Interim Report 1998 Nine-month Results

November 17, 1998

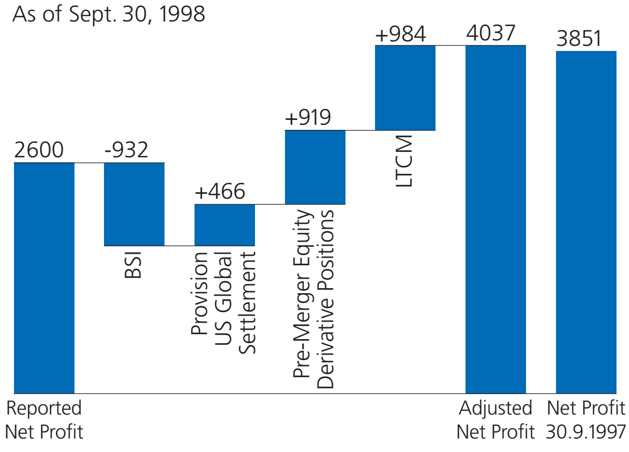
On September 24, 1998, we announced that UBS had experienced a difficult third quarter. We explained that UBS suffered revenue losses from its involvement with Long Term Capital Management (LTCM) and, along with the rest of the global financial industry, revenue reductions from our emerging markets and equities businesses.

This has affected our third-quarter results. As of September 30, 1998, UBS Group net profit after taxes and minorities fell to Sfr 2.6 billion from Sfr 3.5 billion as of June 30, 1998. This amounts to a third quarter net loss after taxes and minority interests of Sfr 911 million, within the profit warning range announced on September 24, 1998. As a result, diluted earnings per share fell to Sfr 12.20 from Sfr 16.54 and Sfr 18.34 as of June 1998 and September 1997, respectively.

UBS Group's net profit after taxes and minorities to date has been affected by four issues which are exceptional in nature:

– The gain on the sale of BSI-Banca della Svizzera Italiana, the divestment of which was required by the Swiss Competition Commission in the context of the merger (Sfr 932 million after taxes)

Impact of Exceptional Items on UBS Group Net Profit after Taxes & Minorities (Swiss francs in millions)
As of Sept. 30, 1998



– The provision set up in the context of the World War II and dormant accounts global settlement (Sfr 466 million after taxes)
– The losses incurred on pre-merger equity derivatives positions (Sfr 919 million after taxes)
– The losses incurred in the write-down of the LTCM position (Sfr 984 million after taxes)

LTCM transaction a one-off event

Since our September 24, 1998 profit warning, we have reviewed the risk control procedures of the LTCM transaction in 1997 as well as our risk control procedures today. Based on this review, the Group Executive Board is confident that circumstances surrounding the LTCM transaction were unique. In today's risk control environment, such a transaction would be subject to intense scrutiny.

Investment banking remains core to UBS' strategy

UBS remains committed to the investment banking business. Warburg Dillon Read is the only European member of the global bulge bracket and enjoys a strong and differentiated competitive position at a time when growth in the European capital markets is expected to accelerate over the medium to long term. The division's strategic importance to the UBS Group is further underlined by the increasingly important linkages between Warburg Dillon Read and UBS Private Banking.

Despite significant strategic opportunities, the immediate outlook for financial markets globally remains uncertain. Warburg Dillon Read is reviewing its businesses and its approach to meeting clients' needs to ensure focus on its core competencies and the efficient allocation of financial, personnel and infrastructural resources based on rigorous criteria. The division will address the appropriate level of costs to match the expected revenue opportunity, the quality and sustainability of earnings, the continued development of client revenues and the maximisation of internal synergies.

UBS Group Highlights

Nine months 1998	**30.9.1998**	30.9.1997
Income statement key figures	*Swiss francs in millions*	
Operating income	**16,619**	18,805
Operating expenses	**13,154**	13,851
Group operating profit before tax	**3,465**	4,954
Net profit after tax	**2,600**	3,851
Cost-to-income ratio (%)	**77.0**	69.9

	30.9.1998	31.12.1997
Ratios	%	
Return on equity after tax (1998: annualised estimate)	**11.1**	14.5
Risk-weighted assets	**324.0 (bn)**	345.9 (bn)
Return on risk-weighted assets (1998: annualised estimate)	**1.0**	1.3
BIS Tier 1 ratio	**8.8**	8.3
BIS Tier 1+2 ratio	**12.5**	12.6
Assets under management	*Swiss francs in billions*	
Total assets under management	**1,516**	1,512
of which: Private Banking	**587**	*723*
of which: Private and Corporate Clients	**416**	*285*
of which: UBS Brinson	**513**	*504*
Long-term ratings		
Moody's, New York	**Aaa**	
Fitch / IBCA, London	**AAA**	
Standard & Poor's, New York	**AA+**	
BankWatch, New York	**AA+**	

Merger integration pace, structural earnings power and capital base remain strong

Despite the disappointing results in the context of world financial market turbulence, merger integration remains on track, and the structural earnings power and capital strength of UBS are only slightly affected. Our asset management businesses were impacted only marginally from unfavourable market conditions and contributed to over two-thirds of our Group revenues.

