GAAP Balance sheet and for social tax payments on exercised options recorded directly in Shareholders' equity for IAS. For US GAAP, the net effect of these transactions is an increase to expense of CHF 41 million, CHF 82 million and CHF 8 million for the years ended 31 December 2001, 2000 and 1999, respectively.

j. Software capitalization

Under IAS, effective 1 January 2000, certain costs associated with the acquisitions or development of internal use software must be capitalized. Once the software is ready for its intended use, the costs capitalized are amortized to the Income statement over the estimated life of the software. Under US GAAP, the same principle applies, however this standard was effective 1 January 1999. For US GAAP, the costs associated with the acquisition or development of internal use software that met the US GAAP software capitalization criteria in 1999 have been reversed from Operating expenses and amortized over a life of two years from the time that the software is ready for its intended use. From 1 January 2000, the only remaining reconciliation item is the amortization of software capitalized in 1999 for US GAAP purposes. This amount will be fully amortized by 31 December 2002, and there will no longer be a difference between IAS and US GAAP.

k. IAS 39 opening retained earnings adjustment

With the adoption of IAS 39 on 1 January 2001, an opening adjustment was made to reduce Retained earnings by CHF 61 million, consisting of CHF 19 million reflecting the impact of the new hedge accounting rules and CHF 42 million reflecting the impact of remeasuring assets to either amortized cost or fair value as required under the standard. For US GAAP purposes, the first adjustment was not required (because all derivatives were previously recorded in the Income statement) and was reversed, and the second adjustment was recorded in the Income statement.

l. Recently issued US accounting standards

In June 2001, the Financial Accounting Standards Board ("FASB") issued SFAS 141, "Business Combinations" and SFAS 142, "Goodwill and Intangible Assets".

SFAS 141 requires, among other things, that all business combinations initiated after 30 June 2001 be accounted for using the purchase method. The pooling of interests method has been eliminated. This new standard has no impact on these financial statements.

UBS is required to adopt SFAS 142 from 1 January 2002, except for goodwill and intangible assets acquired in a business combination initiated after 30 June 2001. Any such acquisition will be subject to the rules of SFAS 142 at the acquisition date. The standard requires that goodwill and intangible assets with indefinite lives no longer be amortized, but be tested annually for impairment. Identifiable intangible assets with finite lives will continue to be amortized.

The adoption of SFAS 142 is expected to have a material impact on the Group's Income statement and Shareholders' equity in accordance with US GAAP. Upon adoption, the US GAAP amortization charge related to the 1998 business combination of Union Bank of Switzerland and Swiss Bank Corporation (CHF 1.7 billion for 2001) will cease to be recorded. Under IAS, this charge was never recorded because of a different method of accounting for the business combination.

In addition, the introduction of SFAS 142 may result in two new reconciling items: 1) Intangible assets on the IAS Balance sheet with a book value of CHF 1.8 billion at 31 December 2001 may be reclassified to goodwill for US GAAP. 2) The amortization of IAS goodwill and the intangible assets reclassified to goodwill for US GAAP (CHF 1.1 billion in 2001) will be reversed. From 1 January 2002, the goodwill balance in the US GAAP Balance sheet will be maintained at historical amortized cost and will be reviewed annually for impairment.

In August 2001, the FASB issued SFAS 143, "Accounting for Asset Retirement Obligations". The standard requires companies to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred. The standard is effective for fiscal years beginning after 15 June 2002. The Group does not expect the adoption of this standard to have a material effect on its financial statements.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets", which supersedes both SFAS 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of", and the accounting and reporting provisions of APB No. 30, "Reporting the Results of Operations – Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions". The statement primarily addresses financial accounting and reporting for the impairment or disposal of long-lived assets and is effective for fiscal years beginning after 15 December 2001. In addition, SFAS 144 eliminated the exception to consolidate subsidiaries for which control is likely to be temporary, as previously contained in Accounting Research Bulletin No. 51 "Consolidated Financial Statements" as amended by SFAS 94, "Consolidation of All Majority-Owned Subsidiaries". The impact of the adoption of SFAS 144 on the Group's US GAAP reconciliation may be that the unrealized gains and losses on private equity investments disclosed in Gains/losses not recognized in the income statement under IAS would be recorded in Net profit for US GAAP, should the "AICPA Audit and Accounting Guide, Audits of Investment Companies" be adopted. The estimated effect of such adoption would be a cumulative catch-up adjustment which would increase US GAAP Net profit before tax by approximately CHF 660 million at 1 January 2002. Had the Group applied such guidance in the US GAAP reconciliation in 2001, the estimated effect on Net profit before tax would have been a charge of approximately CHF 470 million. See section f of this note and table 40.2 for current treatment of private equity investments under US GAAP. The impact on the Group's US GAAP reconciliation of SFAS 144 and Investment Company Guide treatment of private equity investments is under further detailed review.

40.2 Reconciliation of IAS Shareholders' equity and Net profit to US GAAP

CHF million	Note 40.1 Reference	Shareholders' equity 31.12.01	Shareholders' equity 31.12.00	Net profit 31.12.01	Net profit 31.12.00	Net profit 31.12.99
Amounts determined in accordance with IAS		**43,530**	44,833	**4,973**	7,792	6,153
Adjustments in respect of SBC purchase accounting:						
Goodwill	a	**16,142**	17,835	**(1,693)**	(1,719)	(1,729)
Other purchase accounting adjustments	a	**(729)**	(808)	**79**	50	37
Harmonization of accounting policies	b	**0**	0	**0**	0	(20)
Restructuring provision	c	**0**	112	**(112)**	(238)	(1,598)
Derivative instruments held or issued for hedging activities	d	**(188)**	(857)	**67**	(1,353)	(545)
Financial investments (prior to the adoption of IAS 39)	e	**0**	379	**0**	28	36
Financial investments and private equity (after the adoption of IAS 39)	f	**(709)**	0	**0**	0	0
Retirement benefit plans	g	**1,714**	1,898	**119**	59	(19)
Other employee benefits	h	**(8)**	(16)	**8**	8	2
Equity participation plans	i	**(186)**	(311)	**(12)**	(167)	(47)
Software capitalization	j	**60**	229	**(169)**	(160)	389
IAS 39 opening retained earnings adjustments	k	**19**	0	**(42)**	0	0
Tax adjustments		**(363)**	(334)	**16**	137	178
Total adjustments		**15,752**	18,127	**(1,739)**	(3,355)	(3,316)
Amounts determined in accordance with US GAAP		**59,282**	62,960	**3,234**	4,437	2,837

40.3 Earnings per share

Under IAS and US GAAP, basic earnings per share (EPS) is computed by dividing income available to common shareholders by the weighted-average common shares outstanding. Diluted EPS includes the determinants of basic EPS and, in addition, gives effect to dilutive potential common shares that were outstanding during the period.

The computations of basic and diluted EPS for the years ended 31 December 2001, 31 December 2000 and 31 December 1999 are presented in the following table.

	31.12.01		31.12.00		31.12.99	
For the year ended	US GAAP	IAS	US GAAP	IAS	US GAAP	IAS
Net profit available for ordinary shares (CHF million)	**3,234**	**4,973**	4,437	7,792	2,837	6,153
Net profit for diluted EPS (CHF million)	**3,135**	**4,874**	4,423	7,778	2,837	6,153
Weighted average shares outstanding	**1,251,180,815**[1]	**1,266,038,193**	1,198,680,193[1]	1,209,087,927	1,208,614,215[1]	1,214,227,446
Diluted weighted average shares outstanding	**1,273,720,560**[1]	**1,288,577,938**	1,215,169,966[1]	1,225,577,700	1,219,512,225[1]	1,225,125,456
Basic earnings per share (CHF)	**2.58**	**3.93**	3.70	6.44	2.35	5.07
Diluted earnings per share (CHF)	**2.46**	**3.78**	3.64	6.35	2.33	5.02

[1] The difference between the IAS and US GAAP weighted average shares outstanding and diluted weighted average shares outstanding is related to the shares for employee equity participation plans. These shares are held in trusts which are consolidated for US GAAP only and are recorded as treasury shares. Amounts in prior years have been restated for these treasury shares.

Note 40.4 Presentation differences between IAS and US GAAP

In addition to the differences in valuation and income recognition, other differences, essentially related to presentation, exist between IAS and US GAAP. Although there is no impact on IAS and US GAAP reported shareholders' equity and net profit due to these differences, it may be useful to understand them to interpret the financial statements presented in accordance with US GAAP. The following is a summary of presentation differences that relate to the basic IAS financial statements.

1. Settlement date vs. trade date accounting

The Group's transactions from securities activities are recorded under IAS on the settlement date for balance sheet and on the trade date for income statement purposes. This results in recording a forward transaction during the period between the trade date and the settlement date. Forward positions relating to trading activities are revalued to fair value and any unrealized profits and losses are recognized in Net profit.

Under US GAAP, trade date accounting is required for spot purchases and sales of securities. Therefore, all such transactions with a trade date on or before the balance sheet date with a settlement date after the balance sheet date have been recorded at trade date for US GAAP. This has resulted in receivables and payables to broker-dealers and clearing organizations recorded in Other assets and Other liabilities in the US GAAP Balance sheet.

2. Financial investments

Under IAS, the Group's private equity investments and non-marketable equity financial investments are included in Financial investments. For US GAAP presentation, non-marketable equity financial investments are reclassified to Other assets, and private equity investments are shown separately on the Balance sheet.

3. Securities received as proceeds in a securities for securities lending transaction

In September 2000, the Financial Accounting Standards Board released SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities", a replacement of SFAS No. 125, which revises the standards for accounting for securitizations and other transfers of financial assets and collateral. The Group adopted the standard in accordance with its transition requirements, resulting in certain of its provisions becoming effective in 2000. Additional provisions became effective on 1 April 2001. Under the new provisions, when the Group acts as the lender in a securities lending agreement and receives securities as collateral that can be pledged or sold, it recognizes the securities received and a corresponding obligation to return them. These securities are separately reflected on the US GAAP balance sheet in the line "Securities received as collateral" on the asset side of the balance sheet. The offsetting liability is included separately in the line "Obligation to return securities received as collateral".

4. Secured financing without margining

The Group enters into certain specific secured financing transactions that result in a reclassification difference between IAS and US GAAP. Under IAS, they are considered secured financing transactions. Under US GAAP, however, they are considered sale/buyback transactions due to the fact that the contracts do not require margining which is one of the criteria to meet US GAAP secured financing treatment. Due to the different treatment of these transactions under IAS and US GAAP, interest income and expense recorded under IAS must be reclassified to Other income for US GAAP. An additional reclassification on the US GAAP balance sheet is also required which reflects a spot purchase (Trading portfolio assets) and a forward sale transaction (Replacement values), instead of a claim from customers (Cash collateral on securities borrowed) under IAS.

40.5 Consolidated Income Statement

The following is a Consolidated Income Statement of the Group, for the years ended 31 December 2001, 31 December 2000 and 31 December 1999, restated to reflect the impact of valuation and income recognition differences and presentation differences between IAS and US GAAP.

