UBS

Nine-month Report 1999.

UBS Group Financial Highlights

For the nine-month period ended *CHF million (except where indicated)*	**30.9.1999**	30.9.1998	Change in %
Income statement key figures			
Operating income	**21,763**	16,619	31
Operating expenses	**14,937**	13,154	14
Operating profit before tax	**6,826**	3,465	97
Net profit	**5,179**	2,600	99
Per share data (CHF)			
Basic earnings per share [1]	**24.86**	12.26	103
Diluted earnings per share [1]	**24.73**	12.20	103
Ratios (%)			
Return on shareholders' equity [2]	**19.5**	11.1	
Cost/income ratio [3]	**65.9**	77.0	

As of	**30.9.1999**	31.12.1998	Change in %
Balance sheet key figures			
Total assets	**900,124**	944,116	(5)
Shareholders' equity	**33,298**	32,395	3
Market capitalization	**91,067**	90,720	0
BIS capital ratios			
Tier 1 capital (%)	**10.2**	9.3	
Total capital (Tier 1 and Tier 2) (%)	**13.9**	13.3	
Risk weighted assets	**283,672**	304,701	(7)
Assets under management (bn)			
Total assets under management	**1,607**	1,572	2
Headcount			
Total headcount	**48,623**	48,011	1
of which: Switzerland	***33,093***	*32,706*	*1*
Rest of world	***15,530***	*15,305*	*1*
Long term ratings			
Moody's, New York	**Aa1**	Aa1	
Fitch/IBCA, London	**AAA**	AAA	
Standard & Poor's, New York	**AA+**	AA+	
BankWatch, New York	**AA**	AA	

[1] EPS calculations are shown in Note 8 to the Financial Statements. [2] Annualized net profit/average shareholders' equity excluding estimated dividends. [3] Operating expenses/operating income before credit loss expenses of CHF 910 million in 1999 and CHF 464 million in 1998.

Dear Shareholders,

For the nine-month 1999 period, we are pleased to report that UBS Group net profit after tax reached CHF 5,179 million, representing diluted earnings per share of CHF 24.73. Warburg Dillon Read performed strongly for the third consecutive quarter, and Private and Corporate Clients also produced good results. During the nine-month period, assets under management increased six percent in Private Banking and two percent for the Group as a whole. Assets under management will also be positively influenced by the announced acquisition of Global Asset Management and the continued transfer of the international private banking business of Bank of America.

Divisional highlights

During the third quarter, progress was made across the UBS Group in realizing its strategic goals. In the Private Banking Division, UBS announced the acquisition of Global Asset Management, a leading global asset management group focused on private clients' portfolios and mutual funds. Global Asset Management's range of mutual funds and its multi-manager system, in which it selects the top 90 out of 6,000 third-party fund providers, will enhance Private Banking's range of investment styles. The division will leverage Global Asset Management's expertise in creating innovative asset management products as well as its state-of-the-art technology skills.

At Warburg Dillon Read, the Equities business area continued to perform extremely well across all markets. The Fixed Income business area has also exceeded expectations, with particular strengths in swaps and options, and investment grade debt businesses. Corporate client advisory business and primary equities transactions picked up significantly in the third quarter and have resulted in improvements to league table positions. In particular, Warburg Dillon Read was selected to act as the sole advisor to Sprint in their proposed USD 129 billion merger with MCI WorldCom.

In September, Private and Corporate Clients announced significant functionality enhancements in its electronic banking capabilities, including the Tradepac range of services geared towards active trading customers not requiring advisory services. Other enhancements in electronic banking include lower prices, online access to six stock exchanges worldwide and real-time quotes in Switzerland, as well as UBS Quicken, the UBS-tailored software resulting from an exclusive agreement with Intuit, the leading personal financial management software firm. This move will allow UBS to continue to lead the Swiss electronic banking market with market share in excess of its share of the non-electronic banking market.

UBS Brinson announced an agreement to acquire Allegis Realty Investors LLC, one of the largest independent real estate investment management firms in the US. This acquisition gives the division increased capabilities in this important asset class.

One of UBS Capital's significant divestments in the third quarter was the sale of Gardaland SpA, a leading European theme park located in Italy. During UBS Capital's investment period, Gardaland's sales and earnings before interest and tax grew by approximately 50% and 65%, respectively.

UBS Group financial highlights

Significant financial events which occurred in both the nine-month 1998 and nine-month 1999 periods make a clear discussion of comparable year-to-date results difficult. Total operating income increased 31% to CHF 21.8 billion, while total operating expenses increased 14% to CHF 14.9 billion, period on period.

The increase in total operating income is attributable to, on the one hand, higher gains on divestments during the current period than during the previous period, as UBS continues to focus on its core businesses. On the other hand, revenues during the previous period were negatively impacted by market turmoil, especially in emerging markets, as well as revenue losses from investments in Long Term Capital Management and the Global Equity Derivatives portfolio. While net commission income was negatively impacted by divestments and reduced client activity associated with lower volumes in the Swiss market, net trading income continued to develop positively throughout the period.

Non-personnel expenses are significantly below those of the previous nine-month period reflecting stringent cost reduction programs throughout the Group. Performance-related compensation increased period on period primarily due to the associated improvement in revenues. However, in 1998 additional personnel payments were charged against the restructuring reserve as part of our efforts to protect the investment banking franchise in the face of merger-related shortfalls in profits.

Year 2000

By 30 September 1999, UBS reached 100% completion in upgrading its critical IT systems, infrastructure and embedded systems to address the Year 2000 issue. As of this date, all these systems were fully tested and were operating in a Year 2000-remediated environment. UBS is also actively developing a comprehensive range of preparations which will apply during the rollover period at the end of the year to ensure that the operating environment is closely monitored and that any Year 2000-related issues are addressed quickly and effectively. Importantly, UBS has committed a considerable amount of resources to the rigorous development of a comprehensive range of contingency plans in the event of potential external Year 2000 problems in the financial sector, as well as in infrastructure more generally.

Outlook

UBS is committed to its business model as a global, integrated investment services firm and the leading bank in Switzerland. We believe that the current mix of businesses is essential to the success of this model.

We would like to thank our clients, staff and investors for their support during the past two years since the merger announcement. In light of the Year 2000 issue, we may see a slowdown in many of the markets in which we are active in the fourth quarter. However, unless exceptional circumstances arise, the strength of the nine-month result gives us confidence in the full-year 1999 result.

UBS AG

Alex Krauer
Chairman of the Board of Directors

Marcel Ospel
President and Group CEO

Review of Divisions

Private Banking

For the nine-month 1999 period, the overall performance of the Private Banking Division was negatively affected by lower levels of client transaction activity and substantial investments in the expansion of domestic private banking outside of Switzerland, in line with our announced strategy. Despite this and some performance issues in the third quarter, the results for the organic business, including domestic expansion outside Switzerland, were roughly in line with expectations.