UBS shareholders' equity was Sfr 32 billion at September 30, 1998, and the Tier 1 ratio was 8.8%. Our asset quality remains high, with 88% of non-performing loans covered by specific allowances and country exposures well-provisioned.

Discussion of Divisional Results

UBS Private Banking – assets under management reduction due to internal transfers

Overall, operating income at the private banking division was impacted only marginally by third-quarter market turmoil. UBS Private Banking increased net profit before tax to Sfr 4.2 billion, or 110% of the 1997 full-year figure. This figure includes Sfr 1 billion gain from the sale of BSI-Banca della Svizzera Italiana, which is on track to be completed by the end of 1998. The other factor which affected operating income is the Sfr 265 million shift associated with clients who were transferred from UBS Private Banking to UBS Private and Corporate Clients in the third quarter in line with the new client segmentation policy.

Eliminating BSI and client transfer impacts, third-quarter operating income – despite market conditions – remained mostly flat compared to the average of the first two quarters.

The cost decrease in the third quarter was more significant than in the first two quarters due to the shift of Sfr 78 million expenses in the context of client transfers to UBS Private and Corporate Clients and the divestments of BSI, Adler and Cantrade Lugano. At the same time, we are expanding international private banking outside of Switzerland in Southern Europe, the United Kingdom, Germany, Japan and Australia.

In the third quarter, UBS Private Banking transferred Sfr 111 billion in assets under management (AuM) to UBS Private and Corporate Clients. Because of third quarter declines in asset values, year-to-date AuM growth amounted to 2.5%. Over the nine-month period, UBS Private Banking recorded a small positive net balance of AuM between new clients and client defections.

Merger integration outside Switzerland is mostly completed, while merger progress in Switzerland, dependent on systems integration, is on schedule.

Warburg Dillon Read affected by market turbulence

Warburg Dillon Read ended the first nine months of 1998 with a pre-tax loss of Sfr 1,230 million, down from a pre-tax profit of Sfr 1,128 million at the end of June 1998. The following exceptional items significantly influenced these results:

- Sfr 790 million in LTCM-related pre-tax revenue losses booked at Warburg Dillon Read (the remainder is booked in Corporate Center)
- Sfr 1,010 million in pre-tax revenue losses from significant value adjustments on pre-merger equity derivative positions.

These pre-merger equity derivative positions were reviewed extensively during the early stages of the merger, and provisions considered appropriate at the time were taken in the first-half results. Certain positions have

Personnel

	30.9.1998	31.12.1997	Change in %
Private Banking	**7,571**	8,897	- 15
Warburg Dillon Read	**14,471**	18,620	- 22
Private and Corporate Clients	**23,927**	24,606	- 3
UBS Brinson	**1,489**	1,364	9
UBS Capital	**123**	90	37
Corporate Center	**966**	1,599	- 40
Group	**48,547**	55,176	- 12
where of: Switzerland	***32,952***	*36,600*	*- 10*

Segment Reporting by Business Division

For the 9-month period ended 30 September 1998

	Private Banking Sfr mn	Private Banking in % 1997	Warburg Dillon Read Sfr mn	Warburg Dillon Read in % 1997	Private & Corp. Clients Sfr mn	Private & Corp. Clients in % 1997	UBS Brinson Sfr mn	UBS Brinson in % 1997	UBS Capital Sfr mn	UBS Capital in % 1997	Corp. Center Sfr mn	Group Total Sfr mn	Group Total in % 1997
Operating income	6,836	92	4,566	42	4,516	78	868	83	499	101	(202)	17,083	65
less: Credit loss expenses (expected losses)	20	34	294	98	780	71	0		0		(630)	464	36
Total	6,816	93	4,272	40	3,736	79	868	83	499	101	428	16,619	67
Personnel, general and administrative expenses	2,442	75	5,102	59	2,647	69	532	90	91	84	998	11,812	70
Depreciation and amortisation	209	74	400	67	662	84	41	93	3	100	27	1,343	76
Total	2,651	75	5,502	59	3,309	72	573	90	94	85	1,025	13,154	71
Segment performance before tax	**4,165**	**110**	**(1,230)**	**(96)**	**427**	**342**	**295**	**73**	**405**	**106**	**(597)**	**3,465**	**55**
Tax expense / (benefit)	666	99	(369)	(173)	66	287	87	69	12	600	445	907	65
Segment performance after tax	**3,499**	**112**	**(861)**	**(81)**	**361**	**354**	**208**	**75**	**393**	**104**	**(1,042)**	**2,558**	**53**
Less: Minority interests	0		17		0		0		0		(59)	(42)	
Net profit / (loss)	3,499	112	(878)	(82)	361	354	208	75	393	104	(983)	2,600	54
Regulatory equity used (avg)	1,500		13,600		8,200		100		250		6,550	30,200	
Expenses / Income in % [1]	46		121		73		66		19		n/a	77	
Assets under management (bn)[1, 2]	587		0		416		513		0		0	1,516	
Net profit / AuM (annualised) bp	48		n/a		n/a		5		n/a		n/a	n/a	
Headcount [1]	7,571		14,471		23,927		1,489		123		966	48,547	
of which: domestic	5,160		2,620		23,880		298		44		950	32,952	
of which: international	2,411		11,851		47		1,191		79		16	15,595	

