UBS

Financial Services Group

Third Quarter 2000 Report.

UBS Group Financial Highlights

CHF million, except where indicated	Quarter ended 30.9.00	30.6.00	30.9.99[1]	% change from 2Q00	3Q99	Year-to-date 30.9.00	30.9.99[1]
Income statement key figures							
Operating income	**8,545**	9,200	6,534	(7)	31	27,102	21,636
Operating expenses	**5,842**	6,548	4,921	(11)	19	18,839	14,992
Operating profit before tax	**2,703**	2,652	1,613	2	68	8,263	6,644
Net profit	**2,075**	2,052	1,225	1	69	6,343	5,084
Cost / income ratio (%)[2]	**69.5**	72.8	72.3			70.1	66.5
Cost / income ratio before goodwill amortization (%)[2, 3]	**68.0**	71.4	71.1			68.6	65.4
Per share data (CHF)							
Basic earnings per share[4, 7]	**5.15**	5.24	3.07	(2)	68	16.05	12.48
Basic earnings per share before goodwill[3, 4, 7]	**5.46**	5.57	3.27	(2)	67	17.07	13.10
Diluted earnings per share[4, 7]	**5.09**	5.19	3.05	(2)	67	15.88	12.38
Diluted earnings per share before goodwill[3, 4, 7]	**5.40**	5.51	3.26	(2)	66	16.88	13.00
Return on shareholders' equity (%)							
Return on shareholders' equity[5]						26.9	23.0
Return on shareholders' equity before goodwill[3, 5]						28.6	24.2

As of	30.9.00	30.6.00	31.12.99[1]	% change from 30.6.00	31.12.99
Balance sheet key figures					
Total assets	**1,010,233**	946,307	898,888	7	12
Shareholders' equity	**36,928**	31,876	30,608	16	21
Market capitalization	**95,053**	98,797	92,642		
BIS capital ratios					
Tier 1 (%)	**11.7**	12.1	10.6		
Total BIS (%)	**15.4**	15.9	14.5		
Risk-weighted assets	**276,837**	264,706	273,107		
Total assets under management (CHF billion)	**1,746**	1,711	1,744	2	0
Headcount (full time equivalents)[6]	**48,099**	47,744	49,058	1	(2)
Long-term ratings					
Moody's, New York	**Aa1**	Aa1	Aa1		
Fitch/IBCA, London	**AAA**	AAA	AAA		
Standard & Poor's, New York	**AA+**	AA+	AA+		

Earnings adjusted for significant financial events

CHF million	Quarter ended 30.9.00	30.6.00	30.9.99[1]	% change from 2Q00	3Q99	Year-to-date 30.9.00	30.9.99[1]
Operating income	**8,545**	9,200	6,508	(7)	31	27,102	19,810
Operating expenses	**5,842**	6,348	4,921	(8)	19	18,639	14,992
Operating profit before tax	**2,703**	2,852	1,587	(5)	70	8,463	4,818
Net profit	**2,075**	2,207	1,202	(6)	73	6,498	3,606
Cost / income ratio before goodwill (%)[2, 3]	**68.0**	69.2	71.4			67.9	71.1
Basic earnings per share before goodwill (CHF)[3, 4, 7]	**5.46**	5.97	3.22	(9)	70	17.46	9.47
Diluted earnings per share before goodwill (CHF)[3, 4, 7]	**5.40**	5.90	3.20	(8)	69	17.27	9.40
Return on shareholders' equity before goodwill (%)[3, 5]						29.1	18.8

[1] The 1999 figures have been restated to reflect retroactive changes in accounting policy arising from newly applicable International Accounting Standards and changes in presentation (see Note 1: Basis of Accounting). [2] Operating expenses / operating income before credit loss expense. [3] The amortization of goodwill and other purchased intangible assets are excluded from the calculation. [4] For EPS calculation, see Note 8 to the Financial Statements. [5] Annualized net profit / average shareholders' equity excluding dividends. [6] The Group headcount does not include the Klinik Hirslanden AG headcount of 1,859, 1,885 and 1,853 for 30 September 2000, 30 June 2000 and 31 December 1999, respectively. [7] 1999 share figures are restated for the two-for-one share split, effective 8 May 2000.

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Shareholders' Letter

Dear Shareholders,

On 23 October 2000, PaineWebber shareholders overwhelmingly approved the merger between PaineWebber and UBS. This followed the near unanimous approval by UBS shareholders on 7 September 2000 of the capital increase for use in the merger. We were extremely pleased that such a substantial majority of PaineWebber and UBS shareholders endorsed the merger, giving their vote of confidence in our plans to create a pre-eminent global investment services firm. The merger was formally completed on 3 November 2000.

PaineWebber's leading position with affluent clients in the US and its success in using technology to support client relationships provide exciting growth opportunities for UBS.

PaineWebber's management, products and services are world class and will help UBS to build a top-tier global private client business. PaineWebber complements the existing US strengths and client base of UBS Warburg's institutional business, adding particular skills in US equity research and specialized fixed income products. It also provides UBS Warburg with a completely new distribution channel to US investors, giving it access to a uniquely balanced network of private and institutional investors worldwide. UBS Warburg, meanwhile, will provide truly global investment banking content for PaineWebber to supply to an increasingly demanding private client base, and give PaineWebber the backing of a very strong balance sheet and an excellent credit rating.

The integration of PaineWebber and UBS Warburg is proceeding well, with full business integration of the capital markets activities due to be completed in early December 2000, and the integration of the UBS Warburg Private Clients business into PaineWebber's management structure already almost complete.

The reception of the merger by PaineWebber staff has been overwhelmingly positive with no increase in staff turnover in the period around the merger and the vast majority of PaineWebber option holders now established as UBS options holders.

We look forward to PaineWebber's continuing success as a growth firm in a growth industry.

Third quarter results

We reported preliminary third quarter results on 26 October, in order to provide additional transparency for investors before the closing of the PaineWebber merger. You will therefore already know that UBS has produced another very successful result this quarter, with a net profit after tax of CHF 2,075 million. This represents continuing strong growth of 73% over third quarter 1999, once the effect of one-off gains is stripped out. In the first three quarters of this year we have already made 39% more adjusted net profit after tax than we did in the whole of 1999.

The development of assets under management during the quarter was encouraging, with improvement in net new money across all Business Groups and positive investment performance.

Adjusted for divestments and one-off provisions, and before goodwill amortization, the Group's annualized return on equity for the first nine months of this year increased to 29.1%, from 18.8% in the same period of 1999. Adjusted basic earnings per share for third quarter 2000 increased 70% to CHF 5.46 from CHF 3.22 in third quarter 1999. The adjusted pre-goodwill cost/income ratio of 68.0% is significantly below the 71.4% recorded in the same quarter last year, and a slight improvement over the second quarter this year.

Business Group highlights

UBS Warburg's Corporate and Institutional Clients business unit continued a very good year, reporting profits before tax more than double those achieved in the same quarter last year. The strength of our secondary markets franchise and relatively small exposure to the telecoms, media and technology sectors ensured that whilst earnings fell somewhat from second quarter 2000 in line with market conditions, the effect was less than for the investment banking and securities industry in general.

The continued enhancement of our clients' experience of UBS through e-banking, combined with successful cost reduction through our Strategic Projects Portfolio contributed to another very good result for the Private and Corporate Clients business unit, only slightly behind the last two record quarters.

Private Banking continued its improved performance with earnings increasing very slightly from second quarter 2000, but up 22% from a year ago. Net new money was slightly positive, reflecting continued focus on this key growth driver.

A personal note from the Chairman

As you might be aware, I have decided to step down from my function as Chairman of the Board of Directors after the Annual General Meeting in April 2001.

I consider this to be the right moment. We have successfully completed the merger between Union Bank of Switzerland and Swiss Bank Corporation. The business groups and their respective responsibilities have been redesigned. We recently completed the merger of PaineWebber into our Group. UBS is in good financial health.

The Board of Directors will submit the election of Marcel Ospel, currently Group Chief Executive Officer, for your approval at the AGM of 26 April 2001, and will then appoint him as Chairman. Luqman Arnold, currently Group Chief Financial Officer, has been elected to become the new President of the Group Executive Board, adding this new role to his responsibility for the Group's finance and risk functions.

A new top-management team is ready, and I am relaxed and confident about handing over full responsibility to the younger generation. Please join me and the Board of Directors in wishing Marcel Ospel and Luqman Arnold success and luck in their new functions.

Alex Krauer

Senior management succession plans

On 11 October, we announced plans for changes in the senior management of UBS which will take effect after the Annual General Meeting in April next year. Details are in the note which you will find opposite.

At the Annual General Meeting in April you will also be asked to approve the election of three other new members of the Board of Directors. The British, Dutch and American candidates will help accurately reflect at Board level UBS's international culture and global reach. The three candidates are: Sir Peter Davis, CEO of J. Sainsbury plc; Johannes Antonie de Gier, former Chairman and CEO of Warburg Dillon Read; and Lawrence Allen Weinbach, Chairman and CEO of Unisys Corporation.

Outlook

We are pleased to have been able to report strong results so far this year and to have maintained this performance through the recent more mixed market conditions. The fourth quarter is normally the quietest part of the year in most of our businesses, and we expect this year to be no exception. In addition, we expect a one-off impact from PaineWebber integration and restructuring costs. Nevertheless, we are confident that we can complete 2000 in robust form and that we are excellently positioned for further success in 2001.

The history of our bank has been one of forging new partnerships and learning from the cultures and skills of new colleagues. As an organization we are naturally excited about change and the PaineWebber merger makes next year one of our most eagerly anticipated.

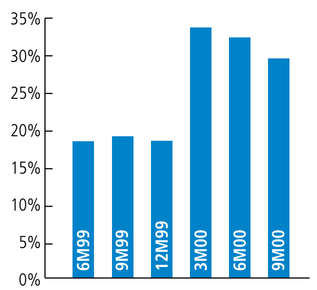
UBS AG

Alex Krauer
Chairman of the Board of Directors

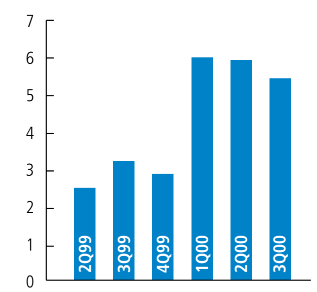
Marcel Ospel
Group Chief Executive Officer

Group Review

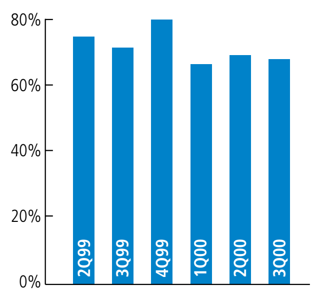
RoE[1] annualized



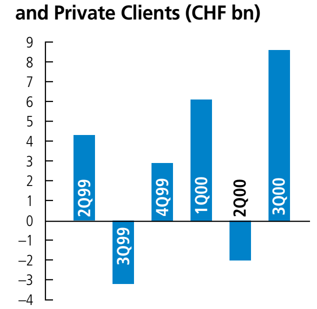
Basic adjusted EPS[2,3] (CHF)



Cost/income ratio[2]



Net new money, Private Banking and Private Clients (CHF bn)



[1] Annualized, before goodwill amortization and adjusted for significant financial events.

[2] Before goodwill amortization and adjusted for significant financial events.

[3] 1999 share figures are restated for the two-for-one share split, effective 8 May 2000.

UBS Group performance against targets

For the period	9M2000	6M2000	9M1999[1]
RoE (%, annualized)			
as reported	26.9	29.5	23.0
before goodwill amortization and adjusted for significant financial events[3,4]	29.1	31.9	18.8
For the quarter ended	30.9.00	30.6.00	30.9.99[1]
Basic EPS (CHF)[2]			
as reported	5.15	5.24	3.07
before goodwill amortization and adjusted for significant financial events[3,4]	5.46	5.97	3.22
Cost / income ratio (%)			
as reported	69.5	72.8	72.3
before goodwill amortization and adjusted for significant financial events[3,4]	68.0	69.2	71.4

Assets under management

CHF billion	30.9.00	30.6.00	% change	Net new money[5] 3Q00
UBS Group	1,746	1,711	2	
UBS Switzerland				
Private and Corporate Clients	440	439	0	1
Private Banking	707	683	4	1
UBS Asset Management				
Institutional Asset Management[6]	528	525	1	(9)
Investment Funds / GAM	227	225	1	0
UBS Warburg				
Private Clients	44	37	19	8

[1] The 1999 figures have been restated to reflect retroactive changes in accounting policy arising from newly applicable International Accounting Standards and changes in presentation (see Note 1: Basis of Accounting). [2] 1999 share figures are restated for the two-for-one share split, effective 8 May 2000. [3] The amortization of goodwill and other purchased intangible assets are excluded from the calculation. [4] Significant financial events are excluded from the calculation. [5] Excludes interest and dividend income. [6] Includes non-institutional assets also reported in the Investment Funds / GAM business unit.

Group Targets

UBS focuses on four key performance targets, designed to ensure that we deliver continually improving returns to our shareholders. Our performance against these targets has continued to be very good this quarter. Adjusted for significant financial events, our annualized pre-goodwill return on equity for the first nine months of 2000 is 29.1%, once again well above our target range of 15–20%. Pre-goodwill earnings per share grew 70% over third quarter 1999, adjusted for one-off gains, clearly beating our double-digit growth target. The cost/income ratio is also well below that of third quarter 1999 and slightly lower than second quarter 2000. Net new money in both the private banking units was positive this quarter, although the volatility in the quarter-on-quarter net new money trend in the Private Clients business unit reflects its relatively early stage of business development.

Significant Financial Events

There were no significant financial events in third quarter 2000. Second quarter 2000 included an additional and final provision of CHF 200 million before tax in respect of the US Global Settlement regarding World War II related claims. Third quarter 1999 included a capital gain of CHF 26 million before tax relating to our residual holding in Long Term Capital Management.

Results Summary

Excellent third quarter results, with net profit after taxes and minority interests of CHF 2,075 million, demonstrate continued strong profitability. Group net profit after tax and minority interests has now been above CHF 2 billion for a third straight quarter and is up 73% compared to third quarter 1999, on an adjusted basis.

Significant financial events

	Quarter ended			Year-to-date	
CHF million	**30.9.00**	30.6.00	30.9.99	30.9.00	30.9.99
Operating income as reported	**8,545**	9,200	6,534	27,102	21,636
Julius Baer registered shares divestment					110
International Global Trade Finance divestment					200
Swiss Life/Rentenanstalt divestment					1,490
LTCM gain			26		26
Adjusted operating income	**8,545**	9,200	6,508	27,102	19,810
Operating expenses as reported	**5,842**	6,548	4,921	18,839	14,992
US Global Settlement provision		200		200	
Adjusted operating expenses	**5,842**	6,348	4,921	18,639	14,992
Adjusted operating profit before tax and minority interests	**2,703**	2,852	1,587	8,463	4,818
Tax expense	**621**	591	374	1,878	1,525
Tax effect of significant financial events		45	(3)	45	(348)
Minority interests	**(7)**	(9)	(14)	(42)	(35)
Adjusted net profit	**2,075**	2,207	1,202	6,498	3,606

Year-to-date adjusted net profit after tax of CHF 6,498 million represents an increase of 80% over the first nine months of 1999, and already exceeds the adjusted 1999 full-year results by 39%.

Net interest income before credit loss expense increased 30% over third quarter 1999 to CHF 1,831 million. Higher interest rates increased the cost of medium and long-term debt, but also helped to increase net income from lending to clients and banks. Trading-related net interest income was up 24% over third quarter 1999.