CHF million		**31.12.01**		31.12.00		31.12.99	
For the year ended	*Reference*	**US GAAP**	**IAS**	US GAAP	IAS	US GAAP	IAS
Operating income							
Interest income	a, d ,4	**51,975**	**52,277**	51,565	51,745	35,404	35,604
Interest expense	a, 4	**(44,178)**	**(44,236)**	(43,584)	(43,615)	(29,660)	(29,695)
Net interest income		**7,797**	**8,041**	7,981	8,130	5,744	5,909
Credit loss expense / (recovery)		**(498)**	**(498)**	130	130	(956)	(956)
Net interest income after credit loss expense / (recovery)		**7,299**	**7,543**	8,111	8,260	4,788	4,953
Net fee and commission income		**20,211**	**20,211**	16,703	16,703	12,607	12,607
Net trading income	d, k, 4	**8,973**	**8,802**	8,597	9,953	7,174	7,719
Other income	e, 4	**534**	**558**	1,514	1,486	3,182	3,146
Total operating income		**37,017**	**37,114**	34,925	36,402	27,751	28,425
Operating expenses							
Personnel	c, g, h,i, j	**19,713**	**19,828**	17,262	17,163	12,483	12,577
General and administrative	c, j	**7,631**	**7,631**	6,813	6,765	6,664	6,098
Depreciation of property and equipment	a, b, j	**1,815**	**1,614**	1,800	1,608	1,619	1,517
Amortization of goodwill and other intangible assets	a	**2,782**	**1,323**	2,152	667	1,835	340
Restructuring costs	c	**112**	**0**	191	0	750	0
Total		**32,053**	**30,396**	28,218	26,203	23,351	20,532
Operating profit / (loss) before tax and minority interests		**4,964**	**6,718**	6,707	10,199	4,400	7,893
Tax expense / (benefit)		**1,386**	**1,401**	2,183	2,320	1,509	1,686
Net profit / (loss) before minority interests		**3,578**	**5,317**	4,524	7,879	2,891	6,207
Minority interests		**(344)**	**(344)**	(87)	(87)	(54)	(54)
Net profit		**3,234**	**4,973**	4,437	7,792	2,837	6,153

Note: References above coincide with the discussions in Note 40.1 and Note 40.4. These references indicate which IAS to US GAAP adjustments affect an individual financial statement caption.

40.6 Condensed Consolidated Balance Sheet

The following is a Condensed Consolidated Balance Sheet of the Group, as of 31 December 2001 and 31 December 2000, restated to reflect the impact of valuation and income recognition principles and presentation differences between IAS and US GAAP

		31.12.01		31.12.00	
CHF million	Reference	**US GAAP**	**IAS**	US GAAP	IAS
Assets					
Cash and balances with central banks		**20,990**	**20,990**	2,979	2,979
Due from banks	a	**27,550**	**27,526**	29,182	29,147
Cash collateral on securities borrowed	4	**162,566**	**162,938**	177,857	177,857
Reverse repurchase agreements		**269,256**	**269,256**	193,801	193,801
Trading portfolio assets	1, 4	**399,577**	**397,886**	318,788	315,588
Positive replacement values	1, 4	**73,051**	**73,447**	57,775	57,875
Loans, net of allowance for credit losses	a, d	**226,747**	**226,545**	245,214	244,842
Financial investments	e, f, 2	**20,676**	**28,803**	10,985	19,583
Securities received as collateral	3	**20,119**			
Accrued income and prepaid expenses	4	**7,545**	**7,554**	7,062	7,062
Investments in associates		**697**	**697**	880	880
Property and equipment	a, j	**9,276**	**8,695**	9,692	8,910
Intangible assets and goodwill	a, g	**33,765**	**19,085**	35,726	19,537
Private equity investments	2	**6,069**		6,658	
Other assets	d, g, h, i, 1, 2	**36,972**	**9,875**	27,955	9,491
Total assets		**1,314,856**	**1,253,297**	1,124,554	1,087,552
Liabilities					
Due to banks		**106,531**	**106,531**	82,240	82,240
Cash collateral on securities lent		**30,317**	**30,317**	23,418	23,418
Repurchase agreements		**368,620**	**368,620**	295,513	295,513
Trading portfolio liabilities	1	**108,924**	**105,798**	87,832	82,632
Obligation to return securities received as collateral	3	**20,119**			
Negative replacement values	1,4	**71,018**	**71,443**	75,423	75,923
Due to customers	a, d	**333,766**	**333,781**	310,686	310,679
Accrued expenses and deferred income		**17,289**	**17,289**	21,038	21,038
Debt issued	a, d, k	**156,462**	**156,218**	129,750	129,635
Other liabilities	a, c, d, e, g, h, i, 1	**38,416**	**15,658**	32,809	18,756
Total liabilities		**1,251,462**	**1,205,655**	1,058,709	1,039,834
Minority interests		**4,112**	**4,112**	2,885	2,885
Total shareholders' equity		**59,282**	**43,530**	62,960	44,833
Total liabilities, minority interests and shareholders' equity		**1,314,856**	**1,253,297**	1,124,554	1,087,552

Note: References above coincide with the discussions in Note 40.1 and Note 40.4. These references indicate which IAS to US GAAP adjustments affect an individual financial statement caption.

40.7 Comprehensive Income

Comprehensive income is defined as the change in Shareholders' equity excluding transaction with shareholders. Comprehensive income has two major components: Net profit, as reported in the income statement, and Other comprehensive income. Other comprehensive income includes such items as foreign currency translation, unrealized gains/losses on available for sale securities, unrealized gains/losses on changes in fair value of derivative instruments designated as cash flow hedges and additional minimum pension liability. The components and accumulated other comprehensive income amounts for the years ended 31 December 2001, 31 December 2000 and 31 December 1999 are as follows:

CHF million	Foreign currency translation	Unrealized gains / (losses) on available for sale securities	Unrealized gains / (losses) on cash flow hedges	Additional minimum pension liability	Accumulated other comprehensive income	Comprehensive income
Balance, 1 January 1999	**(456)**	**85**			**(371)**	
Net Profit						2,837
Other comprehensive income:						
Foreign currency translation	14				14	
Unrealized gains on available for sale investments arising during the year, net of CHF 18 million tax		74			74	
Reclassification adjustment for gains on available for sale investments realized in net profit, net of CHF 40 million tax		(143)			(143)	(55)
Comprehensive income						2,782
Balance, 31 December 1999	**(442)**	**16**			**(426)**	
Net profit						4,437
Other comprehensive income:						
Foreign currency translation	(245)				(245)	
Unrealized gains on available for sale investments arising during the year, net of CHF 152 million tax		456			456	
Reclassification adjustment for gains on available for sale investments realized in net profit, net of CHF 40 million tax		(121)			(121)	90
Comprehensive income						4,527
Balance, 31 December 2000	**(687)**	**351**			**(336)**	
Net profit						3,234
Other comprehensive income:						
Foreign currency translation	(82)				(82)	
Unrealized gains on available for sale investments arising during the year, net of CHF 27 million tax		109			109	
Reclassification adjustment for gains on available for sale investments realized in net profit, net of CHF 26 million tax		(104)			(104)	
Unrealized gains on cash flow hedges arising during the year, net of CHF 1 million tax			4		4	
Reclassification adjustment for losses on cash flow hedges realized in net profit, net of CHF 1 million tax			3		3	
Additional minimum pension liability				(303)	(303)	(373)
Comprehensive income						2,861
Balance, 31 December 2001	**(769)**	**356**	**7**	**(303)**	**(709)**	

Note 41 Additional Disclosures Required under US GAAP and SEC Rules

41.1 Financial investments

See Note 13 for additional information on financial investments. The following table summarizes the Group's financial investments at 31 December 2000:

	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
31 December 2000				
Money market paper	4,162	0	0	4,162
Equity securities [1]	1,147	447	6	1,588
Debt securities issued by the Swiss national government and agencies	34	2	0	36
Debt securities issued by Swiss local governments	46	1	1	46
Debt securities issued by foreign governments and official institutions	4,852	7	3	4,856
Corporate debt securities	1,139	5	1	1,143
Mortgage-backed securities	47	0	0	47
Other debt securities	88	4	0	92
Total	**11,515**	**466**	**11**	**11,970**

[1] The LOCOM value of the equity securities as reported in Note 13 is adjusted to cost basis for the purpose of the fair value calculation.

Proceeds from sales and maturities of investment securities available for sale during the year ended 31 December 2000 were CHF 325 million. On those sales gross gains of CHF 162 million and gross losses of CHF 1 million were realized in 2000 in the income statement.

Note 41.2 Sales of Financial Assets in Securitizations

During the year ended 31 December 2001, the Group securitized (i.e., transformed owned financial assets into securities through sales transactions) residential mortgage loans and securities, commercial mortgage loans and other financial assets, acting as lead or co-manager. The Group's continuing involvement in these transactions was primarily limited to the temporary retention of various security interests. Proceeds received at the time of securitization from residential mortgage, commercial mortgage and other financial asset securitizations were CHF 67.6 billion, CHF 4.1 billion and CHF 2.8 billion, respectively. Related pre-tax gains recognized, including unrealized gains on retained interests, at the time of securitization were CHF 112.9 million, CHF 129.7 million and CHF 20.6 million, respectively. During 2000, the Group did not engage in significant securitization transactions involving the transfer of its financial assets. A significant portion of the securitization activities conducted in 2001 were derived from businesses acquired in the purchase of Paine Webber Group Inc. in November 2000.

At 31 December 2001, the Group retained CHF 6.8 billion in residential mortgage securities, backed by the Government National Mortgage Association (GNMA), the Federal National Mortgage Association (FNMA) and the Federal Home Loan Mortgage Corporation (FHLMC), and CHF 1.6 billion in other residential mortgage securities. These retained interests are generally valued using observable market prices. Retained interests in commercial mortgage and other securities were not material at 31 December 2001.

Note 41.3 Supplemental Guarantor Information

Guarantee of PaineWebber Securities

Following the acquisition of Paine Webber Group, Inc., UBS AG made a full and unconditional guarantee of the publicly traded debt and trust preferred securities of PaineWebber. Prior to the acquisition, PaineWebber was an SEC registrant. Upon the acquisition, PaineWebber was merged into UBS Americas Inc., a wholly owned subsidiary of UBS AG. The following is summarized consolidating financial information segregating UBS AG Parent Bank, UBS Americas Inc. and UBS AG's other non-guarantor subsidiaries as required by SEC regulation S-X Rule 3–10 "Financial statement requirements for guarantors".

The information presented in this note is prepared in accordance with IAS and should be read in conjunction with the consolidated financial statements of the Group of which this information is a part. At the bottom of each column, Net profit and Shareholders' equity has been reconciled to US GAAP. See Note 40 for a detailed reconciliation of the IAS financial statements to US GAAP for the Group on a consolidated basis.

