UBS

Financial Services Group

Fourth Quarter 2000 Report.

UBS Group Financial Highlights

CHF million, except where indicated	Quarter ended 31.12.00	30.9.00	31.12.99[1]	% change from 3Q00	4Q99	Year ended 31.12.00	31.12.99[1]
Income statement key figures							
Operating income	**9,300**	8,545	6,789	9	37	36,402	28,425
Operating expenses	**7,364**	5,842	5,540	26	33	26,203	20,532
Operating profit before tax	**1,936**	2,703	1,249	(28)	55	10,199	7,893
Net profit	**1,449**	2,075	1,069	(30)	36	7,792	6,153
Cost / income ratio (%)[2]	**78.4**	69.5	81.1			72.2	69.9
Cost / income ratio before goodwill (%)[2, 3]	**75.6**	68.0	79.8			70.4	68.7
Per share data (CHF)							
Basic earnings per share[4, 7]	**3.39**	5.15	2.69	(34)	26	19.33	15.20
Basic earnings per share before goodwill[3, 4, 7]	**4.02**	5.46	2.92	(26)	38	20.99	16.04
Diluted earnings per share[4, 7]	**3.34**	5.09	2.66	(34)	26	19.04	15.07
Diluted earnings per share before goodwill[3, 4, 7]	**3.95**	5.40	2.88	(27)	37	20.67	15.90
Return on shareholders' equity (%)							
Return on shareholders' equity[5]						21.5	22.4
Return on shareholders' equity before goodwill[3, 5]						23.4	23.6

As of	31.12.00	30.9.00	31.12.99[1]	% change from 30.9.00	31.12.99
Capitalization					
Shareholders' equity	**44,833**	36,928	30,608	21	46
Market capitalization	**112,666**	95,053	92,642	19	22
BIS capital ratios					
Tier 1 (%)	**11.7**	11.7	10.6		
Total BIS (%)	**15.7**	15.4	14.5		
Total assets under management (CHF billion)	**2,469**	1,746	1,744	41	42
Headcount (full time equivalents)[6]	**71,076**	48,099	49,058	48	45
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[8]

CHF million	Quarter ended 31.12.00	30.9.00	31.12.99[1]	% change from 3Q00	4Q99	Year-to-date 31.12.00	31.12.99[1]
Operating income	**9,300**	8,545	6,777	9	37	36,402	26,587
Operating expenses	**7,124**	5,842	5,542	22	29	25,763	20,534
Operating profit before tax	**2,176**	2,703	1,235	(19)	76	10,639	6,053
Net profit	**1,634**	2,075	1,059	(21)	54	8,132	4,665
Cost / income ratio before goodwill (%)[2, 3]	**73.0**	68.0	79.9			69.2	73.3
Basic earnings per share before goodwill (CHF)[3, 4, 7]	**4.45**	5.46	2.89	(18)	54	21.83	12.37
Diluted earnings per share before goodwill (CHF)[3, 4, 7]	**4.38**	5.40	2.86	(19)	53	21.50	12.26
Return on shareholders' equity before goodwill (%)[3, 5]						24.3	18.2

[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. [2] Operating expenses / operating income before credit loss expense. [3] The amortization of goodwill and other intangible assets are excluded from the calculation. [4] For EPS calculation, see Note 7 to the Financial Statements. [5] Net profit / average shareholders' equity excluding dividends. [6] The Group headcount does not include the Klinik Hirslanden AG headcount of 1,839, 1,859 and 1,853 for 31 December 2000, 30 September 2000 and 31 December 1999, respectively. [7] 1999 share figures are restated for the two-for-one share split, effective 8 May 2000. [8] Details of the Significant Financial Events are presented in the Group Review.

Except where otherwise stated, all 31 December 2000 figures throughout this report include the impact of the acquisition of PaineWebber, which occurred on 3 November 2000.

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Shareholders' Letter

Dear Shareholders,

UBS has had an excellent year, making real progress towards our strategic vision of a globally integrated investment services firm advising a premier client base, and culminating in the merger with PaineWebber. Our net profit for the year 2000 was CHF 7,792 million. Adjusted for restructuring and other one-off charges and provisions, net profit for the year rose 74% over 1999, to CHF 8,132 million. This growth reflects our increasingly distinct positioning and the skills and dedication of all our staff. In a difficult year for equity markets, we were delighted to see our share price gain 23% over twelve months.

Adjusted for significant financial events and pre-goodwill, our return on equity for the year increased to 24.3% from 18.2% in 1999. On the same basis, earnings per share increased by 76%, from CHF 12.37 in 1999 to CHF 21.83 in 2000, and the cost/income ratio fell from 73.3% to 69.2%. Assets under management increased by CHF 725 billion, to CHF 2,469 billion, boosted by the inclusion of PaineWebber which more than offset the effect of weaker equity markets in the latter part of the year.

Revenues were highest during the first quarter of the year, when the unprecedentedly active markets provided plentiful opportunities for ourselves and for our clients. But with every quarter this year showing adjusted earnings per share better than 1999's best quarter, and substantial year on year revenue growth in all our major business groups, we have also demonstrated the resilience and quality of our earnings, across varied market conditions.

Dividend

In October, we paid a dividend of CHF 4.50 per share in respect of the first three quarters of 2000, as part of the arrangements for the merger with PaineWebber. The Board of Directors now recommends a distribution in respect of the fourth quarter of the year, of CHF 1.60 per share, in the form of a par value reduction. This will bring the total distribution for the year to CHF 6.10 per share, compared to the dividend of CHF 5.50 per share for 1999.

Fourth quarter results

Net profit in the fourth quarter was CHF 1,449 million, 36% higher than in fourth quarter 1999, but 30% below the third quarter's level, reflecting the seasonal slow-down in our market-related businesses, the impact of the PaineWebber-related restructuring charges and the goodwill and funding costs arising from the PaineWebber acquisition. Adjusted for significant financial events, net profit increased 54% from fourth quarter 1999, to CHF 1,634 million. Excluding the estimated impact of the PaineWebber merger, UBS's underlying net profit adjusted for significant financial events would have fallen only 8% from third quarter, an excellent result considering the less favorable market conditions.

Again adjusted for significant financial events and pre-goodwill, fourth quarter basic earnings per share was CHF 4.45, and the cost/income ratio was 73.0%, down from 79.9% in fourth quarter 1999.

Business group highlights

UBS Switzerland's Private and Corporate Clients business unit rounded off a very successful year with another strong performance in the fourth quarter, with profit before tax of CHF 511 million, up 10% from the previous quarter. The cost benefits of the 1998 merger between UBS and SBC have made a significant contribution to improving the bottom line this year, and our highly rated on-line services give us encouraging prospects for future growth.

Private Banking continued its strong performance relative to last year, with earnings of CHF 815 million up 22% over fourth quarter 1999, driven by higher income from asset-based fees. Compared to the third quarter 2000, earnings were down only 8%, in part reflecting the cost of the launch of the new Private Banking brand campaign.

UBS Asset Management's relative investment performance has staged an impressive come back over the year, as its core price/value style out-performed growth-based strategies in the mixed equity market conditions. Phillips and Drew, UBS Asset Management's UK-based business, was ranked the top-performing UK pension fund manager for the year by Combined Actuarial Performance Services (CAPS), the leading UK performance measurement consultancy. This strong showing also raised its three year ranking from fourth quartile to second quartile.

Earnings in UBS Warburg's Corporate and Institutional Clients business unit were once again more than double those of the same quarter last year, at CHF 948 million. There was a continued strong performance from the Equities business and a very good final quarter for Corporate Finance, including the completion of a number of landmark deals. Revenues at the US Private Clients business unit, which is made up of the individual client businesses of PaineWebber, fell only 2% relative to the level in the third quarter, before the merger.

Fourth quarter strategic initiatives

The integration of PaineWebber has been completed very smoothly, with the capital markets business completely merged into our Corporate and Institutional Clients business unit, and the US private client business of UBS Warburg fully integrated into PaineWebber's management structure. In January, the Group Executive Board welcomed Joseph J. Grano, the President and Chief Executive Officer of PaineWebber, as its newest member.

The reception of the merger among PaineWebber staff has exceeded even our expectations, with negligible staff turnover. We now have an enviable platform in the US, employing 27,607 people, or almost 39% of our worldwide total.

With the launch of UBS Fund Solutions in December 2000, we took another important step forward in our move to an open product architecture. Our role as trusted advisor to our clients demands that we supplement UBS products with a screened selection of the best on offer outside UBS. PaineWebber has led the way with this approach in the US, with notable success, and we are convinced that we can translate that experience into all our private client businesses.

Outlook

The year 2000 was an outstanding one for UBS, and a good one overall for the markets. As we move into 2001, the prospects for markets and for the international credit environment are particularly difficult to predict. The recent upswing in the cycle in Switzerland does, however, afford us some protection.

We believe that our credit business is well positioned, thanks to our avoidance of balance sheet-led earnings growth, although we do not expect to see the net credit loss write-backs we experienced this year. UBS Asset Management is cautiously optimistic about prospects for growth as its core price/value investment style demonstrates its strengths in less bullish markets, and UBS Warburg has already demonstrated the quality and sustainability of its earnings in the less positive conditions of the second half of 2000.

The biggest opportunity for UBS this year lies in realizing the full transforming value of the PaineWebber merger, not only in the US, but through leveraging the marketing and client skills, product innovation and energy of our new partners to build the best wealth management firm in the world.

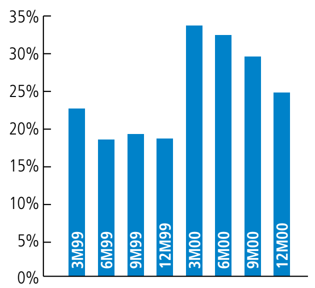
UBS AG

Alex Krauer
Chairman of the Board of Directors

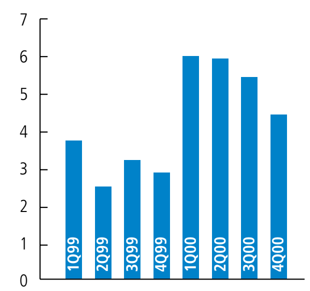
Marcel Ospel
Group Chief Executive Officer

Group Review

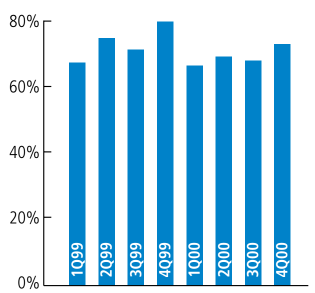
RoE[1] annualized



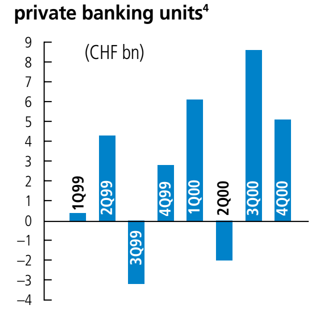
Basic EPS[2,3] (CHF)



Cost/income ratio[2]



Net new money, private banking units[4]



[1] Annualized, before goodwill amortization and adjusted for significant financial events.
[2] Before goodwill amortization and adjusted for significant financial events.
[3] Adjusted to the two-for-one share split, effective 8 May 2000.
[4] Includes Private Banking, International Private Clients and US Private Clients.