In a further step to grow the domestic and international Private Banking business and diversify the product range available to private banking clients, UBS announced on 14 September 1999 the acquisition of Global Asset Management (GAM), a leading global asset management group with client assets of CHF 21 billion (as of 30 June 1999). GAM focuses on private clients' portfolios and mutual funds. The acquisition of GAM is not expected to close until the beginning of next year and will therefore have no impact on 1999 figures.

The acquisition is a cornerstone of the strategic plan of the Private Banking Division, and it will be central in developing a full range of wealth management services worldwide. Global Asset Management's range of mutual funds and its multi-manager system, in which it selects the top 90 out of 6,000 third-party fund providers, will enhance Private Banking's range of investment styles. The division will leverage Global Asset Management's expertise in creating innovative asset management products as well as its state-of-the-art technology skills. With its well-established and successful investment styles, GAM will retain its approach and brand identity.

During the first nine months of this year, we also formed the Global Executive Group (GXG), the Sportsmen and Entertainers Advisory Group (SEAG), and the Entrepreneur Advisory Teams in key domestic markets. GXG, SEAG and the Entrepreneur Advisory Teams will harness UBS capabilities across all divisions and business units to create solutions for clients' entire wealth positions. The GXG will combine investment, executive compensation and private banking expertise, in particular to leverage our ability to manage concentrated equity positions.

On a quarterly basis, pre-tax profit for the third quarter of 1999 for the Private Banking Division was CHF 635 million, compared to CHF 679 million in the second quarter of 1999. As revenues remained stable, the 6.5% decline of pre-tax profit is mainly attributable to an increase of 4.2% in total costs due to substantial investment in building the future of the Private Banking franchise.

During the nine-month period of 1999, pre-tax profit stood at CHF 2,023 million. For the comparable period in 1998, pre-tax profit was CHF 3,857 million. Nine-month 1998 figures include CHF 1,058 million in gains from the divestment of Banca della Svizzera Italiana, as well as related operating revenues and expenses of CHF 268 million and CHF 125 million, respectively. The 1998 result has been restated for interdivisional client shifts only.

Comparing the nine-month 1999 and nine-month 1998 periods, total operating income after credit loss expenses, adjusting the 1998 comparative period for gains and operating revenues from divestments, was down 9.3% including the impact of hedging net income and higher intra-Group incentives for the distribution of investment funds.

For the nine-month period 1999, operating expenses, adjusting for divestment-related operating expenses, increased 8.2% compared to the corresponding 1998 period. Total headcount rose 1,139 during the nine-month 1999 period in line with the announced expansion strategy. This includes the recruitment of top industry professionals as well as graduates and post-graduates trained through a "best in class" formal Private Banking education program.

Assets under management (AuM) in the third quarter of 1999 decreased 2.6%, or CHF 17 billion, to CHF 642 billion. AuM from net acquisitions, i.e. new clients less client defections, continued in the third quarter at a level in line with previous quarters in 1999. The decrease of AuM in the third quarter of 1999 was primarily performance-related, although at the same time volumes from existing clients have decreased to a certain extent. For the nine-month 1999 period, total Private Banking assets under management were up six percent, or CHF 35 billion, mostly due to performance in earlier quarters.

For the nine-month period, UBS investment funds grew 6.3% to CHF 186 billion, mainly a result of performance and an increase in client

Segment Reporting by Business

CHF million	Private Banking 9.99	Private Banking 9.98 [4]	Warburg Dillon Read 9.99	Warburg Dillon Read 9.98
Operating income	**4,425**	6,211	**10,081**	4,566
Less: Credit loss expenses [1]	**12**	20	**238**	294
Total	**4,413**	6,191	**9,843**	4,272
Personnel, general and administrative expenses [2]	**2,271**	2,241	**7,182**	4,993
Depreciation and amortization [2]	**119**	93	**584**	509
Total	**2,390**	2,334	**7,766**	5,502
Segment performance before tax	**2,023**	3,857	**2,077**	(1,230)
Tax expense				
Group profit				
Less: Minority interests				
Net profit				
Cost/income (%)	**54**	45	**77**	121
	9.99	12.98	**9.99**	12.98
Regulatory equity used (avg)	**1,750**	1,500	**10,350**	13,300
Assets under management (bn) [3]	**642**	607	**0**	0

To allow a more meaningful analysis of UBS's results, 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. The basis of the reporting reflects the management of the business within the UBS Group.

assets in previous quarters. UBS is the largest mutual fund provider in Europe.

The integration of Bank of America's international private banking activities in Europe and Asia proceeded as planned and client assets in the amount of CHF 3.7 billion have been transferred to UBS to date.

We continue to feel very confident in the strength of our existing client franchise, and the potential for growth both through international offshore Private Banking and by establishing a truly global domestic private banking presence.

Warburg Dillon Read

Warburg Dillon Read continued to perform strongly despite less favorable market conditions during the third quarter. As in the first half, the Equities business was the main source of profitability, reflecting a consistently strong secondary cash and derivatives business with institutional clients. Our league table position and our share of the global fee pool, particularly in equity underwriting, also improved in the third quarter due to a number of large transactions completed, for example the EUR 738 million Amadeus initial public offering, the EUR 2.0 billion Mannesmann convertible bond issue, and the EUR 1.5 billion Epcos initial public offering. Moreover, Warburg Dillon Read has been appointed as the sole advisor to Sprint in their proposed USD 129 billion merger with MCI WorldCom, the largest ever corporate merger to be announced, which will have a significant impact on Warburg Dillon Read's merger and acquisition league table position in 2000. These selected deals highlight the strength of the division's client franchise.

In addition to the awards received in the first half, Warburg Dillon Read has continued to receive recognition from peers and clients alike. These include: Best International Equity Underwriter and Best Corporate Bond Firm in Euromoney's 1999 Awards for Excellence (July); and Best Overall European Equity Execution and Best Pan-European Sectoral Research in Global Investor's European Brokers' Survey 1999 (October).

Warburg Dillon Read recorded pre-tax profits of CHF 2,077 million during the first nine months of 1999, an increase of CHF 3,307 million over the loss reported for the first nine months of 1998. The results include CHF 200 million gain on the sale of the international Glob-

Private & Corporate Clients		UBS Brinson		UBS Capital		Corporate Center		Group total	
9.99	9.98 [4]	**9.99**	9.98	**9.99**	9.98	**9.99**	9.98	**9.99**	9.98
5,447	5,141	**811**	868	**254**	499	**1,655**	(202)	**22,673**	17,083
836	780	**0**	0	**0**	0	**(176)**	(630)	**910**	464
4,611	4,361	**811**	868	**254**	499	**1,831**	428	**21,763**	16,619
3,364	3,123	**472**	486	**112**	94	**246**	874	**13,647**	11,811
406	503	**103**	87	**4**	0	**74**	151	**1,290**	1,343
3,770	3,626	**575**	573	**116**	94	**320**	1,025	**14,937**	13,154
841	735	**236**	295	**138**	405	**1,511**	(597)	**6,826**	3,465
								1,612	907
								5,214	2,558
								35	(42)
								5,179	2,600
69	71	**71**	66	**46**	19	**n/a**	n/a	**66**	77
9.99	12.98	**9.99**	12.98	**9.99**	12.98	**9.99**	12.98	**9.99**	12.98
8,450	8,250	**100**	100	**350**	250	**8,100**	6,350	**29,100**	29,750
427	434	**538**	531	**0**	0	**0**	0	**1,607**	1,572

[1] In order to show the relevant divisional performance over time, adjusted expected loss figures rather than the net credit loss expense are reported for all business divisions. 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 to the financially booked net credit loss expenses at Group level is reported in the Corporate Center. The divisional breakdown of the net credit loss expense of CHF 910 million as of 30 September 1999 is as follows: Private Banking CHF 13 million, Warburg Dillon Read CHF (15) million, Private & Corporate Clients CHF 913 million, Corporate Center CHF (1) million.