Supplemental Guarantor Consolidating Income Statement

CHF million For the year ended 31 December 2001	UBS AG Parent Bank[1]	UBS Americas Inc.	Subsidiaries	Consolidating Entries	UBS Group
Operating income					
Interest income	33,997	5,303	23,667	(10,690)	52,277
Interest expense	(26,979)	(5,724)	(22,223)	10,690	(44,236)
Net interest income	7,018	(421)	1,444	0	8,041
Credit loss expense	(471)	(15)	(12)	0	(498)
Net interest income after credit loss expense	6,547	(436)	1,432	0	7,543
Net fee and commission income	7,689	5,587	6,935	0	20,211
Net trading income	5,643	870	2,289	0	8,802
Income from subsidiaries	(21)	0	0	21	0
Other income	1,182	39	(663)	0	558
Total operating income	21,040	6,060	9,993	21	37,114
Operating expenses					
Personnel expenses	9,388	5,178	5,262	0	19,828
General and administrative expenses	3,891	1,853	1,887	0	7,631
Depreciation of property and equipment	1,147	181	286	0	1,614
Amortization of goodwill and other intangible assets	155	808	360	0	1,323
Total operating expenses	14,581	8,020	7,795	0	30,396
Operating profit / (loss) before tax and minority interests	6,459	(1,960)	2,198	21	6,718
Tax expense / (benefit)	1,486	(477)	392	0	1,401
Net profit before minority interests	4,973	(1,483)	1,806	21	5,317
Minority interests	0	0	(344)	0	(344)
Net profit / (loss)	4,973	(1,483)	1,462	21	4,973
Net profit / (loss) US GAAP[2]	2,869	(1,519)	1,884	0	3,234

[1] UBS AG Parent Bank prepares its financial statements in accordance with Swiss Banking Law requirements. For the purpose of this disclosure, the accounts have been adjusted to IAS. [2] Refer to Note 40 for a description of the differences between IAS and US GAAP.

Supplemental Guarantor Consolidating Balance Sheet

CHF million At 31 December 2001	UBS AG Parent Bank[1]	UBS Americas Inc.	Subsidiaries	Consolidating Entries	UBS Group
Assets					
Cash and balances with central banks	20,215	0	775	0	20,990
Due from banks	70,265	17,819	85,139	(145,697)	27,526
Cash collateral on securities borrowed	29,134	35,723	140,668	(42,587)	162,938
Reverse repurchase agreements	180,103	40,857	168,685	(120,389)	269,256
Trading portfolio assets	206,899	7,604	183,383	0	397,886
Positive replacement values	75,218	457	11,030	(13,258)	73,447
Loans, net of allowance for credit losses	263,128	20,870	20,226	(77,679)	226,545
Financial investments	18,807	2,523	7,473	0	28,803
Accrued income and prepaid expenses	3,231	1,834	3,973	(1,484)	7,554
Investments in associates	14,537	837	61	(14,738)	697
Property and equipment	6,310	838	1,547	0	8,695
Goodwill and other intangible assets	114	14,971	4,000	0	19,085
Other assets	4,353	3,885	3,963	(2,326)	9,875
Total assets	892,314	148,218	630,923	(418,158)	1,253,297
Liabilities					
Due to banks	111,963	43,875	96,390	(145,697)	106,531
Cash collateral on securities lent	22,461	22,491	27,952	(42,587)	30,317
Repurchase agreements	113,288	39,112	336,609	(120,389)	368,620
Trading portfolio liabilities	56,082	1,550	48,166	0	105,798
Negative replacement values	75,417	405	8,879	(13,258)	71,443
Due to customers	354,580	21,893	34,987	(77,679)	333,781
Accrued expenses and deferred income	9,129	4,347	5,297	(1,484)	17,289
Debt issued	96,045	8,234	51,939	0	156,218
Other liabilities	10,549	2,217	5,218	(2,326)	15,658
Total liabilities	849,514	144,124	615,437	(403,420)	1,205,655
Minority interests	0	0	4,112	0	4,112
Total shareholders' equity	42,800	4,094	11,374	(14,738)	43,530
Total liabilities, minority interests and shareholders' equity	892,314	148,218	630,923	(418,158)	1,253,297
Total shareholders' equity – US GAAP[2]	59,178	3,620	11,222	(14,738)	59,282

[1] UBS AG Parent Bank prepares its financial statements in accordance with Swiss Banking Law requirements. For the purpose of this disclosure, the accounts have been adjusted to IAS. [2] Refer to Note 40 for a description of the differences between IAS and US GAAP.

Supplemental Guarantor Consolidating Cash Flow Statement

CHF million For the year ended 31 December 2001	UBS AG Parent Bank[1]	UBS Americas Inc.	Subsidiaries	UBS Group
Net cash flow from / (used in) operating activities	10,243	85	2,545	12,873
Cash flow (used in) / from investing activities				
Investments in subsidiaries and associates	(44)	(54)	(369)	(467)
Disposal of subsidiaries and associates	95	0	0	95
Purchase of property and equipment	(1,316)	(295)	(410)	(2,021)
Disposal of property and equipment	191	137	52	380
Net (investment) / divestment in financial investments	(5,514)	(269)	13	(5,770)
Net cash flow (used in) / from investing activities	(6,588)	(481)	(714)	(7,783)
Cash flow (used in) / from financing activities				
Net money market paper issued	16,263	(6)	7,969	24,226
Net movements in treasury shares and treasury share contract activity	(6,038)	0	0	(6,038)
Capital issuance	12	0	0	12
Capital repayment by par value reduction	(683)	0	0	(683)
Issuance of long-term debt	15,044	208	2,981	18,233
Repayment of long-term debt	(15,861)	(1,260)	(1,356)	(18,477)
Issuance of trust preferred securities	0	0	1,291	1,291
Dividend payments to / and purchase from minority interests	0	0	(461)	(461)
Net activity in investments in subsidiaries	(620)	60	560	0
Net cash flow from/(used in) financing activities	8,117	(998)	10,984	18,103
Effects of exchange rate differences	(164)	(207)	67	(304)
Net increase / (decrease) in cash equivalents	11,608	(1,601)	12,882	22,889
Cash and cash equivalents, beginning of the year	78,248	5,405	9,717	93,370
Cash and cash equivalents, end of the year	89,856	3,804	22,599	116,259
Cash and cash equivalents comprise:				
Cash and balances with central banks	20,215	0	775	20,990
Money market paper	54,387	1,521	14,030	69,938
Due from banks maturing in less than three months	15,254	2,283	7,794	25,331
Total	89,856	3,804	22,599	116,259

[1] UBS AG Parent Bank prepares its financial statements in accordance with Swiss Banking Law requirements. For the purpose of this disclosure, the accounts have been adjusted to IAS.

Guarantee of other securities

In October 2000, UBS AG, acting through a wholly-owned subsidiary, issued USD 1.5 billion (CHF 2.6 billion at issuance) 8.622% UBS Trust Preferred securities. In June 2001, UBS issued an additional USD 800 million (CHF 1.3 billion at issuance) of such securities (USD 300 million at 7.25% and USD 500 million at 7.247%). UBS AG has fully and unconditionally guaranteed these securities.

Note 41.4 Derivative instruments indexed to UBS shares

US GAAP, like IAS, requires that derivatives indexed to a company's own stock be recorded as an equity instrument if settlement is required in actual shares or the company has the choice to settle the contract by delivery or receipt of its own shares. If, however, the counterparty may require cash settlement, then the derivative must be classified as an asset or liability, with changes in fair value being recorded in income. Because the Group has no contracts for which the accounting treatment under US GAAP differs from IAS, there is no reconciling item for these derivative instruments. However, US GAAP also requires disclosure of the amount of income recognized from such derivative instruments.

UBS Warburg acts as a liquidity provider to the equity futures markets and as a market maker in UBS shares and derivatives. Trading income of CHF 261 million in 2001 and CHF 42 million in 2000 was recorded in both its IAS and US GAAP financial statements from trading in cash settled derivative instruments indexed to UBS shares.

ERNST & YOUNG

Ernst & Young Ltd
Financial Services
Aeschengraben 9
P.O. Box 2149
CH-4002 Basel

Phone +41 58 286 86 86
Fax +41 58 286 86 00
www.ey.com/ch

Report of the Group Auditors

to the General Meeting of

UBS AG, ZURICH AND BASEL

Mr. Chairman,
Ladies and Gentlemen,

We have audited the accompanying 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 notes thereto. These financial statements are the responsibility of the Company's management and the Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audits. We confirm that we meet the legal requirements in Switzerland concerning professional qualification and independence.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, as well as those promulgated by the profession in Switzerland. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion

In our opinion, based on our audits, the Group financial statements referred to above present fairly, in all material respects, the consolidated financial position of UBS AG as of 31 December 2001 and 2000, and the consolidated results of operations and cash flows for each of the three years in the period ended 31 December 2001, in conformity with International Accounting Standards ("IAS"), and they comply with Swiss Law.

In accordance with Swiss Law, we recommend that the Group financial statements submitted to you be approved.

IAS vary in certain significant respects from accounting principles generally accepted in the United States of America. Application of accounting principles generally accepted in the United States of America would have affected shareholders' equity as of 31 December 2001 and 2000 and the results of operations for each of the three years in the period ended 31 December 2001 to the extent summarized in Note 40 of the notes to the financial statements.

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

Enclosures

Offices in Aarau, Basel, Berne, Bienne, Chur, Fribourg, Geneva, Kreuzlingen, Lausanne, Lucerne, Lugano, Neuchâtel, Sion, St. Gallen, Zug, Zurich. Member of the Swiss Chamber of Auditors

UBS AG (Parent Bank)

UBS AG (Parent Bank)
Table of Contents

Parent Bank Review

Income Statement

The Parent Bank UBS AG net profit decreased CHF 3,251 million from CHF 7,906 million to CHF 4,655 million.

Income from investments in associates increased to CHF 1,532 million from CHF 896 million in 2000 mainly due to higher distribution received.

Sundry expense from ordinary activities was CHF 139 million, down from CHF 614 million in 2000. This was mainly due to lower net write-down of financial investments.

Allowances, provisions and losses were CHF 1,140 million up from CHF 345 million in 2000 mainly caused by higher credit loss expenses. This variance is discussed in more detail in the Group Financial Statements.

Extraordinary income contains CHF 87 million (2000: CHF 496 million) from the sale of former subsidiaries.

Balance Sheet

Total assets increased by CHF 81 billion to CHF 1,016 billion by 31 December 2001. This movement is impacted by increased trading related assets where mainly trading balances in securities and precious metals and positive replacement values have increased. Liquid assets have significantly increased due to deposits with the Bank of Japan.