UBS Group performance against targets

Year-to-date	**31.12.00**	30.9.00[1]	31.12.99[2]
RoE (%)			
as reported	**21.5**	26.9	22.4
before goodwill and adjusted for significant financial events[3]	**24.3**	29.1	18.2
For the quarter ended	**31.12.00**	30.9.00	31.12.99[2, 4]
Basic EPS (CHF)			
as reported	**3.39**	5.15	2.69
before goodwill and adjusted for significant financial events[3]	**4.45**	5.46	2.89
Cost / income ratio (%)			
as reported	**78.4**	69.5	81.1
before goodwill and adjusted for significant financial events[3]	**73.0**	68.0	79.9

Assets under management

CHF billion	**31.12.00**	30.9.00	% Change	**Net New Money[5] 4Q00**
UBS Group[6]	**2,469**	1,746	41	
UBS Switzerland				
Private and Corporate Clients	**440**	440	0	(1)
Private Banking	**681**	707	(4)	(1)
UBS Asset Management				
Institutional Asset Management[7]	**496**	528	(6)	(5)
Investment Funds / GAM	**219**	227	(4)	3
UBS Warburg				
US Private Clients[6]	**794**			8
International Private Clients	**33**	44	(25)	(3)

[1] Annualized. [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. [3] The amortization of goodwill and other intangible assets are excluded from the calculation. [4] 1999 share figures are restated for the two-for-one share split, effective 8 May 2000. [5] Excludes interest and dividend income. [6] US Private Clients Assets under Management at 3 November 2000 were CHF 890 billion. [7] 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. UBS has seen a good overall performance against these targets since they were announced in December 1999.

Adjusted for significant financial events, our pre-goodwill return on equity for the year 2000 is 24.3%, clearly above our target range of 15–20% across periods of varying market conditions. Pre-goodwill earnings per share, again on an adjusted basis, was CHF 4.45 for fourth quarter 2000, representing an increase of 54% over fourth quarter 1999, well in excess of our target of double-digit growth across periods of varying market conditions. Over the entire year, our performance was even stronger, with adjusted pre-goodwill earnings per share growing 76% over 1999 to CHF 21.83. At 73.0% the fourth quarter pre-goodwill cost / income ratio is also well below the 79.9% recorded in fourth quarter 1999. For the year as a whole, continued focus on cost control has brought the pre-goodwill cost / income ratio down to 69.2% from 73.3% for full year 1999.

Net new money in the private client units (Private Banking, US Private Clients and International Private Clients) was CHF 18 billion for the year, compared to CHF 4 billion in 1999, and including CHF 8 billion of net new money in PaineWebber in only two months. PaineWebber's net new money growth since completion of the merger demonstrates the strength of its franchise and the momentum that it brings to UBS's asset gathering performance, helping to offset a weaker quarter for the Private Banking and International Private Clients units.

Significant Financial Events

	Quarter ended			Year ended	
CHF million	**31.12.00**	30.9.00	31.12.99	31.12.00	31.12.99
Operating income as reported	**9,300**	8,545	6,789[1]	36,402	28,425[1]
Julius Baer registered shares divestment					(110)
International Global Trade Finance divestment					(200)
Swiss Life/Rentenanstalt divestment					(1,490)
LTCM gain			(12)		(38)
Adjusted operating income	**9,300**	8,545	6,777	36,402	26,587
Operating expenses as reported	**7,364**	5,842	5,540	26,203	20,532
US Global Settlement Fund provision	**50**		(154)	(150)	(154)
Pension Fund Accounting Credit			456		456
UBS / SBC Restructuring provision			(300)		(300)
PaineWebber integration costs	**(290)**			(290)	
Adjusted operating expenses	**7,124**	5,842	5,542	25,763	20,534
Adjusted operating profit before tax and minority interests	**2,176**	2,703	1,235	10,639	6,053
Tax expense	**442**	621	161	2,320	1,686
Tax effect of significant financial events	**55**		(4)	100	(352)
Adjusted tax expense	**497**	621	157	2,420	1,334
Minority interests	**(45)**	(7)	(19)	(87)	(54)
Adjusted net profit	**1,634**	2,075	1,059	8,132	4,665

[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.

Significant Financial Events

There were two significant financial events this quarter.

UBS's previously established liability for the US Global Settlement regarding World War II related claims was offset by CHF 50 million pre-tax, as a result of contributions from Swiss industrial companies.

UBS recorded a CHF 290 million pre-tax restructuring charge relating to the integration of PaineWebber into UBS.

Details of significant financial events for the whole of 1999 and 2000 are shown in the table above.

Results Summary

Fourth quarter results, with *net profit* of CHF 1,449 million, were 36% higher than the same period in 1999, continuing the very strong relative performance recorded throughout this year, particularly in UBS Warburg.

Over the full year, net profit adjusted for significant financial events, was CHF 8,132 million, 74% higher than 1999. Excluding the identifiable effects of the PaineWebber merger, UBS estimates that full year adjusted profits would have been up approximately 80% over 1999.

Net interest income before credit loss expense was 13% more than in fourth quarter 1999 at CHF 1,973 million. Comparisons to fourth quarter 1999 principally reflect the cautious trading environment in the run up to the millennium, with trading related net interest income up 67% from fourth quarter 1999.

The increase from third quarter reflects the seasonality of coupon payments, and increases in securities lending and borrowing and repo and reverse repo activity. These effects were partially offset by the costs of funding the PaineWebber merger.

Over the full year, net interest income increased 38% to CHF 8,130 million, principally driven by the much stronger trading related performance.

Net fee and commission income was CHF 5,003 million in fourth quarter 2000, up 49% compared to fourth quarter 1999. CHF 949 million of this increase came from PaineWebber, the remainder mainly reflects strong performance in Corporate Finance and primary markets, and the contribution from two other new businesses, O'Connor, created in June 2000, and Global Asset Management, purchased at the end of fourth quarter 1999. Quarter-on-quarter, fee and commission income, adjusted for PaineWebber, increased by 5%, reflecting an excellent period for Corporate Finance fees.

Full year performance, with net fee and commission income up 32% to CHF 16,703 million, reflects these effects and also the very high level of brokerage fees in the exuberant trading markets of the first few months of 2000.

Net trading income fell 19% from third quarter 2000 to CHF 1,916 million in fourth quarter, but was up 65% compared to the same quarter last year, when performance was depressed by the cautious trading strategies employed as Year 2000 approached. The quarter-on-quarter increase in Fixed Income trading income was offset by associated increases in funding costs, recorded in net interest income. Equity trading income in fourth quarter fell 31% from the previous quarter, as an extended seasonal decline, due to the uncertainty surrounding the US presidential elections, lowered trading volumes and liquidity, and increased market volatility. Foreign exchange trading income increased slightly due to more active euro trading.

Over the whole year, net trading income increased 29% to CHF 9,953 million, as a result of increased global market activity, especially in the first quarter, and the increasing strength of UBS Warburg's secondary client franchise.

Total operating expenses of CHF 7,364 million were 33% higher than fourth quarter 1999, and 26% higher than third quarter 2000, but included two months' expenses for PaineWebber. Excluding the impact of PaineWebber, costs fell slightly from third quarter, due to lower performance-related compensation.

Full year expenses were CHF 26,203 million, or CHF 25,763 million after adjusting for significant financial events. Although this was an increase of 25% over the adjusted amount for 1999, total operating income grew considerably faster, up 37% year on year, on the same basis.

Expense growth was principally due to *Personnel expenses*, up 36% for the full year to CHF 17,163 million, driven by bonus compensation in line with the excellent results. Approximately 48% of the annual total represented bonus and other variable compensation.

Fourth quarter Personnel expenses were 38% higher than in fourth quarter 1999 excluding the impact of significant financial events, as a result of increased bonus expense, the inclusion of PaineWebber, and CHF 128 million of PaineWebber staff retention payments. Personnel expenses fell significantly compared to the third quarter (about 14%), if the identifiable effect of PaineWebber is stripped out, reflecting the alignment of performance-related compensation to the downward shift of market sentiment in the fourth quarter.

General and administrative expenses fell 10% compared to fourth quarter 1999, to CHF 2,088 million. Adjusted for significant financial events and the inclusion for the first time of PaineWebber's expenses, underlying performance was still encouraging, with General and administrative expenses falling slightly from the same quarter in the previous year. Compared to third quarter, adjusted General and administrative expenses rose, after allowing for PaineWebber, reflecting the seasonal pattern of certain cost categories.

On a full year basis, General and administrative expenses rose 11% to CHF 6,765 million, compared to operating income up 28%, reflecting successful control of non-revenue driven costs.

Depreciation and amortization increased 50% over fourth quarter 1999 to CHF 852 million. Excluding the restructuring costs involved in re-aligning the e-services initiative, this represents an increase of CHF 213 million or 38%. Amortization of goodwill and intangibles resulting from the PaineWebber merger accounted for CHF 138 million, and depreciation of PaineWebber property and equipment for another CHF 44 million.

Over the full year, depreciation and amortization increased by CHF 418 million to CHF 2,275 million, mainly due to the PaineWebber merger and the fourth quarter 1999 acquisition of GAM.

UBS Group incurred a *tax expense* of CHF 442 million for fourth quarter 2000, an effective tax rate of 22.8%. Over the full year, the tax expense was CHF 2,320 million, an effective tax rate of 22.8%, compared to an effective tax rate of 21.4% in 1999.

UBS and 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 427 million was used in fourth quarter 2000, bringing the total used in 2000 to CHF 699 million, and leaving CHF 730 million still to be used. As in the second and third quarters, the main use of the provision this quarter related to vacancy related premises costs in Corporate Center and severance costs in Private and Corporate Clients. UBS expects that the provision will be completely utilized by the end of 2001.

Credit risk

During the fourth quarter 2000, our aggregate net credit loss expense amounted to CHF 95 million. This compares to a net write-back of CHF 142 million in the third quarter 2000 and a net credit loss expense of CHF 46 million in the fourth quarter of 1999.

Continuing the experience of the previous quarters, the strength of the Swiss economy, combined with our successful recovery efforts, resulted in another, albeit smaller, net recovery of previously established loan loss provisions in UBS Switzerland. In line with the general trend observed in the international credit markets in which we operate, UBS Warburg has increased loan loss provisions, particularly in the US.

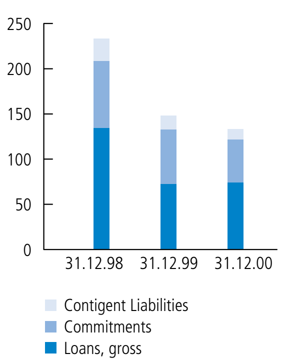
Over the last few years we have pursued a strategy of actively reducing our international credit exposure. We have cut back our international corporate lending activity and reduced our emerging markets credit exposures by selling our international trade finance operations. We have also increasingly used credit derivatives as an active means of managing and hedging our credit exposures. This strategy has positioned UBS relatively well for the less positive outlook in the international credit markets.