[2] The 1998 figures have been restated due to a refinement of the allocation methodology for depreciation.

[3] UBS Brinson September 1999: institutional assets CHF 355 billion, funds CHF 183 billion.

[4] Private Banking and Private & Corporate Clients figures 1998 were restated in order to properly reflect the new client segmentation (transfer of investment clients from Private Banking to Private & Corporate Clients as reported at December 1998).

al Trade Finance business, which was realized during the second quarter of 1999.

Operating income after credit loss expense for the first nine months of 1999 was ahead of expectations at CHF 9,843 million. The Equities business area, which contributes the largest part of the division's result, continues to perform extremely well across all markets. The Fixed Income business area has also exceeded expectations, with particular strengths in swaps and options, and investment grade debt. Corporate Finance revenues continue to meet expectations, while the Treasury Products area has been adversely affected by low volumes and volatilities in the foreign exchange markets.

At CHF 7,766 million, total operating expenses for the first nine months of 1999 are 41% higher than the comparative period of 1998. At the end of 1997, UBS foresaw the probability of a shortfall in profit in its investment banking business as a result of the merger. In order to protect its investment banking franchise, UBS realized it would probably need to make payments to personnel in excess of amounts determined by normal compensation methodologies. An amount of approximately CHF 1 billion was recorded as part of the merger-related restructuring reserve for this purpose. By the third quarter of 1998, this shortfall had materialized, and CHF 1,007 million of accrued payments to personnel were charged against the restructuring reserve as planned. The shortfall in profits noted above was aggravated by losses associated with LTCM and the Global Equity Derivatives portfolio. After adjusting the prior year for the amount charged to the restructuring reserve, personnel expenses in the first nine months of 1999 increased 33% against the comparative period. Performance-related compensation increased over the previous year period primarily due to the associated improvement in revenues. Salaries fell by 14% due to headcount reductions.

Underlying non-personnel expenses, excluding depreciation and amortization, fell 15% versus the comparative period in 1998, reflecting post-merger synergies and the ongoing focus on cost efficiency delivering significant reductions in many cost categories. Cost reduction initiatives include setting up the Infrastructure Investment Working Group ("IIWG"), which comprises the top level of senior management, and has the mandate to review, prioritize and approve all "change-the-bank" project expenditure in order to ensure optimal deployment of available resources, now that the focus is shifting from integration and Year 2000 tasks.

Average regulatory equity used fell to CHF 10.35 billion for the nine months to September 1999, down from the CHF 13.3 billion average during 1998. This reduction is primarily due to the rigorous application of netting agreements, the ongoing reduction of the international credit portfolio (on balance sheet loans and off balance sheet unfunded commitments), and a 13% reduction in market risk capital since the end of 1998. Warburg Dillon Read regards the reduction of the international credit portfolio from CHF 268 billion at the time of the merger to CHF 107 billion at the end of September 1999 without a significant impact on client relationships as an exceptional achievement.

Warburg Dillon Read remains very focused on building its e-commerce capabilities, and has recently launched the first ever electronic market place for Euro Medium Term Notes ("EMTNs"). A number of target institutional clients have recently been connected to Warburg Dillon Read pricing and analytical tools, and client interchange products.

We expect the fourth quarter results to be substantially below the third quarter due to an anticipated market slowdown resulting from year 2000 concerns, as well as from the typically lower activity of our institutional clients towards Year end. We expect, however, the business to rebound in the first quarter of 2000. For full-year 1999 profits, we remain confident that the division will close significantly higher than original management expectations.

Private and Corporate Clients

During the first three quarters of 1999, Private and Corporate Clients Division's pre-tax profit reached CHF 841 million, which is 14% higher than the comparative period of the previous year.

For the nine-month period of 1999, operating income after credit loss expenses increased by six percent relative to the nine-month result of 1998 to CHF 4,611 million. Lower client activity associated with weak performance of the Swiss stock market in 1999 accompanied by reduced exchange volumes negatively impacted transaction-related revenues. Therefore, the revenue increase mainly reflects positive interest margin developments. In the Corporate Clients business area, further progress was made in implementing our new risk-adjusted pricing models.

Furthermore, the result of Private and Corporate Clients was positively influenced by the development of the Affluent Client business. This client segment showed steady growth in 1999. The third quarter result was the best quarterly business segment result for Affluent Clients since the shift of the segment from Private Banking in 1998.

In line with earlier reporting periods in 1999, expenses continued to develop at a lower rate than revenues: against an increase in total operating income after credit loss expense of six percent, total operating expenses increased by only four percent. While third quarter expenses increased over expenses in the second quarter, they still remain under expectations. The Private and Corporate Clients Division's cost-income ratio improved to 69% for the nine-month 1999 period against 71% in last year's reporting period.

As part of its multi-channel strategy, Private and Corporate Clients is tailoring its services to customers' desire for convenience and autonomy. In line with this strategy, we extended our range of 24-hour banking offerings by releasing a comprehensive package of innovative electronic banking products and services in the third quarter of 1999. These moves will allow UBS to continue to lead the Swiss electronic banking market.

The new range of services are powerful, cost-efficient and comprehensive:

- Customers can do their stock exchange trading quickly, easily and at low cost. Trading can be done via the Internet any time day or night, from home or office, or while travelling either in Switzerland or abroad.
- With UBS Tradepac, UBS offers customers an easy-to-use, all-inclusive range of electronic banking products. This includes a comprehensive on-line query instrument, UBS Quotes, and a top-of-the-line personal financial management application, UBS Quicken. Tradepac has effectively linked these products together in a unique manner to provide value for its customers.
- With UBS Quotes, clients have on-line access to six stock exchanges in Switzerland and abroad, with real-time Swiss Stock Exchange prices at the click of a mouse button.
- Through an exclusive one-year agreement with global financial management software vendor Intuit, UBS Quicken provides customers with an easy-to-use option for managing their personal finances. For example, customers can call up stock exchange prices and exchange rates, make payments and account transfers, and produce price trend and performance charts, as well as budget and portfolio overviews and account statements.

As reported in the first half, the integration of the two pre-merger information technology platforms has been completed successfully. Other merger-related strategic initiatives are also on track: with regard to the restructuring of the branch network, some 135 of 150 redundant branches were closed by 30 September 1999.