Financial Statements

Income Statement

CHF million For the year ended	31.12.01	31.12.00	% change from 31.12.00
Interest and discount income	38,056	40,375	(6)
Interest and dividend income from financial investments	185	93	99
Interest expense	(31,444)	(32,161)	(2)
Net interest income	6,797	8,307	(18)
Credit-related fees and commissions	291	292	0
Fee and commission income from securities and investment business	8,232	9,574	(14)
Other fee and commission income	524	492	7
Fee and commission expense	(1,176)	(1,229)	(4)
Net fee and commission income	7,871	9,129	(14)
Net trading income	5,015	7,378	(32)
Net income from disposal of financial investments	15	785	(98)
Income from investments in associated companies	1,532	896	71
Income from real estate holdings	54	41	32
Sundry income from ordinary activities	1,183	380	211
Sundry ordinary expenses	(139)	(614)	(77)
Other income from ordinary activities	2,645	1,488	78
Operating income	22,328	26,302	(15)
Personnel expenses	9,443	10,292	(8)
General and administrative expenses	4,869	5,405	(10)
Operating expenses	14,312	15,697	(9)
Operating profit	8,016	10,605	(24)
Depreciation and write-offs on investments in associated companies and fixed assets	1,650	1,623	2
Allowances, provisions and losses	1,140	345	230
Profit before extraordinary items and taxes	5,226	8,637	(39)
Extraordinary income	95	650	(85)
Extraordinary expenses	7	20	(65)
Tax expense / (benefit)	659	1,361	(52)
Profit for the period	4,655	7,906	(41)

Balance Sheet

CHF million	**31.12.01**	31.12.00	% change from 31.12.00
Assets			
Liquid assets	**20,215**	2,242	802
Money market paper	**54,384**	61,152	(11)
Due from banks	**252,226**	243,911	3
Due from customers	**173,690**	175,255	(1)
Mortgage loans	**117,706**	117,830	0
Trading balances in securities and precious metals	**185,306**	155,342	19
Financial investments	**17,253**	12,133	42
Investments in associated companies	**11,331**	10,587	7
Tangible fixed assets	**5,624**	5,949	(5)
Accrued income and prepaid expenses	**3,231**	3,239	0
Positive replacement values	**171,798**	141,516	21
Other assets	**3,725**	6,242	(40)
Total assets	**1,016,489**	935,398	9
Total subordinated assets	***1,894***	*805*	*135*
Total amounts receivable from Group companies	***213,954***	*187,724*	*14*
Liabilities			
Money market paper issued	**52,604**	36,340	45
Due to banks	**303,036**	294,440[1]	3
Due to customers on savings and deposit accounts	**67,664**	68,069	(1)
Other amounts due to customers	**288,684**	263,459	10
Medium-term note issues	**5,213**	5,408	(4)
Bond issues and loans from central mortgage institutions	**65,471**	42,731	53
Accruals and deferred income	**8,707**	11,230	(22)
Negative replacement values	**172,469**	155,059	11
Other liabilities	**5,795**	8,073[1]	(28)
Value adjustments and provisions	**3,959**	7,817	(49)
Share capital	**3,589**	4,444	(19)
General statutory reserve	**14,507**	18,047	(20)
Reserve for own shares	**3,253**	4,007	(19)
Other reserves	**16,883**	8,361	102
Profit brought forward		7	(100)
Profit for the period	**4,655**	7,906	(41)
Total liabilities	**1,016,489**	935,398	9
Total subordinated liabilities	***16,444***	*15,302*	*7*
Total liabilities to Group companies	***126,182***	*142,263*	*(11)*

[1] Reclassification of CHF 65,512 million trading liabilities from Other liabilities to Due to banks.

Statement of Appropriation of Retained Earnings

CHF million	
The Board of Directors proposes to the Annual General Meeting the following appropriation:	
Profit for the financial year 2001 as per the Parent Bank's Income Statement	**4,655**
Appropriation to other reserves	**4,655**

Par Value Repayment

The Board of Directors proposes to repay CHF 2.00 of the par value of each CHF 2.80 share, instead of distributing a dividend. This repayment would reduce the share capital by CHF 2,517 million, as at 31 December 2001, and reduce the par amount per share to CHF 0.80. The repayment of CHF 2.00 of the par value would be made on 10 July 2002 to those shareholders who hold UBS shares on 5 July 2002.

Notes to the Financial Statements

Accounting and Valuation Principles

The Parent Bank's accounting and valuation policies are in compliance with Swiss banking law. The accounting and valuation policies are prinicipally the same as for the Group Financial Statements outlined in Note 1: Summary of Significant Accounting Policies. Major differences between the Swiss banking law requirements and International Accounting Standards are described in Note 39 to the Group Financial Statements.

In addition, the following principles are applied for the Parent Bank:

Treasury shares

Treasury shares is the term used to describe when an enterprise holds its own equity instruments. Under IAS, treasury shares are presented in the balance sheet as a deduction from equity. No gain or loss is recognized in the income statement on the sale, issuance, acquisition, or cancellation of those shares. Consideration received or paid is presented in the financial statement as a change in equity.

Under Swiss law, treasury shares are classified in the balance sheet as trading balances or as financial assets, short positions are included in Due to banks. Realized gains and losses on the sale, issuance or acquisition of treasury shares, and unrealized gains or losses from remeasurement of treasury shares in the trading portfolio to market value are included in the income statement. Treasury shares included in Financial investments are carried at the lower of cost or market value.

Investments in associated companies

Investments in associated companies are equity interests which are held for the purpose of the Parent Bank's business activities or for strategic reasons. They are carried at cost less valuation reserves, if needed.

Property and equipment

Bank buildings and other real estate are carried at cost less accumulated depreciation. Depreciation of computer and telecommunication equipment, other office equipment, fixtures and fittings is recognized on a straight-line basis over the estimated useful lives of the related assets. The useful lives of Property and equipment are summarized in Note 1, Significant Accounting Policies, of the Group Financial Statements.

Extraordinary income and expenses

Certain items of income and expense appear as extraordinary within the Parent Bank Financial Statements, whereas in the Group Financial Statements they are considered to be operating income or expenses and appear within the appropriate income or expense category. These items are separately identified below.

Taxation

Deferred Tax Assets and Deferred Tax Liabilities, except for a few immaterial exceptions, are not recognized in the Parent Bank financial statements. Swiss banking law does not require to recognize deferred taxes.

Additional Income Statement Information

Net Trading Income

CHF million For the year ended	31.12.01	31.12.00	% change from 31.12.00
Foreign exchange and bank notes	**1,629**	1,151	42
Bonds and other interest rate instruments	**805**	88	815
Equities	**2,435**	6,117	(60)
Precious metals and commodities	**146**	22	564
Total	**5,015**	7,378	(32)

Extraordinary Income and Expenses

Extraordinary income contains CHF 87 million (2000: CHF 496 million) from the sale of subsidiaries and CHF 8 million (2000: CHF 15 million) from other disposals. Extraordinary expenses consist mainly of losses of CHF 4 million from the liquidation of investments in subsidiaries. In 2000 losses of CHF 20 million resulted from the sale of tangible fixed assets.

Additional Balance Sheet Information

Value Adjustments and Provisions

CHF million	Balance at 31.12.00	Provisions applied in accordance with their specified purpose	Recoveries, doubtful interest, currency translation differences	New provisions charged to income	**Balance at 31.12.01**
Default risks (credit and country risk)	10,389	(2,976)	252	367	**8,032**
Other business risks	2,933	(163)	(165)	289	**2,894**
Capital and income taxes	2,054	(1,634)	(68)	549	**901**
Other provisions	1,573	(799)	(212)	469	**1,031**
Total allowance for general credit losses and other provisions	**16,949**	**(5,572)**	**(193)**	**1,674**	**12,858**
Allowances deducted from assets	9,132				**8,899**
Total provisions as per balance sheet	**7,817**				**3,959**

Statement of Shareholders' Equity

CHF million	**31.12.01**	31.12.00	% change from 31.12.00
Shareholders' equity			
Share capital at beginning of the period	**4,444**	4,309	3
General statutory reserves	**18,047**	14,528	24
Reserves for own shares	**4,007**	3,462	16
Other reserves	**8,361**	6,356	32
Retained earnings	**7,913**	6,791	17
Total shareholders' equity at beginning of the period (before distribution of profit)	**42,772**	35,446	21
Reduction of share capital	**(867)**		
Capital increase	**12**	135	(91)
Increase in General statutory reserves	**275**	215	28
Share premium	**(3,815)**	3,304	
Other allocations [1]	**(145)**	(1,979)	(93)
Prior-year dividend [2]		(2,255)	(100)
Profit for the period	**4,655**	7,906	(41)
Total shareholders' equity at the end of the period (before distribution of profit)	**42,887**	42,772	0
of which:			
Share capital	**3,589**	4,444	(19)
General statutory reserves	**14,507**	18,047	(20)
Reserves for own shares	**3,253**	4,007	(19)
Other reserves	**16,883**	8,361	102
Retained earnings	**4,655**	7,913	(41)

[1] The 31 December 2000 figure includes a partial dividend for the period from 1 January 2000 until 30 September 2000 distributed in the year 2000. [2] For the fourth quarter 2000 a par value repayment has been done instead of distributing a final dividend.

Share Capital

	Par value		Ranking for dividends	
	No. of shares	Capital in CHF	No. of shares	Capital in CHF
Issued and paid up	1,281,717,499	**3,588,808,997**	1,258,653,143	**3,524,228,800**
Conditional share capital	13,017,716	**36,449,605**		

Off-Balance Sheet and Other Information

Assets Pledged or Assigned as Security for Own Obligations, Assets Subject to Reservation of Title

	31.12.01		31.12.00		Change in %	
CHF million	**Book value**	**Effective liability**	Book value	Effective liability	Book value	Effective liability
Money market paper	**29,893**		28,355		5	
Mortgage loans	**1,239**	**813**	1,565	1,066	(21)	(24)
Securities	**5,224**		40,649	24,721	(87)	(100)
Total	**36,356**	**813**	70,569	25,787	(48)	(97)

Assets are pledged as collateral for securities borrowing and repo transactions, for collateralized credit lines with central banks, loans from mortgage institutions and security deposits relating to stock exchange membership.

Fiduciary Transactions

CHF million	**31.12.01**	31.12.00	% change from 31.12.00
Deposits			
with other banks	**38,978**	50,274	(22)
with Group banks	**532**	682	(22)
Loans and other financial transactions	**1,042**	403	159
Total	**40,552**	51,359	(21)

Due to UBS Pension Plans, Loans to Corporate Bodies / Related Parties

CHF million	**31.12.01**	31.12.00	% change from 31.12.00
Due to UBS pension plans (including securities borrowed) and UBS securities held by pension plans	**1,605**	4,644	(65)
Loans to directors, senior executives and auditors [1]	**32**	36	(11)

[1] Loans to directors, senior executives and auditors are loans to members of the Board of Directors, the Group Executive Board, the Group Managing Board and the Group's official auditors under Swiss company law. This also includes loans to companies which are controlled by these natural or legal persons. There are no loans to the auditors.

ERNST & YOUNG

Ernst & Young Ltd
Financial Services
Aeschengraben 9
P.O. Box 2149
CH-4002 Basel

Phone +41 58 286 86 86
Fax +41 58 286 86 00
www.ey.com/ch

Report of the statutory auditors

to the General Meeting of

UBS AG, ZURICH AND BASEL

Mr. Chairman,
Ladies and Gentlemen,

As statutory auditors, we have audited the accounting records and the financial statements (income statement, balance sheet and notes) of UBS AG for the year ended 31 December 2001.

These financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records and financial statements and the proposed appropriation of available earnings comply with the Swiss law and the company's articles of association.

We recommend that the financial statements submitted to you be approved.

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

Enclosures


UBS
.com/sailing

Additional Disclosure Required under SEC Regulations

Additional Disclosure Required under SEC Regulations Table of Contents

A – Introduction

The following pages contain additional disclosure about UBS Group which is required under SEC regulations.