Net fee and commission income was CHF 3,865 million in third quarter 2000, an increase of 26% over third quarter 1999. Brokerage fees reflected higher levels of client activity in UBS Switzerland and busier markets, rising 36% from the same period last year. Underwriting fees were up 65% thanks to another strong performance in equity underwriting, and Corporate finance fees also increased 71%, with strong results worldwide. Portfolio and other management and advisory fees increased CHF 81 million compared to second quarter 2000, chiefly as a result of the performance of the new O'Connor business, and were up nearly 50% from the same quarter last year, due to O'Connor and the acquisition of GAM in fourth quarter 1999. The 34% increase in Investment fund fees since third quarter 1999 reflects the addition of GAM, increased fund assets and a greater proportion of client money invested in higher margin equity funds.

Net trading income was CHF 2,368 million in third quarter 2000, 13% up on the same quarter last year, as a result of increased global market activity and the strong client-driven performance of UBS Warburg. Equity trading revenues are well ahead of this time last year, but when combined with dividend income fell in comparison to second quarter 2000, reflecting the usual seasonal reduction in market activity and trading opportunities experienced during the summer holiday season.

The increase of CHF 100 million in Other income compared to third quarter 1999, is primarily due to the inclusion of income from Klinik Hirslanden, which was not consolidated in the income statement at that time.

Total operating expenses increased 19% over third quarter last year to CHF 5,842 million. This is largely due to increased performance-related compensation as revenues continue to exceed levels in 1999. Personnel expenses were down 11% from last quarter, in line with slower revenues, but were 24% higher than in third quarter 1999.

General and administrative expenses increased only 8% over third quarter 1999, to CHF 1,503 million, mainly due to currency movements and the impact of the consolidation of Klinik Hirslanden. The underlying figure was roughly static relative to third quarter last year, reflecting our continued efforts to control non-revenue driven costs.

Depreciation and amortization increased 12% to CHF 476 million compared to third quarter 1999, with increases in goodwill amortization due to the acquisitions of Allegis and GAM.

UBS Group incurred a tax expense of CHF 621 million for third quarter 2000, an effective tax rate of 23%.

Restructuring provision used

CHF million	Personnel	IT	Premises	Other	Quarter ended 30.9.00	30.6.00
UBS Switzerland	38	7	0	0	**45**	54
Private and Corporate Clients	37	5	0	0	**42**	52
Private Banking	1	2	0	0	**3**	2
UBS Asset Management	5	0	0	0	**5**	1
UBS Warburg	0	0	0	0	**0**	0
Corporate Center	2	0	29	0	**31**	18
Group total	**45**	**7**	**29**	**0**	**81**	**73**

Initial restructuring provision in 1997	**7,000**
Additional provision in 1999	**300**
Used in 1998	**4,027**
Used in 1999	**1,844**
Used in 2000	**272**
Total used through 30.9.2000	**6,143**
Restructuring provision remaining at 30.9.2000	**1,157**

UBS / SBC merger restructuring provision

Of the CHF 7,300 million restructuring provision relating to the 1998 merger between Union Bank of Switzerland and Swiss Bank Corporation, CHF 81 million was used in third quarter 2000, leaving CHF 1,157 million still to be used. As in the second quarter, the main use of the provision this quarter related to severance costs in Private and Corporate Clients and vacancy-related premises costs in Corporate Center. UBS expects that the provision will be completely utilized by the end of 2001.

The sale of Solothurner Bank to Bâloise Insurance in August this year represents the completion of UBS's compliance with the sale of business conditions set by the Swiss Competition Commission as a result of the merger. The sale was completed on 19 October 2000, and will be reflected in fourth quarter results.

Credit risk

During third quarter 2000, UBS realized a write-back of credit loss expenses of CHF 142 million, compared to a write-back of CHF 208 million in the second quarter 2000. This is the result of a continued improvement in the quality of our Swiss loan portfolio and is in sharp contrast to the CHF 275 million of credit loss expenses recorded in third quarter 1999.

In accordance with the trend in the previous quarter, the unprecedentedly strong rebound of the Swiss economy, combined with UBS's disciplined credit underwriting standards, enabled additional recoveries of previously established loan loss provisions in the Swiss portfolio, which by far exceeded new requirements. On the other hand, this positive scenario was partially offset by the need for additional loan loss provisions in UBS Warburg's portfolio, in line with trends in the international credit markets. The significant reduction in the international loan portfolio achieved during the past two years, coupled with the active use of credit derivatives and reluctance to engage in balance sheet-led earnings growth, positions UBS well for the less positive credit conditions expected outside Switzerland, notably in the US. In particular, in line with its commitment to risk diversification, UBS's loan exposure to the telecom sector is relatively small compared to many of our peers, representing less than 2% of gross loans outstanding at 30 September 2000. The vast majority of our telecom loan book is rated investment grade.

The further improvement in UBS's credit risk portfolio is also evident in the reduction of non-performing loans by CHF 956 million, or 8%, during the quarter. UBS's loan portfolio increased by CHF 11.4 billion over the quarter, to CHF 282.4 billion. The increase of CHF 17.5 billion in the UBS Warburg portfolio, principally as a result of zero risk-weighted money market and Group treasury positions held by UBS Warburg, was partially offset by a decrease of CHF 5.3 billion in UBS Switzerland, where the write-off and repayment of impaired positions exceeded new business. The reduction in non-performing loans combined with the increase in size of the overall portfolio means that the non-performing loans to total loans ratio fell to

Allowances and provisions for credit risk

CHF million	UBS Switzerland		UBS Asset Management		UBS Warburg		Corporate Center		UBS Group	
As of	**30.9.00**	30.6.00	**30.9.00**	30.6.00	**30.9.00**	30.6.00	**30.9.00**	30.6.00	**30.9.00**	30.6.00
Loans (gross)	**195,000**	200,252	**463**	411	**86,654**	69,200	**253**	1,115	**282,370**	270,978
Impaired loans [1]	**15,209**	16,658	**–**	–	**4,377**	4,310	**44**	43	**19,630**	21,011
Allowances for impaired loans	**8,505**	9,267	**–**	–	**2,462**	2,279	**5**	6	**10,972**	11,552
Non-performing loans	**9,319**	10,270	**–**	–	**1,767**	1,772	**43**	43	**11,129**	12,085
Allowances for non-performing loans	**5,760**	6,486	**–**	–	**1,389**	1,383	**5**	5	**7,154**	7,874
Total allowances for impaired and non-performing loans	**8,505**	9,267	**–**	–	**2,462**	2,279	**5**	6	**10,972**	11,552
Other allowances and provisions for credit and country risk	**12**	12	**–**	–	**878**	826	**–**	–	**890**	838
Total allowances and provisions	**8,517**	9,279	**–**	–	**3,340**	3,105	**5**	6	**11,862**	12,390
of which country allowances and provisions	**–**	–	**–**	–	**1,356**	1,317	**–**	–	**1,356**	1,317
Ratios										
Impaired loans as a % of gross loans	**7.8**	8.3	**–**	–	**5.1**	6.2	**17.4**	3.9	**7.0**	7.8
Non-performing loans as a % of gross loans	**4.8**	5.1	**–**	–	**2.0**	2.6	**17.0**	3.9	**3.9**	4.5
Allowances and provisions for credit loss as a % of gross loans	**4.4**	4.6	**–**	–	**3.9**	4.5	**2.0**	0.5	**4.2**	4.6
Allocated allowances as a % of impaired loans	**55.9**	55.6	**–**	–	**56.2**	52.9	**11.4**	14.0	**55.9**	55.0
Allocated allowances as a % of non-performing loans	**61.8**	63.2	**–**	–	**78.6**	78.0	**11.6**	11.6	**64.3**	65.2

[1] Includes non-performing loans.

UBS Warburg: Summary of 10-day 99% confidence Value at Risk

	3 months ending 29.9.00				3 months ending 30.6.00			
CHF million	Min.	Max.	Average	**29.9.00**	Min.	Max.	Average	30.6.00
Risk type								
Equities	179.9	238.4	204.0	**192.7**	183.2	245.9	214.0	189.6
Interest rates	113.8	165.0	137.2	**122.3**	127.0	173.8	147.7	133.7
Foreign exchange	7.6	75.4	26.0	**19.7**	8.7	97.5	32.2	9.5
Precious metals	2.8	19.7	8.3	**15.8**	4.3	15.3	9.4	12.1
Diversification effect	–[1]	–[1]	(137.2)	**(125.5)**	–[1]	–[1]	(150.3)	(113.6)
Total UBS Warburg	**213.2**	**261.6**	**238.4**	**224.9**	218.4	284.0	253.0	231.3

[1] As the minimum and maximum occur on different days for different risk types, it is not meaningful to calculate a portfolio diversification effect.

Value at Risk limits and utilization

		Utilization	
CHF million	Limit	**29.9.00**	30.6.00
UBS Warburg	450.0	**224.9**	231.3
UBS Switzerland	50.0	**4.0**	3.8
Corporate Center	350.0	**79.4**	62.8
Reserves	100.0		
Diversification effects	n/a	**(79.0)**	(69.2)
UBS Group	600.0	**229.3**	228.7

Remark: VaR numbers include interest rate exposures in the banking book of the Private Label Banks and Group Treasury.

3.9%, compared to 4.5% at the end of the second quarter.

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

Market risk

Market risk is incurred primarily through UBS's trading activities, which are centered in the Corporate and Institutional Clients business unit of UBS Warburg. Market risk in UBS Warburg, as measured by the 10-day, 99% confidence level Value at Risk (VaR), has decreased slightly. VaR exposure closed the quarter at CHF 224.9 million, compared to CHF 231.3 million at the end of the second quarter. Average exposure over the period was CHF 238.4 million, which is slightly below the CHF 253.0 million average observed over the previous quarter.

Potential stress loss is measured against a set of standard forward-looking scenarios. Stress loss exposure, which is defined as the outcome of the worst of our stress scenarios, amounted to CHF 349 million at the end of the third quarter, slightly up from CHF 293 million at the end of the second quarter.

Market risk exposure at the Group level has remained nearly unchanged. At the end of the quarter the 10 day, 99% confidence VaR amounted to CHF 229.3 million.

Accounting Changes and Restatements

In Note 4 to the Financial Statements we have broken out Underwriting and Corporate Finance Fees for the first time this quarter, showing the two components separately. In addition, some corporate finance related fees previously reported in Portfolio and Other Management and Advisory Fees are now included in the new Corporate Finance Fees line. Previous periods have been restated accordingly.

In first quarter 2000 we introduced a number of changes in accounting treatment. For comparative purposes, 1999 figures were restated to reflect these changes, primarily:

- The removal from net trading income of profit on UBS Group shares held for trading purposes.
- The treatment of these shares as treasury shares, reducing both the number of shares and the shareholder's equity used in ratio calculations.
- The reclassification of trading-related interest revenues, from net trading income to net interest income.
- The removal of the credit to net interest income and matching debit to net trading income for the cost of funding trading positions.

Since the beginning of the year, we have capitalized costs relating to the in-house development of software, reducing operating expenses this quarter by CHF 58 million.

Capital Structure

Financing the PaineWebber transaction

At the completion of the merger, a total of 163.8 million PaineWebber shares were cancelled, in exchange for a total consideration of USD 11.8 billion (CHF 20.8 billion), based on the closing UBS share price on the SWX Swiss Exchange on 3 November 2000 of CHF 252.50 per share, and a CHF/USD exchange rate of 1.762.

Share consideration

At the Extraordinary General Meeting on 7 September 2000, UBS shareholders approved a resolution to create 38 million shares of authorized capital in connection with the PaineWebber merger. UBS shareholders also granted the Board of Directors a "green shoe option" giving them the flexibility to issue some of these shares at the time of the merger, and then issue additional shares as required during the three months following completion, up to the 38 million shares limit.

The share portion of the merger consideration was 41 million shares. In order to minimize the dilution effects for existing shareholders, UBS initially issued only 12 million new shares from authorized capital on the completion date, 3 November 2000. 7 million shares were re-issued from Treasury and the remaining 22 million shares required were borrowed in the market.

Cash consideration and issue of Trust Preferred Securities

The cash portion of the merger consideration was USD 6.0 billion, or CHF 10.6 billion. The majority of this amount was financed from existing cash resources and credit lines. However, UBS also took advantage of the focus on the company in US markets to make its inaugural US public offering, issuing USD 1.5 billion of 8.622% Trust Preferred Securities on 10 October 2000.

The securities were priced at a spread of 278 basis points over the 5.75% August 2010 US Treasury securities. They have a perpetual maturity with a step-up and call on 1 October 2010, and will qualify as Tier 1 capital for UBS under Swiss regulations. The securities are rated aa2 by Moody's and AA- by Standard and Poors, making them the highest rated in their sector. Approximately 87% of the issue was placed in the US and 13% internationally. Thanks to the strong demand for the securities, the issue was increased from the initially announced target of USD 1.25 billion, underlining the positive investor reception for the UBS name, credit and liquidity, and creating a new benchmark for the sector.

Overall economic cost of the transaction

Following the exercise of options by PaineWebber employees, 12.7 million PaineWebber options remained outstanding and have been converted into 6.3 million new UBS options, with an implied fair value of USD 0.54 billion (CHF 0.95 billion). As a result of the exercise of options since the announcement of the merger, PaineWebber has received cash proceeds of USD 0.55 billion (CHF 0.97 billion).

Based on the value of the consideration paid to PaineWebber shareholders and the implied fair value of the converted options, less the receipt of option exercise proceeds, the total economic cost of the transaction to UBS is estimated to amount to USD 11.8 billion (CHF 20.8 billion).

BIS ratio

As a result of these transactions, UBS's Tier 1 capital ratio, which was 12.1% at the end of June 2000 and 11.7% on 30 September 2000, is expected to be lower, but at least 8.5% at the end of December 2000.

Share buy-back program

On 6 November 2000, UBS announced a share buy-back program, running until June 2001. Unlike the second trading line program earlier this year it will not result in the cancellation of the repurchased shares.

Treasury shares

At 30 September 2000, UBS held 25,069,074 shares or 5.8% of its outstanding capital in treasury shares, down from 40,269,350 shares or 9.3% of its outstanding capital at 30 June 2000. This total included 18,421,783 shares which were purchased earlier this year in the second trading line buy-back program. These shares are held pending their cancellation after the Annual General Meeting in April 2001.

UBS Warburg acts as a market maker in both UBS shares and derivatives. It has therefore historically held a significant number of UBS shares as a hedge for derivatives issued to retail and institutional investors, but has recently changed its trading approach for these positions, reducing its direct shareholding of UBS shares. This change accounts for the significant drop in treasury share holdings this quarter.

UBS shares and market capitalization

	Number of shares as of			% change from	
	30.9.00	30.6.00	31.12.99	30.6.00	31.12.99
Total ordinary shares outstanding	**431,697,629**	431,696,624	430,893,162	0	0
less second trading line treasury shares	**18,421,783**	18,321,783	0	1	
Net shares outstanding	**413,275,846**	413,374,841	430,893,162	(0)	(4)
Market capitalization (CHF million)	**95,053**	98,797	92,642	(4)	3
Second trading line treasury shares	**18,421,783**	18,321,783	0	1	
Other treasury shares [1]	**6,647,291**	21,947,567	36,873,714	2	(54)
Total number of treasury shares	**25,069,074**	40,269,350	36,873,714	(38)	(32)

[1] Includes own shares held for trading purposes.