[1] Not included for Banca della Svizzera Italiana (Assets under management 37 bn; Headcount 802). [2] UBS Brinson (Institutional assets 353 bn; Funds 160 bn)

illiquid concentrations of market and event risks. Market movements in the third quarter were so extreme that additional write-downs were necessary in the equity derivatives portfolio. Of this, Sfr 791 million is included in third-quarter results. These losses are largely the result of dramatic increases in volatility levels. The full impact of the LTCM losses is recorded in the third-quarter results.

The emerging markets crisis and unusually adverse market conditions have had a negative impact, in line with the rest of the global financial industry, on the results of our core businesses.

The Rates business area suffered as spreads suddenly and dramatically widened in the third quarter. The business area recorded Sfr 630 million in revenue losses coming mostly from engagements in Russia and other emerging markets.

The Equity business area has been affected by extreme levels of market volatility which have resulted in significant mark-downs of our trading positions. Customer commission revenues, helped by the flights to quality, have continued well above our original expectations, but mark-downs on our market-making and proprietary trading books offset these revenues during the third quarter. Some of these losses are expected to reverse as markets stabilise and liquidity returns.

Foreign Exchange and Corporate Finance operating income was above expectations.

Costs in the third quarter dropped below the average of the first two quarters as merger integration began to reduce the cost base. A significant portion of the restructuring reserve was utilised to fund performance-linked compensation as the market impact on pre-merger positions negatively influenced results of major areas of our investment banking businesses.

Merger integration of the business areas at Warburg Dillon Read is mostly complete and the integration process in logistics areas is fully on schedule, including preparations for Year 2000 and the euro.

UBS Private and Corporate Clients – ambitious integration plan on track

Segment performance before tax increased to Sfr 427 million, significantly above half of the first semester. This was the result of a good increase in revenues against a slower increase in expenses, as compared to the first six months and full-year 1997.

Operating income moved up to Sfr 4.5 billion for the first nine months, which is mainly due to the shift in the third quarter of private banking clients to the new investment client segment.

Assets under management increased from Sfr 285 billion to Sfr 416 billion over the first nine months. This significant increase is mainly explained by the client shift from Private Banking to Private and Corporate Clients. During the same period, the division recorded a marginal client account attrition rate within expectations. The attrition rate is clearly decreasing and the associated volumes have no significant impact on revenues.

Operating costs of Sfr 3.3 billion are just 72% of full-year 1997, but are higher than the quarterly average over first six months mainly due to a Sfr 78 million shift in personnel costs stemming from client segmentation with private banking in the third quarter. In line with significantly higher profitability, taxes in the third quarter increased significantly compared to the average of the first six months and full-year 1997.

The ambitious merger integration plan is on track. Information technology integration is a determining factor in the movement of clients to single locations throughout Switzerland. Branch closures, while beginning now, will continue more strongly in the first half of 1999.

UBS Brinson growth slows slightly in the third quarter

UBS Brinson posted a before-tax profit of Sfr 295 million, or 73% of full-year 1997. Revenues of Sfr 868 million, or 83% of full-year 1997, decreased in comparison to the average of the first two quarters of 1998. This was due to significant declines in equity values in the third quarter, which reduced revenues generated from assets under management. Furthermore, new business slowed during the third quarter as a result of the merger and related integration. Costs of Sfr 573 million, or 90% of full-year 1997, decreased against average of the first two quarters in 1998 in the context of the elimination of duplicate operating structures.

Assets under management at Sfr 513 billion increased marginally over the nine-month period. Institutional assets under management declined 4% to Sfr 353 billion year-to-date for two reasons. First, net new institutional AuM growth in the Brinson business area was more than offset by an outflow of institutional AuM from the Phillips & Drew business area. Second, slightly positive investment performance was offset by the stronger Swiss franc. Mutual fund assets under management grew 18% to Sfr 160 billion year-to-date as a result of net inflows, positive investment performance and a Sfr 15 billion AuM transfer from UBS Private Banking's investment research business area to UBS Brinson during the second quarter of 1998.

The merger at UBS Brinson is mostly completed.