Net client acquisitions are now essentially flat, an indication that client satisfaction is now returning to pre-merger levels. In addition, the staff turnover rate since mid-year 1999 has remained in line with pre-merger turnover rates.

Assets under management decreased by two percent since year-end 1998 to CHF 427 billion. This is almost entirely due to movements in banks' transaction accounts. These accounts are naturally volatile and do not represent a core business of Private and Corporate Clients. Excluding these particular assets under management, Private and Corporate Clients Division's assets under management increased three percent or CHF 12 billion, compared to year-end 1998 despite sluggish investment performance. During the third quarter, assets under management fell CHF 16 billion, a large majority of which is due to banks' transaction accounts.

We remain optimistic for the full year of 1999. As already reported at the half year, our strategic initiative program is proceeding on track.

UBS Brinson

UBS Brinson is one of the world's largest active institutional asset managers with a globally diverse client base and broad investment capabilities across asset classes. Building on the strength of this global platform, several strategies support the realization of our vision to become the premier global institutional asset management firm. First, we intend to leverage our existing brand positioning in mature markets, such as the US, UK, Switzerland and Australia, into growth markets such as continental Europe, Japan, and Latin America. Second, we are expanding our portfolio of investment capabilities. As an example, during the third quarter of 1999, we announced an agreement to acquire Allegis Realty Investors LLC, one of the largest independent real estate investment management firms in the US. Lastly, we are seeking opportunities to offer tailor-made solutions to the increasingly complex global investment and servicing needs of our major clients.

The financial markets in the third quarter have again generally seen active asset managers, particular value-based managers, underperform relevant indices. US equity strategies in particular have under-performed relevant benchmarks on a short-term basis in UBS Brinson. This has in turn impacted certain global equity and balanced portfolios. Within the Phillips & Drew area, major investment strategies earned above benchmark returns over the past quarter resulting in improved three-year returns on UK balanced portfolios.

Pre-tax operating profit for the third-quarter of 1999 remained roughly in line with the second quarter of 1999. For the cumulative nine-month 1999 period, profits before tax of CHF 236 million fell 20% against the comparable prior-year period. Although the comparison of results for the year-to-date period is impacted negatively by increases in goodwill expense related to the buyout of our former Japanese joint-venture with Long Term Credit Bank, client attrition due to the merger and investment performance issues also impacted our results. Since the beginning of the year, total assets under management at UBS Brinson increased 1.3% to CHF 538 billion as currency and investment performance gains were mostly offset by client attrition. In the third quarter, assets under management have declined by CHF 25 billion due to client attrition and investment performance.

We expect the fourth quarter and the coming year to continue to be challenging. We believe, however, the foundation we have laid with respect to capturing growth opportunities will position UBS Brinson well for the medium to long term.

UBS Capital

Net profit before tax for the nine-month 1999 period amounted to CHF 138 million, against CHF 405 million for the corresponding period in 1998. UBS Capital recorded operating income of CHF 254 million compared to CHF 499 million in September 1998. The lower level of disposals is according to plan and the aging profile of the portfolio. Expenses remained in line with expectations. Considering that UBS Capital's resources are globally focused upon expansion, this result is a solid performance and is consistent with operating forecasts.

One of UBS Capital's significant divestments in the third quarter was the sale of the stake in Gardaland SpA by UBS Capital Italy to several existing shareholders. Gardaland is one of the leading European theme parks. During UBS Capital's investment period in the theme park, Gardaland's sales and earnings before interest and tax grew by approximately 50% and 65%, respectively.

Another major development in the third quarter was the successful closing of the first fund raised by CapVis Equity Partners. CapVis which is UBS Capital's vehicle for investing in Switzerland and Austria, is the successor to the successful SBC Equity Partners team. The fund size is CHF 300 million and is Switzerland's largest Private Equity fund.

UBS Capital is currently in an expansion stage with the focus upon building the globally-diversified portfolio. The book value of the portfolio as of 30 September is approximately CHF 2.4 billion up from CHF 1.8 billion at year-end 1998. The most recent portfolio review and valuation conducted at the half year resulted in an approximate market value of around CHF 3.5 billion, compared to CHF 2.7 billion at year-end 1998. This equates to current unrealized gains of approximately CHF 1.1 billion at half-year 1999 as compared to CHF 900 million at year-end 1998.

In the last quarter of 1999, UBS Capital expects to add greater depth to its current high quality portfolio. Also, UBS Capital will continue to develop its regional funds that have been raised in response to UBS Group clients' demand for increased access to the private equity investment class.

Corporate Center

The Corporate Center encompasses Group level functions which cannot be devolved to the divisions. Additionally, the Corporate Center plays an active role with regard to funding, capital, balance sheet management and management of foreign currency earnings.

In the first nine months of 1999 the Corporate Center posted a pre-tax profit of CHF 1,511 million versus a pre-tax loss of CHF 597 million in the first nine months of 1998. The prior year's result was negatively impacted by the provisions for the CHF 570 million pre-tax settlement related to the role of Swiss banks during and after World War II, and CHF 370 million pre-tax losses from UBS's position in Long Term Capital Management (LTCM). The major items which positively influenced the Corporate Center result in the first nine months of 1999 were the pre-tax gains of CHF 1,490 million and CHF 110 million, relating to the divestments of our stakes in Swiss Life / Rentenanstalt and Julius Baer registered shares, respectively.

Group Financial Review

Overview

- Net profit was CHF 5,179 million during the first nine months of 1999, while it was CHF 2,600 million for the same period in 1998.
- Both respective nine-month periods contain several significant financial events and are thus not directly comparable.
- Annualized return on equity for the first nine months of 1999 stood at 19.5%, compared to 11.1% for nine-month 1998.
- The cost-income ratio was 65.9% during nine-month 1999 versus 77% over the same period in 1998.
- Nine-month 1999 diluted earnings per share reached CHF 24.73 against CHF 12.20 in nine-month 1998.
- Since 31 December 1998, Group assets under management increased 2.2% to CHF 1,607 billion.

Significant financial events

Nine-month 1999 total operating income includes:
- CHF 1,490 million pre-tax gain relating to the sale of the 25% stake in Swiss Life/Rentenanstalt.
- CHF 110 million pre-tax gain from the disposal of Julius Baer registered shares.
- CHF 200 million pre-tax gain from the international Global Trade Finance disposal.
- CHF 26 million pre-tax gain on Long Term Capital Management.
- In sum, the significant financial items listed above represent pre-tax gains of CHF 1,826 million (CHF 1,478 million post-tax).
- The acquisition of the international private banking business of Bank of America has had no material impact on Group or Divisional results.
- The Global Asset Management and Allegis acquisitions are not completed and therefore are not reflected in nine-month 1999 results.

Income statement

Total operating income increased 31% to CHF 21,763 million, while total operating expenses increased 14% to CHF 14,937 million.