Financial Impact of the PaineWebber Merger

Restructuring costs

UBS currently expects that the restructuring and other one-off costs it will incur as a result of the PaineWebber merger will be in the region of the USD 400 million (CHF 700 million) predicted in the original merger announcement, although the analysis necessary to determine the final amount involved has not been finalized. This analysis includes investigating additional opportunities for premises consolidation in New York.

In accordance with IAS purchase accounting rules, a portion of these costs will be accounted for as a liability of PaineWebber and will therefore be added to the goodwill amount for the transaction. The remaining costs currently foreseen will be charged to income, by way of a one-off charge in the fourth quarter 2000, and will be treated in our reporting as a Significant Financial Event.

In addition to this one-off restructuring charge, reported fourth quarter 2000 results for UBS Warburg will be significantly impacted by the initial retention payments payable to PaineWebber staff, as well as goodwill amortization and funding costs.

Goodwill

The goodwill amount for the merger is expected to be significantly higher than that shown in the Form F-4 registration statement submitted to the US Securities and Exchange Commission in connection with the merger. Although the analysis required to calculate the goodwill amount has not been finalized, several assumptions and data inputs have changed since the pro forma financial statements in the Form F-4 were prepared in August 2000. The more significant changes include:

– Using the actual UBS stock price at the time of completion;
– Reflecting the actual number of employee stock options ultimately exercised;
– Revaluation of outstanding PaineWebber debt as a result of UBS's announced intention to provide a guarantee;
– A final identification of all acquisition related liabilities;
– Fair value adjustments for PaineWebber assets and liabilities in accordance with purchase accounting rules.

Developments in Financial Disclosure at UBS

Fourth Quarter Report

In order to continue our focus on reporting and analyzing the quarterly performance of UBS's businesses, and to ensure that market sensitive data about UBS's results can be released as early as possible, we will issue a fourth quarter report on 22 February 2001. This report will be similar in style and level of disclosure to this one, although slightly abbreviated in recognition of the forthcoming Annual Report, which will be issued on 15 March 2001, as originally planned.

Accelerated Timetable for Quarterly Reporting

With effect from first quarter 2001, UBS will release its quarterly results approximately six weeks after quarter end, rather than the current eight weeks. Quarterly reports will be issued on 15 May 2001 for the first quarter, 14 August 2001 for the second quarter and 13 November 2001 for the third quarter.

Fourth Quarter Reporting of PaineWebber Results

In our fourth quarter report and Annual Report, we will continue to report results for the existing UBS Warburg business units. We will also report an additional business unit, comprising results for the previous PaineWebber businesses for the period from 3 November 2000, with the exception of the capital markets activities which will be fully integrated within the Corporate and Institutional Clients business unit.

The business unit reporting structure for subsequent quarters will be announced in the fourth quarter report.

Client Assets Reporting

There is currently no consistently defined client assets measure in use across the asset gathering industry, nor is there generally accepted reporting practice applicable to client assets. There is also no standard level of transparency, with UBS one of the few firms to disclose both net new money flows and total client assets development on a quarterly basis.

This lack of consistency and transparency hinders comparison between companies by analysts and investors. In practice, disclosed metrics vary widely across the industry, with the term Assets under Management ("AuM") being particularly ambiguous.

UBS has therefore reviewed its own definition for reporting these assets and has suggested that its ideas could form the starting point for a broader standards-setting exercise across the industry. Further details of the proposal can be found on our Investor Relations website at http://www.ubs.com/investor-relations.

UBS itself intends to phase in the new definitions with effect from first quarter 2001, after consultation with analysts, investors, and our investment services peers.

UBS Switzerland

Business Group reporting

	Quarter ended			% change from		Year-to-date	
CHF million, except where indicated	**30.9.00**	30.6.00	30.9.99[1]	2Q00	3Q99	30.9.00	30.9.99[1]
Income	**3,411**	3,526	3,255	(3)	5	10,685	9,582
Credit loss expense	**(183)**	(191)	(286)	4	36	(606)	(846)
Total operating income	**3,228**	3,335	2,969	(3)	9	10,079	8,736
Personnel expenses	**1,218**	1,218	1,156	0	5	3,634	3,539
General and administrative expenses	**537**	591	699	(9)	(23)	1,700	1,687
Depreciation	**114**	105	86	9	33	344	315
Amortization of goodwill and other intangible assets	**8**	10	9	(20)	(11)	52	18
Total operating expenses	**1,877**	1,924	1,950	(2)	(4)	5,730	5,559
Business Group performance before tax	**1,351**	1,411	1,019	(4)	33	4,349	3,177

Additional information

	Quarter ended			% change from		Year-to-date	
	30.9.00	30.6.00	30.9.99	2Q00	3Q99	30.9.00	30.9.99
Assets under management (CHF billion)[2]	**1,147**	1,122	1,042	2	10		
Cost / income ratio (%)[3]	**55**	55	60			54	58
Cost / income ratio before goodwill amortization (%)[3, 4]	**55**	54	60			53	58

				% change from	
As of	**30.9.00**	30.6.00	31.12.99	30.6.00	31.12.99
Regulatory equity used (avg)	**10,500**	10,750	10,059	(2)	4
Headcount (full time equivalents)	**29,421**	29,717	31,354	(1)	(6)

[1] The 1999 figures have been restated to reflect retroactive changes in accounting policy arising from newly applicable International Accounting Standards and changes in presentation (see Note 1: Basis of Accounting). [2] As of quarter end. [3] Before credit loss expense. [4] The amortization of goodwill and other purchased intangible assets is excluded from this calculation.

Cooperation across UBS Switzerland

Since the creation of UBS Switzerland earlier this year, a number of initiatives have been launched to ensure that the benefits of cooperation within the new Business Group are realized, such as the e-Channels and Products area which was set up to coordinate electronic banking initiatives. These cross-group initiatives have expanded this quarter with the launch of the Investment Center and the consolidation of all Financial Planning and Wealth Management services within a single unit. This quarter has also seen the introduction to Private Banking of the Strategic Project Portfolio concept, already proven in the Private and Corporate Clients unit.

e-Channels and Products

Best online broker in Switzerland

Our ongoing e-banking successes were again rewarded by BlueSky Ratings, an independent provider of online broker ratings, who ranked UBS as the best online broker in Switzerland at the end of September.

wap

On 21 September 2000, after a highly successful two-month pilot phase, UBS launched e-banking wap for all e-banking clients, making it one of the first banks in the world to offer stock-market transactions via wap mobile phones.

UBS e-banking wap provides access to UBS e-banking, UBS Quotes and other personalized functions based on pre-defined client profiles. UBS e-banking wap clients can check on their cash account and securities account balances; place, monitor and cancel stock-market orders; and carry out account transfers and foreign-exchange transactions. Like all other UBS e-banking tools, e-banking wap services are multi-language and multi-currency. e-banking wap is another successful combination of UBS's leading e-banking technology and its powerful strategic alliances with technology and content providers meeting clients' growing demand for convenience and independence.

e-banking highlights for the period include:

- UBS e-banking contracts increased to 534,000 by the end of September, from 506,000 in June;
- 20% of all payment orders are now transacted via e-banking;
- 12% of all UBS Switzerland stock exchange transactions this quarter were routed through e-banking, up from 11% in the second quarter;
- During the quarter, the number of accounts with UBS Tradepac, our discount share trading package targeted at active traders, increased by 11.5%;
- UBS Quotes received an average of more than 22 million page views per month;
- UBS Quotes on wap received an average of more than 9,000 page views per day.

Despite the growth of online banking, we have not experienced a significant level of cannibalization of our traditional revenues and, based on continuous monitoring, we estimate that in excess of 80% of e-banking transactions represent additional revenue.

Private and Corporate Clients

Business unit reporting

CHF million, except where indicated	Quarter ended 30.9.00	30.6.00	30.9.99[1]	% change from 2Q00	3Q99	Year-to-date 30.9.00	30.9.99[1]
Income	**1,784**	1,888	1,848	(6)	(3)	5,587	5,447
Credit loss expense	**(175)**	(187)	(282)	6	38	(587)	(836)
Total operating income	**1,609**	1,701	1,566	(5)	3	5,000	4,611
Personnel expenses	**807**	843	827	(4)	(2)	2,454	2,550
General and administrative expenses	**241**	246	381	(2)	(37)	748	882
Depreciation	**97**	85	68	14	43	289	267
Amortization of goodwill and other intangible assets	**0**	1	1	(100)	(100)	27	2
Total operating expenses	**1,145**	1,175	1,277	(3)	(10)	3,518	3,701
Business unit performance before tax	**464**	526	289	(12)	61	1,482	910
KPI's							
Assets under management (CHF billion)[2, 3]	**440**	439	427	0	3		
Cost / income ratio (%)[4]	**64**	62	69			63	68
Cost / income ratio before goodwill amortization (%)[4, 5]	**64**	62	69			62	68
Non-performing loans/Gross loans outstanding (%)	**5.6**	6.0	6.9				

Additional information As of	30.9.00	30.6.00	31.12.99	% change from 30.6.00	31.12.99
Regulatory equity used (avg)	**8,600**	8,850	8,550	(3)	1
Headcount (full time equivalents)	**21,767**	22,270	24,098	(2)	(10)

[1] The 1999 figures have been restated to reflect retroactive changes in accounting policy arising from newly applicable International Accounting Standards and changes in presentation (see Note 1: Basis of Accounting). [2] As of quarter end. [3] Bank transaction accounts are included. [4] Before credit loss expense. [5] The amortization of goodwill and other purchased intangible assets is excluded from this calculation.

Key Performance Indicators

The continued strengthening of the Swiss economy and successful recovery efforts, have favorably impacted the quality of the loan portfolio, leading to a further reduction in the non-performing loans to total loans ratio to 5.6% at 30 September 2000, down from 6.0% at the end of second quarter.

Assets under management increased by CHF 1 billion from CHF 439 billion to CHF 440 billion during the third quarter, with net new money of CHF 1 billion.

Compared to second quarter 2000, the cost/income ratio deteriorated marginally from 62% to 64% as revenues fell slightly. Continued strong cost control has brought the cost/income ratio down from 69% a year ago.

Initiatives and Achievements

e-commerce

UBS and Paynet implemented a new electronic billing presentment and payment system at the end of the third quarter, making UBS the first Swiss bank to provide a fully integrated business to business electronic payment solution.

The service allows bills to be sent electronically from supplier to customer, reviewed online by the customer, and paid online from the customer's bank account to the supplier's. This integrated electronic process provides real-time enquiry capabilities, shorter processing times, automated remittance, and enhanced customer relationship management possibilities, leading to smoother service for both supplier and customer.

UBS plans to expand the service early next year to cover business to consumer billing.

Life insurance company

In September, UBS announced the creation of its own life insurance company, which it plans to launch in early 2001. The new company will provide a range of products, but will have a strong focus on fund-linked life insurance. Some of its risk products will be supplied by its new partner Providentia, a Swiss life insurance company belonging to the Mobiliar Group, but will still be sold under the UBS name.

UBS will continue to distribute products of other companies in addition to its own range, working as it has done up to now with a select group of insurance companies, through an open sales architecture. Through this initiative, UBS is strengthening its life insurance business content, concentrating on providing insurance products that cater to capital accumulation and retirement saving needs.

Strategic Project Portfolio

The Strategic Project Portfolio is a series of carefully designed and controlled projects, whose aim is to enhance revenues and control costs, by improving processes, products, distribution and pricing and by delivering cost savings resulting from the merger between Union Bank of Switzerland and Swiss Bank Corporation.

For the past two years, one of the most important cost control measures has been the removal of overlap and redundancy from the combined branch network. During the third quarter, a further five branches were closed, bringing the post-merger reduction to 205 branches, or 37% of the network. At the same time, traditional automated teller machines are being replaced by more sophisticated multi-functional BancomatPlus and Multimat machines which allow clients to perform core banking transactions at their convenience, 24 hours a day. 189 BancomatPlus and 212 Multimat terminals have now been installed at strategic sites throughout Switzerland.

Private and Corporate Clients was recently honored with the 2000 SAS Enterprise Computing Award for its Advanced Marketing System initiative which has seen the implementation of sophisticated analytical software to personalize and manage client relationships. This use of data mining technologies provides effective identification of targeted cross-selling opportunities and enables UBS to cater more precisely to the information, product and service needs of our customers, positively influencing revenues.

Optimization of IT processes during third quarter, including centralization of IT operating sites and process standardization, has also realized substantial savings from lower headcount and infrastructure costs.

Loan portfolio

The Private and Corporate Clients loan portfolio reduced by CHF 4 billion to CHF 165 billion at the end of the third quarter, mainly due to transfers of clients to UBS Warburg. During the quarter, the recovery portfolio decreased to CHF 17 billion from CHF 18 billion as a result of continued workout initiatives.

Client service initiatives

At the end of the third quarter, Private and Corporate Clients launched the UBS Moneyline Mortgage, a new LIBOR-based mortgage product developed in cooperation with UBS Warburg. Moneyline Mortgage allows clients to take advantage of money market rates, which are typically lower than standard mortgage rates, and uses interest rate derivatives to give clients the option to limit their interest rate risk. By offering this type of mortgage at much lower minimum mortgage amounts than its competitors, UBS is making LIBOR-based real estate financing available to all client segments in Switzerland for the first time, extending an opportunity previously reserved for corporate clients and high net worth individuals. Based on initial indications, Moneyline Mortgage is proving highly popular.

Sale of Solothurner Bank

On 22 August 2000, UBS Switzerland announced the sale of Solothurner Bank, a 100% owned subsidiary, to Bâloise Insurance, in compliance with a condition set out by the Swiss Competition Commission at the time of the merger between Union Bank of Switzerland and Swiss Bank Corporation.

In 1999, Solothurner Bank achieved a pre-tax profit of CHF 28.7 million and had around 400 staff.

The transaction was completed on 19 October 2000 after having received approval from the Swiss supervisory and regulatory authorities. Any impact on results will be reflected in the fourth quarter.

Results

Performance decreased by CHF 62 million, or 12%, to CHF 464 million from CHF 526 million during the second quarter and increased by CHF 175 million, or 61%, compared to third quarter 1999. This good result is slightly lower than the last two record quarters, but higher than any quarter in 1999.

Operating income

Private and Corporate Clients operating income of CHF 1,609 million was CHF 92 million, or 5%, lower than the second quarter. This was the result of lower net interest income, which fell slightly due to higher refinancing costs, and certain one-off revenues recorded in second quarter 2000. Expected credit loss expense decreased again thanks to continued improvements in asset quality due to an improving economy and the further implementation of risk-adjusted pricing.

Operating expenses

Our continued focus on cost control led to total operating expenses of CHF 1,145 million, CHF 30 million, or 3%, lower than the second quarter. Personnel and general and administrative expenses both fell as a result of the reducing headcount and other cost reduction initiatives during the quarter.

Headcount

Private and Corporate Clients headcount declined by 503 to 21,767 at the end of the third quarter. This reduction reflects the transfer of 148 Financial Planning and Wealth Management staff to Private Banking, the ongoing implementation of our Strategic Project Portfolio and the continued realization of merger benefits.

Outlook

The continued strong performance of our business, with both robust revenues and declining costs, makes us confident of very good full-year results compared to 1999.