B – Selected Financial Data

UBS's Financial Statements have been prepared in accordance with International Accounting Standards (IAS) and are denominated in Swiss francs, or CHF, the reporting currency of the Group. Certain financial information has also been presented in accordance with United States Generally Accepted Accounting Principles (US GAAP).

The tables below set forth, for the periods and dates indicated, information concerning the noon buying rate for the Swiss franc, expressed in United States dollars, or USD, per one Swiss franc. The noon buying rate is the rate in New York City for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York.

On 28 February 2002 the noon buying rate was 0.5864 USD per 1 CHF.

Year ended 31 December	High	Low	Average rate[1] (USD per 1 CHF)	At period end
1997	0.7446	0.6510	0.6890	0.6845
1998	0.7731	0.6485	0.6894	0.7281
1999	0.7361	0.6244	0.6605	0.6277
2000	0.6441	0.5479	0.5912	0.6172
2001	0.6331	0.5495	0.5910	0.5857

Month	High	Low
September 2001	0.6331	0.5859
October 2001	0.6217	0.6021
November 2001	0.6132	0.5985
December 2001	0.6136	0.5907
January 2002	0.6081	0.5814
February 2002	0.5932	0.5833

[1] The average of the noon buying rates on the last business day of each full month during the relevant period.

B – Selected Financial Data (continued)

CHF million, except where indicated For the year ended	31.12.01	31.12.00	31.12.99	31.12.98	31.12.97
Income statement data					
Interest income	**52,277**	51,745	35,604	37,442	23,669
Interest expense	**44,236**	43,615	29,695	32,424	16,733
Net interest income	**8,041**	8,130	5,909	5,018	6,936
Credit loss (expense) / recovery	**(498)**	130	(956)	(951)	(1,278)
Net interest income after credit loss (expense) / recovery	**7,543**	8,260	4,953	4,067	5,658
Net fee and commission income	**20,211**	16,703	12,607	12,626	12,234
Net trading income	**8,802**	9,953	7,719	3,313	5,491
Other income	**558**	1,486	3,146	2,241	1,497
Operating income	**37,114**	36,402	28,425	22,247	24,880
Operating expenses	**30,396**	26,203	20,532	18,376	18,636
Operating profit before tax	**6,718**	10,199	7,893	3,871	6,244
Restructuring costs	**0**	0	0	0	7,000
Tax expense/(benefit)	**1,401**	2,320	1,686	904	(105)
Minority interests	**(344)**	(87)	(54)	5	(16)
Net profit	**4,973**	7,792	6,153	2,972	(667)
Cost / income ratio (%) [1]	**80.8**	72.2	69.9	79.2	71.2
Cost / income ratio before goodwill (%) [1, 2]	**77.3**	70.4	68.7	77.7	70.7
Per share data (CHF)					
Basic earnings per share [3, 4]	**3.93**	6.44	5.07	2.44	(0.53)
Basic earnings per share before goodwill [2, 3, 4]	**4.97**	7.00	5.35	2.72	
Diluted earnings per share [3, 4]	**3.78**	6.35	5.02	2.40	(0.53)
Diluted earnings per share before goodwill [2, 3, 4]	**4.81**	6.89	5.30	2.68	
Cash dividends declared per share (CHF) [5]		1.50	1.83	1.67	
Cash dividends declared per share (USD) [5]		0.86	1.10	1.10	
Dividend payout ratio (%) [5]		23.28	36.18	68.21	
Rates of return (%)					
Return on shareholders' equity [6]	**11.7**	21.5	22.4	10.7	
Return on shareholders' equity before goodwill [2, 6]	**14.8**	23.4	23.6	12.0	
Return on average equity	**10.4**	22.0	18.6	9.0	(2.0)
Return on average assets	**0.36**	0.7	0.65	0.28	(0.07)

[1] Operating expenses / operating income before credit loss expense. [2] The amortization of goodwill and other intangible assets is excluded from the calculation. [3] For EPS calculation, see Note 9 to the Financial Statements. [4] The 2000, 1999, 1998 and 1997 share and earnings per share figures have been adjusted for the 3 for 1 share split which took place on 16 July 2001. [5] Dividends are normally declared and paid in the year subsequent to the reporting period. In 2000, as part of the arrangements of the acquisition of PaineWebber, a dividend of CHF 1.50 was paid on 5 October 2000 in respect of the nine months ended 30 September 2000. Prior to the merger between Union Bank of Switzerland and Swiss Bank Corporation, each paid dividends in accordance with its own dividend policies. In 2001 a further amount of CHF 1.60 per share was distributed to shareholders in the form of a par value reduction, in respect of 2000. No dividend will be paid out for the year 2001. A par value reduction of CHF 2.00 per share will be paid on 10 July 2002, in respect of 2001, subject to approval by shareholders at the Annual General Meeting. [6] Net profit / average shareholders' equity excluding dividends.

B – Selected Financial Data (continued)

CHF million, except where indicated As at	31.12.01	31.12.00	31.12.99	31.12.98	31.12.97
Balance sheet data					
Total assets	**1,253,297**	1,087,552	896,556	861,282	1,086,414
Shareholders' equity	**43,530**	44,833	30,608	28,794	30,927
Average equity to average assets (%)	**3.49**	3.17	3.52	3.06	3.40
Market capitalization	**105,475**	112,666	92,642	90,720	
Shares [1]					
Registered ordinary shares	**1,281,717,499**	1,333,139,187	1,292,679,486	1,289,857,836	1,286,174,100
Own shares to be delivered	**0**	28,447,788	0	0	0
Treasury shares	**41,254,951**	55,265,349	110,621,142	73,370,094	38,236,224
BIS capital ratios					
Tier 1 (%)	**11.6**	11.7	10.6	9.3	8.3
Total BIS (%)	**14.8**	15.7	14.5	13.2	12.6
Risk-weighted assets	**253,735**	273,290	273,107	303,719	345,904
Invested assets (CHF billion)	**2,457**	2,452 [4]	1,744	1,573	
Headcount (full time equivalents) [2]	**69,985**	71,076	49,058	48,011	
Long-term ratings [3]					
Fitch, London	AAA	AAA	AAA	AAA	
Moody's, New York	AA2	Aa1	Aa1	Aa1	
Standard & Poor's, New York	AA+	AA+	AA+	AA+	

[1] The 2000, 1999, 1998 and 1997 share figures have been adjusted for the 3 for 1 split which took place on 16 July 2001. [2] The Group headcount does not include the Klinik Hirslanden AG headcount. [3] See the UBS Handbook 2001/2002, page 10 to 11 for information about the nature of these ratings. [4] Restated to reflect the new definition.

Balance Sheet Data

CHF million As at	31.12.01	31.12.00 [1]	31.12.99 [1]	31.12.98 [1]	31.12.97 [1]
Assets					
Total assets	**1,253,297**	1,087,552	896,556	861,282	1,086,414
Due from banks	**27,526**	29,147	29,907	68,495	66,582
Cash collateral on securities borrowed	**162,938**	177,857	113,162	91,695	82,656
Reverse repurchase agreements	**269,256**	193,801	132,391	141,285	216,355
Trading portfolio assets	**397,886**	315,588	211,932	159,179	210,738
Positive replacement values	**73,447**	57,875	62,957	90,511	149,538
Loans, net of allowances for credit losses	**226,545**	244,842	234,858	247,926	270,917
Liabilities					
Due to banks	**106,531**	82,240	76,365	85,716	159,634
Cash collateral on securities lent	**30,317**	23,418	12,832	19,171	14,140
Repurchase agreements	**368,620**	295,513	196,914	137,617	191,793
Trading portfolio liabilities	**105,798**	82,632	54,638	47,033	68,215
Negative replacement values	**71,443**	75,923	95,786	125,847	170,162
Due to customers	**333,781**	310,679	279,960	274,850	302,516
Debt issued	**156,218**	129,635	120,987	102,310	109,864
Shareholders' equity	**43,530**	44,833	30,608	28,794	30,927

[1] Changes have been made to prior year to conform to the current presentation (see Note 1: Summary of Significant Accounting Policies in the Financial Statements).

B – Selected Financial Data (continued)

US GAAP Income Statement Data

CHF million For the year ended	31.12.01	31.12.00	31.12.99	31.12.98
Operating income				
Interest income	51,975	51,565	35,404	29,136
Interest expense	(44,178)	(43,584)	(29,660)	(25,773)
Net interest income	7,797	7,981	5,744	3,363
Credit loss (expense) / recovery	(498)	130	(956)	(787)
Net interest income after credit loss (expense) / recovery	7,299	8,111	4,788	2,576
Net fee and commission income	20,211	16,703	12,607	8,925
Net trading income	8,973	8,597	7,174	455
Other income	534	1,514	3,182	725
Total operating income	37,017	34,925	27,751	12,681
Operating expenses				
Personnel expenses	19,713	17,262	12,483	7,938
General and administrative expenses	7,631	6,813	6,664	6,259
Depreciation and amortization	4,597	3,952	3,454	2,403
Restructuring costs	112	191	750	1,089
Total operating expenses	32,053	28,218	23,351	17,689
Operating profit / (loss) before tax and minority interests	4,964	6,707	4,400	(5,008)
Tax expense / (benefit)	1,386	2,183	1,509	(1,339)
Net profit / (loss) before minority interests	3,578	4,524	2,891	(3,669)
Minority interests	(344)	(87)	(54)	4
Net profit / (loss)	3,234	4,437	2,837	(3,665)

B – Selected Financial Data (continued)

US GAAP Balance Sheet Data

CHF million As at	31.12.01	31.12.00[1]	31.12.99[1]	31.12.98[1]
Assets				
Total assets	**1,314,856**	1,124,554	893,525	899,589
Due from banks	**27,550**	29,182	29,954	68,554
Cash collateral on securities borrowed	**162,566**	177,857	113,162	91,695
Reverse repurchase agreements	**269,256**	193,801	132,391	141,285
Trading portfolio assets	**399,577**	318,788	228,230	178,130
Positive replacement values[2]	**73,051**	57,775	62,294	90,520
Loans, net of allowances for credit losses	**226,747**	245,214	235,401	248,657
Intangible assets and goodwill	**33,765**	35,726	21,428	21,707
Other assets	**36,972**	27,955	18,717	29,398
Liabilities				
Due to banks	**106,531**	82,240	76,363	85,716
Cash collateral on securities lent	**30,317**	23,418	12,832	19,127
Repurchase agreements	**368,620**	295,513	173,840	136,824
Trading portfolio liabilities	**108,924**	87,832	52,658	47,772
Negative replacement values[2]	**71,018**	75,423	95,004	125,857
Due to customers	**333,766**	310,686	279,971	274,861
Accrued expenses and deferred income	**17,289**	21,038	12,040	11,232
Debt issued	**156,462**	129,750	120,704	101,973
Shareholders' equity	**59,282**	62,960	51,833	54,761

[1] Changes have been made to prior year to conform to the current presentation (see Note 1: Summary of significant Accounting Policies in the Financial Statements). [2] Positive and negative replacement values represent the fair value of derivative instruments.

Ratio of Earnings to Fixed Charges

The following table sets forth UBS AG's ratio of earnings to fixed charges, for the periods indicated. Ratios of earnings to combined fixed charges and preferred stock dividends requirements are not presented as there were no preferred share dividends in any of the periods indicated.