UBS Capital – strong growth in the third quarter

UBS Capital recorded a profit before-tax of Sfr 405 million, a figure which has surpassed the 1997 year-end result. Divestment activity remained high in the third quarter, but is expected to be lower for the fourth quarter. Therefore, we continue to expect a lower return in the second half of 1998 when compared to the first half.

New investment activity has continued strongly since June and is in line with forecasts. The book value of UBS Capital's portfolio as of September 30, 1998 was approximately Sfr 1.7 billion. The regular semi-annual portfolio review and valuation will take place in the fourth quarter.

Outlook

The more stable trend on the financial markets following the interest rate cuts in various countries and the expected IMF support package for Brazil should contribute to an improvement in operating income in the fourth quarter. At the same time, it seems probable from the present perspective that there will be an increase in the provision relating to the settlement reached in the United States. This means that results for the fourth quarter are likely to be only moderately positive and profit for the full year will probably fall short of the first-half performance.

Sincerely yours,

UBS AG

Alex Krauer
Chairman of the Board of Directors

Marcel Ospel
President and Group CEO

Group Financial Review

Highlights

- During the nine-month period until September 30, 1998, UBS Group net profit after taxes and minorities fell to Sfr 2.6 billion from Sfr 3.5 billion during the first six months of 1998 to yield a third-quarter loss of Sfr 911 million.
- Annualised for full-year 1998, UBS' return on equity is estimated at 11.1%, down from our 17.2% estimate in June 1998.
- Total net operating income decreased 12% to Sfr 16.6 billion as compared to September 1997. Exceptional revenue losses incurred from LTCM and other adverse exceptional items in trading income offset positive developments in net fee and commission income and the exceptional gain on the sale of BSI.
- Total operating expenses decreased 5% nine months on nine months. Removing the special pre-tax Sfr 570 million provision for the U.S. global settlement of World War II issues, total operating expenses dropped 9%. Personnel expenses decreased significantly by 17% as a result of releases from the restructuring reserve and merger-related cost savings.
- Group-wide assets under management, affected by negative market conditions, remained mostly flat at Sfr 1,516 billion over the nine-month period.
- The cost-to-income ratio moved up to 77% from 66.8% and 69.9% in June 1998 and September 1997, respectively.
- UBS share price dropped 36% from Sfr 421 as of December 31, 1997 to Sfr 270 as of September 30, 1998. Market capitalisation as of September 30, 1998 amounted to Sfr 58 billion. This was the share price's lowest point in year-to-date, and has since regained significantly in value.

Net interest income

Net interest income decreased 4% to Sfr 5 billion compared to one year ago. Increases in net interest income arose mainly from higher volumes of fixed-rate mortgages. This was offset by lower rates of return on invested equity, decreased volumes – in accordance with product policy – of variable mortgages, the divestments of subsidiaries as of December 1997, and marginal negative effects of client defections on account volumes.

Credit loss expense

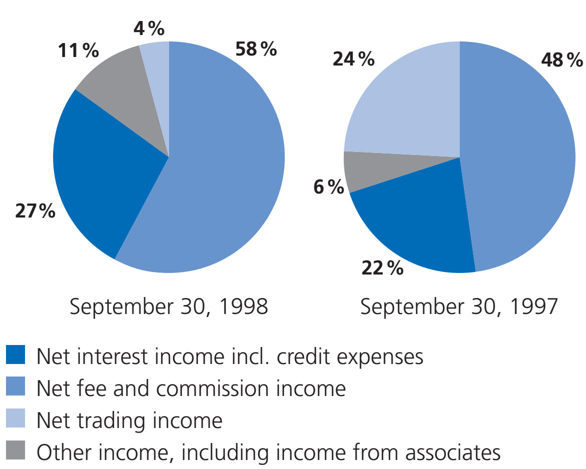
Total write-offs and allowances for the nine-month period amounted to Sfr 2,396 million, of which Sfr 1,932 million were funded by the release of allowances established in earlier periods. This resulted in a net charge of Sfr 464 million to the income statement.

The rapid deterioration of emerging markets, especially Russia, caused a substantial increase in both country and individual counterparty write-offs and allowances. The international portfolio required an aggregate amount of Sfr 801 million, of which Sfr 220 million were charged to the income statement while the remainder of Sfr 581 million were funded through the release of allowances established in prior periods. Country risk provisions increased to respond to heightened risks especially in Russia, Indonesia, South Korea as well as the South American continent.

In Switzerland, net new write-offs and allowances for credit risk in the nine-month period amounted to Sfr 1,537 million, of which roughly 12% or Sfr 187 million were attributed to counterparties not previously identified as being of higher risk. The remainder of Sfr 1,350 million was attributed to existing problem loans and therefore were funded from the special allowances established in previous years. Compared to net new write-offs and allowances of Sfr 1,331 million for the first six months of 1998, the third-quarter development slowed against the first-half due to an improving economic environment in Switzerland.