Private Banking

Business unit reporting

	Quarter ended			% change from		Year-to-date	
CHF million, except where indicated	**30.9.00**	30.6.00	30.9.99[1]	2Q00	3Q99	30.9.00	30.9.99[1]
Income	**1,627**	1,638	1,407	(1)	16	5,098	4,135
Credit loss expense	**(8)**	(4)	(4)	(100)	(100)	(19)	(10)
Total operating income	**1,619**	1,634	1,403	(1)	15	5,079	4,125
Personnel expenses	**411**	375	329	10	25	1,180	989
General and administrative expenses	**296**	345	318	(14)	(7)	952	805
Depreciation	**17**	20	18	(15)	(6)	55	48
Amortization of goodwill and other intangible assets	**8**	9	8	(11)	0	25	16
Total operating expenses	**732**	749	673	(2)	9	2,212	1,858
Business unit performance before tax	**887**	885	730	0	22	2,867	2,267
KPI's							
Assets under management (CHF billion)[2]	**707**	683	615	4	15		
Net new money (CHF billion)[3]	**0.5**	(2.8)	(3.0)			(0.2)	(0.2)
Gross AuM margin (bps)	**94**	95	90	(1)	4	99	91
Cost / income ratio (%)[4]	**45**	46	48			43	45
Cost / income ratio before goodwill amortization (%)[4, 5]	**44**	45	47			43	45

Additional information				% change from	
As of	**30.9.00**	30.6.00	31.12.99	30.6.00	31.12.99
Regulatory equity used (avg)	**1,900**	1,900	1,509	0	26
Headcount (full time equivalents)	**7,654**	7,447	7,256	3	5

[1] The 1999 figures have been restated to reflect retroactive changes in accounting policy arising from newly applicable International Accounting Standards and changes in presentation (see Note 1: Basis of Accounting). [2] As of quarter end. [3] Excludes interest and dividend income. [4] Before credit loss expense. [5] The amortization of goodwill and other purchased intangible assets is excluded from this calculation.

Key Performance Indicators

Assets under management increased by CHF 24 billion during third quarter 2000 from CHF 683 billion to CHF 707 billion, primarily due to positive investment performance. Net new money of CHF 0.5 billion for the quarter represented encouraging progress compared to last quarter, achieved against a background of more subdued inflows industry-wide.

The gross margin declined very slightly from 95 bps to 94 bps during third quarter 2000, but was still well ahead of the 90 bps average for 1999. UBS Private Banking continues to expand the range and client penetration of its added-value services.

The pre-goodwill cost/income ratio fell a little to 44%, with a matching small decline in both costs and income.

Initiatives and Achievements

Investment Center

The UBS Switzerland Investment Center formally commenced operations on 1 October 2000.

The Center is responsible for developing coherent and high quality investment strategies for the core investment products and services offered by both the Private Banking and Private and Corporate Clients business units. These strategies guide the investment process through which the two business units manage private wealth and advise their clients on their global investment decisions.

The strategies and advice developed by the Investment Center are "buy-side" oriented. The Center conducts secondary research by drawing on sources inside UBS and from complementary external providers, and transforms this into investment strategies and advice specifically suited to private clients. The Investment Center also controls the tactical asset allocation for the active advisory products, the UBS Strategy Funds and for discretionary managed portfolios.

This new investment process will continue and enhance UBS's tradition of providing top quality customized investment advice.

New products and services

In September 2000, UBS Private Banking launched GAM funds and GAM discretionary portfolio management for clients of UBS Switzerland. GAM's mission is to provide its clients access to the best investment talent, both in-house and external, bringing together some of the world's top fund managers. Different active investment styles such as "long only" and "equity hedge" are offered through an extensive range of funds, based in all major markets. GAM mutual funds are well-renowned, and have received many awards for outstanding performance over the last 15 years.

UBS Private Banking will further develop its open funds architecture during fourth quarter 2000. This initiative will make available a pre-screened selection of best-in-class funds from UBS, GAM and third-parties through multiple access channels.

During the third quarter, Private Banking also launched a new trustee operation based in Singapore. UBS Trustees (Singapore) Ltd, will provide access to a full range of global trustee services for private clients in the Asian time zone, working within Singapore's sophisticated legal and regulatory framework. This underlines Private Banking's continuing commitment to the Asian region and to the use of Singapore as a booking center.

The number of client mandates relating to our new Active Portfolio Advisory (APA) and Active Portfolio Supervision (APS) services continues to grow at a significant rate. APS provides clients with investment recommendations whenever their portfolio breaches specified parameters, while APA additionally gives direct access to a dedicated investment specialist and tailor made strategies. Both services are available for an additional fee, or clients can pay an all-in fee, based on asset volume, asset allocation and expected activity levels. The success of these products is a key contributor to the increasing level of recurring asset based fees earned by Private Banking.

Results

Pre-tax profit during the third quarter of CHF 887 million reflects a further quarter's strong earnings performance, up CHF 2 million from second quarter 2000.

Operating income

Private Banking's operating income of CHF 1,619 million was stable, dipping just CHF 15 million, or 1%, since the second quarter.

Operating expenses

Total operating expenses of CHF 732 million were CHF 17 million, or 2% lower than second quarter 2000. Personnel expenses increased by CHF 36 million, or 10% compared to second quarter 2000 largely due to the transfer of Financial Planning and Wealth Management activities from Private and Corporate Clients. However, general and administrative expenses fell CHF 49 million due to lower processing costs.

Headcount

Private Banking headcount reached 7,654 at the end of the third quarter, 207 up from the end of second quarter 2000. This was mainly due to the transfer of 148 Financial Planning and Wealth Management staff from the Private and Corporate Clients business unit, and a slight increase in client-facing staff. Private Banking continues to shift headcount from support areas to client-facing roles. Client adviser turnover remains consistent with pre-merger levels.

Outlook

Whilst the fourth quarter of the year is often the quietest, Private Banking expects to continue to outpace its 1999 perfomance. Dedicated focus on client service, coupled with the steps being taken to strengthen our investment advisory capabilities and the benefits of cooperation across UBS Switzerland provide a firm foundation for continued success.

UBS Asset Management

Business Group reporting

	Quarter ended			% change from		Year-to-date	
CHF million, except where indicated	**30.9.00**	30.6.00	30.9.99[1]	2Q00	3Q99	30.9.00	30.9.99[1]
Income	**493**	490	369	1	34	1,465	1,013
Credit loss expense	**0**	0	0			0	0
Total operating income	**493**	490	369	1	34	1,465	1,013
Personnel expenses	**225**	219	125	3	80	646	406
General and administrative expenses	**105**	100	73	5	44	301	198
Depreciation	**12**	12	13	0	(8)	34	22
Amortization of goodwill and other intangible assets	**67**	66	26	2	158	198	83
Total operating expenses	**409**	397	237	3	73	1,179	709
Business Group performance before tax	**84**	93	132	(10)	(36)	286	304

Additional information

	Quarter ended			% change from		Year-to-date	
	30.9.00	30.6.00	30.9.99	2Q00	3Q99	30.9.00	30.9.99
Assets under management (CHF billion)[2]	**555**	552	538	1	3		
Cost / income ratio (%)[3]	**83**	81	64			80	70
Cost / income ratio before goodwill amortization (%)[3,4]	**69**	68	57			67	62

				% change from	
As of	**30.9.00**	30.6.00	31.12.99	30.6.00	31.12.99
Regulatory equity used (avg)	**1,250**	1,250	162	0	672
Headcount (full time equivalents)	**2,811**	2,750	2,576	2	9

[1] The 1999 figures have been restated to reflect retroactive changes in accounting policy arising from newly applicable International Accounting Standards and changes in presentation (see Note 1: Basis of Accounting). [2] As of quarter end. [3] Before credit loss expense. [4] The amortization of goodwill and other purchased intangible assets is excluded from this calculation.

Institutional Asset Management

Business unit reporting

	Quarter ended			% change from		Year-to-date	
CHF million, except where indicated	**30.9.00**	30.6.00	30.9.99[1]	2Q00	3Q99	30.9.00	30.9.99[1]
Income	**336**	325	272	3	24	974	814
Credit loss expense	**0**	0	0		0	0	0
Total operating income	**336**	325	272	3	24	974	814
Personnel expenses	**168**	162	109	4	54	467	361
General and administrative expenses	**60**	55	42	9	43	163	121
Depreciation	**7**	6	12	17	(42)	19	18
Amortization of goodwill and other intangible assets	**43**	43	26	0	65	129	83
Total operating expenses	**278**	266	189	5	47	778	583
Business unit performance before tax	**58**	59	83	(2)	(30)	196	231
Assets under management (CHF billion)[2]	**528**	525	538	1	(2)		
Net new money (CHF billion)	**(9.1)**	(20.2)	(10.9)	55	17	(61.7)	(33.3)
Gross AuM margin (bps)[3]	**35**	32	24	9	46	32	24
Cost / income ratio (%)[4]	**83**	82	69			80	72
Cost / income ratio before goodwill amortization (%)[4, 5]	**70**	69	60			67	61

Additional information				% change from	
As of	**30.9.00**	30.6.00	31.12.99	30.6.00	31.12.99
Regulatory equity used (avg)	**500**	500	160	0	213
Headcount (full time equivalents)	**1,725**	1,712	1,653	1	4

[1] The 1999 figures have been restated to reflect retroactive changes in accounting policy arising from newly applicable International Accounting Standards and changes in presentation (see Note 1: Basis of Accounting). [2] As of quarter end. [3] Revenues divided by average assets under management, for the institutional portion of the business only. [4] Before credit loss expense. [5] The amortization of goodwill and other purchased intangible assets is excluded from this calculation.

Key Performance Indicators

During the third quarter, total assets under management increased slightly from CHF 525 billion to CHF 528 billion, largely as a result of currency movements. Institutional assets increased very slightly to CHF 326 billion at 30 September 2000, with net new money losses offset by currency related gains.

Net outflows moderated further, with net new money losses reducing from CHF 20 billion in the second quarter to CHF 9 billion during the third quarter. Client losses continued to be concentrated within US equity-related and UK balanced mandates reflecting past investment performance issues.

The gross AuM margin increased to 35 bps during the third quarter, from 32 bps the previous quarter reflecting the continued good performance of the O'Connor business unit, established in June 2000. The cost/income ratio before goodwill increased slightly to 70% compared to the 69% recorded in second quarter 2000.

Initiatives and Achievements

Expansion in Hong Kong

Over the next few months, the Hong Kong office will expand with the establishment of an Equities Investment Team covering Greater China. This new team will allow Institutional Asset Management to provide better access to the Hong Kong domestic equity market for institutional and mutual fund clients. The expansion will also help Institutional Asset Management to develop institutional and mutual fund business in Taiwan and mainland China.

PaineWebber distribution channel

An open funds distribution architecture is a core element of PaineWebber's strategy. On 9 August

2000, PaineWebber awarded Institutional Asset Management a mandate to act as the sub-advisor for the PaineWebber Management High Yield Plus Fund. Management of these funds was transferred to UBS on 1 October 2000.

The merger with PaineWebber will provide additional opportunities both to compete for management of PaineWebber funds and to distribute UBS funds.

Adams Street Partners

The formation of Adams Street Partners, a new entity composed of UBS Asset Management's existing Private Equity Investment Team, will facilitate growth in the increasingly competitive private equity marketplace. Its creation was driven by new US regulations under the Gramm-Leach-Bliley Act which limit ownership positions in various investments. Effective 1 January 2001, Adams Street Partners will be controlled by the existing UBS Asset Management private equity management team with UBS Asset Management as the only other shareholder, holding 24.9%. Adams Street Partners will provide UBS Asset Management with more flexibility and operational efficiency in structuring investment vehicles while continuing to provide existing and new clients with access to its very popular private equity investment vehicles.

Investment capabilities and performance

Major markets made modest advances at the start of the quarter but then retreated partially as concerns about inflation, a number of profit warnings and other signs of economic deceleration turned sentiment negative. Sectoral movements within equity markets did not show the marked divergence between old and new economy sectors seen in previous quarters. However, within the "old economy" there was a clear split between winners and losers from rising oil prices. Bond markets undulated but did not move significantly in either direction. Inflationary pressure from high oil prices was balanced by signs of slower growth in some Western economies.

Institutional Asset Management's third quarter and year-to-date portfolio returns compare favorably to most relevant benchmarks. Solid performances this quarter by the US Equity and US and Global Balanced Portfolios particularly enhanced year-to-date returns, contributing to the favorable benchmark comparison.

Results

Institutional Asset Management's pre-tax profit fell 2% from second quarter 2000, to CHF 58 million.

Operating income

Operating income grew 3% compared to the previous quarter, to CHF 336 million. Institutional income increased from CHF 274 million in second quarter 2000, to CHF 285 million due to good results at the new O'Connor business, offset by lower performance fees and reduced asset-based fees reflecting the impact of negative net new money flows earlier this year on assets under management. Non-institutional operating income was unchanged from the previous quarter, at CHF 51 million.

Operating expenses

Personnel costs increased CHF 6 million from the previous quarter to CHF 168 million, mainly as a result of the inclusion of a full quarter of the new O'Connor business. General and administrative expenses increased CHF 5 million to CHF 60 million in the third quarter, principally as the result of the new O'Connor business.

Headcount

Headcount was almost unchanged, increasing by 13 over the quarter to 1,725.

Outlook

While moderate client losses may continue over the next few quarters, the overall trend remains encouraging. New business development appears promising as strategic initiatives progress, performance relative to benchmarks improves and our pipeline of new business prospects grows. However, results will continue to be impacted by the effect of previous client losses which impact revenue with a slight time-lagged effect.

Investment Funds / GAM

Business unit reporting

	Quarter ended			% change from		Year-to-date	
CHF million, except where indicated	**30.9.00**	30.6.00	30.9.99[1]	2Q00	3Q99	30.9.00	30.9.99[1]
Income	**157**	165	97	(5)	62	491	199
Credit loss expense	**0**	0	0			0	0
Total operating income	**157**	165	97	(5)	62	491	199
Personnel expenses	**57**	57	16	0	256	179	45
General and administrative expenses	**45**	45	31	0	45	138	77
Depreciation	**5**	6	1	(17)	400	15	4
Amortization of goodwill and other intangible assets	**24**	23	0	4		69	0
Total operating expenses	**131**	131	48	0	173	401	126
Business unit performance before tax	**26**	34	49	(24)	(47)	90	73
KPI's							
Assets under management (CHF billion)[2]	**227**	225	186	1	22		
Net new money (CHF billion)	**0.2**	0.8	(0.8)	(75)	125	1.6	2.6
Gross AuM margin (bps)[3]	**37**	38	31	(3)	19	38	25
Cost / income ratio (%)[4]	**83**	79	49			82	63
Cost / income ratio before goodwill amortization (%)[4, 5]	**68**	65	49			68	63

Additional information				% change from	
As of	**30.9.00**	30.6.00	31.12.99	30.6.00	31.12.99
Regulatory equity used (avg)	**750**	750	2	0	–
Headcount (full time equivalents)	**1,086**	1,038	923	5	18

[1] The 1999 figures have been restated to reflect retroactive changes in accounting policy arising from newly applicable International Accounting Standards and changes in presentation (see Note 1: Basis of Accounting). [2] As of quarter end. [3] All non-institutional revenues, including those booked in Institutional Asset Management, divided by average assets under management. [4] Before credit loss expense. [5] The amortization of goodwill and other purchased intangible assets is excluded from this calculation.

Key Performance Indicators

Assets under management increased slightly from CHF 225 billion to CHF 227 billion due to investment performance. Net new money of CHF 0.2 billion reflected contraction in lower margin fixed income and money market funds, largely shifted into higher margin equity fund products.