The UBS loan portfolio increased by CHF 4.8 billion from 30 September 2000 to CHF 287.1 billion at year end. The integration of PaineWebber's CHF 23 billion loan portfolio was offset by decreases in the loan portfolios of UBS Warburg's Corporate and Institutional Clients business unit and in UBS Switzerland. CHF 5.1 billion of the decline in UBS Switzerland's portfolio related to the assets of Solothurner Bank, sold in October 2000.

The increase in non-performing loans in UBS Warburg was more than offset by the decrease in UBS Switzerland. Non-performing loans stood at CHF 10,452 million at 31 December 2000, a decline of CHF 677 million during the quarter, and down CHF 2,621 million from the end of 1999. This reduction, and the addition of PaineWebber's mostly secured private client loan portfolio, resulted in an improvement in the non-performing loan ratio to 3.6%, compared to 3.9% at the end of the third quarter.

UBS Warburg Corporate and Institutional Clients Banking Products Exposure

CHF billion



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. PaineWebber's trading activities were integrated into UBS Warburg on completion of the merger on 3 November 2000, and their consolidated risk positions have been included in UBS's Value at Risk (VaR) from that date. The merger with PaineWebber has resulted in no significant change to UBS's market risk exposure.

Market risk for UBS Warburg, as measured by 10 day 99% confidence level VaR, decreased over the quarter mainly due to a reduction in equity trading positions. Average VaR utilization for UBS Warburg amounted to CHF 221 million, down CHF 17 million compared to the third quarter.

Potential stress loss is measured against a standard set of forward looking scenarios. Stress loss limit utilization, which is defined as the worst outcome from these stress scenarios, amounted to CHF 363 million at the end of the fourth quarter, slightly up from the end of the third quarter.

Accounting changes and restatements

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 shares held for trading purposes.
- The treatment of these shares as Treasury shares, reducing both the number of shares and the shareholders' 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 in the fourth quarter by CHF 73 million, and for the full year by CHF 248 million.

Full details of these changes were provided in our First Quarter 2000 Report and will be available in note 1 of our Financial Report 2000.

Allowances and provisions for credit risk

CHF million As of	UBS Switzerland 31.12.00	UBS Switzerland 30.9.00	UBS Asset Management 31.12.00	UBS Asset Management 30.9.00	UBS Warburg 31.12.00	UBS Warburg 30.9.00	Corporate Center 31.12.00	Corporate Center 30.9.00	UBS Group 31.12.00	UBS Group 30.9.00
Loans (gross)	**183,943**	195,000	**561**	463	**102,411**	86,654	**225**	253	**287,140**	282,370
Impaired loans [1]	**13,671**	15,209	**–**	–	**4,797**	4,377	**26**	44	**18,494**	19,630
Allowances for impaired loans	**7,281**	8,505	**–**	–	**2,399**	2,462	**5**	5	**9,685**	10,972
Of which:										
Non-performing loans	**7,872**	9,319	**–**	–	**2,554**	1,767	**26**	43	**10,452**	11,129
Allowances for non-performing loans	**4,702**	5,760	**–**	–	**2,143**	1,389	**5**	5	**6,850**	7,154
Total allowances for impaired and non-performing loans	**7,281**	8,505	**–**	–	**2,399**	2,462	**5**	5	**9,685**	10,972
Other allowances and provisions for credit and country risk	**22**	12	**–**	–	**874**	878	**–**	–	**896**	890
Total allowances and provisions	**7,303**	8,517	**–**	–	**3,273**	3,340	**5**	5	**10,581**	11,862
of which country allowances and provisions	**–**	–	**–**	–	**1,292**	1,356	**–**	–	**1,292**	1,356
Ratios										
Impaired loans as a % of gross loans [1]	**7.4**	7.8	**–**	–	**4.7**	5.1	**11.6**	17.4	**6.4**	7.0
Non-performing loans as a % of gross loans	**4.3**	4.8	**–**	–	**2.5**	2.0	**11.6**	17.0	**3.6**	3.9
Allowances and provisions for credit loss as a % of gross loans	**4.0**	4.4	**–**	–	**3.2**	3.9	**2.2**	2.0	**3.7**	4.2
Allocated allowances as a % of impaired loans [1]	**53.3**	55.9	**–**	–	**50.0**	56.2	**19.2**	11.4	**52.4**	55.9
Allocated allowances as a % of non-performing loans	**59.7**	61.8	**–**	–	**83.9**	78.6	**19.2**	11.6	**65.5**	64.3

[1] Includes non-performing loans.

Summary of 10-day 99% confidence Value at Risk

UBS Warburg

	3 Months ending 29.12.00[1]				3 Months ending 29.9.00			
CHF million	Min.	Max.	Average	**29.12.00**	Min.	Max.	Average	29.9.00
Risk type								
Equities	144.7	197.6	172.9	**146.5**	179.9	238.4	204.0	192.7
Interest rates	117.9	202.3	156.9	**132.8**	113.8	165.0	137.2	122.3
Foreign exchange	10.3	41.3	22.0	**31.6**	7.6	75.4	26.0	19.7
Precious metals	2.1	21.4	5.9	**5.3**	2.8	19.7	8.3	15.8
Diversification effect	–[2]	–[2]	(136.4)	**(129.1)**	–[2]	–[2]	(137.2)	(125.5)
Total UBS Warburg	**186.8**	**266.1**	**221.3**[3]	**187.1**	**213.2**	**261.6**	**238.4**	**224.9**

[1] Positions from PaineWebber are included from the date of acquisition, 3 November 2000. [2] As the minimum and maximum occur on different days for different risk types, it is not meaningful to calculate a portfolio diversification effect. [3] CHF 216 million relates to the Corporate and Institutional Clients business unit within UBS Warburg.

Value at Risk limits and utilization

UBS Group VaR		**Utilization**	
CHF million	limit	**29.12.00**	29.9.00
UBS Warburg	450.0	**187.1**	224.9
UBS Switzerland	50.0	**3.7**	4.0
Corporate Center	350.0	**45.3**	79.4
Reserves	100.0		
Diversification effect	n/a	**(46.5)**	(79.0)
UBS Group	600.0	**189.6**	229.3

Remark: VaR limits and utilization include interest rate exposures in the banking books of the Private Label Banks and Group Treasury.

Group initiatives

Integration of PaineWebber

PaineWebber is now completely integrated into the UBS Group. PaineWebber staff have responded very positively to the merger, with 98% of those offered positions in the new business accepting, and they have continued to show their strong commitment throughout the successful integration process.

– The capital markets activities of PaineWebber are now part of the Corporate and Institutional Clients business unit; the final technology and legal changes to implement this structure were completed in early February, and the fourth quarter results of the Corporate and Institutional Clients business unit already reflect the contribution from the ex-PaineWebber business.
– Mitchell Hutchins, PaineWebber's asset management arm, is to be renamed Brinson Advisors, and will be managed as part of UBS Asset Management.
– PaineWebber's private client business now forms the core of a new business unit in UBS Warburg, called US Private Clients for reporting purposes. This unit now also includes the US operations of the former UBS Warburg Private Clients business unit, which were integrated with the former PaineWebber business soon after the completion of the merger.
– The fourth quarter results for the US Private Clients unit include only the November and December results of the ex-PaineWebber business. The ex-UBS Warburg businesses will be included in the results of this unit from first quarter 2001; in this report they are included in the International Private Clients unit.

European wealth management

The PaineWebber merger is a transforming partnership for UBS, not just in the US, but through the strengths that PaineWebber can bring, across the private client businesses. With integration smoothly completed, UBS can focus on bringing PaineWebber's skills into the developing European wealth management business.

UBS now has scale and excellence in two different types of private client business: the brokerage model, through PaineWebber, and the banking model, through Private Banking. We are therefore uniquely positioned to combine these capabilities to provide a complete range of wealth management services to our clients. With this combination UBS can meet all the needs of a sophisticated clientele, whether banking in their home country or internationally.

UBS's strategy will focus on wealthy clients, with client self-segmentation based on content and pricing, and services designed primarily for those with more than EUR 500,000 of investable assets. We will not directly target the "mass affluent" segment in Europe.

Our domestic banking efforts will be centered on Germany, the UK, France, Italy and Spain, a scope that covers about 80% of Europe's investable assets, while our international offering will continue to be pan-European. We will extend the single brand, UBS Private Banking, from the top International private banking brand, to become the top wealth management brand within each of our targeted countries.

UBS is clearly committed to open architecture and the provision of a full range of "best of breed" investment products to all our clients. Client advisors will help to structure the appropriate range of products for each client, building portfolios to reflect their investment objectives and risk criteria. This advice-centered approach will be supported by on-line systems which combine the best of PaineWebber's client interface technology with the core banking system developed by the e-services initiative.

PaineWebber's top-class abilities in marketing, product management and innovation, technology, and training will be deployed as the key catalyst for our European businesses. UBS will accelerate the positive momentum of the existing domestic business, transferring knowledge and resources from the Private Banking business unit to add to the 170 existing advisors in Europe, and supplementing them with a program of new hires.

In order to provide a structure able to meet the total needs of each client, UBS will integrate the leadership of its private client businesses under a single management for each region. The current UBS Warburg International Private Clients business unit will therefore be transferred to the Private Banking business unit, with the European business co-headed by Richard Sipes, with 22 years of experience in PaineWebber, and Raoul Weil, with 14 years of experience in UBS Private Banking.

Private equity: development of a unique business model

During 2001, UBS will implement a unique new business model for UBS Capital, its private equity business, designed to best capture the opportunities available from the growth of the international private equity market, and the strength of demand for this asset class.

UBS Capital intends to increase the level of funding sourced from third parties, reducing its dependence on direct funding from the UBS balance sheet. To support this move towards wider participation, the new business model will center on the formation of an autonomous investment management firm known as a fund advisor. The fund advisor will be 80% owned by UBS Capital's current management and 20% by UBS, and will adopt a new corporate identity during third quarter 2001.

The explicit autonomy of this structure is particularly attractive to third party investors, and fully in line with best market practice in the private equity industry. Combined with UBS Capital's consistently impressive track record, it will provide a compelling investment proposition.

The formation of the fund advisor will have a neutral effect on the earnings stream of UBS. UBS will remain a cornerstone investor in new funds, continuing to benefit from a strong commitment to this high-return product. The new fund advisor will remain strongly affiliated with UBS. UBS's private client and investment banking businesses will retain their close links to the private equity business. Individual clients will be supplied with a full range of proprietary private equity products, while maintaining complete freedom of choice to select private equity investments from other providers. UBS Warburg will continue to benefit from IPO and M&A referrals.

In tandem with supporting this new business model, UBS will raise its target overall commitment to private equity investment from CHF 5 billion to CHF 7.5 billion.