Net fee and commission income

Net fee and commission income increased 8% to Sfr 9.7 billion over the same period in 1997. As a result of disappointing third-quarter market conditions, income from brokerage fees decreased. Income from credit-related fees and commissions also decreased as we reduced exposures in emerging markets. Underwriting and other corporate



Restructuring Provision as of September 30, 1998

Swiss francs in millions	Personnel	IT	Premises	Other	Total Usage 30.9.1998
Private & Corporate Clients	68	142	0	16	226
Warburg Dillon Read	1,543	81	50	204	1,878
Private Banking	48	4	0	4	56
UBS Brinson	3	0	0	1	4
UBS Capital	0	0	0	0	0
Corporate Center	51	1	0	170	222
Group total	**1,713**	**228**	**50**	**395**	**2,386**

finance fees increased as consolidation of Dillon Read began only in September 1997. UBS investment fund unit fees increased significantly as the result of strong marketing efforts and as several fund management companies were consolidated fully for the first time in the third quarter.

Net trading income

Net trading income fell by 87% to Sfr 598 million, nine-months on nine-months. Fixed income trading income had already deteriorated in the first half, and during the third quarter, it fell even further due to pre-tax Sfr 790 million of the LTCM write-down as well as marked-to-market losses in emerging markets. This occurred as market spreads suddenly and dramatically widened in major markets around the world.

Equities trading income has been affected by extreme levels of market volatility which have resulted in significant mark-downs of Sfr 1,010 million on equity derivative positions.

Other income

Other income grew 69% to Sfr 1.8 billion in the first nine months as compared to the same period in 1997. Eliminating the Sfr 1 billion gained from the sale of BSI – Banca della Svizzera Italiana, other income decreased by 27%. This is the result of the remaining write-down associated with LTCM. At the same time, UBS Capital continued divestments at around the same rate as the first six months.

Personnel expenses

Personnel expenses fell 17% to Sfr 7.2 billion over the same period in 1997. Decreases related to releases from the restructuring reserve, lower levels of compensation in the context of disappointing third quarter results, personnel reductions from the merger, and the disposal of subsidiaries.

General and administrative expenses

General and administrative expenses increased 19% to Sfr 4.6 billion compared to the previous time period. Sfr 570 million in year-to-date provisions were set up for the global settlement of the World War II and dormant accounts issues. Removing effects of the provision, the increase of 5% stems from year 2000/euro expenses, the first-time impact of recently acquired businesses, and costs associated with the investigation for dormant accounts.

Depreciation and amortisation / Taxes / Minority Interests

Depreciation and amortisation increased 2.5% to Sfr 1.3 billion over the equivalent 1997 time period. Depreciation of tangible assets fell as a result of one-time depreciations on bank premises in 1997. Goodwill associated with buyouts and acquisitions in late 1997 and in 1998 raised amortisation expenses.

With taxes amounting to Sfr 907 million, the effective tax rate at the end of the third quarter is 26.2%. This compares to an effective rate of 23.8% for the first half-year 1998.

For the first nine months of 1998, the balance of UBS' interests in minorities was a net loss of Sfr 42 million, mainly from Warburg Brunswick and our joint venture with Long Term Credit Bank (LTCB). According to International Accounting Standards, net losses are added back to net profit for the Group.

Restructuring provision

Over the first nine months of 1998, roughly Sfr 2.4 billion of the Sfr 7 billion restructuring reserve were released. Sfr 1.7 billion were utilised for personnel-related measures, Sfr 0.2 billion for IT integration and Sfr 0.4 for various other merger-related costs.

Asset quality

UBS Group Non-Performing Loans (NPL) portfolio was reduced by Sfr 1,264 million to Sfr 15,400 million over the first nine months. Problem positions were charged off at an accelerated pace during the pre-merger period until the end of June 1998, with slightly reduced activity in the third quarter. Non-performing assets in proportion to total loan assets moved to 4.4% at the end of September 1998 from 4.7% at year-end 1997. As mentioned in the six-month report, this positive development corresponds to the trend of an overall improving economic environment in developed markets, including Switzerland.

Although the emerging markets crisis took its toll, the aggregate international loan portfolio in its global composition continued to be of good quality. This is because UBS gradually reduced its emerging markets exposures as the Asian crisis unfolded in late 1997. Total loan exposure to these countries were cut back by roughly Sfr 4 billion since the end of 1997. Approximately fifty percent of the risk exposures to emerging markets countries represent short-term trade finance transactions.