The cost/income ratio before goodwill increased from 65% during the second quarter to 68% in third quarter 2000 reflecting lower revenues from performance fees. The gross margin was 37 bps, a slight decline from second quarter.

Initiatives and Achievements

New distribution channel – funds@ubs

On 13 November 2000, Investment Funds and Lufthansa announced the launch of a joint marketing effort to provide Lufthansa Miles and More clients with access to UBS Investment Funds. A new website dedicated to Lufthansa clients will provide investment education, advice on investment strategies and online decision support tools, and will allow automated online fund purchases.

This is the first such tie-up to be announced as a result of UBS's intermediary strategy, funds@ubs, which is designed to boost third-party distribution of our funds, by providing a turn-key solution for distribution partners, including technical, administrative and operational support. Over the coming months UBS expects to announce similar cooperation agreements with other non-traditional intermediaries, using the same strategy and technical platform.

Screened open architecture for clients of UBS Switzerland

During the third quarter, UBS continued to develop investment solutions that combine UBS, GAM and third-party funds. This initiative reflects UBS's commitment to providing an attractive range of high quality investment funds, through multiple access channels, on a pre-screened basis. In early December a screened selection of the products of several external mutual fund groups will be made available to clients alongside funds from UBS and GAM. Further fund groups will be added over the coming months, with the eventual aim of providing funds from a panel of over 20 different providers.

Acquisition of Fondvest

UBS Asset Management is to acquire Fondvest AG, a specialist independent funds advisory and distribution firm. Fondvest offers clients such as banks, insurance companies and asset managers access to a comprehensive range of funds from Swiss and foreign providers. The acquisition will extend and enhance UBS's open fund architecture, and provide opportunities to leverage Fondvest's renowned expertise in this area.

UBS Investment Funds product innovation

Much investment advice concentrates on finding ways for investors to diversify their risks through investments in funds rather than holdings in a small number of individual stocks. Two of UBS Investment Funds' latest products offer a middle way between these extremes – they help investors to focus on particular sectors where they think opportunities for growth exist, without having to pick specific stocks. The UBS (Lux) Focused Fund – Top Luxury and the UBS (Lux) Focused Fund – Top Leisure were both launched during third quarter. These two equity funds are the first products under the new "Focused" label and they differ from existing UBS funds in that each focuses on shares in only 16 to 25 promising companies in its particular sector, chosen for their excellent growth potential. The funds are designed to appeal to experienced investors with a strong risk appetite and a longer-term investment horizon.

Japanese Real Estate Investment Trusts Joint Venture

In September 2000, UBS Asset Management and Mitsubishi Corporation announced the launch in 2001 of a joint venture investment advisory firm which will manage Real Estate Investment Trusts (REITs) in Japan. The joint venture plans to establish REITs with an emphasis on commercial properties, such as shopping malls, and to distribute them to both institutional and retail clients. UBS Asset Management will provide expertise in REIT management as well as distribution access to Japanese pension funds, while Mitsubishi will contribute its extensive experience in Japanese real estate and access to its distribution network.

Acquisition of Taiwan-based mutual fund provider

UBS Asset Management has acquired a majority holding in Taiwan-based mutual fund provider, Fortune Securities Investment & Trust Company. The acquisition gives UBS Asset Management the ability to produce and distribute domestically-regulated mutual funds for Taiwanese investors and provides a platform to establish a solid domestic presence in a key market while raising its profile further throughout the region. Fortune's ability to attract new clients should benefit considerably from the good reputation enjoyed by UBS in Taiwan.

Investment capabilities and performance

Investment Funds performance during the third quarter was slightly positive and in line with major indices. GAM's performance was also positive as most funds continued to exceed benchmark indices during the quarter.

Results

Operating income

Lower performance fees led to a slight decrease in operating income to CHF 157 million during third quarter compared to CHF 165 million the previous quarter.

Operating expenses

Operating expenses were unchanged from the previous quarter, reflecting continued careful cost control.

Headcount

Headcount rose 48 or 5% to 1,086 at the end of September 2000, from 1,038 at the end of June, primarily due to continued investment in the third party distribution and open architecture initiatives.

Outlook

Although the competitive environment is intense, the business outlook remains favorable for Investment Funds and GAM. The expansion of distribution channels within Investment Funds is expected to be a strong driver of future revenue growth, although the cost of investments in multi-channel distribution initiatives will continue to impact profits in the coming months.

UBS Warburg

Business Group reporting

	Quarter ended			% change from		Year-to-date	
CHF million, except where indicated	**30.9.00**	30.6.00	30.9.99[1]	2Q00	3Q99	30.9.00	30.9.99[1,3]
Income	**4,458**	4,926	3,179	(10)	40	14,653	10,158
Credit loss expense	**(49)**	(40)	(69)	(23)	29	(164)	(240)
Total operating income	**4,409**	4,886	3,110	(10)	42	14,489	9,918
Personnel expenses	**2,321**	2,761	1,713	(16)	35	8,070	5,786
General and administrative expenses	**765**	727	662	5	16	2,202	1,837
Depreciation	**146**	145	156	1	(6)	431	488
Amortization of goodwill and other intangible assets	**41**	40	36	3	14	118	118
Total operating expenses	**3,273**	3,673	2,567	(11)	28	10,821	8,229
Business Group performance before tax	**1,136**	1,213	543	(6)	109	3,668	1,689

Additional information

	Quarter ended			% change from		Year-to-date	
	30.9.00	30.6.00	30.9.99	2Q00	3Q99	30.9.00	30.9.99[1,3]
Assets under management (CHF billion)[2]	**44**	37	27	19	63		
Cost / income ratio (%)[4]	**73**	75	81			74	81
Cost / income ratio before goodwill amortization (%)[4,5]	**72**	74	80			73	80

				% change from	
As of	**30.9.00**	30.6.00	31.12.99	30.6.00	31.12.99
Regulatory equity used (avg)	**10,690**	10,690	10,679	0	0
Headcount (full time equivalents)	**14,946**	14,346	14,266	4	5

[1] The 1999 figures have been restated to reflect retroactive changes in accounting policy arising from newly applicable International Accounting Standards and changes in presentation (see Note 1: Basis of Accounting). [2] As of quarter end. [3] 1999 income adjusted for the CHF 200 million significant financial event relating to the sale of the international Global Trade Finance business. [4] Before credit loss expense. [5] The amortization of goodwill and other purchased intangible assets is excluded from this calculation.

Corporate and Institutional Clients

Business unit reporting

	Quarter ended			% change from		Year-to-date	
CHF million, except where indicated	**30.9.00**	30.6.00	30.9.99[1]	2Q00	3Q99	30.9.00	30.9.99[1,2]
Income	**4,314**	4,860	2,999	(11)	44	14,223	9,765
Credit loss expense	**(48)**	(39)	(67)	(23)	28	(161)	(238)
Total operating income	**4,266**	4,821	2,932	(12)	45	14,062	9,527
Personnel expenses	**2,193**	2,601	1,596	(16)	37	7,555	5,494
General and administrative expenses	**689**	631	594	9	16	1,928	1,668
Depreciation	**135**	132	150	2	(10)	394	472
Amortization of goodwill and other intangible assets	**39**	37	31	5	26	110	102
Total operating expenses	**3,056**	3,401	2,371	(10)	29	9,987	7,736
Business unit performance before tax	**1,210**	1,420	561	(15)	116	4,075	1,791
KPI's							
Compensation / income (%)[3]	**51**	54	53			53	56
Cost / income ratio (%)[3]	**71**	70	79			70	79
Cost / income ratio before goodwill amortization (%)[3,4]	**70**	69	78			69	78
Non-performing loans/Gross loans outstanding (%)	**2.1**	2.7[5]	1.8				
Average VaR (10-day 99%)	**238**	253	197				

League table rankings

	Year-to-date	
	30.9.00	30.6.00
Global Mergers and Acquisitions completed[6]		
Rank	5	6
Market share (%)	18.2	20.3
International Equity New Issues[7]		
Rank	9	11
Market share (%)	3.7	3.8
International Bonds[7]		
Rank	5	5
Market share (%)	8.1	8
Eurobonds[7]		
Rank	1	1
Market share (%)	9.3	8.7

Additional information

				% change from	
As of	**30.9.00**	30.6.00	31.12.99	30.6.00	31.12.99
Regulatory equity used (avg)	**9,850**	9,850	10,050	0	(2)
Headcount (full time equivalents)	**13,268**	12,730	12,694	4	5

[1] The 1999 figures have been restated to reflect retroactive changes in accounting policy arising from newly applicable International Accounting Standards and changes in presentation (see Note 1: Basis of Accounting). [2] 1999 income adjusted for the CHF 200 million significant financial event relating to the sale of the international Global Trade Finance business. [3] Before credit loss expense. [4] The amortization of goodwill and other purchased intangible assets is excluded from this calculation. [5] Incorrectly reported as 2.0 in second quarter report. [6] Source: Thomson Financial Securities data. [7] Source: Capital Data Bondware.

Key Performance Indicators

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

Continued strong revenue performance and active cost management led to a pre-goodwill cost/income ratio of 70%, up less than 1% on the previous quarter and a significant improvement over the 78% recorded in third quarter 1999. UBS Warburg's ratio of personnel cost to income fell to 51% in third quarter 2000, two percentage points lower than the same period last year. UBS Warburg continues to invest in top quality professionals to help expand its capabilities and client reach and therefore aims to compensate its employees at similar levels to its global competitors.

Changes in non-personnel costs are less directly related to changes in income than personnel costs. As a percentage of income, non-personnel costs increased to 20% this quarter, from 16% in second quarter, although this is well below the third quarter 1999 level of 26%. The growth in non-personnel costs in third quarter 2000 was driven by continued investment in technology.

Market risk utilization, as measured by average Value at Risk, continued to remain well within the limit of CHF 450 million, decreasing from CHF 253 million in second quarter to CHF 238 million in the third quarter.

Corporate and Institutional Clients continues to manage its loan book closely. Total loans increased by CHF 16.6 billion from the end of second quarter 2000, reaching CHF 80.9 billion at 30 September 2000, an increase of 26%. This increase related almost solely to zero risk-weighted money market operations and Group treasury positions held by UBS Warburg. The absolute value of non-performing loans fell slightly, bringing the ratio of non-performing loans to total loans down from 2.7% to 2.1%.

Corporate and Institutional Clients will continue to use the balance sheet selectively for higher margin, value-added corporate business to support our clients.

League Table Rankings

Mergers and Acquisitions

UBS Warburg's ranking in Completed Global Mergers and Acquisitions has improved during the quarter, to fifth year-to-date from sixth at half year, with market share of 18.2%. In Announced Global Mergers and Acquisitions, UBS Warburg remained in sixth place with a market share of 11.9%.

Mergers and Acquisitions market growth has been largest in Europe this year, where UBS Warburg was ranked third in completed transactions with a market share of 35.3%. During third quarter 2000, UBS Warburg was involved as advisor in several significant global transactions, including:

- Advising the Italian internet service provider and portal company Tiscali on its recommended USD 5.4 billion offer for its Dutch rival, World Online – the largest new economy Mergers and Acquisitions deal in Europe to date.
- Advising Foster's Brewing Group on its AUD 2.6 billion purchase of California-based Beringer Wine Estates Holdings Inc. In this transaction UBS Warburg was awarded both the advisory work and the financing: underwriting an AUD 500m issue of ordinary shares and a USD 400m convertible bond issue to finance the acquisition.

Fixed Income Underwriting

UBS Warburg's ranking in the international bond markets remains good, with year to date positions of first in Eurobonds and fifth in International Bonds matching our performance at half year, and slightly increased market shares of 9.3% and 8.1% respectively. In its franchise markets, UBS Warburg has improved from fifth place at half year to third place year-to-date with a market share of 8.6%. "Franchise Markets" excludes specific segments in which UBS Warburg has chosen not to compete actively.

In addition to the Eurobond market, where UBS Warburg is the leading player, the firm has substantially improved its performance in the Global Bonds sector (bonds registered for sale both in the US and internationally), including transactions for an increasing number of American issuers. During third quarter 2000, financings were arranged for several leading US firms including IBM, Federal Home Loan Bank, Household Finance Corporation and Monumental Life Insurance Company.

The recent investment in European Leveraged Finance and US High Yield is also beginning to deliver results in terms of deal flow, revenues and league table and research rankings, with UBS

Warburg recording the biggest jump in rankings of any firm in the All America Fixed Income Research Team 2000 – ranked 8th, as compared with 20th in 1999.

Equity Underwriting

UBS Warburg continued to improve its performance in the international primary equity markets, with its ranking in International Equity New Issues increasing from 11th at half year to 9th year-to-date, with a market share of 3.7%. Our ranking in Europe remained at 8th year-to-date with a market share of 5.1%.

The relative weakness in these rankings compared to last year's performance is due to the large number of Technology, Media and Telecoms ("TMT") deals this year and UBS Warburg's relatively limited involvement in this sector. Several strategic initiatives designed to improve our long-term position have been implemented in recent months, including expansion of our capabilities in the global TMT sector, increased corporate coverage in Germany and France and enhanced product capabilities in block trades and convertibles. PaineWebber will significantly enhance the scope and scale of UBS Warburg's retail and institutional distribution capabilities in the US market for foreign and domestic issuers.

Equity research

UBS Warburg is one of the top equity research firms globally, according to Institutional Investor rankings. PaineWebber will help to cement this position, by improving the breadth of our equity research coverage in the US. UBS Warburg now has over 100 publishing analysts in the US, similar to the levels of the leading US-based firms. PaineWebber's research team provides a significant boost to our coverage strength in several key sectors, including Consumer Goods, Energy, Healthcare and Technology. Through PaineWebber, UBS Warburg has also gained Institutional Investor's top-ranked portfolio strategy analyst, who will fill a coverage gap and help to raise UBS Warburg's public profile.

e-commerce

UBS Warburg continues to enhance its e-commerce offerings as a core element of its content and execution services for institutional and corporate clients.

Approximately USD 12 billion of primary debt was raised through DebtWeb in third quarter 2000, which brings the year-to-date total to approximately USD 54 billion.

UBS Warburg marketed approximately USD 17 billion of new equity issues on DealKey during the third quarter, leveraging the enhanced capabilities introduced on the site in July 2000. The new features streamline the communication process between salespeople, traders and syndicate members, provide the salesforce with online tools to manage their client orders, and facilitate the pre-marketing and bookbuilding processes.

Client usage of ResearchWeb, UBS Warburg's leading edge site for research distribution, and IBOL, our portal for corporate and institutional clients, continues to grow, with 58% more users at 30 September 2000 than at the end of June 2000.

Institutional clients can now access UBS Warburg's equity research via electronic hand-held devices. This pioneering mobile distribution service is available on Palm OS, Windows CE and Pocket PC, and makes use of technology from mobile internet firm AvantGo. The solution satisfies the growing demand within the investment community for on the move access to broker research, and can be used in real-time via a wireless connection, or offline through synchronization with a personal computer.

UBS Warburg is one of seven of the world's largest investment banks who have joined together to create a new internet portal, TheMarkets.com. Expected to launch in December, TheMarkets.com will provide real-time access for institutional investors to proprietary equity information from each of the consortium members, including equity research, new issue information, news and market data. It will also offer direct access to participants' individual web offerings.

Results

UBS Warburg's Corporate and Institutional Clients business unit produced strong profit growth again this quarter, with pre-tax profit of CHF 1,210 million, up 116% over third quarter 1999. The consistent strong performance in each quarter this year means that pre-tax profits year-to-date have increased 128% from the same period in 1999, to CHF 4,075 million.