For the year ended	31.12.01	31.12.00	31.12.99	31.12.98	31.12.97
IAS	**1.14**[1]	1.23[1]	1.25[1]	1.11[1]	0.95[1,3]
US GAAP	**1.10**[1,2]	1.15[1,2]	1.14[1,2]	0.80[1,2]	

[1] The ratio is provided using both IAS and US GAAP values, since the ratio is materially different under the two accounting standards. No US GAAP information is provided for 31 December 1997 as a US GAAP reconciliation was not required for that period. [2] The deficiency in the coverage of fixed charges by earnings before fixed charges at 31 December 1998 was CHF 5,319 million. [3] The deficiency in the coverage of fixed charges by earnings before fixed charges at 31 December 1997 was CHF 851 million.

C – Information on the Company

Property, plant and equipment

At 31 December 2001, UBS operated about 2000 offices and branches worldwide, of which about 51% were in Switzerland, 10% in the rest of Europe, 37% in the Americas and 2% in Asia.

28% of the offices and branches in Switzerland were owned directly by UBS with the remainder, along with most of UBS's offices outside Switzerland, being held under commercial leases.

These premises are subject to continuous maintenance and upgrading and are considering suitable and adequate for our current and anticipated operations.

D – Information Required by Industry Guide 3

Selected statistical information
The tables below set forth selected statistical information regarding the Group's banking operations extracted from the Financial Statements. Unless otherwise indicated, average balances for the year ended 31 December 2001, 31 December 2000 and 31 December 1999 are calculated from monthly data. Certain prior year balances and figures have been reclassified to conform to current year presentation. The distinction between domestic and foreign is generally based on the booking location. For loans, this method is not significantly different from an analysis based on the domicile of the borrower.

Average Balances and Interest Rates

The following table sets forth average interest-earning assets and average interest-bearing liabilities, along with the average rates, for the years ended 31 December 2001, 2000 and 1999.

	31.12.01			31.12.00			31.12.99		
CHF million, except where indicated	Average balance	Interest	Average rate (%)	Average balance	Interest	Average rate (%)	Average balance	Interest	Average rate (%)
Assets									
Due from banks									
Domestic	11,753	1,055	9.0	13,366	1,273	9.5	19,451	1,757	9.0
Foreign	15,528	1,823	11.7	16,994	2,280	13.4	28,999	2,739	9.4
Cash collateral on securities borrowed and on reverse repurchase agreements									
Domestic	7,868	563	7.2	8,383	558	6.7	3,265	117	3.6
Foreign	474,295	17,774	3.7	348,395	18,530	5.3	223,962	11,305	5.0
Trading portfolio assets									
Domestic	12,940	307	2.4	20,800	244	1.2	38,372	72	0.2
Foreign	333,576	16,225	4.9	256,605	11,598	4.5	159,327	5,526	3.5
Loans									
Domestic	177,404	8,017	4.5	181,646	10,985	6.0	200,111	8,750	4.4
Foreign	72,176	3,090	4.3	67,528	3,813	5.6	58,634	3,485	5.9
Financial investments									
Domestic	4,598	90	2.0	3,440	105	3.1	2,761	101	3.7
Foreign	39,252	363	0.9	22,529	297	1.3	17,153	143	0.8
Net interest on swaps		2,970			2,062			1,609	
Total interest-earning assets	1,149,390	52,277	4.5	939,686	51,745	5.5	752,035	35,604	4.7
Non-interest-earning assets									
Positive replacement values	153,687			135,762			146,036		
Fixed assets	13,376			9,660			8,824		
Other	46,954			32,925			34,957		
Total average assets	1,363,407			1,118,033			941,852		

D – Information Required by Industry Guide 3 (continued)

Average Balances and Interest Rates (continued)

	31.12.01			31.12.00			31.12.99		
CHF million, except where indicated	**Average balance**	**Interest**	**Average rate (%)**	Average balance	Interest	Average rate (%)	Average balance	Interest	Average rate (%)
Liabilities and Equity									
Due to banks									
Domestic	**36,260**	1,424	3.9	31,133	2,397	7.7	37,581	3,254	8.7
Foreign	**61,642**	3,506	5.7	57,258	3,758	6.6	41,583	2,261	5.4
Cash collateral on securities lent and repurchase agreements									
Domestic	**13,147**	600	4.6	12,700	478	3.8	12,830	106	0.8
Foreign	**415,121**	13,917	3.4	284,220	14,437	5.1	144,837	8,340	5.8
Trading portfolio liabilities									
Domestic	**2,526**	1	0.0	1,078	4	0.4	0	0	0.0
Foreign	**94,597**	7,814	8.3	66,597	5,305	8.0	48,560	2,070	4.3
Due to customers									
Domestic	**139,014**	2,420	1.7	143,809	2,202	1.5	155,887	1,931	1.2
Foreign	**187,783**	6,738	3.6	143,432	7,303	5.1	122,411	6,399	5.2
Debt issued									
Domestic	**12,823**	587	4.6	15,569	778	5.0	16,387	952	5.8
Foreign	**139,982**	7,229	5.2	116,095	6,953	6.0	95,919	4,382	4.6
Total interest-bearing liabilities	**1,102,895**	44,236	4.0	871,891	43,615	5.0	675,995	29,695	4.4
Non-interest-bearing liabilities									
Negative replacement values	**165,220**			157,668			171,800		
Other	**47,676**			53,049			60,946		
Total liabilities	**1,315,791**			1,082,608			908,741		
Shareholders' equity	**47,616**			35,425			33,111		
Total average liabilities and shareholders' equity	**1,363,407**			1,118,033			941,852		
Net interest income		8,041			8,130			5,909	
Net yield on interest-earning assets			0.7			0.9			0.8

The percentage of total average interest-earning assets attributable to foreign activities was 81% for 2001 (76% for 2000 and 65% for 1999). The percentage of total average interest-bearing liabilities attributable to foreign activities was 82% for 2001 (77% for 2000 and 67% for 1999).

All assets and liabilities are translated into CHF at uniform month-end rates. Interest income and expense are translated at monthly average rates.

Average rates earned and paid on assets and liabilities can change from period to period based on the changes in interest rates in general, but are also affected by changes in the currency mix included in the assets and liabilities. This is especially true for foreign assets and liabilities. Tax exempt income is not recorded on a tax-equivalent basis. For all three years presented, tax exempt income is considered to be insignificant and therefore the impact from such income is negligible.

D – Information Required by Industry Guide 3 (continued)

Analysis of Changes in Interest Income and Expense

The following tables allocate, by categories of interest-earning assets and interest-bearing liabilities, the changes in interest income and expense due to changes in volume and interest rates for the year ended 31 December 2001 compared to the year ended 31 December 2000, and for the year ended 31 December 2000 compared to the year ended 31 December 1999. Volume and rate variances have been calculated on movements in average balances and changes in interest rates. Changes due to a combination of volume and rates have been allocated proportionally.

	2001 compared to 2000			2000 compared to 1999		
	Increase (decrease) due to changes in			Increase (decrease) due to changes in		
CHF million	Average volume	Average rate	Net change	Average volume	Average rate	Net change
Interest income from interest-earning assets						
Due from banks						
Domestic	(153)	(65)	(218)	(550)	66	(484)
Foreign	(196)	(261)	(457)	(1,134)	675	(459)
Cash collateral on securities borrowed and reverse repurchase agreements						
Domestic	(35)	40	5	183	258	441
Foreign	6,673	(7,429)	(756)	6,281	944	7,225
Trading portfolio assets						
Domestic	(94)	157	63	(33)	205	172
Foreign	3,464	1,163	4,627	3,374	2,698	6,072
Loans						
Domestic	(255)	(2,713)	(2,968)	(807)	3,042	2,235
Foreign	260	(983)	(723)	529	(201)	328
Financial investments						
Domestic	36	(51)	(15)	25	(21)	4
Foreign	217	(151)	66	45	109	154
Interest income						
Domestic	(501)	(2,632)	(3,133)	(1,182)	3,550	2,368
Foreign	10,418	(7,661)	2,757	9,095	4,225	13,320
Total interest income from interest-earning assets	9,917	(10,293)	(376)	7,913	7,775	15,688
Net interest on swaps			908			453
Total interest income			532			16,141

D – Information Required by Industry Guide 3 (continued)

Analysis of Changes in Interest Income and Expense (continued)

	2001 compared to 2000			2000 compared to 1999		
	Increase (decrease) due to changes in			Increase (decrease) due to changes in		
CHF million	**Average volume**	**Average rate**	**Net change**	Average volume	Average rate	Net change
Interest expense on interest-bearing liabilities						
Due to banks						
Domestic	**395**	**(1,368)**	**(973)**	(558)	(299)	(857)
Foreign	**289**	**(541)**	**(252)**	852	645	1,497
Cash collateral on securities lent and repurchase agreements						
Domestic	**17**	**105**	**122**	(1)	373	372
Foreign	**6,676**	**(7,196)**	**(520)**	8,026	(1,929)	6,097
Trading portfolio liabilities						
Domestic	**6**	**(9)**	**(3)**	4	0	4
Foreign	**2,240**	**269**	**2,509**	769	2,466	3,235
Due to customers						
Domestic	**(72)**	**290**	**218**	(150)	421	271
Foreign	**2,262**	**(2,827)**	**(565)**	1,099	(195)	904
Debt issued						
Domestic	**(137)**	**(54)**	**(191)**	(48)	(126)	(174)
Foreign	**1,433**	**(1,157)**	**276**	922	1,649	2,571
Interest expense						
Domestic	**209**	**(1,036)**	**(827)**	(753)	369	(384)
Foreign	**12,900**	**(11,452)**	**1,448**	11,668	2,636	14,304
Total interest expense	**13,109**	**(12,488)**	**621**	10,915	3,005	13,920

D – Information Required by Industry Guide 3 (continued)

Deposits

The following table analyzes average deposits and the average rates on each deposit category listed below for the years ended 31 December 2001, 2000 and 1999. The geographic allocation is based on the location of the office or branch where the deposit is made. Deposits by foreign depositors in domestic offices were CHF 54,095 million, CHF 45,815 million and CHF 45,285 million at 31 December 2001, 31 December 2000 and 31 December 1999, respectively.

	31.12.01		31.12.00		31.12.99	
CHF million, except where indicated	**Average deposit**	**Average rate (%)**	Average deposit	Average rate (%)	Average deposit	Average rate (%)
Banks						
Domestic offices						
Demand deposits	**3,741**	**1.2**	4,649	1.9	12,736	0.9
Time deposits	**8,012**	**4.2**	8,717	8.7	6,715	12.6
Total domestic offices	**11,753**	**3.3**	13,366	6.3	19,451	5.0
Foreign offices						
Interest-bearing deposits [1]	**15,528**	**5.7**	16,994	6.6	28,999	5.4
Total due to banks	**27,281**	**4.6**	30,360	6.5	48,450	5.2
Customer accounts						
Domestic offices						
Demand deposits	**41,664**	**1.7**	44,403	1.3	49,261	0.6
Savings deposits	**66,089**	**1.1**	72,207	1.1	80,543	1.1
Time deposits	**31,261**	**3.2**	27,199	3.0	26,083	2.8
Total domestic offices	**139,014**	**1.7**	143,809	1.5	155,887	1.2
Foreign offices						
Demand deposits	**187,783**	**3.6**	143,432	5.1	122,411	5.2
Total due to customers	**326,797**	**2.8**	287,241	3.3	278,298	3.0

[1] Mainly time deposits.