Wolfsberg anti-money-laundering principles

UBS's reputation is one of its greatest assets, with a primary importance given to the maintenance of the highest ethical standards. As part of this commitment, UBS has joined with a group of the world's largest banks to agree a set of global anti-money-laundering guidelines for international private banks.

The new guidelines were jointly announced on 30 October 2000 by the 11 banks and Transparency International, the global anti-corruption organization. The group anticipates that the principles will become widely accepted by a growing number of financial institutions.

The principles encompass "know your customer" policies and the identification and follow-up of unusual or suspicious activities, and are designed to ensure that private banking services are only offered to clients with legitimate sources of wealth. An important working session to formulate the guidelines was held at UBS's Wolfsberg training and conference center, and the new guidelines have become known as the "Wolfsberg anti-money-laundering principles."

New definition of client assets

UBS's initiative to propose an industry standard for the measurement and reporting of client assets has been well received by investors, analysts and peers. UBS is optimistic that the International Accounting Standards Committee (IASC) will include such a standard in its revised publication of IAS 30 relating to bank-specific disclosure.

Financial impact of the PaineWebber merger

Restructuring costs

UBS has incurred a total of CHF 746 million (USD 431 million) of restructuring costs and other one-off merger-related costs as a result of the PaineWebber merger.

In accordance with IAS purchase accounting rules, CHF 456 million of these costs have been accounted for as a liability of PaineWebber and were therefore added to the goodwill amount for the transaction.

The remaining expenses, of CHF 290 million, have been charged in fourth quarter 2000, and are treated as a significant financial event. CHF 152 million was charged in the e-services business unit, representing the costs of closure of the telephone call centers and the write down of capitalized software. CHF 106 million was charged in the Corporate and Institutional Clients business unit, principally covering severance and other personnel costs. The remaining CHF 32 million was charged in Corporate Center.

Goodwill

The amount of goodwill and intangible assets resulting from the merger was USD 10.0 billion, or CHF 17.5 billion.

Within this total USD 2.7 billion relates to identified intangible assets, including the value of PaineWebber's brand and infrastructure.

The goodwill and intangible assets will be amortized over 20 years. Amortization costs amounted to CHF 138 million in the fourth quarter 2000.

Retention payments

As part of the merger, UBS agreed to make retention payments to PaineWebber financial advisors, senior executives and other staff, subject to these employees continued employment and other restrictions. These payments are expected to amount to a total of USD 875 million (CHF 1,541 million), the vast majority of which will be paid in the form of UBS shares or options. The payments will vest over periods of up to four years from the merger. USD 76 million (CHF 128 million) was charged in fourth quarter 2000, and approximately USD 280 million is expected to be charged in 2001.

Cash consideration

The cash portion of the merger consideration was USD 6.0 billion, or CHF 10.6 billion. UBS took advantage of the focus on the company in US markets as a result of the PaineWebber transaction to make its inaugural public US Fixed Income offering, issuing USD 1.5 billion of 8.622% Trust Preferred Securities on 10 October 2000.

Issue of shares to finance the PaineWebber merger

At an 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.

As announced at the completion of the merger, 40.6 million shares were delivered to PaineWebber shareholders as part of the merger consideration. UBS chose to fund this amount by issuing 12 million new ordinary shares, re-issuing 7 million shares held in Treasury and borrowing the remaining 21.6 million ordinary shares that were required.

On 6 November 2000, following completion of the merger, UBS launched a Treasury share buy-back program in Switzerland, designed principally to repurchase shares to cover the borrowings. By 31 December 2000, 14.2 million shares had been purchased through this program, and 13.8 million of them delivered to cover the borrowed shares, leaving 7.8 million borrowed shares still outstanding. UBS completed the repurchase of sufficient shares to cover all the borrowed shares on 24 January 2001, having paid an average price of CHF 262 per share.

With no requirement to issue further shares in connection with the PaineWebber merger, the green shoe option has lapsed. UBS has met its commitment to minimize the dilution of earnings and voting power, by keeping the final number of new UBS shares issued as small as possible. The weighted average number of shares in the fourth quarter was 5% higher than if the PaineWebber transaction had not occurred.

The Annual General Meeting on 26 April 2001 will be asked to give formal approval for the elimination of the remaining 26 million shares of authorized capital which were not required for the transaction. It will also be asked to reduce the conditional capital created to cover future exercise of options held by PaineWebber staff from 16.3 million to the 5.6 million required to cover the remaining outstanding options.

UBS Group's performance without the impact of PaineWebber

There are limitations to our ability to track the effect of the PaineWebber merger on the group's fourth quarter performance. Principally this is because of the full integration of PaineWebber's capital markets business into the Corporate and Institutional Clients unit. This was carried out very soon after merger completion, with staff and revenues completely integrated into the existing UBS Warburg structure. It is therefore not possible to identify clearly the specific impact of the capital markets business on results. However, the remaining PaineWebber businesses are reported as a separate business unit: US Private Clients. It is possible therefore to remove their contribution to Group profits. If additional adjustments are made for goodwill amortization, funding costs, the

Earnings adjusted for significant financial events and the estimated impact of the PaineWebber merger

	Quarter ended			% change from		Year-to-date	
CHF million	**31.12.00**	30.9.00	31.12.99	3Q00	4Q99	31.12.00	31.12.99
Operating income	**8,207**	8,545	6,777	(4)	21	35,309	26,587
Operating expenses	**5,680**	5,842	5,542	(3)	2	24,319	20,534
Operating profit before tax	**2,527**	2,703	1,235	(7)	105	10,990	6,053
Net profit	**1,905**	2,075	1,059	(8)	80	8,403	4,665
Cost/income ratio before goodwill (%)	**66.9**	68.0	79.9			67.6	73.3
Basic earnings per share before goodwill (CHF)	**5.00**	5.46	2.89	(8)	73	22.44	12.37
Diluted earnings per share before goodwill (CHF)	**4.97**	5.40	2.86	(8)	74	22.16	12.26
Return on shareholders' equity before goodwill (%)						27.5	18.2

share issuance, borrowing and subsequent repurchase, restructuring costs and retention payments, it is possible to make an approximate estimate of the underlying performance of UBS in the fourth quarter, and hence for the full year.

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

Capital Management

BIS ratio

UBS's Tier 1 capital ratio rose during the year from 10.6% at 31 December 1999 to 12.1% at the end of June 2000, despite the CHF 4 billion share buy-back program that was carried out during the first half of the year. At 30 September 2000, the ratio had decreased to 11.7%, and remained at 11.7% at year end.

7.7% of the Tier 1 capital was hybrid Tier 1 capital – the Trust Preferred securities – contributing 0.9% to the 11.7% total ratio.

Completion of the existing share buy-back program

The current share buy-back program will be terminated by UBS on 2 March 2001. Any further shares repurchased under this program will not be cancelled, but will be used for Treasury management purposes, principally to fund the Group's various employee share ownership plans.

New second-line buy-back program

Given its continuing strong capital generation, UBS intends again to repurchase shares for capital reduction purposes under a "second-line" buy-back program, aimed at institutional investors, allowing tax efficient cancellation of the shares.

This new second-line program will be available from 5 March 2001 and may run until 5 March 2002. A maximum of CHF 5 billion worth of shares could be repurchased under the program. These shares will be cancelled following approval by the Annual General Meeting in April 2002.

Share split and distribution by par value reduction

Until this year, the minimum par value allowed under law for a Swiss share was CHF 10. The share split that UBS implemented in May last year brought the par value of its share down to this level, removing any further opportunity to split the share.

Under new regulations, which are currently passing through the Swiss legislative process and are likely to become effective on 1 May 2001, the minimum par value is expected to be reduced to CHF 0.01. UBS intends to utilize this change to lower the market price per share to a level more in line with that of its global peer group, and to make a tax efficient payment to its shareholders in the form of a reduction in the nominal value of its shares.

If shareholder approval is granted, a distribution of CHF 1.60, in respect of the fourth quarter 2000, will be paid in the form of a par value reduction. This is treated in Switzerland as a return of capital to shareholders, not as income, and is therefore tax efficient for shareholders who pay tax in Switzerland. The par value reduction also has advantages for shareholders outside Switzerland, as no Swiss withholding tax is payable on it.

The distribution will reduce the par value of the share to CHF 8.40. UBS will then split its share 3 for 1, resulting in a new par value of CHF 2.80 per share.

Because of the legal and regulatory processes involved, the par value reduction is expected to take place on 18 July 2001, for holders of record on 13 July 2001. The share split will be implemented on the same day.

Outstanding shares

International Accounting Standards require a company which holds its own shares for trading or non-trading purposes to include those shares in Treasury shares and deduct them from shareholders' equity. At 31 December 2000, UBS held 18,421,783 shares or 4.1% of its outstanding capital in Treasury shares, down from 25,069,074 shares or 5.8% of its outstanding capital at 30 September 2000. These shares were purchased during the first half of 2000, in the second trading line buy-back program, and are held pending their cancellation after approval by the Annual General Meeting in April 2001.

UBS Warburg acts as a market maker in both UBS shares and derivatives. In the past it has therefore held a significant number of UBS shares as a hedge for derivatives issued to retail and institutional investors. During 2000, it changed its trading approach for these positions, reducing its direct shareholding of UBS shares, and sometimes maintaining a short position.

Net outstanding shares therefore stood at 426.0 million at 31 December 2000, compared to 413.3 million at 30 September 2000, with the change made up of the 12 million new shares issued for the PaineWebber merger and small changes in share holdings for employee share ownership programs.

UBS shares and market capitalization

	Number of shares			% change from	
As of	31.12.00	30.9.00	31.12.99	30.9.00	31.12.99
Total ordinary shares issued [1]	444,379,729	431,697,629	430,893,162	3	3
less second trading line treasury shares	18,421,783	18,421,783	0	–	–
Net shares outstanding	425,957,946	413,275,846	430,893,162	3	(1)
Market capitalization (CHF million)	112,666	95,053	92,642	19	22
Second trading line treasury shares	18,421,783	18,421,783	0	–	–
Other treasury shares	0	6,647,291	36,873,714	–	–
Total number of treasury shares	18,421,783	25,069,074	36,873,714	(27)	(50)

[1] Excludes 9,481,596 of shares to be delivered against borrowed own equity contracts, at 31 December 2000.