UBS Group Loan Portfolio

Swiss francs in millions	Private & Corporate Clients 30.9.1998	Private Banking 30.9.1998	Warburg Dillon Read[1] 30.9.1998	**Total 30.9.1998**	Total 31.12.1997
Total loans and advances (performing and non-performing loans)					
Principal amount of loans outstanding (gross amounts)	176,077	23,225	152,794	**352,096**	352,536
Allowance for credit losses	12,241	120	1,208	**13,569**	15,037 [2]
Loans (incl. due from banks), net of allowances for credit losses	163,836	23,105	151,586	**338,527**	337,499
Non-performing loans					
Outstanding principal amount of non-performing loans	14,084	97	1,219	**15,400**[3]	16,664 [3]
Country provisions			1,470	**1,470**	1,175
Ratios					
Counterparty allowances in % of non-performing loans	*86.9*	*124.2*	*99.1*	***88.1***	*90.2*
Non-performing loans in % of total loans	*8.0*	*0.4*	*0.8*	***4.4***	*4.7*
Counterparty allowances in % of total loans	*7.0*	*0.5*	*0.8*	***3.9***	*4.3*

[1] Warburg Dillon Read loan assets largely reflect international loans, while UBS Private Banking and UBS Private and Corporate Clients loan assets together represent mostly domestic loans. [2] Provisions in Special Risk Pools (UBS old) and ACRA Reserve (SBC old) added. [3] Estimate based on harmonisation of NPL methodology.

UBS Group Income Statement

For the nine-month period ended *Swiss francs in millions*	**30.9.1998**	30.9.1997	Change	in %
Operating income				
Net interest income	**4,954**	5,182	(228)	(4)
Less: Credit loss expense	**464**	999	(535)	(54)
Total	**4,490**	4,183	307	7
Net fee and commission income	**9,702**	9,000	702	8
Net trading income	**598**	4,539	(3,941)	(87)
Other income	**1,829**	1,083	746	69
Total	**16,619**	18,805	(2,186)	(12)
Operating expenses				
Personnel	**7,205**	8,680	(1,475)	(17)
General and administrative	**4,606**	3,861	745	19
Depreciation and amortisation	**1,343**	1,310	33	3
Total	**13,154**	13,851	(697)	(5)
Group operating profit before tax	**3,465**	4,954	(1,489)	(30)
Tax expense	**907**	1,091	(184)	(17)
Group profit	**2,558**	3,863	(1,305)	(34)
Less: Minority interests	**(42)**	12	(54)	–
Net profit	**2,600**	3,851	(1,251)	(32)
Basic earnings per share (CHF)	**12.26**	18.39	(6.13)	(33)
Diluted earnings per share (CHF)	**12.20**	18.34	(6.14)	(33)

UBS Group Balance Sheet

As at *Swiss francs in millions*	**30.9.1998**	31.12.1997	Change	%
Assets				
Cash and balances with central banks	**3,261**	4,638	(1,377)	(30)
Money market paper	**14,191**	36,353	(22,162)	(61)
Due from banks	**76,890**	66,582	10,308	15
Cash collateral on securities borrowed and reverse repurchase agreements	**284,728**	299,011	(14,283)	(5)
Trading portfolio	**229,041**	210,738	18,303	9
Positive replacement values	**157,497**	149,538	7,959	5
Loans, net of allowance for credit losses	**261,636**	270,917	(9,281)	(3)
Financial investments	**7,912**	12,693	(4,781)	(38)
Prepayments and accrued income	**8,095**	7,712	383	5
Investments in associates	**2,925**	2,724	201	7
Property and equipment	**10,755**	10,964	(209)	(2)
Intangible assets and goodwill	**2,325**	1,430	895	63
Other assets	**30,676**	13,114	17,562	134
Total assets	**1,089,932**	1,086,414	3,518	0
Total subordinated assets	***992***	*2,357*	*(1,365)*	*(58)*
Liabilities				
Money market paper issued	**46,489**	55,600	(9,111)	(16)
Due to banks	**124,978**	159,634	(34,656)	(22)
Cash collateral on securities lent and repurchase agreements	**205,566**	205,933	(367)	0
Trading portfolio liabilities	**107,294**	68,215	39,079	57
Negative replacement values	**167,766**	170,162	(2,396)	(1)
Due to customers	**302,013**	302,516	(503)	0
Accrued expenses and deferred income	**10,121**	9,956	165	2
Long-term debt	**48,705**	54,284	(5,579)	(10)
Other liabilities	**43,737**	28,154	15,583	55
Total liabilities	**1,056,669**	1,054,454	2,215	0
Minority interests	**1,065**	1,033	32	3
Shareholders' equity				
Share capital	**4,299**	4,296	3	0
Share premium account	**13,101**	13,260	(159)	(1)
Less: Treasury shares	**975**	1,982	(1,007)	(51)
Retained earnings	**15,773**	15,353	420	3
Total shareholders' equity	**32,198**	30,927	1,271	4
Total liabilities, minority interests and shareholders' equity	**1,089,932**	1,086,414	3,518	0
Total subordinated liabilities	***13,497***	*14,375*	*(878)*	*(6)*