At 31 December 2001, the maturity of time deposits exceeding CHF 150,000, or an equivalent amount in other currencies, was as follows:

CHF million	**Domestic**	**Foreign**
Within 3 months	**34,240**	**156,183**
3 to 12 months	**4,103**	**7,783**
1 to 5 years	**981**	**705**
Over 5 years	**56**	**896**
Total time deposits	**39,380**	**165,567**

D – Information Required by Industry Guide 3 (continued)

Short-term Borrowings

The following table presents our period-end, average and maximum month-end outstanding amounts for short-term borrowings, along with the average rates and period-end rates at and for the years ended 31 December 2001, 2000 and 1999.

	Money market paper issued			Due to banks			Repurchase agreements [1]		
CHF million, except where indicated	**31.12.01**	31.12.00	31.12.99	**31.12.01**	31.12.00	31.12.99	**31.12.01**	31.12.00	31.12.99
Period-end balance	**99,006**	74,780	64,655	**77,312**	51,245	40,580	**462,316**	330,857	217,736
Average balance	**96,253**	78,154	58,102	**70,621**	58,031	30,714	**400,648**	278,601	149,071
Maximum month-end balance	**117,022**	89,821	76,368	**85,808**	73,355	64,562	**502,578**	342,427	217,736
Average interest rate during the period (%)	**4.4**	5.6	3.9	**7.0**	7.0	9.7	**3.2**	4.8	4.8
Average interest rate at period-end (%)	**2.6**	6.0	4.6	**2.2**	4.1	4.8	**2.9**	4.8	3.9

[1] For the purpose of this disclosure, balances are presented on a gross basis.

D – Information Required by Industry Guide 3 (continued)

Loans

Loans are widely dispersed over customer categories both within and outside of Switzerland. With the exceptions of private households (foreign and domestic) and banks and financial institutions outside Switzerland, there is no material concentration of loans. For further discussion of the loan portfolio, see the UBS Handbook 2001/2002. The following table illustrates the diversification of the loan portfolio among customer categories at 31 December 2001, 2000, 1999, 1998 and 1997. The industry categories presented are consistent with the classification of loans for reporting to the Swiss Federal Banking Commission and Swiss National Bank.

CHF million	**31.12.01**	31.12.00	31.12.99	31.12.98	31.12.97
Domestic					
Banks	**1,533**	2,896	5,802	4,543	17,751
Construction	**3,499**	4,870	6,577	7,897	9,627
Financial institutions	**5,673**	5,725	9,387	10,240	11,371
Hotels and restaurants	**2,950**	3,526	4,259	4,129	4,668
Manufacturing [1]	**8,686**	9,577	11,377	13,505	16,440
Private households	**93,746**	91,667	93,846	97,664	109,044
Public authorities	**5,222**	5,658	5,277	5,858	6,354
Real estate and rentals	**14,992**	16,673	19,835	21,231	22,915
Retail and wholesale	**8,674**	9,635	10,904	8,912	10,512
Services [2]	**12,161**	11,767	14,862	11,582	13,083
Other [3]	**1,860**	2,651	1,818	1,662	1,862
Total domestic	**158,996**	164,645	183,944	187,223	223,627
Foreign					
Banks	**26,728**	27,168	24,983	65,000	49,559
Chemicals	**1,080**	1,423			
Construction	**266**	773			
Electricity, gas and water supply	**977**	1,584			
Financial institutions	**14,458**	20,348			
Manufacturing [6]	**4,258**	4,596			
Mining	**1,313**	2,070			
Private households	**25,619**	29,470			
Public authorities	**6,454**	11,754			
Real estate and rentals	**10,227**	5,077			
Retail and wholesale	**1,732**	1,862			
Services	**4,786**	1,585			
Transport, storage and communication	**2,117**	993			
Other [4, 5]	**2,973**	11,168	69,087	78,741	80,054
Total foreign	**102,988**	119,871	94,070	143,741	129,613
Total gross	**261,984**	**284,516**	**278,014**	**330,964**	**353,240**

[1] Includes chemicals, food and beverages. [2] Includes transportation, communication, health and social work, education and other social and personal service activities. [3] Includes mining and electricity, gas and water supply. [4] For the years prior to the year 2000, no detailed industry classifications are available. [5] Includes hotels and restaurants. [6] Includes food and beverages.

D – Information Required by Industry Guide 3 (continued)

Loans (continued)

The following table analyzes the Group's mortgage portfolio by geographic origin of the customer and type of mortgage at 31 December 2001, 2000, 1999, 1998 and 1997. Mortgages are included in the industry categories mentioned above.

CHF million	**31.12.01**	31.12.00	31.12.99	31.12.98	31.12.97
Mortgages					
Domestic	**116,628**	116,348	126,677	138,306	142,919
Foreign	**9,583**	4,206	1,310	2,479	3,883
Total gross mortgages	**126,211**	120,554	127,987	140,785	146,802
Mortgages					
Residential	**101,969**	96,181	91,408	106,093	105,926
Commercial	**24,242**	24,373	36,579	34,692	40,876
Total gross mortgages	**126,211**	120,554	127,987	140,785	146,802

Loan Maturities

The following table discloses loans by maturity at 31 December 2001. The determination of maturities is based on contract terms. Information on interest rate sensitivities can be found in Note 30 to the UBS Group Financial Statements.

CHF million	Within 1 year	1 to 5 years	Over 5 years	**Total**
Domestic				
Banks	1,384	149	0	**1,533**
Mortgages	63,952	45,246	7,430	**116,628**
Other loans	31,578	7,671	1,586	**40,835**
Total domestic	96,914	53,066	9,016	**158,996**
Foreign				
Banks	26,153	305	270	**26,728**
Mortgages	8,746	664	173	**9,583**
Other loans	63,927	2,110	640	**66,677**
Total foreign	98,826	3,079	1,083	**102,988**
Total gross loans	195,740	56,145	10,099	**261,984**

D – Information Required by Industry Guide 3 (continued)

Impaired, Non-performing and Restructured Loans

A loan is classified as impaired if the book value of the claim exceeds the present value of the cash flows actually expected in future periods – interest payments, scheduled principal repayments and liquidation of collateral. Impaired obligations are thus obligations where losses are probable and estimable. A provision is then made with respect to the loan in question. Impaired loans include non-performing loans, for which the contractual payments of principal, interest or commission are overdue by 90 days. When loans are classified as non-performing, the recognition of interest or commission income ceases to be recorded according to the original terms of the loan agreement. Allowances are provided for non-performing loans to reflect their net estimated recoverable amount. The gross interest income that would have been recorded on non-performing loans was CHF 336 million for the year ended 31 December 2001, CHF 182 million for the year ended 31 December 2000 and CHF 409 million for the year ended 31 December 1999. The amount of interest income that was included in net income for those loans was CHF 201 million for the year ended 31 December 2001. There was no interest income recorded in net income for non performing loans in 2000 and 1999. The table below provides an analysis of the Group's non-performing and restructured loans. For further discussion of impaired and non-performing loans, see the UBS Handbook 2001/2002.

CHF million	**31.12.01**	31.12.00	31.12.99	31.12.98	31.12.97
Non-performing loans:					
Domestic	**6,531**	7,588	11,435	14,023	15,238
Foreign	**2,108**	2,864	1,638	2,091	1,426
Total non-performing loans	**8,639**	10,452	13,073	16,114	16,664
Foreign restructured loans [1]		179	287	449	638

[1] Amounts presented for 2001, 2000, 1999 and 1998 include only performing foreign restructured loans. Amounts presented for 1997 include both performing and non-performing foreign restructured loans. UBS does not, as a matter of policy, typically restructure loans to accrue interest at rates different from the original contractual terms or reduce the principal amount of loans. Instead, specific loan allowances are established as necessary. Unrecognized interest related to foreign restructured loans was not material to the results of operations during these periods.

In addition to the non-performing loans shown above, the Group had CHF 5,990 million, CHF 8,042 million, CHF 9,383 million and CHF 10,333 million in "other impaired loans" for the years ended 31 December 2001, 2000, 1999 and 1998, respectively. These are loans that are current, or less than 90 days in arrears, with respect to payment of principal or interest however, the Group's credit officers have expressed doubts as to the ability of the borrowers to repay the loans. As at 31 December 2001 specific allowances of CHF 1,920 million had been established against these loans, which are primarily domestic.

D – Information Required by Industry Guide 3 (continued)

Cross-Border Outstandings

Cross-border outstandings consist of general banking products such as loans and deposits with third parties, credit equivalents of over-the-counter (OTC) derivatives and repurchase agreements, and the market value of the inventory of securities. Outstandings are monitored and reported on an ongoing basis by the credit risk management and control organization with a dedicated country risk information system. With the exception of the 27 most developed economies, these exposures are rigorously limited.

Claims that are secured by third-party guarantees are recorded against the guarantor's country of domicile. Outstandings that are secured by collateral are recorded against the country where the asset could be liquidated. This follows the "Guidelines for the Management of Country Risk", which are applicable to all banks that are supervised by the Swiss Federal Banking Commission.

The following tables list those countries for which cross-border outstandings exceeded 0.75% of total assets at 31 December 2001, 2000 and 1999. At 31 December 2001, there were no outstandings that exceeded 0.75% of total assets in any country currently facing liquidity problems that the Group expects would materially affect the country's ability to service its obligations.

For more information on cross-border outstandings, see the UBS Handbook 2001/2002.

D – Information Required by Industry Guide 3 (continued)

	31.12.01					
	Banking products					
CHF million	Banks	Non-banks	Traded products[1]	Tradable assets[2]	Total	% of total assets
United States	2,360	1,284	31,129	114,615	149,388	11.9
United Kingdom	2,483	543	9,128	27,754	39,908	3.2
Germany	3,605	6,395	11,962	11,755	33,717	2.7
Japan	640	770	4,442	22,995	28,847	2.3
Italy	1,086	498	11,628	11,180	24,392	1.9
France	159	2,043	4,114	8,052	14,368	1.1
Canada	114	950	5,220	8,038	14,322	1.1
Netherlands	1,834	2,414	6,126	3,110	13,484	1.1

	31.12.00					
	Banking products					
CHF million	Banks	Non-banks	Traded products[1]	Tradable assets[2]	Total	% of total assets
United States	1,826	958	21,796	64,077	88,657	8.2
Japan	123	895	6,378	58,779	66,175	6.1
United Kingdom	1,795	1,224	9,037	22,440	34,496	3.2
Germany	2,686	3,720	13,198	5,085	24,689	2.3
Italy	1,293	931	3,629	9,700	15,553	1.4
France	1,085	1,900	3,956	5,987	12,928	1.2
Netherlands	910	1,480	6,092	3,803	12,285	1.1
Australia	27	370	3,113	7,508	11,018	1.0

	31.12.99					
	Banking products					
CHF million	Banks	Non-banks	Traded products[1]	Tradable assets[2]	Total	% of total assets
United States	3,202	2,508	41,970	48,012	95,692	10.7
Japan	1,117	965	7,153	69,194	78,429	8.8
United Kingdom	3,417	3,193	11,273	58,300	76,183	8.5
Germany	4,455	3,174	41,422	8,181	57,232	6.4
Italy	2,462	762	6,803	8,708	18,735	2.1
Netherlands	1,932	1,149	6,648	4,993	14,722	1.6
France	1,200	1,395	7,324	4,379	14,298	1.6
Australia	2,688	409	6,342	3,735	13,174	1.5
Canada	866	492	5,233	807	7,398	0.8

[1] Traded products consist of derivative instruments and repurchase agreements. In 2001 and 2000 unsecured OTC derivatives exposure is reported based on the Potential Credit Exposure measurement methodology and is therefore not directly comparable to the exposure in the prior years, which were measured based on Gross Replacement Values plus Add-on. [2] Tradeable assets consist of equity and fixed income financial instruments held for trading purposes, which are marked to market on a daily basis.