UBS Switzerland

Business Group reporting

	Quarter ended			% change from		Year ended	
CHF million, except where indicated	**31.12.00**	30.9.00	31.12.99[1]	3Q00	4Q99	31.12.00	31.12.99[1]
Income	**3,497**	3,411	3,179	3	10	14,182	12,761
Credit loss expense[2]	**(178)**	(183)	(225)	3	21	(784)	(1,071)
Total operating income	**3,319**	3,228	2,954	3	12	13,398	11,690
Personnel expenses	**1,125**	1,218	1,152	(8)	(2)	4,759	4,691
General and administrative expenses	**694**	537	621	29	12	2,394	2,308
Depreciation	**164**	114	145	44	13	508	460
Amortization of goodwill and other intangible assets	**10**	8	5	25	100	62	23
Total operating expenses	**1,993**	1,877	1,923	6	4	7,723	7,482
Business Group performance before tax	**1,326**	1,351	1,031	(2)	29	5,675	4,208

Additional information

Assets under management (CHF billion)	**1,121**	1,147	1,110	(2)	1		
Cost / income ratio (%)[3]	**57**	55	60			54	59
Cost / income ratio before goodwill (%)[3, 4]	**57**	55	60			54	58

				% change from	
As of	**31.12.00**	30.9.00	31.12.99	30.9.00	31.12.99
Regulatory equity used (avg)	**10,500**	10,500	10,059	0	4
Headcount (full time equivalents)	**28,785**	29,421	31,354	(2)	(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. [2] In order to show the relevant Business Unit 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. [3] Operating expenses / operating income before credit loss expense. [4] The amortization of goodwill and other intangible assets is excluded from this calculation.

e-Channels & Products

One of Europe's best online banks

UBS's innovative e-banking solutions continue to attract praise. BlueSky Ratings have again ranked UBS as the best online broker in Switzerland, while Forrester Research's recent survey put UBS as the second best online bank in Europe. Forrester analysts were particularly impressed by the comprehensive and integrated nature of UBS's e-banking service.

e-banking's penetration of UBS Switzerland's customer base continues to increase, with 555,000 e-banking contracts at the end of December, up from 534,000 at the end of September, and 22% of payment orders now transacted on-line.

e-banking gives customers comprehensive access to information, the ability to trade on all the world's major exchanges and to directly execute on-line on seven key exchanges. About 14% of UBS Switzerland's stock exchange transactions were executed on-line during fourth quarter 2000, up from 12% the previous quarter.

UBS Quotes enhanced

During the quarter, e-Channels & Products introduced new functions and features to UBS Quotes, UBS's comprehensive free on-line financial information service. Major enhancements included:

- The quotation of Swiss registered investment funds offered by third parties which, although previously tradable via UBS e-banking, could not be monitored within UBS Quotes;
- The introduction of Traders Talk – live news about stocks and markets sourced directly from the UBS Warburg trading room;
- The ability to search for securities by sector and for news based on specified keywords, date range, agency, topic or sector;
- The introduction of a quick link taking the user from an equity to the main derivative instruments based on that equity.

UBS Quotes now has the broadest coverage of any free-access financial information system, with prices for more than 320,000 different financial instruments. It received an average of 20 million page views per month during fourth quarter, down slightly from third quarter in line with market activity. UBS Quotes on WAP reflected this trend, with average daily page views falling to 8,000 during the fourth quarter.

Customer Centers

UBS Switzerland has established highly efficient e-Customer Centers. These centers, with experienced multi-lingual banking staff, are available to our clients 24 hours a day, to answer questions about any of UBS Switzerland's products and services. They currently handle in excess of 20,000 calls and 1,000 e-mails per day.

UBS is continuing to implement new customer support technologies to provide clients with simple and convenient contact channels. Facilities are now available for customers to use internet-telephony to contact the e-Customer Center directly via the internet. A "client e-supporter", to be launched in the spring, will provide an internet chat facility, allowing customers to enter their questions directly on a web-site and to receive immediate answers. Speech recognition technology will also be introduced which will allow automated user verification, based on computer recognition of the user's voice-print.

Private and Corporate Clients

Business unit reporting

	Quarter ended			% change from		Year ended	
CHF million, except where indicated	**31.12.00**	30.9.00	31.12.99[1]	3Q00	4Q99	31.12.00	31.12.99[1]
Income	**1,856**	1,784	1,746	4	6	7,443	7,193
Credit loss expense[2]	**(172)**	(175)	(214)	2	20	(759)	(1,050)
Total operating income	**1,684**	1,609	1,532	5	10	6,684	6,143
Personnel expenses	**733**	807	813	(9)	(10)	3,187	3,363
General and administrative expenses	**310**	241	241	29	29	1,058	1,123
Depreciation	**130**	97	117	34	11	419	384
Amortization of goodwill and other intangible assets	**0**	0	0			27	2
Total operating expenses	**1,173**	1,145	1,171	2	0	4,691	4,872
Business unit performance before tax	**511**	464	361	10	42	1,993	1,271
KPI's							
Assets under management (CHF billion)[3]	**440**	440	439	0	0		
Net new money (CHF billion)	**(1.3)**	1.3		–	–	0.4	
Cost / income ratio (%)[4]	**63**	64	67			63	68
Cost / income ratio before goodwill (%)[4, 5]	**63**	64	67			63	68
Non-performing loans/Gross loans outstanding (%)	**5.0**	5.6	6.6				

Additional information				% change from	
As of	**31.12.00**	30.9.00	31.12.99	30.9.00	31.12.99
Regulatory equity used (avg)	**8,550**	8,600	8,550	(1)	0
Headcount (full time equivalents)	**21,100**	21,767	24,098	(3)	(12)

[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. [2] In order to show the relevant Business Unit 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. [3] Bank transaction accounts are included. [4] Operating expenses / operating income before credit loss expense. [5] The amortization of goodwill and other intangible assets is excluded from this calculation.

Key Performance Indicators

The quality of our loan portfolio continued to develop favourably resulting in a non-performing loans ratio of 5.0% in the fourth quarter, compared to 5.6% at the end of the third quarter, and 6.6% at the end of 1999.

The improvement in the quality of our loan book during the year was the result of the ongoing growth of the Swiss economy combined with our efforts to further enhance the risk/return profile of our loan portfolio through careful selection of new credits, secondary market transactions, disposals of subsidiaries and the continued work-out of our recovery portfolio.

Assets under management were essentially stable for the year and the quarter, finishing 2000 at CHF 440 billion, up from CHF 439 billion at the end of 1999. Net new money for the quarter was CHF (1.3) billion, and CHF 0.4 billion for the year. Net new money flows during fourth quarter were impacted by the seasonal amortization of mortgage interest, amounting to CHF 1.2 billion.

Compared to the third quarter, the pre-goodwill cost/income ratio improved from 64% to 63% due to higher interest income and certain one-off disposal gains. The change for the year, to 63% from 68% in 1999 reflects both the benefits of higher fee income, and the continued tight control of costs as the benefits of the UBS/SBC merger continue to be realized.

Initiatives and Achievements

Client service initiatives

UBS continues to promote its electronic services, both to increase convenience for clients and to reduce costs to the bank. As part of this effort, UBS Switzerland has revised its account charges model. On 1 January 2001, the threshold for exemption from bank charges on personal accounts was reduced to CHF 10,000 from the current CHF 20,000 level. Charges for clients with assets below this level will reflect more closely the type and cost of services used, rewarding customers who use low cost electronic alternatives such as e-banking and the extensive UBS ATM network. It is expected to further reduce the amount of routine transactional business carried out face-to-face, giving client advisors more capacity, allowing them to intensify sales efforts and enhance the quality of the advice they can offer.

UBS Life started operation at the beginning of January, providing specially developed insurance products that cater to capital accumulation and retirement saving needs, for sale to UBS customers in Switzerland. UBS will also continue to distribute products of a select group of third party insurance companies, through an open sales architecture.

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, and enhancing products and distribution.

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 of UBS and SBC. During the fourth quarter, a further four branches were closed, bringing the post-merger reduction to 209 branches, or 38% 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. 201 BancomatPlus and 215 Multimat terminals have now been installed at strategic sites throughout Switzerland.

The introduction of a dedicated client service representative for each of their internal clients has enhanced the service our logistics areas provide, and resulted in lower headcount levels and costs. In addition, we have commenced implementation of our Desktop 2000 program, in which 35,000 PC's throughout UBS's Swiss offices are being replaced with high-tech models operating on a new single platform, thus providing higher service quality as well as a more cost-efficient and centralized end-user support function.

Loan portfolio

The Private and Corporate Clients loan portfolio reduced further in the fourth quarter, mainly as a result of the completion of the sale of Solothurner Bank, with its CHF 5.1 billion loan portfolio. Continued workout initiatives have led to a CHF 1.5 billion reduction in the recovery portfolio to CHF 15 billion at the end of the fourth quarter.

Solothurner Bank was sold in order to comply with a condition set down by the Swiss Competition Commission at the time of the merger between Union Bank of Switzerland and Swiss Bank Corporation in 1998.

Sale of real estate companies

During fourth quarter UBS Switzerland announced the sale of two real estate companies, as part of its continuing program to focus on core business activities and free up capital.

– IMPRIS AG, which manages a portfolio of office and retail premises in Geneva and Zurich, was sold to an international real-estate investment fund managed by Goldman Sachs. This transaction was the first ever in which a Swiss real estate company was purchased by a foreign investor, following a recent change in the law.
– NURESTRA SA, which manages a portfolio of 31 buildings, including some 1,000 apartments, was sold to a group of private investors.

Co-operation between Business Groups

As part of the group-wide data-center consolidation project, UBS Warburg's mainframe computer system in Stamford, used for processing world-wide foreign exchange transactions, was decommissioned and the processing moved onto systems operated by UBS Switzerland. The integration of these systems not only allows for significant cost savings but also demonstrates the ability of UBS to work on a truly global scale, creating synergies through the utilization of common technical resources across its different business groups. Further consolidation is planned later this year, with the move of UBS Warburg's London-based securities processing system onto mainframes in Zurich.

Results

Private and Corporate Clients' pre-tax profit for the fourth quarter increased 10% from the third quarter, to CHF 511 million. This excellent result was almost equal to the exceptional second quarter, and means that profit in every quarter in 2000 has been significantly higher than the best quarter in 1999.

Record pre-tax profit for the year of CHF 1,993 million was an increase of 57% over 1999, clearly demonstrating the substantial benefits of the merger between UBS and SBC for the combined domestic banking franchise.

Operating income

Private and Corporate Clients' operating income of CHF 1,684 million was CHF 75 million higher than in the third quarter, mainly due to higher interest income, which benefited from increased margins, more than offsetting the loss of revenues from Solothurner Bank ("SoBa"), which was sold in October 2000. Income was also helped by a slight improvement in statistically calculated credit loss expenses, as a result of improved asset quality and the removal of SoBa's assets, and some non-recurring revenues relating to the sales of SoBa and other small investments during the fourth quarter.

Full year operating income was up 9%, at CHF 6,684 million, primarily reflecting higher fee income, particularly in the first half of the year, and reduced credit loss expenses as the quality of the loan portfolio has improved.

Operating expenses

Total operating expenses rose 2% over third quarter 2000, to CHF 1,173 million. Personnel expenses fell slightly, reflecting lower headcount and bonus accruals, but general and administrative expenses rose, mainly as a result of increased IT costs due to the replacement of the installed PC base in Switzerland. Depreciation increased due to a change in the policy on capitalization of software costs.