UBS Group Statement of Changes in Equity

Swiss francs in millions	**9 months ended 30.9.1998**	12 months ended 31.12.1997
Shareholders' equity at beginning of the period as previously reported by the combining banks		
Formerly Union Bank of Switzerland	–	22,707
Formerly Swiss Bank Corporation	–	11,742
Total	–	34,449
Changes at the beginning of the period due to harmonisation of accounting policies	–	(293)
Shareholders' equity at the beginning of the period restated for harmonisation of accounting policies	**30,927**	34,156
Currency translation differences	**56**	(44)
Net gains and losses not recognised in the income statement	**56**	(44)
Net profit / (loss) for the period	**2,600**	(667)
Dividends proposed and paid	**(2,236)**	(800)
Capital repayment	**0**	(795)
Acquisition of Treasury shares, cost	**(2,317)**	(3,172)
Disposals of Treasury shares, cost	**3,324**	1,892
Profit / (loss) on disposal of Treasury Shares	**(310)**	129
Options and shares issued	**4**	50
Premium from options and convertible bonds	**150**	358
Reclassification of minority interests	**0**	(131)
Distributions to minority interests	**0**	(44)
Other	**0**	(5)
Total movements in shareholders' equity during the period	**(1,385)**	(2,518)
Shareholders' equity at the end of period	**32,198**	30,927

Note 1 Segment Reporting by Business Division

For the nine-month period ended 30 September 1998

Swiss francs in millions	Private Banking	Warburg Dillon Read	Private & Corp. Clients	UBS Brinson	UBS Capital	Corporate Center	Group Total
Operating income	6,836	4,566	4,516	868	499	(202)	17,083
Less: Credit loss expense (expected losses)[1]	20	294	780	0	0	(630)	464
Total	6,816	4,272	3,736	868	499	428	16,619
Personnel, general and administrative expenses	2,442	5,102	2,647	532	91	998	11,812
Depreciation and amortisation	209	400	662	41	3	27	1,342
Total	2,651	5,502	3,309	573	94	1,025	13,154
Segment performance before tax	**4,165**	**(1,230)**	**427**	**295**	**405**	**(597)**	**3,465**
Tax expense / (benefit)	666	(369)	66	87	12	445	907
Segment performance after tax	**3,499**	**(861)**	**361**	**208**	**393**	**(1,042)**	**2,558**
Less: Minority interests	0	17	0	0	0	(59)	(42)
Net profit / (loss)	3,499	(878)	361	208	393	(983)	2,600

[1] In order to show the relevant divisional performance over time, adjusted expected loss figures are reported for all business divisions rather than the net credit loss expense. The statistically derived adjusted expected losses reflect the inherent counterparty and country risks in the respective portfolios for accrual based products (excluding traded products) of the divisions. The difference between these figures to the financially booked credit loss expense on Group level is in the Corporate Center. The divisional breakdown of the financially booked credit loss expense of CHF 464 mio. as of September 1998 is as follows: Private Banking CHF 58 mio., Warburg Dillon Read CHF 219 mio., Private and Corporate Clients CHF 187 mio.

For the 12-month period ended 31 December 1997

Swiss francs in millions	Private Banking	Warburg Dillon Read	Private & Corp. Clients	UBS Brinson	UBS Capital	Corporate Center	Group Total
Operating income	7,403	10,888	5,817	1,040	492	518	26,158
Less: Credit loss expense (expected losses)[1]	59	300	1,092	0	0	(173)	1,278
Total	7,344	10,588	4,725	1,040	492	691	24,880
Personnel, general and administrative expenses	3,264	8,714	3,814	593	108	381	16,874
Depreciation and amortisation	284	595	786	44	3	50	1,762
Total	3,548	9,309	4,600	637	111	431	18,636
Segment performance before tax	**3,796**	**1,279**	**125**	**403**	**381**	**260**	**6,244**
Tax expense / (benefit)	673	213	23	127	2	357	1,395
Segment performance after tax	**3,123**	**1,066**	**102**	**276**	**379**	**(97)**	**4,849**
Restructuring provision							7,000
Deferred tax benefit on restructuring provision							1,500
Group profit / (loss)							**(651)**
Less: Minority interests							16
Net profit / (loss)							(667)

[1] Basically the same methodology as for the year 1998 Segment Reporting is applied. Due to the unavailability of some pre-merger data, partly management estimates had to be used.