Net interest income

Net interest income before credit loss expenses remained effectively flat with a two percent decrease to CHF 4,837 million compared to nine-month 1998. Higher interest margins resulting from more consistent implementation of our risk-adjusted pricing model in the domestic loan portfolio were more than offset by the sale of activities which had contributed to net interest income in nine-month 1998, as well as the impact of lower returns on invested equity and the reduction of the international loan portfolio.

Credit loss expense

The credit loss expense for the first nine months 1999 amounted to CHF 910 million. During 1998 a significant portion of the credit losses was appropriately charged against previously established provisions, thus reducing the total expense at September 1998 to CHF 464 million.

Domestically we are starting to benefit from our efforts on the recovery portfolio and the improving macro-economic climate. Internationally, the absence of a major emerging market crisis and recoveries of previously provisioned exposures have impacted the results significantly.

Net fee and commission income

Net fee and commission income decreased five percent to CHF 9,250 million period-on-period. Excluding the effect of divestments no longer being reflected in 1999 figures, the decrease was roughly three percent.

The minor increase in investment fund fees is attributable, on the one hand, to positive post-merger pricing adjustments from the integration of the two product platforms offset by poor third-quarter investment fund asset under management performance. Strong increases in custodian fees reflect higher custodian assets and a new pricing model.

Brokerage fees are lower period-on-period for two primary reasons: lower client activity and the inclusion of divestment-related income in nine-month 1998 which is no longer being reflected in 1999 figures. Excluding disposal-related income, brokerage fees are down one percent period-on-period.

Despite strong corporate finance fees, underwriting and other management and advisory fees were down relative to an exceptionally strong nine-month 1998.

Credit-related fees and commissions decreased in line with reduced emerging market exposures and the sale of the international Global Trade Finance operations.

Net trading income

Net trading income was CHF 6,013 million in nine-month 1999, while it stood at CHF 598 million during the nine-month 1998 period. During nine-month 1998, net trading income was negatively impacted by the pre-tax CHF 790 million and CHF 1,010 million write-downs on LTCM and pre-merger Global Equities Derivatives positions, respectively, as well as mark-to-market losses in emerging markets.

Net trading income comprises predominantly the net trading result of Warburg Dillon Read and certain activities in the Corporate Center. The Warburg Dillon Read trading result includes largely customer-related activities (market making, derivatives and foreign exchange), as well as some proprietary trading.

In the current nine-month 1999 period, Group net trading income benefited from generally good equity market conditions, leading to increased customer volumes of secondary trading. Fixed income trading revenues were strong across all major products, led by swaps and options, and investment grade debt. Income from foreign exchange and bank notes trading was down period on period, mostly as a result of asset and liability management, as well as lower volumes and volatility in foreign exchange markets.

Other income, including income from associates

Other income was CHF 2,573 million during the first three quarters of 1999. The major factors impacting this line item are – as mentioned above – disposal-related pre-tax gains of CHF 1,800 million in the first nine months of 1999. In the first nine months of 1998, disposal-related pre-tax gains of CHF 1,058 million were partially offset by the CHF 370 million portion of the LTCM write-down.

Personnel expenses

Personnel expenses amounted to CHF 9,923 million in nine-month 1999. In nine-month 1998, this amount stood at CHF 7,205 million.

At the end of 1997, UBS foresaw the probability of a shortfall in profit in its investment banking business as a result of the merger. In order to protect its investment banking franchise, UBS realized it would probably need to make payments to personnel in excess of amounts determined by normal compensation methodologies. An amount of approximately CHF 1 billion was recorded as part of the merger-related restructuring reserve for this purpose.

By the third quarter of 1998, this shortfall had materialized, and CHF 1,007 million of accrued payments to personnel were charged against the restructuring reserve as planned. The shortfall in profits noted above was aggravated by losses associated with LTCM and the Global Equity Derivatives portfolio. Adjusting the prior year for the CHF 1,007 million, personnel expenses in the first nine months of 1999 increased by 21%. This is directly attributable to higher nine-month performance-related compensation based on the good investment banking result in 1999. Furthermore, as mentioned in the first half review, 1998 bonus was accrued on a linear basis in the context of the merger, whereas in 1999 Warburg Dillon Read has reverted to a results-based model in line with industry practice.

General and administrative expenses

General and administrative expenses decreased 19% to CHF 3,724 million. Excluding the impact of the CHF 570 million provision for the settlement related to the role of Swiss banks during and after World War II from nine-month 1998, general and administrative expenses fell 8%, reflecting stringent cost reduction programs throughout the Group.

Depreciation and amortization

Depreciation and amortization declined four percent to CHF 1,290 million, as the effect of lower property and equipment balances outweighed higher amortization due to acquisition-related goodwill.

Tax expense

The Group effective tax rate for nine-month 1999 was 23.6%.

Balance Sheet

Total balance sheet

Total assets declined 5% to CHF 900 billion. Excluding currency-related effects, total assets declined 9%. Risk weighted assets declined 6.9% since year end to CHF 284 billion reflecting mainly the reduction of loans to banks, the

UBS Group loan portfolio summary by division [1]

CHF million	Private & Corporate Clients 30.9.1999	Private Banking 30.9.1999	Warburg Dillon Read 30.9.1999	Corporate Center 30.9.1999	Total 30.9.1999	Total 31.12.1998
Total loans and advances *(performing and non-performing loans)*						
Principal amount of loans outstanding (gross amount)	171,399	25,952	91,863	485	289,699	330,964
Allowance and provisions for credit losses	11,146	97	2,942 [2]	32	14,217 [2]	14,978
Loans, net of allowances for credit losses	160,253	25,855	89,100	453	275,661	316,421
Non-performing loans (NPL)	11,838	65	1,179	73	13,155	15,717
Ratios						
Allowance and provisions for credit losses in % of non-performing loans	94.2	149.2	249.5	43.8	108.1	95.3
Non-performing loans in % of gross loans outstanding	6.9	0.3	1.3	15.1	4.5	4.7
Allowance and provisions for credit losses in % of gross loans outstanding	6.5	0.4	3.2	6.6	4.9	4.5

[1] Comprises two balance sheet positions: Loans, net of allowances, and Due from banks. [2] This amount includes provisions and allowances for country risk of CHF 1,424 million (year-end 1998: CHF 1,450 million). It also includes provisions of CHF 179 million relating to contingent liabilities, not included in the reported gross and net loans.

decrease in positive replacement values and a relatively limited market risk exposure.

Loan book

The reduction in our loan exposures from CHF 331 billion to CHF 290 billion is entirely attributable to Warburg Dillon Read. The Private and Corporate Clients Division has experienced an increase in its gross loan portfolio since year-end 1998 from CHF 165 billion to CHF 171 billion. This increase was partially a result of our increased loan origination efforts and was partially due to customer transfers from the Private Banking Division.

The improved economic environment both in Asia and in Switzerland caused the quality of our loan book to further improve. With the overall positive economic outlook in mind management is convinced that current provisioning levels adequately cover the risks inherent in the portfolio.

Emerging markets exposure

We have maintained our allowances and provisions for country risks virtually unchanged at CHF 1,424 million compared with CHF 1,450 million as of year-end 1998.