Operating income

Corporate and Institutional Clients generated revenues of CHF 4,314 million in third quarter 2000, an increase of 44% over third quarter 1999.

Equities revenues during third quarter 2000 were somewhat lower than in second quarter, reflecting almost exactly the reduction in market volumes during the period. The equity franchise continued to perform extremely well over the usually quieter summer months, with strong performances in European Equities, especially in the UK, and Japanese Equities. Revenues were approximately 40% higher than for the same quarter last year, largely driven by secondary client activity, although primary equities revenues also recorded their best ever quarterly performance. UBS Warburg's secondary equity sales franchise is now ranked as one of the global leaders, and the leading non-US equities house.

In Fixed Income, UBS Warburg's Governments, Derivatives, Investment Grade & Emerging Markets businesses continued to deliver strong results, ahead of expectations. The Principal Finance group continues to expand and is delivering excellent results.

In the Treasury Products business area, revenues continued to be slow in the third quarter, as in the first half of this year, although significant cost savings have been made as a result of re-engineering front-to-back processes.

Market conditions for Mergers and Acquisitions, advisory work and primary underwriting continued to be strong, driving Corporate Finance's good performance.

The recent expansion of Corporate and Institutional Clients high yield bonds and leveraged finance business has not resulted in any significant holdings of unsyndicated bond or loan positions, or material mark-downs. The business has been developed as "distribution-led", with secondary market positions carefully controlled, and, as with all UBS Warburg businesses, there are vigorous risk management policies in place. In addition, UBS Warburg has only recently begun to build its franchise in the Telecommunications, Media and Technology sector, and as such, is not significantly impacted by the recent swings in valuations and shifts in levels of client activity.

Operating expenses

Corporate and Institutional Clients continues to carefully manage its cost base, with the cost/income ratio remaining well below 1999 levels, at 71%. Personnel expenses increased 37% from the same quarter last year, to CHF 2,193 million, reflecting increased performance-related compensation. General and administrative expenses increased 16% compared to third quarter 1999, as a result of increased expenditure on technology. Overall costs are growing at a slower rate than revenues, delivering continued strong pre-tax profit growth.

Headcount

Corporate and Institutional Clients headcount rose 4% during the quarter, to 13,268, mainly due to increases in Corporate Finance and Equities.

Outlook

Client and market activity are important drivers of this business unit's performance. However, the solid institutional franchise in both equities and fixed income, combined with an expanding corporate client franchise have provided the firm with much improved sustainability and quality of earnings. Ongoing volatility in financial markets has not significantly impacted performance to date, although the current market environment remains challenging and the fourth quarter is traditionally the quietest of the year.

UBS Capital

Business unit reporting

	Quarter ended			% change from		Year-to-date	
CHF million, except where indicated	**30.9.00**	30.6.00	30.9.99[1]	2Q00	3Q99	30.9.00	30.9.99[1]
Income	**79**	4	134	–	(41)	230	254
Credit loss expense	**0**	0	0			0	0
Total operating income	**79**	4	134	–	(41)	230	254
Personnel expenses	**23**	33	37	(30)	(38)	76	78
General and administrative expenses	**10**	12	14	(17)	(29)	33	33
Depreciation	**0**	1	0	(100)		2	0
Amortization of goodwill and other intangible assets	**0**	1	1	(100)	(100)	2	4
Total operating expenses	**33**	47	52	(30)	(37)	113	115
Business unit performance before tax	**46**	(43)	82	207	(44)	117	139

KPI's				% change from	
As of	**30.9.00**	30.6.00	31.12.99	30.6.00	31.12.99
Book value (CHF billion)	**4.5**	3.8	3.0	18	50
Value creation (CHF billion)[2]	**n/a**	0.4	0.6		

Additional information					
Regulatory equity used (avg)	**500**	500	340	0	47
Headcount (full time equivalents)	**117**	113	116	4	1

[1] The 1999 figures have been restated to reflect retroactive changes in accounting policy arising from newly applicable International Accounting Standards and changes in presentation (see Note 1: Basis of Accounting). [2] Value creation is reported semi-annually, at the end of June and December.

Key Performance Indicators

The book value of UBS Capital's investments has grown from CHF 3.8 billion at the end of June 2000 to CHF 4.5 billion at the end of September 2000. It has made approximately CHF 1.5 billion of new investments and add-ons this year, significantly above the amounts in the equivalent period in 1999.

UBS Capital accounts for its private equity investments at the lower of cost or market value, showing only realized gains. As a full valuation of the portfolio is produced only every six months, value creation and unrealized gains will next be reported with UBS's fourth quarter results.

Initiatives and Achievements

In July 2000, UBS Capital established a private equity operation in Japan. This group will focus primarily on the rapidly evolving market in Japan for management buy-outs, leveraged buy-outs ("LBOs") and other restructuring opportunities. It will also assist the Technology, Media and Telecoms group in pursuing early stage investment opportunities in those important sectors.

During the third quarter, new investments of CHF 0.7 billion were made, including shareholdings in:

– The printed circuit board business of Singapore-listed Wong's Circuits (Holdings) Limited. The acquisition is the largest financial sponsor-backed LBO to be launched in the Hong Kong market.

– Katwijk Farma BV, a Dutch manufacturer of generic drugs. The company is a well established group, and represents one of Holland's leading generic and OTC drug manufacturers with a significant drug wholesale business.

– Demantra Ltd – an Israeli software development company specializing in providing internet-enabled demand management solutions which provide clients with an online, real time planning and decision-making environment.

Results

Operating income decreased 41% to CHF 79 million, from CHF 134 million in third quarter 1999. UBS Capital's income is mainly driven by the timing of divestments and can therefore vary from period to period. During second quarter 2000, the business group recorded very low income due to write-downs of the value of some under-performing investments in the portfolio.

Personnel, general and administrative expense was CHF 33 million this quarter, a decrease from the previous quarter of CHF 12 million, or 27%, mainly driven by bonus expenses. Bonuses are accrued when an investment is successfully exited, so personnel expenses move in line with divestments.

UBS Capital is gradually increasing its annual investment rate. UBS Capital has a target portfolio book value of approximately CHF 5 billion from its own investments and CHF 5 billion from third party funds.

Outlook

UBS Capital is currently preparing for the establishment of two new funds – an EUR 2 billion European fund which is due to launch in first quarter next year and a USD 1 billion Asian fund which is due to launch in third quarter 2001. These funds will help meet demand for access to private equity investments from UBS's private clients, giving them an opportunity to diversify from more traditional investments.

Private Clients

Business unit reporting

	Quarter ended			% change from		Year-to-date	
CHF million, except where indicated	**30.9.00**	30.6.00	30.9.99[1]	2Q00	3Q99	30.9.00	30.9.99[1]
Income	**70**	62	46	13	52	205	139
Credit loss expense	**(1)**	(1)	(2)	0	50	(3)	(2)
Total operating income	**69**	61	44	13	57	202	137
Personnel expenses	**73**	80	76	(9)	(4)	323	210
General and administrative expenses	**35**	45	53	(22)	(34)	150	135
Depreciation	**7**	3	6	133	17	17	16
Amortization of goodwill and other intangible assets	**1**	2	4	(50)	(75)	5	12
Total operating expenses	**116**	130	139	(11)	(17)	495	373
Business unit performance before tax	**(47)**	(69)	(95)	32	51	(293)	(236)
KPI's							
Assets under management (CHF billion)[2]	**44**	37	27	19	63		
Net new money (CHF billion)[3]	**8.1**	0.8	(0.2)	913	–	12.9	1.7
Gross AuM margin (bps)	**69**	64	65	8	6	69	67

Additional information				% change from	
As of	**30.9.00**	30.6.00	31.12.99	30.6.00	31.12.99
Regulatory equity used (avg)	**340**	340	289	0	18
Headcount (full time equivalents)	**1,177**	1,277	1,386	(8)	(15)

[1] The 1999 figures have been restated to reflect retroactive changes in accounting policy arising from newly applicable International Accounting Standards and changes in presentation (see Note 1: Basis of Accounting). [2] As of quarter end. [3] Excludes interest and dividend income.

Key Performance Indicators

Assets under management increased from CHF 37 billion at the end of the second quarter to CHF 44 billion at 30 September 2000. Performance was slightly negative, in line with market movements, but was more than offset by net new money of CHF 8 billion. The sharp changes in the quarter-on-quarter net new money trend in UBS Warburg Private Clients reflect the relatively early stage of this unit's business development. UBS Warburg Private Clients does not expect to repeat this exceptional performance in the fourth quarter.

Gross margin increased to 69 bps from 64 bps in second quarter as the positive effects of the recent restructuring began to show through.

Initiatives and Achievements

Considerable progress was made during the quarter on preparing for the integration with PaineWebber. New management structures have been agreed and new business plans are being developed.

At the same time UBS Warburg Private Clients has continued to restructure and refocus the existing onshore private client business. This restructuring, including a headcount reduction of about 250 since its announcement at the end of March, is now largely completed. Considerable cost savings have been realized, producing a firm foundation for the integration with PaineWebber, with total expenses down 26% from CHF 156 million, the underlying level in first quarter before the restructuring.

Results

Revenues in the third quarter increased by 13% to CHF 70 million, compared to CHF 62 million in the second quarter, driven by higher average assets and the positive effects of the completed restructuring in terms of management focus and staff motivation. Expenses fell CHF 14 million to

CHF 116 million, reflecting completion of the restructuring, with headcount falling by another 100 during the third quarter.

Outlook

UBS Warburg's Private Clients unit will be combined with PaineWebber's existing businesses targeting core affluent investors. The US portion of UBS Warburg's Private Clients business will be added to the existing PaineWebber US private clients business.

The European and Asia-Pacific Private Clients businesses will be combined with the e-services project, under a single management and integrated business model. UBS Warburg will leverage the management, technology and experience of PaineWebber to establish a truly advisor-centric business model, focused on core affluent and high net worth clients, building on the existing client base, content and resources.

e-services

Business unit reporting

CHF million, except where indicated	Quarter ended 30.9.00	Quarter ended 30.6.00	Quarter ended 30.9.99	% change from 2Q00	% change from 3Q99	Year-to-date 30.9.00	Year-to-date 30.9.99
Income	**(5)**	0	0			(5)	0
Credit loss expense	**0**	0	0			0	0
Total operating income	**(5)**	0	0			(5)	0
Personnel expenses	**32**	47	4	(32)	700	116	4
General and administrative expenses	**31**	39	1	(21)	–	91	1
Depreciation	**4**	9	0	(56)		18	0
Amortization of goodwill and other intangible assets	**1**	0	0			1	0
Total operating expenses	**68**	95	5	(28)	–	226	5
Business unit performance before tax	**(73)**	(95)	(5)	23	–	(231)	(5)

Additional information As of	30.9.00	30.6.00	31.12.99	% change from 30.6.00	% change from 31.12.99
Regulatory equity used (avg)	**0**	0	0		
Headcount (full time equivalents)	**384**	226	70	70	449

Initiatives and Achievements

During third quarter 2000, UBS Warburg's e-services project has delivered its pre-launch objectives in a timely and very satisfactory manner. A UK banking licence was received from the Financial Services Authority, with a passport to all European Union countries, two state-of-the-art data centers in London are functioning in the production environment and the real time e-services platform (multi-currency, multi-entity, multi-lingual) has been built and successfully tested.

Results

Following the decision to integrate the business with the Private Clients unit and realign its strategic focus, e-services' expansion plans were put on hold, reducing Personnel expenses to CHF 32 million in the third quarter, compared with CHF 47 million in the previous quarter, and General and administrative expenses from CHF 39 million in second quarter to CHF 31 million in third quarter.

Outlook

UBS Warburg intends to leverage PaineWebber's success and know-how to develop further its global private client business model, as many of the same dynamics that have fueled investment growth in the US begin to impact the wealth markets in Europe.

PaineWebber provides UBS Warburg with a unique opportunity to address the onshore high net worth and affluent private client market in Europe, extending PaineWebber's adviser-centric business model to new markets. e-services and the existing non-US business of UBS Warburg Private Clients will form the core of this new venture, with the focus on premium clients rather than the mass affluent market originally targeted by e-services.

Concentration on face-to-face relationships and supplementary online services means that providing investment advice and selling financial products via telephone call centers is no longer central to the distribution strategy. Call centers will therefore not be developed as previously planned, which will lead to significant headcount reductions.

e-services' technology will be re-deployed to support this effort, helping to provide seamless integration of online capabilities with the financial adviser/client relationship.

The multi-currency and multi-entity transaction processing back-end systems developed for e-services will be integrated with front-end technology based on PaineWebber's industry-leading online systems. The result will be a pan-European processing platform with front-end systems tailored to each country's specific needs.

As a result of this opportunity to refocus, the e-services pilot launch planned for late autumn in Germany will not now take place.

Corporate Center

Business Group reporting

	Quarter ended			% change from		Year-to-date	
CHF million, except where indicated	**30.9.00**	30.6.00	30.9.99 [1]	2Q00	3Q99	30.9.00	30.9.99 [1]
Income	**41**	50	(20) [2]	(18)	583	74	(33) [2]
Credit loss recovery	**374**	439	80	(15)	368	995	176
Total operating income	**415**	489	60	(15)	383	1,069	143
Personnel expenses	**99**	156	110	(37)	(10)	389	192
General and administrative expenses	**96**	125 [3]	(43)	(23)	323	274	57
Depreciation	**78**	62	90	26	(13)	213	213
Amortization of goodwill and other intangible assets	**10**	11	10	(9)	0	33	33
Total operating expenses	**283**	354	167	(20)	69	909	495
Business Group performance before tax	**132**	135	(107)	(2)	263	160	(352)

Additional information				% change from	
As of	**30.9.00**	30.6.00	31.12.99	30.6.00	31.12.99
Regulatory equity used (avg)	**9,750**	9,950	7,850	(2)	24
Headcount (full time equivalents)	**921**	931	862	(1)	7

[1] The 1999 figures have been restated to reflect retroactive changes in accounting policy arising from newly applicable International Accounting Standards and changes in presentation (see Note 1: Basis of Accounting). [2] Third quarter 1999 income has been adjusted for a CHF 26 million gain from our residual holding in Long Term Capital Management (LTCM). Year-to-date 1999 income has additionally been adjusted for the CHF 1,490 million sale of our 25% stake in Swiss Life / Rentenanstalt and the CHF 110 million gain on the sale of Julius Baer registered shares. [3] General and administrative expenses in the second quarter 2000 have been adjusted for the additional CHF 200 million provision relating to the US Global Settlement.

Results Discussion

Adjusted for significant financial events, Corporate Center recorded a pre-tax profit of CHF 132 million for third quarter 2000, versus a pre-tax loss of CHF 107 million for third quarter 1999 and a pre-tax profit of CHF 135 million during second quarter 2000.

The credit loss recovery booked in Corporate Center represents the difference between the adjusted expected losses charged to the business units and the actual credit loss recovery recognized in the Group financial accounts. This quarter the continued strength of the Swiss economy has allowed UBS to make a further write back of credit loss provisions of CHF 142 million. This continued better than expected credit loss performance resulted in a credit loss recovery in Corporate Center of CHF 374 million.

The results of UBS's 91.2% holding in Klinik Hirslanden AG were fully consolidated for the first time in fourth quarter 1999. This has led to an increase in operating income and expenses compared to third quarter 1999, when there was no equivalent contribution in Corporate Center.