Note 2 Income Statement Analysis

Net Fee and Commission Income

Swiss francs in millions	**30.9.1998**	30.9.1997
Credit-related fees and commissions		
Guarantee and letter of credit commissions	**209**	258
Other	**319**	412
Total	**528**	670
Security trading and investment activities fees		
Underwriting and corporate finance fees	**1,305**	1,168
Brokerage fees	**2,905**	3,102
Fiduciary fees	**269**	281
Custodian fees	**1,046**	885
Portfolio and other management fees	**2,469**	2,060
UBS investment fund units	**1,387**	861
Other	**96**	174
Total	**9,477**	8,531
Commission income from other services		
Payment clearing and bills of exchange fees	**410**	485
Documentary collection fees	**12**	10
Other	**40**	11
Total	**462**	506
Commission expense		
Brokerage fees paid	**527**	517
Other	**238**	190
Total	**765**	707
Total	**9,702**	9,000

Net Trading Income

Swiss francs in millions	**30.9.1998**	30.9.1997
Foreign exchange and bank notes	**1,425**	1,625
Fixed income	**(764)**	1,535
Equities	**(121)**	1,205
Precious metals / commodities	**58**	174
Total	**598**	4,539

Note 2 Income Statement Analysis (continued)

Other Income

Swiss francs in millions	**30.9.1998**	30.9.1997
Net income from disposal of financial investments	**205**	496
Income from associates and from disposal of subsidiaries	**1,377**	292
Net income from real estate holdings	**90**	64
Other	**157**	231
Total	**1,829**	1,083

Personnel Expenses

Swiss francs in millions	**30.9.1998**	30.9.1997
Salaries and bonuses	**5,261**	6,773
Contributions to retirement benefit plans	**467**	430
Other employee benefits	**308**	477
Other	**1,169**	1000
Total	**7,205**	8,680

General and Administrative Expenses

Swiss francs in millions	**30.9.1998**	30.9.1997
Occupancy expense	**576**	562
Maintenance expense	**335**	426
Telecommunications and transportation	**602**	593
Administrative expense	**2,160**	1,949
Marketing and public relations expense	**164**	222
Other	**769**	109
Total	**4,606**	3,861

Depreciation and Amortisation

Swiss francs in millions	**30.9.1998**	30.9.1997
Property and equipment	**1,125**	1,200
Intangible assets, goodwill and investments in associates	**218**	110
Total	**1,343**	1,310
Total operating expenses	**13,154**	13,851

Note 3 Share Capital

As at *Swiss francs in millions*	**30.9.1998**	31.12.1997
Issued and paid up share capital		
214,953,963 ordinary registered shares of CHF 20 each, fully paid	**4,299**	4,296
Less: Treasury shares, cost		
Balance as at beginning of the period	**1,982**	702
Acquisitions	**2,317**	3,172
Disposals	**(3,324)**	(1,892)
Balance as of the end of the period	**975**	1,982
Total outstanding share capital	**3,324**	2,314
Share premium account		
Balance at the beginning of the period restated for the harmonisation of accounting policies	**13,260**	13,001
Premium on shares issued, warrants exercised	**151**	130
Profit / (loss) on disposal of Treasury Shares	**(310)**	129
Balance at the end of the period	**13,101**	13,260
Retained earnings		
Balance at the beginning of the period restated for the harmonisation of accounting policies	**15,353**	16,864
Net profit / (loss) for the period	**2,600**	(667)
Dividends proposed and paid	**(2,236)**	(800)
Currency translation differences	**56**	(44)
Balance at the end of the period	**15,773**	15,353
Total shareholders' equity	**32,198**	30,927

Note 4 Earnings per Share

For the nine-month period ended	**30.9.1998**	30.9.1997
Basic earnings per share calculation		
Net profit for the period (CHF million)	**2,600**	3,851
Weighted average shares outstanding:		
Registered ordinary shares (nominal CHF 20)	**214,815,982**	213,184,729
Less: Treasury shares	**(2,684,858)**	(3,771,713)
Weighted average shares for basic earnings per share (nominal CHF 20)	**212,131,124**	209,413,016
Basic earnings per share (CHF)	**12.26**	18.39
Diluted earnings per share calculation		
Net profit for the period (CHF million)	**2,600**	3,851
Weighted average shares for basic earnings per share (nominal CHF 20)	**212,131,124**	209,413,016
Add:		
Potential ordinary shares resulting from the issuance of outstanding options	**470,606**	258,381
Potential ordinary shares relating to employee plans	**512,662**	252,630
Weighted average shares for diluted earnings per share (in nominal CHF 20)	**213,114,392**	209,924,027
Diluted earnings per share (CHF)	**12.20**	18.34

Shareholder Information

UBS registered share (Sfr 20 par)

Ticker symbols			
Stock exchange listings	Bloomberg	Reuters	Telekurs
SWX (Swiss exchange)	UBSN SW Equity	UBSZn.S	UBSN
Tokyo	1264Z JP	UBS.T	847092
Also traded in:			
London (SEAQ)		UBSZq.L	
Swiss Security number		**847 092**	
ISIN number		**CH0008470921**	

Financial calendar

1998 Annual results	Friday, 12 March 1999
General Meeting of Shareholders	Thursday, 22 April 1999
Dividend payment date	Tuesday, 27 April 1999

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