Restructuring provision

Restructuring is proceeding in accordance with the announcement of the merger of the two predecessor banks. Of the CHF 7 billion merger-related restructuring provision created in 1997, CHF 1,403 million was utilized in the first nine months of 1999, bringing total utilization to CHF 5,430 million, leaving CHF 1,570 million.

In the Private and Corporate Clients Division, the transition to one common IT platform and the parallel operation of the systems account for the major part of IT provision utilization. Warburg Dillon Read has already concluded the bulk of its restructuring activities. Premises costs at Corporate Center are essentially due to the merger of bank premises, including related moving, outfitting and vacancy costs.

Treasury shares

At its press conference on 12 March 1999, UBS announced its intention to invest capital in excess of its BIS Tier 1 target range of 8.5-9% in its own

UBS selected emerging markets exposures

CHF million	Total exposure 30.9.1999	Tradable assets[1] 30.9.1999	Trade finance[2] 30.9.1999	Financial risk[3] 30.9.1999	Allowances & provisions[4] 30.9.1999	Coverage of financial risk in % 30.9.1999	Change of total exposure since 1998
Indonesia	**846**	36	53	757	**516**	**68**	22
Russia	**263**	86	83	94	**124**	**132**	(76)
Argentina, Brazil, Colombia, Ecuador, Peru, Venezuela	**3,320**	424	377	2,519	**728**	**29**	(2,222)
Mexico	**2,044**	745	64	1,235	**86**	**7**	(590)
Malaysia, Philippines, South Korea, Thailand	**2,434**	395	136	1,903	**195**	**10**	(505)

[1] Equity and fixed income products in the trading book, marked-to-market daily. [2] Letters of credit, export credits, short terms advances in financing of exports and imports. [3] Includes all balance sheet lending (including money market lending) as well as derivatives & repos. [4] Includes country and counterparty risk.

Restructuring provision usage

CHF million	Personnel	IT	Premises	Other	Total usage 30.9.1999	Total usage 31.12.1998
Private & Corporate Clients	**85**	**417**	**114**	**34**	**650**	717
Warburg Dillon Read	**181**	**75**	**0**	**54**	**310**	2,382
Private Banking	**23**	**68**	**5**	**6**	**102**	147
UBS Brinson	**7**	**0**	**0**	**0**	**7**	18
UBS Capital	**2**	**0**	**0**	**0**	**2**	2
Corporate Center	**17**	**1**	**296**	**18**	**332**	761
Group total	**315**	**561**	**415**	**112**	**1,403**	4,027
Group total 1998						4,027
Group total for the nine-month period of 1999						1,403
Total usage						5,430
Total provision						7,000
Future utilization						**1,570**

stock. At 31 December 1998, UBS held 4,150,150 shares, or 2% of outstanding shares, in treasury stocks. At 30 September 1999, UBS held 8,625,214 shares, or 4% of its own shares in treasury stocks.

Since March 1999, UBS has twice announced investments of one percent in its own shares and thus has invested in over two percent of its own shares as part of the share buyback program since March 1999.

Other

Market risk

Warburg Dillon Read's overall exposure to market risk was somewhat lower during the third quarter of 1999. Market conditions were relatively calm and the average market risk exposure as measured by a 10-day 99% VaR measure was CHF 197 million for the third quarter of 1999 compared with CHF 220 million for the first half of 1999. UBS's stress scenario analysis, which is designed to identify possible risk concentrations which might lead to stress losses in excess of the Value at Risk numbers in the event of large market moves, also implied little change in the Group's risk profile during the quarter. These scenarios were updated during the quarter to include a number of possible Year 2000 related events.

Year 2000

In accordance with plans, UBS reported at the end of September that it had reached 100% completion in upgrading its critical IT systems, infrastructure and embedded systems to address the Year 2000 issue. By this time, all these systems were fully tested and were operating in a Year

Year 2000 quantitative progress assessment for UBS [1]

as of 30 September 1999; in %

Phase	Organization plans			Current status						Forecast		
	12.98	3.99	6.99	12.98	3.99	6.99	7.99	8.99	**9.99**	6.99	**9.99**	12.99
Developing a strategic approach	100			100								
Creating organizational awareness	100			100								
Assessing actions and developing detailed plans	99			98	100							
Renovating systems, applications and equipment	95	99		87	96	100				100		
Validating renovation through testing	88	96	100	68	85	99	99	99	**100**	99	**100**	
Implementing tested, compliant systems	79	92	100	61	79	97	98	99	**100**	98	**100**	

[1] Mission critical systems.

2000-remediated environment. In addition, with very few exceptions, UBS also upgraded its other non-critical systems and infrastructure with the objective of making it Year 2000-ready by the end of the nine-month period.

During the nine-month 1999 period, UBS spent a total of CHF 222 million on Year 2000 issues and for the full year expects total Year 2000 costs to reach about CHF 302 million.

During the early part of the fourth quarter, UBS has continued to enhance certain of its operating systems on a very selective basis in accordance with its business priorities. Any new systems introduced during this period will be subject to rigorous testing to ensure that they do not interfere with the existing Year 2000-remediated operating environment. In addition, UBS plans to introduce a full change freeze later in the quarter in order to ensure that the operating environment is as stable as possible over the year end.

UBS is also actively planning the operating arrangements which will apply during the rollover period at the end of the year. Each division has its own event management structure which is designed to ensure that the operating environment is closely monitored during the critical periods and that any Year 2000 related issues which are identified are addressed quickly and effectively. In addition, UBS is establishing a Group-wide communication and risk management process that will enable any Year 2000 issues of a Group-wide nature to be managed in a coordinated manner. Importantly, UBS has committed a considerable amount of resources to the rigorous development of a comprehensive range of contingency plans in the event of potential external Year 2000 problems in the financial sector, as well as in infrastructure more generally.

Personnel

Headcount increased 1.3%, or by 612, to 48,623 over the nine-month 1999 period. The net increase is mainly attributable to Private Banking expansion in domestic private banking business outside Switzerland. This increase offsets decreases in Warburg Dillon Read from the run-down of non-core businesses and merger-related reductions.