Full year operating expenses in 2000 were down 4% at CHF 4,691 million, primarily due to falling personnel costs as headcount reduced. General and administrative expenses fell 6% over the year, despite our continued investments in on-line services, reflecting continued cost control efforts.

Headcount

Private and Corporate Clients' headcount declined by a further 667 to 21,100 at the end of the fourth quarter, and was down nearly 3,000 from 24,098 at the end of December 1999. The sale of Solothurner Bank led to a reduction of 413 staff in fourth quarter 2000, the transfer of Systor to UBS Capital in first quarter reduced the total by another 948, and 148 financial planning and wealth management staff were transferred to Private Banking in third quarter. The remaining reduction of 1,489 since the beginning of the year and over 2,000 since September 1999 demonstrates the continued success of our Strategic Project Portfolio in realizing UBS/SBC merger-related benefits.

Outlook

Sustained profitability during the fourth quarter, leading to a record pre-tax result for the full year, reflects our determination to continually enhance the profitability of this domestic franchise. We are confident that, assuming the Swiss economic environment remains benign, we can continue this progress through 2001.

Private Banking

Business unit reporting

CHF million, except where indicated	Quarter ended 31.12.00	Quarter ended 30.9.00	Quarter ended 31.12.99[1]	% change from 3Q00	% change from 4Q99	Year ended 31.12.00	Year ended 31.12.99[1]
Income	**1,641**	1,627	1,433	1	15	6,739	5,568
Credit loss expense[2]	**(6)**	(8)	(11)	25	45	(25)	(21)
Total operating income	**1,635**	1,619	1,422	1	15	6,714	5,547
Personnel expenses	**392**	411	339	(5)	16	1,572	1,328
General and administrative expenses	**384**	296	380	30	1	1,336	1,185
Depreciation	**34**	17	28	100	21	89	76
Amortization of goodwill and other intangible assets	**10**	8	5	25	100	35	21
Total operating expenses	**820**	732	752	12	9	3,032	2,610
Business unit performance before tax	**815**	887	670	(8)	22	3,682	2,937
KPI's							
Assets under management (CHF billion)	**681**	707	671	(4)	1		
Net new money (CHF billion)[4]	**(0.7)**	0.5	1.0			(0.7)[3]	0.7[3]
Gross AuM margin (bps)	**95**	94	89	1	7	98	90
Cost / income ratio (%)[5]	**50**	45	52			45	47
Cost / income ratio before goodwill (%)[5, 6]	**49**	44	52			44	46

Additional information

As of	31.12.00	30.9.00	31.12.99	% change from 30.9.99	% change from 31.12.99
Regulatory equity used (avg)	**1,950**	1,900	1,509	3	29
Headcount (full time equivalents)	**7,685**	7,654	7,256	0	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. [2] In order to show the relevant Business Unit 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. [3] Net new money for 2000 and 1999 does not agree to the sum of the previously published figures for the four quarters due to rounding. [4] Excludes interest and dividend income. [5] Operating expenses / operating before credit loss expense. [6] The amortization of goodwill and other intangible assets is excluded from this calculation.

Key Performance Indicators

Assets under management decreased from CHF 707 billion to CHF 681 billion during the fourth quarter due to weak equity markets and the fall of the USD against the CHF. Some 40% of Private Banking's assets under management are USD denominated. Since the end of 1999, assets under management have increased by CHF 10 billion.

Net new money remains weak, with net outflows of CHF 0.7 billion in the fourth quarter.

Gross margin for the year, at 98 bps, partly reflects the very strong performance in the exceptional market situation of the first quarter. The more recent rates of 95 bps in second and fourth quarters, and 94 bps in third quarter, represent a solid improvement over the average of 90 bps recorded in 1999.

The fourth quarter pre-goodwill cost/income ratio of 49% was an improvement on the 52% recorded in fourth quarter 1999, but rose from 44% in third quarter 2000, primarily due to temporary increases in IT project costs and the launch of the Private Banking brand campaign. Over the whole year the pre-goodwill cost/income ratio fell to 44%, from 46% in 1999, as non-personnel expenses remained under tight control.

Initiatives and Achievements

UBS Fund Solutions

In December, Private Banking took a major step forward in the development of its open-product architecture with the launch of UBS Fund Solutions. This offers access to a pre-screened selection of "best in class" investment funds from a range of UBS and third party fund managers, helping clients obtain the best funds from a "confusing universe".

The entire population of funds available for sale in Switzerland is screened by the Investment Center. Each individual client then receives a tailored sub-set of the screened funds, selected by their client advisor to suit their investment objectives and risk appetite, and pays an all-in "wrap" fee, based on the level of assets.

UBS is committed to expanding the range and choice of funds available to its clients, using its sophisticated screening process so that the quality of funds offered is maintained.

Launch of GAM Funds and Discretionary Portfolio Management

As part of UBS's commitment to expanding the range of choices available to its clients, GAM funds and GAM's discretionary portfolio management service are now available to Private Banking clients in Switzerland. GAM's multi-manager selection process complements UBS's range of funds in both the diversity of styles and asset classes covered.

GAM funds are also included in the UBS Fund Solutions screening process.

Marketing initiatives

UBS Private Banking has launched a global advertising campaign, featuring the UBS Verbier Festival Youth Orchestra in concert. The advertisements show how an accomplished orchestra and our expert Private Banking team have similar values, ranging from a passion for professionalism to the precision of their performance.

In November, UBS Private Banking and UBS Warburg welcomed 200 external asset managers (EAM's) to the first annual UBS EAM Conference, focusing this year on investment opportunities in the Life Sciences sector. EAM's are third-party investment advisors, generally individuals or small firms, who maintain their own client relationships but make extensive use of UBS's products and services to support their businesses.

Results

The CHF 815 million fourth quarter profit was 8% lower than in the third quarter, primarily due to higher marketing and technology costs. Full year performance, with pre-tax profits up 25% to CHF 3,682 million, reflects strong markets in the early part of 2000, and the margin-enhancing benefits of introducing more added-value products during the year.

Operating income

Private Banking's operating income of CHF 1,635 million was 1% higher than the third quarter, despite a less buoyant market environment which impacted brokerage income.

The increase in gross margin to 98 bps for the full year, resulted in income in 2000 of CHF 6,714 million, 21% higher than in 1999. Revenue quality has also improved with asset based fees growing faster over the year than transaction-based fees.

Operating expenses

Total operating expenses of CHF 820 million were CHF 88 million higher than in third quarter 2000. Personnel expenses decreased by CHF 19 million compared to the third quarter, primarily due to lower performance-related compensation. This was off-set by an increase of 30% in General and administrative expenses, mainly due to temporarily higher IT project and infrastructure-related costs, as well as expenses relating to the fourth quarter launch of our global brand campaign.

Full year operating expenses were CHF 3,032 million, CHF 422 million higher than in 1999. Personnel expenses increased CHF 244 million, in line with headcount growth and higher performance-related compensation. General and administrative expenses increased CHF 151 million due to higher IT and processing costs.

Headcount

Headcount at year end 2000 was 7,685, representing an increase of 31 during fourth quarter, with a continuation of our policy of shifting resources to client-facing roles and reducing the number of support staff.

Full year headcount growth of 429 was mainly the result of the transfer of financial planning and wealth management staff from Private and Corporate Clients, and the completion in first quarter 2000 of previous initiatives to strengthen product capabilities.

During the year, client advisor turnover returned to a level consistent with experience before the UBS/SBC merger.

Outlook

Private Banking has lifted pre-tax profits by 25% to a record level in the year 2000. We believe that the trends of increasing asset-based revenues and sustained margins can continue into 2001. In particular, the recent volatility in equity markets provides a reminder of the value of the expert advice which is at the center of UBS Private Banking's philosophy. Our increased emphasis on asset gathering initiatives, our commitment to providing our clients with innovative products and services from within and outside UBS, and our partnership with PaineWebber, make us confident for the future and a good result in 2001.

UBS Asset Management

Business Group reporting

	Quarter ended			% change from		Year ended	
CHF million, except where indicated	**31.12.00**	30.9.00	31.12.99[1]	3Q00	4Q99	31.12.00	31.12.99[1]
Income	**488**	493	356	(1)	37	1,953	1,369
Credit loss expense	**0**	0	0			0	0
Total operating income	**488**	493	356	(1)	37	1,953	1,369
Personnel expenses	**234**	225	110	4	113	880	516
General and administrative expenses	**138**	105	73	31	89	439	271
Depreciation	**15**	12	10	25	50	49	32
Amortization of goodwill and other intangible assets	**65**	67	30	(3)	117	263	113
Total operating expenses	**452**	409	223	11	103	1,631	932
Business Group performance before tax	**36**	84	133	(57)	(73)	322	437

Additional information

Assets under management (CHF billion)	**522**	555	598	(6)	(13)		
Cost / income ratio (%)[2]	**93**	83	63			84	68
Cost / income ratio before goodwill (%)[2, 3]	**79**	69	54			70	60

				% change from	
As of	**31.12.00**	30.9.00	31.12.99	30.9.00	31.12.99
Regulatory equity used (avg)	**1,250**	1,250	162	0	672
Headcount (full time equivalents)	**2,860**	2,811	2,576	2	11

[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. [2] Operating expenses / operating income before credit loss expense. [3] The amortization of goodwill and other intangible assets is excluded from this calculation.

Changes to Reporting Structure in 2001

As a result of the integration initiatives that have taken place since the formation of UBS Asset Management in February 2000, the Investment Funds/GAM and Institutional Asset Management units are increasingly managed as a single business.

While GAM's distinct identity is still maintained, the other investment units share an integrated investment management and research function. Institutional Asset Management's regional business areas increasingly market GAM and UBS investment funds to institutions, and many of the two units' costs are managed together.

To reflect these changes UBS Asset Management will be reported as a single business group, from first quarter 2001, without being split into business units. In order to maintain transparency of performance in the two business lines, disclosure will clearly segment institutional and non-institutional income and client assets.

Institutional Asset Management

Business unit reporting

	Quarter ended			% change from		Year ended	
CHF million, except where indicated	**31.12.00**	30.9.00	31.12.99[1]	3Q00	4Q99	31.12.00	31.12.99[1]
Income	**327**	336	285	(3)	15	1,301	1,099
Credit loss expense	**0**	0	0			0	0
Total operating income	**327**	336	285	(3)	15	1,301	1,099
Personnel expenses	**164**	168	97	(2)	69	631	458
General and administrative expenses	**80**	60	57	33	40	243	178
Depreciation	**8**	7	7	14	14	27	25
Amortization of goodwill and other intangible assets	**44**	43	30	2	47	173	113
Total operating expenses	**296**	278	191	6	55	1,074	774
Business unit performance before tax	**31**	58	94	(47)	(67)	227	325
Assets under management (CHF billion)	**496**	528	574	(6)	(14)		
Net new money (CHF billion)	**(4.9)**	(9.1)	(16.8)	46	71	(66.6)	(50.1)
Gross AuM margin (bps)[2]	**36**	35	26	3	38	33	25
Cost / income ratio (%)[3]	**91**	83	67			83	70
Cost / income ratio before goodwill (%)[3, 4]	**77**	70	56			69	60

Additional information				% change from	
As of	**31.12.00**	30.9.00	31.12.99	30.9.00	31.12.99
Regulatory equity used (avg)	**500**	500	160	0	213
Headcount (full time equivalents)	**1,728**	1,725	1,653	0	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. [2] Revenues divided by average assets under management, for the institutional portion of the business only. [3] Operating expenses / operating income before credit loss expense. [4] The amortization of goodwill and other intangible assets is excluded from this calculation.