Financial Statements

UBS Group Income Statement

CHF million, except per share data	Note	Quarter ended 30.9.00	30.6.00	30.9.99[1]	% change from 2Q00	3Q99	Year-to-date 30.9.00	30.9.99[1]
Operating income								
Interest income	3	12,480	12,682	9,353	(2)	33	36,559	25,646
Interest expense	3	(10,649)	(10,445)	(7,940)	(2)	(34)	(30,402)	(21,480)
Net interest income		1,831	2,237	1,413	(18)	30	6,157	4,166
Credit loss recovery / expense		142	208	(275)	–	–	225	(910)
Net interest income after credit loss recovery / expense		1,973	2,445	1,138	(19)	73	6,382	3,256
Net fee and commission income	4	3,865	3,756	3,066	3	26	11,700	9,250
Net trading income	5	2,368	2,691	2,097	(12)	13	8,037	6,557
Net gains from disposal of associates and subsidiaries		0	21	(6)	–	–	23	1,772
Other income	6	339	287	239	18	42	960	801
Total operating income		8,545	9,200	6,534	(7)	31	27,102	21,636
Operating expenses								
Personnel	7	3,863	4,354	3,104	(11)	24	12,739	9,923
General and administrative	7	1,503	1,743	1,391	(14)	8	4,677	3,779
Depreciation and amortization	7	476	451	426	6	12	1,423	1,290
Total operating expenses		5,842	6,548	4,921	(11)	19	18,839	14,992
Operating profit before tax and minority interests		2,703	2,652	1,613	2	68	8,263	6,644
Tax expense		621	591	374	5	66	1,878	1,525
Net profit before minority interests		2,082	2,061	1,239	1	68	6,385	5,119
Minority interests		(7)	(9)	(14)	22	50	(42)	(35)
Net profit		2,075	2,052	1,225	1	69	6,343	5,084
Basic earnings per share (CHF)[3]	8	5.15	5.24	3.07	(2)	68	16.05	12.48
Basic earnings per share before goodwill (CHF)[2, 3]	8	5.46	5.57	3.27	(2)	67	17.07	13.10
Diluted earnings per share (CHF)[3]	8	5.09	5.19	3.05	(2)	67	15.88	12.38
Diluted earnings per share before goodwill (CHF)[2, 3]	8	5.40	5.51	3.26	(2)	66	16.88	13.00

[1] The 1999 figures have been restated to reflect retroactive changes in accounting policy arising from newly applicable International Accounting Standards and changes in presentation (see Note 1: Basis of Accounting). [2] The amortization of goodwill and other purchased intangible assets is excluded from this calculation. [3] 1999 share figures are restated for the two-for-one share split, effective 8 May 2000.

UBS Group Balance Sheet

				% change from	
CHF million	**30.9.00**	30.6.00	31.12.99[1]	30.6.00	31.12.99
Assets					
Cash and balances with central banks	**2,417**	3,457	5,073	(30)	(52)
Money market paper	**71,978**	61,504	69,717	17	3
Due from banks	**25,914**	25,761	29,907	1	(13)
Cash collateral on securities borrowed	**152,551**	146,199	113,162	4	35
Reverse repurchase agreements	**174,562**	164,866	132,474	6	32
Trading portfolio assets	**223,486**	215,649	212,440	4	5
Positive replacement values	**76,344**	57,758	64,698	32	18
Loans, net of allowance for credit losses	**244,754**	233,015	234,858	5	4
Financial investments	**10,051**	9,504	7,039	6	43
Accrued income and prepaid expenses	**7,024**	5,817	5,167	21	36
Investments in associates	**862**	818	1,102	5	(22)
Property and equipment	**8,283**	8,216	8,701	1	(5)
Intangible assets and goodwill	**3,701**	3,545	3,543	4	4
Other assets	**8,306**	10,198	11,007	(19)	(25)
Total assets	**1,010,233**	946,307	898,888	7	12
Total subordinated assets	***648***	*330*	*600*	*96*	*8*
Liabilities					
Money market paper issued	**65,527**	85,409	64,655	(23)	1
Due to banks	**96,417**	75,172	76,365	28	26
Cash collateral on securities lent	**15,894**	15,334	12,832	4	24
Repurchase agreements	**261,580**	230,565	196,914	13	33
Trading portfolio liabilities	**60,694**	60,279	54,586	1	11
Negative replacement values	**92,796**	77,926	95,786	19	(3)
Due to customers	**291,627**	279,915	279,960	4	4
Accrued expenses and deferred income	**17,267**	14,492	12,040	19	43
Long-term debt	**50,558**	52,990	56,332	(5)	(10)
Other liabilities	**20,528**	21,950	18,376	(6)	12
Total liabilities	**972,888**	914,032	867,846	6	12
Minority interests	**417**	399	434	5	(4)
Shareholders' equity					
Share capital	**4,317**	4,317	4,309	0	0
Share premium account	**14,127**	14,554	14,437	(3)	(2)
Foreign currency translation	**(710)**	(557)	(442)	(27)	(61)
Retained earnings	**24,505**	22,431	20,327	9	21
Treasury shares	**(5,311)**	(8,869)	(8,023)	40	34
Total shareholders' equity	**36,928**	31,876	30,608	16	21
Total liabilities, minority interests and shareholders' equity	**1,010,233**	946,307	898,888	7	12
Total subordinated liabilities	***14,393***	*14,089*	*14,801*	*2*	*(3)*

[1] The 1999 figures have been restated to reflect retroactive changes in accounting policy arising from newly applicable International Accounting Standards and changes in presentation (see Note 1: Basis of Accounting).

UBS Group Statement of Changes in Equity

CHF million For the nine-month period ended	30.9.00	30.9.99[1]
Issued and paid up share capital		
Balance at the beginning of the period	4,309	4,300
Issue of share capital	8	6
Balance at the end of the period[2]	4,317	4,306
Share premium		
Balance at the beginning of the period (as per prior Annual Report)	13,929	13,740
Change in accounting policy	508	(123)
Balance at the beginning of the period (restated)	14,437	13,617
Premium on shares issued and warrants exercised[3]	74	9
Net premium / (discount) on treasury share and own equity derivative activity[3]	(384)	481
Balance at the end of the period	14,127	14,107
Foreign currency translation		
Balance at the beginning of the period	(442)	(456)
Movements during the period	(268)	(2)
Balance at the end of the period	(710)	(458)
Retained earnings		
Balance at the beginning of the period (as per prior Annual Report)	20,501	16,293
Change in accounting policy	(174)	(69)
Balance at the beginning of the period (restated)	20,327	16,224
Net profit for the period	6,343	5,084
Dividends paid	(2,165)	(2,050)
Balance at the end of the period	24,505	19,258
Treasury shares, at cost		
Balance at the beginning of the period (as per prior Annual Report)	(3,462)	(1,482)
Change in accounting policy	(4,561)	(3,409)
Balance at the beginning of the period (restated)	(8,023)	(4,891)
Acquisitions	(11,161)	(5,665)
Disposals	13,873	2,904
Balance at the end of the period[4]	(5,311)	(7,652)
Total shareholders' equity	36,928	29,561

[1] The 1999 figures have been restated to reflect retroactive changes in accounting policy arising from newly applicable International Accounting Standards and changes in presentation (see Note 1: Basis of Accounting). [2] Comprising 431,697,629 ordinary shares as of 30 September 2000 and 430,578,786 ordinary shares as of 30 September 1999, at CHF 10 each, fully paid. [3] In prior periods, a portion of income on own equity derivative contract activity was included in Premium/(discount) on treasury shares issued and treasury share contract activity. This amount is now included in Net premium/(discount) on treasury share and own equity derivative activity for all periods. [4] Comprising 25,069,074 ordinary shares as of 30 September 2000 and 35,449,010 ordinary shares as of 30 September 1999.

In addition to treasury shares a maximum amount of 46,253,441 unissued shares were available to be issued without further approval of the shareholders. This amount of shares consisted of 38 million authorized shares, for use in the share exchange for the PaineWebber merger, and 17,253,441 shares of conditional capital of which 17 million were available to be used for PaineWebber employee option plans. However, these two categories of shares are interrelated. Therefore the number of shares finally issued will be less than the 55 million aggregate of the possible authorized and conditional capital increases. Using the maximum of one category would automatically lead to a reduction of the other category. This means that the maximum number of shares issued under the authorized and conditional capital in relation to the PaineWebber merger could not exceed 46 million shares.

UBS Group Statement of Cash Flows

CHF million For the nine-month period ended	30.9.00	30.9.99[1]
Cash flow from / (used in) operating activities		
Net profit	6,343	5,084
Adjustments to reconcile to cash flow from / (used in) operating activities		
Non cash items included in net profit and other adjustments:		
Depreciation and amortization	1,423	1,290
Provision for credit losses	(225)	910
Income from associates	(70)	(125)
Deferred tax expense	238	279
Net gain from investing activities	(472)	(2,196)
Net increase / (decrease) in operating assets:		
Net due from / to banks	19,940	(1,611)
Reverse repurchase agreements, cash collateral on securities borrowed	(81,477)	(3,178)
Trading portfolio including net replacement values	(19,574)	(12,893)
Loans due to / from customers	1,996	7,995
Accrued income, prepaid expenses and other assets	844	129
Net increase / (decrease) in operating liabilities:		
Repurchase agreements, cash collateral on securities lent	67,728	3,773
Accrued expenses and other liabilities	7,988	(3,028)
Income taxes paid	(840)	(722)
Net cash flow from / (used in) operating activities	3,842	(4,293)
Cash flow from / (used in) investing activities		
Investments in subsidiaries and associates	(603)	(308)
Disposal of subsidiaries and associates	377	3,659
Purchase of property and equipment	(741)	(1,969)
Disposal of property and equipment	190	420
Net (investment) / divestment in financial investments	(2,623)	1,004
Net cash flow from / (used in) investing activities	(3,400)	2,806
Cash flow from financing activities		
Money market paper issued	872	15,890
Net movements in treasury shares and treasury share contract activity	2,402	(2,271)
Capital issuance	8	6
Dividends paid	(2,165)	(2,050)
Issuance of long-term debt	10,376	8,141
Repayment of long-term debt	(16,150)	(3,400)
Repayment of minority interests	(20)	(689)
Net cash flow from financing activities	(4,677)	15,627
Effects of exchange rate differences	(266)	67
Net increase / (decrease) in cash equivalents	(4,501)	14,207
Cash and cash equivalents, beginning of period	102,277	83,678
Cash and cash equivalents, end of period	97,776	97,885
Cash and cash equivalents comprise:		
Cash and balances with central banks	2,417	2,746
Money market paper	71,978	63,606
Due from banks maturing in less than three months	23,381	31,533
Total	97,776	97,885

[1] The 1999 figures have been restated to reflect retroactive changes in accounting policy arising from newly applicable International Accounting Standards and changes in presentation (see Note 1: Basis of Accounting).

Notes to the Financial Statements

Note 1 Basis of Accounting

The UBS AG consolidated financial statements are prepared in accordance with International Accounting Standards ("IAS"). These interim financial statements are presented in accordance with IAS 34 "Interim Financial Statements".

In the first half of 2000, the Group reorganized its business divisions. The segment reporting for the first nine months of 2000, as well as the comparative segment reporting for the first nine months of 1999, reflect the new Group structure.

At the Annual General Meeting of shareholders held on 18 April 2000, a two-for-one stock split was approved to be effective 8 May 2000. Accordingly, share and per share information have been adjusted to retroactively reflect the stock split.

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 1999 and for the year then ended, with the exception of the following changes in accounting policies:

IAS 37 Provisions, Contingent Liabilities and Contingent Assets
In July 1998, the International Accounting Standard Committee ("IASC") issued IAS 37, Provisions, Contingent Liabilities and Contingent Assets, which has been adopted for the Group's financial statements as of 1 January 2000. The Standard provides recognition and measurement requirements for provisions. IAS 37 also provides accounting and disclosure requirements for contingent liabilities and contingent assets.

IAS 38 Intangible Assets
In July 1998, the IASC issued IAS 38 Intangible Assets, which the Group adopted prospectively as of 1 January 2000. The standard requires the capitalization and amortization of certain intangible assets, if it is probable that the future economic benefits that are attributable to the assets will flow to the enterprise and the cost can be measured reliably.

IAS 10 (revised), Events after the Balance Sheet Date
In May 1999, the IASC issued IAS 10 (revised), Events after the Balance Sheet Date, which has been adopted for the Group's financial statements as of 1 January 2000. IAS 10 (revised) establishes requirements for the recognition and disclosure of events after the balance sheet date. The adoption of IAS 10 (revised) had no impact on any comparative financial information.

Interpretation SIC 16, Share Capital – Reacquired Own Equity Instruments (Treasury Shares)
In May 1999, the IASC issued Interpretation SIC 16, Share Capital – Reacquired Own Equity Instruments (Treasury Shares), which the Group adopted as of 1 January 2000. The interpretation provides guidance for the recognition, presentation and disclosure of treasury shares. SIC 16 applies to own shares and derivatives on own shares held for trading and non-trading purposes. SIC 16 requires own shares and derivatives on own shares to be presented as treasury shares and deducted from shareholders' equity. Gains and losses relating to the sale of own shares are recognized as a change in shareholders' equity.

As a result of the adoption of Interpretation SIC 16, financial information has been retroactively restated. Net trading income was increased by CHF 11 million for the quarter ended 30 September 1999 and was decreased by CHF 127 million for the nine-month period ended 30 September 1999. Shareholders' equity and total assets were reduced by CHF 4,227 million as of 31 December 1999 and CHF 3,601 million as of December 1998.

Offsetting of Amounts Related to Certain Contracts
In order to improve comparability with its main competitors, the Group has offset positive and negative replacement values and reverse repurchase agreements and repurchase agreements with the same counter-party for transactions covered by legally enforceable master netting agreements. This change became effective as of 1 January 2000 and all prior periods represented have been restated. Positive and negative replacement values have been reduced by CHF 66,136 million for the year ended 31 December 1999. Reverse repurchase and repurchase agreements have been reduced by CHF 12,322 million for the year ended 31 December 1999.

Interest and Dividend Income on Trading Assets
In prior periods, interest and dividend income and expense on trading assets and liabilities were

included in Net trading income. In order to improve comparability with its main competitors, the Group has included interest and dividend income and expense on trading assets and liabilities in Interest income and interest expense respectively. This change in presentation became effective 1 January 2000. The comparative financial information for 1999 has been restated to comply with this change.

Interest income was increased by CHF 4,563 million and CHF 12,707 million for the quarter ended 30 September 1999 and the nine-month period ended 30 September 1999 respectively. Interest expense was increased by CHF 4,622 million and CHF 13,378 million for the quarter ended 30 September 1999 and the nine-month period ended 30 September 1999 respectively. In addition, net trading income was increased by CHF 59 million and CHF 671 million for the quarter ended 30 September 1999 and nine-month period ended 30 September 1999 respectively.

Tax expense

In prior periods, capital taxes were included in Tax expense. Capital taxes have been reclassified from Tax expense to General and administrative expenses for all prior periods presented.

Note 2 Reporting by Business Group

The Business Group results have been 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 Group. Total revenue includes income, which is directly attributable to a Business Group whether from sales to external customers or from transactions with other segments. Revenue sharing agreements are used to allocate external customer revenues to a Business Group on a reasonable basis. Transactions between Business Groups are conducted at arms length.