D – Information Required by Industry Guide 3 (continued)

Summary of Movements in Allowances and Provisions for Credit Losses

The following table provides an analysis of movements in allowances and provisions for credit losses.

As a result of Swiss bankruptcy laws, banks write-off loans against allowances only upon final settlement of bankruptcy proceedings, the sale of the underlying assets and/or in case of the forgiveness of debt. Under Swiss law, a creditor can continue to collect from a debtor who has emerged from bankruptcy, unless the debt has been forgiven through a formal agreement.

CHF million	**31.12.01**	31.12.00	31.12.99	31.12.98	31.12.97
Balance at beginning of year	**10,581**	13,398	14,978	16,213	18,135
Write-offs					
Domestic					
Banks	**0**	0	(4)	(2)	(5)
Construction	**(248)**	(261)	(296)	(228)	(408)
Financial institutions	**(51)**	(178)	(92)	(66)	(226)
Hotels and restaurants	**(52)**	(193)	(137)	(98)	(138)
Manufacturing [1]	**(109)**	(264)	(242)	(214)	(514)
Private households	**(1,297)**	(640)	(598)	(534)	(1,214)
Public authorities	**0**	0	0	(2)	(19)
Real estate and rentals	**(317)**	(729)	(823)	(610)	(871)
Retail and wholesale	**(115)**	(160)	(210)	(178)	(227)
Services [2]	**(93)**	(227)	(315)	(116)	(229)
Other [3]	**(46)**	(30)	(41)	(15)	(29)
Total domestic domestic write-offs	**(2,328)**	(2,682)	(2,758)	(2,063)	(3,880)
Foreign [4]					
Banks	**(24)**	(15)			
Chemicals	**(2)**				
Construction	**(10)**	(13)			
Electricity, gas and water supply	**(63)**	(3)			
Financial institutions	**(74)**	(33)			
Manufacturing [6]	**(119)**	(11)			
Mining	**(304)**				
Private households	**(5)**				
Public authorities	**0**	(4)			
Real estate and rentals	**(1)**				
Retail and wholesale	**0**	(160)			
Services	**(30)**	(8)			
Transport, storage and communication	**0**	(11)			
Other	**(48)**	(55)			
Total foreign write-offs	**(680)**	(313)	(517)	(261)	(240)
Total write-offs	**(3,008)**	(2,995)	(3,275)	(2,324)	(4,120)
Recoveries					
Domestic	**58**	124	54	59	406
Foreign	**23**	39	11		36
Total recoveries	**81**	163	65	59	442
Net write-offs	**(2,927)**	(2,832)	(3,210)	(2,265)	(3,678)
Credit loss expense / (recovery)	**498**	(130)	956	951	1,432
Other adjustments [5]	**66**	145	674	79	324
Balance at end of year	**8,218**	10,581	13,398	14,978	16,213

[1] Includes chemicals, food and beverages. [2] Includes transportation, communication, health and social work, education and other social and personal service activities. [3] Includes mining and electricity, gas and water supply. [4] For years prior to 2000, no detailed industry classifications are available. [5] See the following table for details. [6] Includes food and beverages.

D – Information Required by Industry Guide 3 (continued)

Summary of Movements in Allowances and Provisions for Credit Losses (continued)

CHF million	**31.12.01**	31.12.00	31.12.99	31.12.98	31.12.97
Doubtful interest	**0**	182	409	423	450
Net foreign exchange	**44**	23	351	(98)	91
Subsidiaries sold and other	**22**	(60)	(86)	(246)	(217)
Total adjustments	**66**	145	674	79	324

D – Information Required by Industry Guide 3 (continued)

Allocation of the Allowances and Provisions for Credit Losses

The following table provide an analysis of the allocation of the allowances and provisions for credit losses by industry categories and geographic location at 31 December 2001, 2000, 1999, 1998 and 1997. For a description of procedures with respect to allowances and provisions for credit losses, see the UBS Handbook 2001/2002.

CHF million	**31.12.01**	31.12.00	31.12.99	31.12.98	31.12.97
Domestic					
Banks	**34**		41	49	34
Construction	**467**	843	1,247	1,671	1,449
Financial institutions	**262**	328	342	668	510
Hotels and restaurants	**346**	454	690	657	512
Manufacturing [1]	**722**	863	1,223	1,331	1,036
Private households	**1,082**	1,570	2,350	2,741	2,264
Public authorities	**37**		40	107	59
Real estate and rentals	**1,067**	1,635	2,696	3,333	2,591
Retail and wholesale	**395**	629	779	825	723
Services [2]	**448**	419	934	766	661
Other [3]	**165**	413	141	71	52
Total domestic	**5,025**	7,154	10,483	12,219	9,891
Foreign [8]					
Banks [4]	**39**	32			
Chemicals	**5**	0			
Construction	**0**	11			
Electricity, gas and water supply	**88**	107			
Financial institutions	**420**	262			
Manufacturing [9]	**653**	547			
Mining	**169**	586			
Private households	**103**	72			
Public authorities	**0**	0			
Real estate and rentals	**9**	82			
Retail and wholesale	**0**	41			
Services	**414**	126			
Transport, storage and communication	**45**	2			
Other [5]	**242**	267			
Total foreign, net of country provisions	**2,187**	2,135	1,539	1,309	1,399
Country provisions	**1,006**	1,292	1,376	1,450	1,175
Total foreign [6]	**3,193**	3,427	2,915	2,759	2,574
Unallocated allowances [7]					3,748
Total allowances and provisions for credit losses	**8,218**	10,581	13,398	14,978	16,213

[1] Includes chemicals, food and beverages. [2] Includes transportation, communication, health and social work, education and other social and personal service activities. [3] Includes mining and electricity, gas and water supply. [4] Counterparty allowances and provisions only. Country provisions with banking counterparties amounting to CHF 662 million are disclosed under country provisions. [5] Includes hotels and restaurants. [6] The 2001, 2000, 1999 and 1998 amounts include CHF 305 million, CHF 54 million, CHF 149 million and CHF 435 million respectively of provisions and commitments for contingent liabilities. [7] The 1997 amount includes a provision for commitments and contingent liabilities of CHF 472 million. [8] For years prior to 2000, no detailed industry classifications are available. [9] Includes food and beverages.

D – Information Required by Industry Guide 3 (continued)

Allocation of the Allowances and Provisions for Credit Losses (continued)

The following table presents the percentage of loans in each category to total loans. This table can be read in conjunction with the preceding table showing the breakdown of the allowances and provisions for credit losses by industry categories to evaluate the credit risks in each of the categories.

in %	31.12.01	31.12.00	31.12.99	31.12.98	31.12.97
Domestic					
Banks	**0.6**	1.0	2.1	1.4	5.0
Construction	**1.3**	1.7	2.4	2.4	2.7
Financial institutions	**2.2**	2.0	3.4	3.1	3.2
Hotels and restaurants	**1.1**	1.2	1.5	1.2	1.3
Manufacturing	**3.3**	3.4	4.1	4.1	4.7
Private households	**35.8**	32.2	33.8	29.5	30.9
Public authorities	**2.0**	2.0	1.9	1.8	1.8
Real estate and rentals	**5.7**	5.9	7.1	6.4	6.5
Retail and wholesale	**3.3**	3.4	3.9	2.7	3.0
Services	**4.6**	4.1	5.3	3.5	3.7
Other	**0.8**	1.0	0.7	0.5	0.5
Total domestic	**60.7**	57.9	66.2	56.6	63.3
Foreign					
Banks	**10.2**	9.5	9.0	19.6	14.0
Chemicals	**0.4**	0.5			
Construction	**0.1**	0.3			
Electricity, gas and water supply	**0.4**	0.6			
Financial institutions	**5.5**	7.2			
Manufacturing	**1.6**	1.6			
Mining	**0.5**	0.7			
Private households	**9.8**	10.4			
Public authorities	**2.5**	4.1			
Real estate and rentals	**3.9**	1.8			
Retail and wholesale	**0.7**	0.7			
Services	**1.8**	0.6			
Transport, storage and communication	**0.8**	0.3			
Other	**1.1**	3.8	24.8	23.8	22.7
Total foreign	**39.3**	42.1	33.8	43.4	36.7
Total gross loans	**100.0**	100.0	100.0	100.0	100.0

D – Information Required by Industry Guide 3 (continued)

Loss History Statistics

The following is a summary of the Group's loan loss history.

CHF million, except where indicated	31.12.01	31.12.00	31.12.99	31.12.98	31.12.97
Gross loans	261,984	284,516	278,014	330,964	353,240
Impaired loans	14,629	18,494	22,456	26,447	
Non-performing loans	8,639	10,452	13,073	16,114	16,664
Allowances and provisions for credit losses	8,218	10,581	13,398	14,978	16,213
Net write-offs	2,927	2,832	3,210	2,265	3,678
Credit loss expense / (recovery)	498	(130)	956	951	1,432
Ratios					
Impaired loans as a percentage of gross loans	5.6	6.5	8.1	8.0	
Non-performing loans as a percentage of gross loans	3.3	3.7	4.7	4.9	4.7
Allowance and provisions for credit losses as a percentage of:					
Gross loans	3.1	3.7	4.8	4.5	4.6
Impaired loans	56.2	57.2	59.7	56.6	
Non-performing loans	95.1	101.2	102.5	93.0	97.3
Allocated allowances as a percentage of impaired loans [1]	49.9	52.4	55.5	51.4	
Allocated allowances as a percentage of non-performing loans [2]	62.2	60.6 [3]	66.3	62.1	
Net write-offs as a percentage of:					
Gross loans	1.1	1.0	1.2	0.7	1.0
Allowance and provisions for credit losses	35.6	26.8	24.0	15.1	22.7
Allowance and provisions for credit losses as multiple of net write-offs	2.81	3.74	4.17	6.61	4.41

[1] Allowances relating to impaired loans only. [2] Allowances relating to non-performing loans only. [3] 31 December 2000 figure has been restated to account for an overallocation of allowances to non-performing loans.

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; SAP-R/3 80531E-0201

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

www.ubs.com