Key Performance Indicators

During the fourth quarter, total assets under management decreased from CHF 528 billion to CHF 496 billion, primarily a result of the fall of the US dollar, yen and pound against the CHF and generally retreating equity markets. Institutional assets decreased from CHF 326 billion to CHF 300 billion at 31 December 2000.

Net new money outflows moderated further this quarter, as losses of equity mandates continued to decline, and have decreased substantially compared to the first half of the year. Net outflows of CHF 4.9 billion in the fourth quarter reflected improvement in both institutional and non-institutional asset flows. Client losses continued to be concentrated primarily within US, and to a lesser degree UK mandates, reflecting past investment performance issues.

Over the full year, assets under management decreased 14%, to CHF 496 billion, with the majority of the decline due to client losses in the institutional business, particularly in the earlier part of the year.

The gross margin in the fourth quarter was 36 bps, an increase of 1 bp over the third quarter. The rise since 1999 reflects the contributions from the higher margin O'Connor and Allegis businesses. The cost/income ratio before goodwill increased to 77% from 70% in third quarter 2000 as a result of spending on strategic initiatives to expand our global reach, and lower asset-based revenues.

Initiatives and Achievements

Investment capabilities and performance

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

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

Fixed income refocus

UBS Asset Management has strengthened its efforts to develop and market its fixed income capabilities. This initiative is designed to capitalize on its consistently strong historic investment performance, and leverage its globally integrated fixed income platform that extends from the investment grade, sovereign and corporate classes to high yield and emerging markets debt.

To support these efforts, investments in technology and people have been increased to strengthen quantitative modeling systems. Additionally, the spectrum of capabilities available to institutional clients has been expanded, including the development of offerings benchmarked against the new Lehman Universal index, which encompasses US investment grade, high yield and emerging market debt.

Expansion of growth equity capabilities

The US growth equity team's large capitalization growth fund is ahead of benchmarks over a 1 and 3 year period and its US small capitalization growth portfolio has recently done extremely well, outperforming its benchmark by almost 45% in 2000.

Institutional Asset Management intends to expand on this successful US growth capability by launching global growth funds. We anticipate significant institutional interest in these capabilities.

O'Connor initiative

Since its launch in June 2000, O'Connor's assets under management have grown strongly, with excellent net new money flows in the second half of the year. O'Connor focuses on alternative asset management, employing investment strategies designed to provide attractive risk-adjusted returns with a low correlation with traditional investments, and drawing on the expertise of both UBS Asset Management and UBS Warburg.

Continued net new money flows are likely as the business is committed to aggressive expansion through the addition of innovative new investment vehicles. New investment vehicles are in development within the Equities, Currency and Rates, and Fund of Funds classes with the first new funds expected to be rolled out in the first half of 2001.

Results

Institutional Asset Management's pre-tax profit fell 47% from third quarter 2000, to CHF 31 million, primarily driven by higher costs due to investment in strategic initiatives.

The full year pre-tax profit of CHF 227 million was 30% lower than 1999. Despite asset losses in the core institutional business, income increased as a result of the launch of the O'Connor business and the acquisition of UBS Realty Investors (formerly Allegis); but this was more than offset by higher performance-related personnel expenses, goodwill amortization relating to UBS Realty Investors and increased general and administrative expenses.

Operating income

Operating income declined 3% compared to the previous quarter, to CHF 327 million. Institutional income decreased slightly from CHF 285 million in the third quarter 2000, to CHF 283 million. Non-institutional operating income declined CHF 7 million from the previous quarter, to CHF 44 million, as a result of lower fees from UBS Switzerland, following the launch of their Investment Center.

Over the full year, operating income increased CHF 202 million, or 18%, to CHF 1,301 million. Operating income increased as a result of the acquisition of UBS Realty Investors and the addition of the O'Connor business formed in June 2000, partially offset by lost revenue resulting from client losses.

Operating expenses

Operating expenses increased CHF 18 million from the previous quarter to CHF 296 million. General and administrative expenses increased CHF 20 million to CHF 80 million in the fourth quarter, principally as the result of European office expansion and investment in new projects. Personnel costs fell slightly during the quarter to CHF 164 million as a result of reduced performance-related compensation.

Full year expenses increased by CHF 300 million, to CHF 1,074 million, due to the addition of UBS Realty Investors and O'Connor, and other growth initiatives.

Headcount

Headcount was stable, ending the quarter at 1,728. Over the year, headcount increased by 75, mostly due to the creation of the O'Connor business.

Outlook

With the strong relative investment performance in 2000, a strengthened investment management platform, and successful initiatives including the full integration of Brinson and Phillips & Drew behind us, we are optimistic for 2001. While we must continue to provide competitive investment returns to fully realize the financial benefits of this success, we believe the future asset development trend is encouraging. In the short-term, small net client losses may continue but with favorable investment performance and diversification, a return to healthy growth rates in both client assets and earnings seem a realistic prospect.

Investment Funds / GAM

Business unit reporting

CHF million, except where indicated	Quarter ended			% change from		Year ended	
	31.12.00	30.9.00	31.12.99[1]	3Q00	4Q99	31.12.00	31.12.99[1]
Income	**161**	157	71	3	127	652	270
Credit loss expense	**0**	0	0			0	0
Total operating income	**161**	157	71	3	127	652	270
Personnel expenses	**70**	57	13	23	438	249	58
General and administrative expenses	**58**	45	16	29	263	196	93
Depreciation	**7**	5	3	40	133	22	7
Amortization of goodwill and other intangible assets	**21**	24	0	(13)	–	90	0
Total operating expenses	**156**	131	32	19	388	557	158
Business unit performance before tax	**5**	26	39	(81)	(87)	95	112
KPI's							
Assets under management (CHF billion)	**219**	227	225	(4)	(3)		
Net new money (CHF billion)	**2.8**	0.2	(1.3)	–	–	4.4	1.3
Gross AuM margin (bps)[2]	**37**	37	23	0	61	38	24
Cost / income ratio (%)[3]	**97**	83	45			85	59
Cost / income ratio before goodwill (%)[3, 4]	**84**	68	45			72	59

Additional information

As of	**31.12.00**	30.9.00	31.12.99	% change from 30.9.00	% change from 31.12.99
Regulatory equity used (avg)	**750**	750	2	0	–
Headcount (full time equivalents)	**1,132**	1,086	923	4	23

[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. [2] All non-institutional revenues, including those booked in Institutional Asset Management, divided by average assets under management. [3] Operating expenses / operating income before credit loss expense. [4] The amortization of goodwill and other intangible assets is excluded from this calculation.

Key Performance Indicators

Assets under management decreased from CHF 225 billion at 31 December 1999 and CHF 227 billion at 30 September 2000, to CHF 219 billion at year end 2000. In both cases, the decline was largely a result of currency and market movements. Net new money was CHF 2.8 billion during the fourth quarter, reflecting the funds' improved relative performance, and CHF 4.4 billion for the year as whole.

The cost/income ratio before goodwill increased from 68% during the third quarter to 84% in the fourth quarter 2000 reflecting higher costs related to spending on new business initiatives, chiefly targeted at marketing investment funds outside UBS. Over the year, the ratio increased from 59% to 72% as a result of the inclusion of GAM and spending on third party distribution initiatives.

The gross margin for the year, at 38 bps, is significantly higher than the 24 bps recorded in 1999, principally due to the contribution from GAM.

Initiatives and Achievements

Investment capabilities and performance

Over the past few months, UBS investment funds, and especially equity funds, have benefited from the change in market attitude towards a more value-oriented approach. Over the past six months, 53% of Swiss registered UBS equity funds outperformed their peer group, while in the fourth quarter this figure increased to 65%.

GAM's range of specialist multi-manager and hedge funds continued to provide outstanding performance, and the market volatility seen in recent months has strengthened their appeal. GAM's in-house fund managers delivered strong relative performance across a range of long-only funds, despite difficult market conditions. Private client portfolios performed well and new business development has improved. Initiatives to promote GAM's specialist capabilities to the Swiss institutional market have seen success, and the opening of a GAM office in Kuwait responding to the strong demand for GAM's products and services in the Middle East.

Investment funds pricing

In recognition of the competitive dynamics of the investment fund market, Investment Funds has increased all-in fees for all asset classes except real estate. This change will still leave UBS investment funds competitively priced in Switzerland and our other core markets, but will provide enhanced revenues for continued investment in customer service and more convenient channels. The fee increase is being introduced on a progressive basis between mid-January and May 2001, and is expected to have only a marginal effect on overall net fund performance.

UBS Alternative Portfolio

On 31 October, UBS Investment Funds launched UBS Alternative Portfolio AG combining the comprehensive alternative investment capabilities of UBS Asset Management into one pooled investment vehicle. Designed primarily as a unique vehicle to provide convenient access for institutions and Private Banking clients to access our broad range of alternative capabilities, the portfolio's assets will be allocated across the private equity, timber and real estate sectors, along with O'Connor and GAM funds.

Acquisition of Fondvest

UBS Asset Managment completed the acquisition of Fondvest AG during fourth quarter. Fondvest specializes in open fund distribution, giving banks, insurance companies and other asset managers a simple way to offer their clients a comprehensive and independent range of third party funds from a single source.

funds@ubs

The launch during fourth quarter of our third party distribution initiative funds@ubs, in partnership with Lufthansa Miles and More, was very successful, with the number of inquiries received exceeding expectations. Plans for further expansion of this initiative continue, with a second partner expected in Germany in second quarter 2001.

UBS's potential as a supplier of investment fund products to third parties is underlined by a recent survey of financial institutions by market research firm Sector Analysis. It ranked UBS's brand attractiveness as a supplier of third party funds as fourth in Europe.

Results

The fall in pre-tax profit, down CHF 21 million from third quarter, reflected continued investment in third party distribution and other growth initiatives.

Operating income

Operating income increased CHF 4 million from the previous quarter to CHF 161 million, mainly as a result of the acquisition of Fondvest and of Fortune Securities & Investment Trust Company during the fourth quarter 2000. Over the full year, operating income increased 141% to CHF 652 million, primarily due to the acquisition of GAM.

Operating expenses

Operating expenses increased CHF 25 million from the previous quarter to CHF 156 million. Increased costs were primarily a result of strategic initiatives including the funds@ubs roll-out and the related purchase of Lufthansa air miles, as well as the acquisitions of Fondvest and Fortune. Increased IT, advertising and marketing spending also contributed to increased operating expenses.