For the nine-month period ended 30 September 2000

CHF million	UBS Switzerland	UBS Asset Management	UBS Warburg	Corporate Center	UBS Group
Revenues	10,685	1,465	14,653	74	26,877
Credit loss recovery [1]	(606)	0	(164)	995	225
Total operating income	10,079	1,465	14,489	1,069	27,102
Personnel expenses	3,634	646	8,070	389	12,739
General and administrative expenses	1,700	301	2,202	474	4,677
Depreciation	344	34	431	213	1,022
Amortization of goodwill and other intangible assets	52	198	118	33	401
Total operating expenses	5,730	1,179	10,821	1,109	18,839
Business Group performance before tax	**4,349**	**286**	**3,668**	**(40)**	**8,263**
Tax expense					1,878
Net profit before minority interests					**6,385**
Minority interests					(42)
Net profit					**6,343**

[1] In order to show the relevant Business Group performance over time, adjusted expected loss figures rather than the net credit expense / recovery are reported for all Business Groups. The statistically derived adjusted expected losses reflect the inherent counterparty and country risks in the respective portfolios. The difference between the statistically derived adjusted expected loss figures and the net IAS credit loss expenses recorded at Group level for financial reporting purposes is reported in the Corporate Center. The divisional breakdown of the net credit recovery / (expense) for financial reporting purposes of CHF 225 million for the nine-month period ended 30 September 2000 is as follows: UBS Switzerland CHF 543 million, UBS Warburg CHF (318) million.

For the nine-month period ended 30 September 1999 [2]

CHF million	UBS Switzerland	UBS Asset Management	UBS Warburg	Corporate Center	UBS Group
Revenues	9,582	1,013	10,358	1,593	22,546
Credit loss expense [1]	(846)	0	(240)	176	(910)
Total operating income	8,736	1,013	10,118	1,769	21,636
Personnel expenses	3,539	406	5,786	192	9,923
General and administrative expenses	1,687	198	1,837	57	3,779
Depreciation	315	22	488	213	1,038
Amortization of goodwill and other intangible assets	18	83	118	33	252
Total operating expenses	5,559	709	8,229	495	14,992
Business Group performance before tax	**3,177**	**304**	**1,889**	**1,274**	**6,644**
Tax expense					1,525
Net profit before minority interests					**5,119**
Minority interests					(35)
Net profit					**5,084**

[1] In order to show the relevant Business Group performance over time, adjusted expected loss figures rather than the net credit loss expense are reported for all Business Groups. The statistically derived adjusted expected losses reflect the inherent counterparty and country risks in the respective portfolios. The difference between the statistically derived adjusted expected loss figures and the net credit loss expenses recorded at Group level for financial reporting purposes is reported in the Corporate Center. The divisional breakdown of the net credit loss expense for financial reporting purposes of CHF 910 million for the nine-month period ended 30 September 1999 is as follows: UBS Switzerland CHF 907 million, UBS Warburg CHF 4 million, Corporate Center CHF (1) million. [2] The 1999 figures have been restated to reflect retroactive changes in accounting policy arising from newly applicable International Accounting Standards and changes in presentation (see Note 1: Basis of Accounting).

Note 3 Net Interest Income

	Quarter ended			% change from		Year-to-date	
CHF million	**30.9.00**	30.6.00	30.9.99[1]	2Q00	3Q99	30.9.00	30.9.99[1]
Interest income							
Interest earned on loans and advances to banks	**1,507**	987	1,692	53	(11)	3,586	4,159
Interest earned on loans and advances to customers	**3,913**	3,790	3,053	3	28	11,066	8,692
Interest from finance leasing	**11**	8	13	38	(15)	30	36
Interest earned on securities borrowed and reverse repurchase agreements	**4,396**	4,929	2,984	(11)	47	13,415	8,376
Interest and dividend income from financial investments	**39**	60	42	(35)	(7)	139	108
Interest and dividend income from trading portfolio	**2,554**	2,813	1,514	(9)	69	8,130	4,136
Other	**60**	95	55	(37)	9	193	139
Total	**12,480**	12,682	9,353	(2)	33	36,559	25,646
Interest expense							
Interest on amounts due to banks	**1,415**	1,130	1,781	25	(21)	3,645	3,476
Interest on amounts due to customers	**2,692**	2,269	2,109	19	28	7,145	6,169
Interest on securities lent and repurchase agreements	**3,533**	3,638	2,158	(3)	64	10,240	6,376
Interest and dividend expense from trading portfolio	**1,136**	1,435	507	(21)	124	3,860	1,585
Interest on medium and long-term debt	**1,873**	1,973	1,385	(5)	35	5,512	3,874
Total	**10,649**	10,445	7,940	2	34	30,402	21,480
Net interest income	**1,831**	2,237	1,413	(18)	30	6,157	4,166

[1] The 1999 figures have been restated to reflect retroactive changes in accounting policy arising from newly applicable International Accounting Standards and changes in presentation (see Note 1: Basis of Accounting).

Note 4 Net Fee and Commission Income

	Quarter ended			% change from		Year-to-date	
CHF million	**30.9.00**	30.6.00	30.9.99	2Q00	3Q99	30.9.00	30.9.99
Credit-related fees and commissions	**69**	65	85	6	(19)	214	300
Security trading and investment activity fees							
Underwriting fees [1]	**364**	371	220	(2)	65	954	598
Corporate finance fees [1]	**403**	444	236	(9)	71	1,164	859
Brokerage fees	**1,261**	1,257	928	0	36	4,240	2,810
Investment fund fees	**641**	658	480	(3)	34	2,001	1,405
Fiduciary fees	**86**	86	81	0	6	261	243
Custodian fees	**349**	373	490	(6)	(29)	1,075	1,278
Portfolio and other management and advisory fees [1]	**890**	809	594	10	50	2,521	1,895
Other	**15**	4	22	275	(32)	44	75
Total	**4,009**	4,002	3,051	0	31	12,260	9,163
Commission income from other services	**176**	188	208	(6)	(15)	567	575
Total fee and commission income	**4,254**	4,255	3,344	0	27	13,041	10,038
Fee and commission expense							
Brokerage fees paid	**244**	266	208	(8)	17	826	567
Other	**145**	233	70	(38)	107	515	221
Total	**389**	499	278	(22)	40	1,341	788
Net fee and commission income	**3,865**	3,756	3,066	3	26	11,700	9,250

[1] In prior periods, corporate finance related advisory fees were included in Portfolio and other management and advisory fees. These fees are now reported in the new disclosure line Corporate finance fees together with merger and acquisition fees which were previously reported in Underwriting and corporate finance fees. All prior periods have been restated accordingly.

Note 5 Net Trading Income

	Quarter ended			% change from		Year-to-date	
CHF million	**30.9.00**	30.6.00	30.9.99 [1]	2Q00	3Q99	30.9.00	30.9.99 [1]
Foreign exchange [2]	**255**	397	174	(36)	47	935	892
Fixed income	**101**	440	725	(77)	(86)	744	2,028
Equities	**2,012**	1,854	1,198	9	68	6,358	3,637
Net trading income	**2,368**	2,691	2,097	(12)	13	8,037	6,557
Trading related net interest [3]	**2,281**	2,669	1,833	(15)	24	7,445	4,551
Combined total	**4,649**	5,360	3,930	(13)	18	15,482	11,108

[1] The 1999 figures have been restated to reflect retroactive changes in accounting policy arising from newly applicable International Accounting Standards and changes in presentation (see Note 1: Basis of Accounting). [2] Includes other trading income such as banknotes, precious metals and commodities. [3] Includes Net interest and dividend income from trading portfolio and Net interest income on securities borrowed and lent and repurchase and reverse repurchase agreements, which are included in Net interest income (Note 3).

Note 6 Other Income

CHF million	Quarter ended 30.9.00	30.6.00	30.9.99	% change from 2Q00	3Q99	Year-to-date 30.9.00	30.9.99
Investments in financial assets (debt and equity)							
Net income from disposal of private equity investments	**161**	214	143	(25)	13	572	293
Net income from disposal of other financial assets	**13**	77	60	(83)	(78)	97	90
Net loss from revaluation of financial assets	**(33)**	(198)	(27)	83	(22)	(251)	(47)
Total	**141**	93	176	52	(20)	418	336
Investments in property							
Net income from disposal of properties held for resale	**7**	14	20	(50)	(65)	44	56
Net loss from revaluation of properties held for resale	**(7)**	(60)	(10)	88	30	(73)	(19)
Net income from other properties	**32**	21	18	52	78	60	51
Total	**32**	(25)	28	228	14	31	88
Equity income from investments in associates	**11**	48	23	(77)	(52)	70	125
Other	**155**	171	12	(9)	–	441	252
Total other income	**339**	287	239	18	42	960	801

Note 7 Operating Expenses

CHF million	Quarter ended 30.9.00	30.6.00	30.9.99	% change from 2Q00	3Q99	Year-to-date 30.9.00	30.9.99
Personnel expenses							
Salaries and bonuses	**3,025**	3,553	2,300	(15)	32	10,295	7,672
Contractors	**184**	166	223	11	(17)	519	609
Insurance and social contributions	**217**	225	190	(4)	14	707	562
Contribution to retirement benefit plans	**125**	118	95	6	32	363	337
Employee share plans	**24**	21	22	14	9	65	131
Other personnel expenses	**288**	271	274	6	5	790	612
Total	**3,863**	4,354	3,104	(11)	24	12,739	9,923
General and administrative expenses							
Occupancy	**211**	243	199	(13)	6	685	599
Rent and maintenance of machines and equipment	**100**	136	93	(26)	8	356	216
Telecommunications and postage	**214**	218	177	(2)	21	626	548
Administration	**165**	175	139	(6)	19	523	476
Marketing and public relations	**106**	138	85	(23)	25	315	192
Travel and entertainment	**144**	155	132	(7)	9	436	379
Professional fees	**141**	155	34	(9)	315	419	331
IT and other outsourcing	**293**	258	506	14	(42)	857	905
Other	**129**	265	26	(51)	396	460	133
Total	**1,503**	1,743	1,391	(14)	8	4,677	3,779
Depreciation and amortization							
Property, equipment and software	**350**	324	345	8	1	1,022	1,038
Goodwill and other intangible assets	**126**	127	81	(1)	56	401	252
Total	**476**	451	426	6	12	1,423	1,290
Total operating expenses	**5,842**	6,548	4,921	(11)	19	18,839	14,992

Note 8 Earnings per Share

	Quarter ended			% change from		Year-to-date	
CHF million	**30.9.00**	30.6.00	30.9.99 [1]	2Q00	3Q99	30.9.00	30.9.99 [1]
Basic earnings per share calculation							
Net profit for the period (CHF million)	**2,075**	2,052	1,225	1	69	6,343	5,084
Net profit for the period before goodwill amortization (CHF million) [2]	**2,201**	2,179	1,306	1	69	6,744	5,336
Weighted average shares outstanding:							
Registered ordinary shares	**431,697,293**	431,328,220	430,578,326	0	0	431,330,568	430,434,800
Treasury shares	**(28,873,507)**	(40,080,525)	(31,738,941)	28	9	(36,248,750)	(23,077,197) [3]
Weighted average shares for basic earnings per share	**402,823,786**	391,247,695	398,839,385	3	1	395,081,818	407,357,603
Basic earnings per share (CHF)	**5.15**	5.24	3.07	(2)	68	16.05	12.48
Basic earnings per share before goodwill amortization (CHF) [2]	**5.46**	5.57	3.27	(2)	67	17.07	13.10
Diluted earnings per share calculation							
Net profit for the period (CHF million)	**2,075**	2,052	1,225	1	69	6,343	5,084
Net profit for the period before goodwill amortization (CHF million) [2]	**2,201**	2,179	1,306	1	69	6,744	5,336
Weighted average shares for basic earnings per share	**402,823,786**	391,247,695	398,839,385	3	1	395,081,818	407,357,603
Potential dilutive ordinary shares resulting from outstanding options, warrants and convertible debt securities	**4,613,913**	4,405,372	2,174,302	5	112	4,338,966	3,184,624 [4]
Weighted average shares for diluted earnings per share	**407,437,699**	395,653,067	401,013,687	3	2	399,420,784	410,542,227
Diluted earnings per share (CHF)	**5.09**	5.19	3.05	(2)	67	15.88	12.38
Diluted earnings per share before goodwill amortization (CHF) [2]	**5.40**	5.51	3.26	(2)	66	16.88	13.00

[1] The 1999 figures have been restated to reflect retroactive changes in accounting policy arising from newly applicable International Accounting Standards and changes in presentation (see Note 1: Basis of Accounting). [2] The amortization of goodwill and other purchased intangible assets is excluded from this calculation. [3] Treasury shares have increased by 9,290,451 for the period ended 30 September 1999, due to a change in accounting policy (see Note 1: Basis of Accounting). [4] Share amount has been adjusted by 907,360 representing other potentially dilutive instruments for the period ended 30 September 1999, due to a change in accounting policy (see Note 1: Basis of Accounting).

1999 share figures are restated for the two-for-one share split, effective 8 May 2000.

Note 9 Significant Currency Translation Rates

The following table shows the significant rates used to translate the financial statements of foreign entities into Swiss francs.

	Spot rate As of			Average rate Year-to-date		
	30.9.00	30.6.00	31.12.99	**30.9.00**	30.6.00	30.9.99
1 USD	**1.73**	1.63	1.59	**1.67**	1.66	1.48
1 EUR	**1.52**	1.56	1.61	**1.57**	1.59	1.60
1 GBP	**2.53**	2.48	2.58	**2.58**	2.61	2.40
100 JPY	**1.60**	1.55	1.56	**1.57**	1.56	1.28

Note 10 Post Balance Sheet Date Events

On 3 November 2000, the previously announced merger with PaineWebber Group Inc. was completed for a total consideration of CHF 20.8 billion.

Information for Shareholders

UBS Registered Shares (Par Value CHF 10), ISIN Number CH0010740741, CUSIP Number H8920G155

Ticker symbols

Stock exchange listings	Bloomberg	Reuters	Telekurs
SWX (Swiss exchange)	UBSN SW	UBSZn.S	UBSN, 004
NYSE New York Stock Exchange	UBS UN	UBS.N	UBS, 65
Tokyo	8657 JP	UBS.T	N16631, 106

Financial calendar

Publication fourth-quarter results	Thursday, 22 February 2001
Publication of 2000 results	Thursday, 15 March 2001
Annual General Meeting	Thursday, 26 April 2001

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UBS has also produced a pilot interactive version of this Third Quarter 2000 Report. This can be viewed online in the Third Quarter Results section of the UBS Investor Relations website.

Cautionary statement regarding forward-looking statements:

This communication contains statements that constitute "forward-looking statements", including, without limitation, statements relating to the implementation of strategic initiatives, including the implementation of the integration of PaineWebber into UBS, and other statements relating to our future business development and economic performance.

While these forward looking statements represent our judgments and future expectations concerning the development of our business, a number of risks, uncertainties and other important factors could cause actual developments and results to differ materially from our expectations. These factors include, but are not limited to, (1) general market, macro-economic, governmental and regulatory trends, (2) movements in local and international securities markets, currency exchange rates and interest rates, (3) competitive pressures, (4) technological developments, (5) changes in the financial position or credit worthiness of our customers, obligors and counterparties, (6) our ability to carry out the integration of PaineWebber into UBS within the scheduled timeframe and to achieve the anticipated resulting benefits of the merger, and (7) other key factors that we have indicated could adversely affect our business and financial performance which are contained in our past and future filings and reports, including those with the SEC.

More detailed information about those factors is set forth in documents furnished by UBS and filings made by UBS or PaineWebber with the SEC. UBS is not under any obligation to (and expressly disclaims any such obligations to) update or alter its forward-looking statements whether as a result of new information, future events, or otherwise.

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