Personnel

	30.9.1999	31.12.1998	**Change in %**
Private Banking	**8,773**	7,634	**15**
Warburg Dillon Read	**12,854**	13,794	**(7)**
Private and Corporate Clients	**24,503**	24,043	**2**
UBS Brinson	**1,497**	1,497	**0**
UBS Capital	**121**	122	**(1)**
Corporate Center	**875**	921	**(5)**
Group total	**48,623**	48,011	**1**
of which: Switzerland	***33,093***	*32,706*	***1***

Financial Statements

UBS Group Income Statement

For the nine-month period ended *CHF million*	Note	**30.9.1999**	30.9.1998	Change	%
Operating income					
Interest income		**12,939**	18,046	(5,107)	(28)
Less: Interest expense		**8,102**	13,092	(4,990)	(38)
Net interest income	3	**4,837**	4,954	(117)	(2)
Less: Credit loss expense		**910**	464	446	96
Total		**3,927**	4,490	(563)	(13)
Net fee and commission income	4	**9,250**	9,702	(452)	(5)
Net trading income	5	**6,013**	598	5,415	906
Other income, including income from associates	6	**2,573**	1,829	744	41
Total		**21,763**	16,619	5,144	31
Operating expenses					
Personnel	7	**9,923**	7,205	2,718	38
General and administrative	7	**3,724**	4,606	(882)	(19)
Depreciation and amortization	7	**1,290**	1,343	(53)	(4)
Total		**14,937**	13,154	1,783	14
Operating profit before tax		**6,826**	3,465	3,361	97
Tax expense		**1,612**	907	705	78
Group profit		**5,214**	2,558	2,656	104
Less: Minority interests		**35**	(42)	77	(183)
Net profit		**5,179**	2,600	2,579	99
Basic earnings per share (CHF)	8	**24.86**	12.26	12.60	103
Diluted earnings per share (CHF)	8	**24.73**	12.20	12.53	103

UBS Group Balance Sheet

CHF million	**30.9.1999**	31.12.1998	Change	%
Assets				
Cash and balances with central banks	**2,746**	3,267	(521)	(16)
Money market paper	**63,606**	18,390	45,216	246
Due from banks	**35,526**	68,495	(32,969)	(48)
Cash collateral on securities borrowed	**88,648**	91,695	(3,047)	(3)
Reverse repurchase agreements	**147,510**	141,285	6,225	4
Trading portfolio	**162,059**	162,588	(529)	(0)
Positive replacement values	**121,619**	169,936	(48,317)	(28)
Loans, net of allowance for credit losses	**240,135**	247,926	(7,791)	(3)
Financial investments	**6,283**	6,914	(631)	(9)
Accrued income and prepaid expenses	**6,809**	6,627	182	3
Investments in associates	**1,082**	2,805	(1,723)	(61)
Property and equipment	**10,093**	9,886	207	2
Intangible assets and goodwill	**2,227**	2,210	17	1
Other assets	**11,781**	12,092	(311)	(3)
Total assets	**900,124**	944,116	(43,992)	(5)
Total subordinated assets	***601***	*496*	*105*	*21*
Liabilities				
Money market paper issued	**67,417**	51,527	15,890	31
Due to banks	**81,624**	85,716	(4,092)	(5)
Cash collateral on securities lent	**13,029**	19,171	(6,142)	(32)
Repurchase agreements	**147,532**	137,617	9,915	7
Trading portfolio liabilities	**43,126**	47,033	(3,907)	(8)
Negative replacement values	**147,112**	205,080	(57,968)	(28)
Due to customers	**275,964**	274,850	1,114	0
Accrued expenses and deferred income	**12,075**	11,232	843	8
Long term debt	**55,524**	50,783	4,741	9
Other liabilities	**23,053**	27,722	(4,669)	(17)
Total liabilities	**866,456**	910,731	(44,275)	(5)
Minority interests	**370**	990	(620)	(63)
Shareholders' equity				
Share capital	**4,306**	4,300	6	0
Share premium account	**13,873**	13,740	133	1
Foreign currency translation	**(458)**	(456)	(2)	0
Retained earnings	**19,380**	16,293	3,087	19
Treasury shares	**(3,803)**	(1,482)	(2,321)	157
Total shareholders' equity	**33,298**	32,395	903	3
Total liabilities, minority interests and shareholders' equity	**900,124**	944,116	(43,992)	(5)
Total subordinated liabilities	***14,329***	*13,652*	*677*	*5*

UBS Group Statement of Changes in Equity

CHF million	**30.9.1999**	31.12.1998
Issued and paid up share capital		
Balance at the beginning of the year	**4,300**	4,296
Issue of share capital	**6**	4
Balance at the end of the period	**4,306**	4,300
comprising 215,289,393 ordinary shares of CHF 20 each, fully paid		
Share premium		
Balance at the beginning of the year	**13,740**	13,260
Premium on shares issued, warrants exercised	**9**	111
Premium on disposal of Treasury shares	**124**	369
Balance at the end of the period	**13,873**	13,740
Foreign currency translation		
Balance at the beginning of the year	**(456)**	(111)
Movements during the period	**(2)**	(345)
Balance at the end of the period	**(458)**	(456)
Retained earnings		
Balance at the beginning of the year	**16,293**	15,464
Net profit for the period	**5,179**	3,030
Dividends paid	**(2,092)**	(2,201)
Balance at the end of the period	**19,380**	16,293
Treasury shares, at cost		
Balance at the beginning of the year	**(1,482)**	(1,982)
Acquisitions	**(3,377)**	(2,796)
Disposals	**1,056**	3,296
Balance at the end of the period	**(3,803)**	(1,482)
Total shareholders' equity	**33,298**	32,395

In addition to the issued and paid up share capital at the end of the period comprising 215,289,393 ordinary shares, 686,142 shares are unissued and are reserved for the employee share ownership plan and optional dividend warrants (December 1998: 999,229).
The number of Treasury shares at the end of the period amounts to 8,098,673 (December 1998: 3,623,609). A further 526,541 shares are at the disposal of the Board of Directors (December 1998: 526,541).
These shares represent the maximum amount of shares that may be issued in the future without further approval from the shareholders.

Notes to the Financial Statements

Note 1 Basis of Accounting

The consolidated interim financial statements have been prepared in accordance with and comply with International Accounting Standard 34 "Interim Financial Reporting", with the exception of the cash flow statement.

In preparing the consolidated interim financial statements, the same accounting policies and methods of computation are followed as in the consolidated financial statements at 31 December 1998 and for the year then ended.

Note 2 Segment Reporting by Business Division

For the nine-month period ended 30 September 1999

CHF million	Private Banking	Warburg Dillon Read	Private & Corporate Clients	UBS Brinson	UBS Capital	Corporate Center	Group total
Operating income	4,425	10,081	5,447	811	254	1,655	22,673
Less: Credit loss expense [1]	12	238	836	0	0	(176)	910
Total	4,413	9,843	4,611	811	254	1,831	21,763
Personnel, general and administrative expenses	2,271	7,182	3,364	472	112	246	13,647
Depreciation and amortization	119	584	406	103	4	74	1,290
Total	2,390	7,766	3,770	575	116	320	14,937
Segment performance before tax	**2,023**	**2,077**	**841**	**236**	**138**	**1,511**	**6,826**
Tax expense							1,612
Group profit							**5,214**
Less: Minority interest							35
Net profit							**5,179**

[1] In order to show the relevant divisional performance over time, adjusted expected loss figures rather than the net credit loss expense are reported for all business divisions. 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 to the financially booked net credit loss expenses at Group level is reported in the Corporate Center. The divisional breakdown of the net credit loss expense of CHF 910 million as of 30 September 1999 is as follows: Private Banking CHF 13 million, Warburg Dillon Read CHF (15) million, Private & Corporate Clients CHF 913 million, Corporate Center CHF (1) million.

For the nine-month period ended 30 September 1998

CHF million	Private Banking [2]	Warburg Dillon Read	Private & Corporate Clients [2]	UBS Brinson	UBS Capital	Corporate Center	Group total
Operating income	6,211	4,566	5,141	868	499	(202)	17,083
Less: Credit loss expense	20	294	780	0	0	(630)	464
Total	6,191	4,272	4,361	868	499	428	16,619
Personnel, general and administrative expenses [1]	2,241	4,993	3,123	486	94	874	11,811
Depreciation and amortization [1]	93	509	503	87	0	151	1,343
Total	2,334	5,502	3,626	573	94	1,025	13,154
Segment performance before tax	**3,857**	**(1,230)**	**735**	**295**	**405**	**(597)**	**3,465**
Tax expense							907
Group profit							**2,558**
Less: Minority interest							(42)
Net profit							**2,600**

[1] The 1998 figures have been restated due to a refinement of the allocation methodology for depreciation. [2] Private Banking and Private & Corporate Clients figures 1998 were restated in order to properly reflect the new client segmentation (transfer of investment clients from Private Banking to Private & Corporate Clients as reported at December 1998).

Income Statement

Note 3 Net Interest Income

For the nine-month period ended *CHF million*	**30.9.1999**	30.9.1998
Interest income		
Interest earned on loans and advances to banks	**4,687**	5,840
Interest earned on loans and advances to customers	**8,029**	10,971
Interest from finance leasing	**36**	46
Interest income from financial investments	**72**	250
Dividend income from financial investments	**32**	68
Other	**83**	871
Total	**12,939**	18,046
Interest expense		
Interest on amounts due to banks	**3,506**	6,637
Interest on amounts due to customers	**5,908**	7,454
Interest on medium and long term debt	**3,910**	4,037
Less: Refinancing costs for trading positions	**5,222**	5,036
Total	**8,102**	13,092
Total	**4,837**	4,954

Note 4 Net Fee and Commission Income

For the nine-month period ended *CHF million*	**30.9.1999**	30.9.1998
Credit-related fees and commissions		
Guarantee and letter of credit commissions	**144**	209
Other	**156**	222
Total	**300**	431
Security trading and investment activities fees		
Underwriting and corporate finance fees	**1,251**	1,305
Brokerage fees	**2,810**	2,921
Fiduciary fees	**243**	269
Custodian fees	**1,278**	1,046
Portfolio and other management and advisory fees	**2,101**	2,469
Investment funds	**1,405**	1,387
Other	**75**	80
Total	**9,163**	9,477
Commission income from other services		
Total	**575**	559
Commission expense		
Brokerage fees paid	**567**	537
Other	**221**	228
Total	**788**	765
Total	**9,250**	9,702

Note 5 Net Trading Income

For the nine-month period ended *CHF million*	**30.9.1999**	30.9.1998
Foreign exchange and bank notes	**673**	1,425
Fixed income	**1,378**	(764)
Equities	**3,900**	(121)
Precious metals/commodities	**62**	58
Total	**6,013**	598

With regard to trading activities, interest and dividends derived from the securities and derivative product portfolios are included within Net trading income. The funding costs of holding these assets are charged to Net trading income and credited to Interest expense. In this context, margins earned on client cash securities and derivative transactions are booked in Net trading income as well.

Note 6 Other Income, including Income from Associates

For the nine-month period ended *CHF million*	**30.9.1999**	30.9.1998
Investments in financial assets (debt and equity)		
Net income from disposal of private equity investments	**293**	446
Net income from disposal of other financial assets	**90**	303
Gains/(losses) from revaluation of financial assets	**(47)**	(481)
Subtotal	**336**	268
Net income from disposal of consolidated subsidiaries	**3**	1,173
Total	**339**	1,441
Investments in property		
Net income from disposal of properties held for resale	**56**	2
Gains/(losses) from revaluation of properties held for resale	**(19)**	(64)
Subtotal	**37**	(62)
Net income from other properties	**51**	90
Total	**88**	28
Investments in associates and other income	**2,146**	360
Total	**2,573**	1,829

Note 7 Operating Expenses

For the nine-month period ended *CHF million*	**30.9.1999**	30.9.1998
Personnel expenses		
Salaries and bonuses	**7,672**	5,175
Contractors	**609**	357
Insurance and social contributions	**562**	394
Contributions to retirement benefit plans	**337**	467
Employee share plans	**131**	140
Other personnel expenses	**612**	672
Total	**9,923**	7,205
General and administrative expenses		
Occupancy	**599**	624
Rent and maintenance of machines and equipment	**216**	287
Telecommunications and transportation	**548**	601
Administration	**476**	580
Marketing and public relations	**192**	164
Travel and entertainment	**379**	383
Professional fees, including IT outsourcing	**1,236**	1,197
Other	**78**	770
Total	**3,724**	4,606
Depreciation and amortization		
Property and equipment	**1,038**	1,125
Intangible assets and goodwill	**252**	218
Total	**1,290**	1,343
Total operating expenses	**14,937**	13,154

Note 8 Earnings per Share

For the nine-month period ended	**30.9.1999**	30.9.1998
Basic earnings per share calculation		
Net profit for the period (CHF million)	**5,179**	2,600
Weighted average shares outstanding:		
Registered ordinary shares (nominal CHF 20)	**215,217,400**	214,815,982
Less: Treasury shares	**6,893,373**	2,684,858
Weighted average shares for basic earnings per share (nominal CHF 20)	**208,324,027**	212,131,124
Basic earnings per share (CHF)	**24.86**	12.26
Diluted earnings per share calculation		
Net profit for the period (CHF million)	**5,179**	2,600
Weighted average shares for basic earnings per share (nominal CHF 20)	**208,324,027**	212,131,124
Add:		
Potential ordinary shares resulting from the issuance of outstanding options	**295,068**	470,606
Potential ordinary shares relating to employee plans	**843,564**	512,662
Weighted average shares for diluted earnings per share (nominal CHF 20)	**209,462,659**	213,114,392
Diluted earnings per share (CHF)	**24.73**	12.20

The weighted average number of shares is calculated based upon the average outstanding shares at the end of each month.

Information for Shareholders

UBS Registered Shares (Par Value CHF 20), ISIN Number CH0008470921

Ticker symbols

Stock exchange listings	Bloomberg	Reuters	Telekurs
SWX (Swiss exchange)	UBSN SW	UBSZn.S	UBSN, 004
Tokyo	1264Z JP	UBS.T	N16631, 106
London (Stock exchange automatic quotation SEAQ)		UBSZq.L	847092, 182

Sponsored American Depository Receipt (ADR) program in the USA

Ratio	20 ADR's = 1 UBS Share
Exchange	OTC (over the counter)
Symbol	UBBSY
CUSIP	# 90261R105

Financial calendar

Publication 1999 results	Thursday, 9 March 2000
General Meeting of Shareholders	Tuesday, 18 April 2000
Payment of dividends	Wednesday, 26 April 2000

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