Over the full year, expenses increased 253% to CHF 557 million, reflecting the acquisition of GAM and spending on other strategic initiatives, including third-party distribution.

Headcount

Headcount rose 46 during the fourth quarter to 1,132 at the end of December 2000, mainly as a result of the Fondvest acquisition. The increase of 209 during the year was largely due to distribution initiatives, expansion at GAM and the acquisition of Fondvest.

Outlook

As UBS opens its investment architecture further, UBS Investment Funds and GAM will be competing actively for investment flows both inside and outside UBS, capitalizing on their strong brand recognition.

The expansion of distribution channels and the revised pricing structure are 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 ended	
CHF million, except where indicated	**31.12.00**	30.9.00	31.12.99[1]	3Q00	4Q99	31.12.00	31.12.99[1]
Income	**5,126[4]**	4,458	2,883	15	78	19,779[4]	13,041[5]
Credit loss expense[2]	**(83)**	(49)	(93)	(69)	11	(247)	(333)
Total operating income	**5,043**	4,409	2,790	14	81	19,532	12,708
Personnel expenses	**2,846[3]**	2,321	1,492	23	91	10,916[3]	7,278
General and administrative expenses	**1,206[3]**	765	843	58	43	3,408[3]	2,680
Depreciation	**221[3]**	146	171	51	29	652[3]	659
Amortization of goodwill and other intangible assets	**180[4]**	41	36	339	400	298[4]	154
Total operating expenses	**4,453**	3,273	2,542	36	75	15,274	10,771
Business Group performance before tax	**590**	1,136	248	(48)	138	4,258	1,937

Additional information

Assets under management (CHF billion)[6]	**827**	44	36	–	–		
Cost / income ratio (%)[7]	**87**	73	88			77	83
Cost / income ratio before goodwill (%)[7, 8]	**83**	72	87			76	81

				% change from	
As of	**31.12.00**	30.9.00	31.12.99	30.9.00	31.12.99
Regulatory equity used (avg)	**24,900**	10,690	10,679	133	133
Headcount (full time equivalents)	**38,445**	14,946	14,266	157	169

[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. [2] 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. [3] The quarter ended and year ended 31 December 2000 Personnel, General and administrative expenses and Depreciation have been adjusted for Significant Financial Events in respect of PaineWebber integration costs by CHF 86 million, CHF 93 million and CHF 79 million respectively. [4] Goodwill funding costs of CHF 132 million and amortization of goodwill and other intangible assets of CHF 138 million in respect of the PaineWebber acquisition are included in UBS Warburg results but are not reflected in any of the individual Business Units. [5] Year ended 31 December 1999 has been adjusted for the Significant Financial Event of CHF 200 million for the sale of international Global Trade Finance business. [6] US Private Clients Assets under management at 3 November 2000 were CHF 890 billion. [7] Operating expenses/operating income before credit loss expense. [8] The amortization of goodwill and other intangible assets is excluded from this calculation.

Goodwill costs

UBS Warburg's business group operating expenses include CHF 138 million of goodwill amortization and CHF 132 million of goodwill funding costs relating to the merger with PaineWebber which are recorded at the business group level, but are not allocated to the individual business units.

In particular, the results of the US Private Clients business unit, which comprises most of the former PaineWebber private client business, will not reflect goodwill amortization or funding costs relating to the merger.

Business unit structure

In fourth quarter 2000 reporting	In first quarter 2001 reporting
In this quarter we report the following business units:	With effect from first quarter 2001, we will report the following business units.
Corporate and Institutional Clients The previous business unit, plus costs and income relating to the former Capital Markets business of PaineWebber, which is now integrated into it.	**Corporate and Institutional Clients** As in fourth quarter 2000.
UBS Capital Unchanged from previous quarters.	**UBS Capital** As in fourth quarter 2000.
International Private Clients The former Private Clients business unit will in future be known as International Private Clients.	**International Private Clients** The European businesses of the former UBS Warburg Private Clients business unit and the e-services initiative will be integrated into UBS Switzerland's Private Banking business unit during the first quarter.
US Private Clients The individual clients businesses of PaineWebber, including Mitchell Hutchins. Although the US businesses of the former Private Clients business unit are now integrated into the management structure of the US Private Clients unit, their results are reported for fourth quarter in the International Private Clients business unit.	**US Private Clients** The PaineWebber individual clients business, excluding Mitchell Hutchins, (which will be part of UBS Asset Management), and including the US businesses of the former UBS Warburg Private Clients business unit.
e-services Unchanged from previous quarters.	

Corporate and Institutional Clients

Business unit reporting

	Quarter ended			% change from		Year ended	
CHF million, except where indicated	**31.12.00**	30.9.00	31.12.99[1]	3Q00	4Q99	31.12.00	31.12.99[1]
Income	**3,810**	4,314	2,764	(12)	38	18,033	12,529[2]
Credit loss expense[3]	**(82)**	(48)	(92)	(71)	11	(243)	(330)
Total operating income	**3,728**	4,266	2,672	(13)	40	17,790	12,199
Personnel expenses	**1,729[4,5]**	2,193	1,367	(21)	26	9,284[4,5]	6,861
General and administrative expenses	**851[4]**	689	761	24	12	2,779[4]	2,429
Depreciation	**161[4]**	135	157	19	3	555[4]	629
Amortization of goodwill and other intangible assets	**39**	39	32	0	22	149	134
Total operating expenses	**2,780**	3,056	2,317	(9)	20	12,767	10,053
Business unit performance before tax	**948**	1,210	355	(22)	167	5,023	2,146
KPI's							
Compensation / income (%)	**45**	51	49			51	55
Cost / income ratio (%)[6]	**73**	71	84			71	80
Cost / income ratio before goodwill (%)[6,7]	**72**	70	83			70	79
Non-performing loans / Gross loans outstanding (%)	**3.4**	2.1	2.2				
Average VaR (10-day 99%)	**216**	238	197				

League Table Rankings	Year-to-date	
	31.12.00[10]	30.9.00
Global Mergers and Acquisitions completed[8]		
Rank	6	5
Market share (%)	16.7	18.2
International Equity New Issues[9]		
Rank	7	9
Market share (%)	5.1	3.7
International Bonds[9]		
Rank	5	5
Market share (%)	7.9	8.1
Eurobonds[9]		
Rank	1	1
Market share (%)	8.8	9.3

Additional information				% change from	
As of	**31.12.00**	30.9.00	31.12.99	30.9.00	31.12.99
Regulatory equity used (avg)	**10,000**	9,850	10,050	2	0
Headcount (full time equivalents)	**15,262**	13,268	12,694	15	20

[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. [2] Year ended 31 December 1999 income was adjusted for the Significant Financial Event of CHF 200 million related to the sale of the international Global Trade Finance business. [3] 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. [4] The quarter ended and year ended 31 December 2000 Personnel, General and administrative expenses and Depreciation were adjusted for Significant Financial Events in respect of the PaineWebber integration costs by CHF 86 million, CHF 13 million and CHF 7 million respectively. [5] The quarter and year ended 31 December 2000 Personnel expenses include CHF 11 million of the CHF 128 million retention payments in respect of the PaineWebber acquisition. [6] Operating expenses / operating income before credit loss expense. [7] The amortization of goodwill and other intangible assets is excluded from this calculation. [8] Source: Thomson Financial Securities data. [9] Source: Capital Data Bondware. [10] The league table rankings reflect recent industry consolidation.

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

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 72%, up 2% on the previous quarter but a significant improvement over the 83% recorded in fourth quarter 1999.

UBS Warburg's ratio of personnel cost to income fell to 45% in fourth quarter 2000, four percentage points lower than the same period last year, reflecting the alignment of full year performance-related compensation to the downward shift of market sentiment this quarter. UBS Warburg continues to invest in top quality professionals to help expand its capabilities and client reach and therefore aims to compensate its employees in line with 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 28% this quarter, from 20% in third quarter, although this is well below the fourth quarter 1999 level of 34%. The growth in non-personnel costs in fourth quarter 2000 was driven by increased expenditure on technology, professional fees and the incremental costs of the PaineWebber capital markets business.

Market risk utilization, as measured by average Value at Risk, continued to remain well within the limit of CHF 450 million, decreasing from CHF 238 million in third quarter to CHF 216 million in the fourth quarter, despite the addition of the PaineWebber capital markets business.

Total loans fell by CHF 6,667 million from the end of third quarter 2000, to CHF 74, 253 million at 31 December 2000, due to repayments of short-term money market facilities. The value of non-performing loans rose CHF 783 million to CHF 2,519 million, reflecting the deteriorating credit environment in the US. As a result, the ratio of non-performing loans to total loans increased to 3.4% from 2.1% at the end of third quarter 2000.

UBS Warburg does not believe that extensive lending is critical to the expansion of its client franchise. Risk/return considerations will be the paramount consideration in determining balance sheet usage.

League Table Rankings

Mergers & Acquisitions

As a global investment bank, with strong capabilities across a wide range of sectors, UBS Warburg was involved in several significant transactions during 2000 and considerably improved its position in Global and European M&A. For 2000 it was ranked 6th globally in Completed M&A Transactions and 4th in European Completed M&A Transactions, compared to 9th and 10th respectively in 1999.

During fourth quarter, UBS Warburg was the number one advisor in the extensive consolidation in the US food and consumer goods industry – acting as financial advisor for Diageo's USD 8.1 billion bid with Pernod Ricard for Seagram's spirit businesses; for Unilever's USD 24.3 billion acquisition of Bestfoods, the largest ever cross-border food deal; and for the sale of Nabisco to Philip Morris for USD 19.4 billion, the largest ever public auction.

Fixed Income Underwriting

During fourth quarter 2000, UBS Warburg continued to play a leading role in the international fixed income markets, and ended the year ranked 1st in Eurobonds with a market share of 8.8%, compared with 2nd in 1999 with a market share of 7.6%. In the All International Bonds sector, UBS Warburg improved its ranking from 6th to 5th and significantly added market share, increasing from 6.1% to 7.9%.

UBS Warburg has been named "Eurobond House of the Year" and "Sterling Bond House of the Year" in International Financing Review's Review of the Year 2000. The Sterling Bond House of the Year award cited UBS Warburg's broad primary market business and dominant position in secondary sales and trading. The Eurobond House of the Year award reflects success in "Global Bonds" and the breadth of our corporate Eurobonds business.

It also highlighted UBS Warburg's growing credit research team, the bank's CreditDelta portfolio analysis technology, and its expanding asset based securities and capital securities franchises.

Equity Underwriting

UBS Warburg continues to strengthen its position in the international primary equity markets, and has started 2001 by winning several significant mandates.

UBS Warburg's ranking in International Equity New Issues was 8th for the full year 2000, up from 9th at 30 September 2000, with market share almost doubling from 3.7% to 7.3%.

During fourth quarter 2000, UBS Warburg was bookrunner on the Deutsche Post Worldnet IPO – the first IPO of a national postal operator and a transaction which was named Continental Europe Public Offer of the Year by Privatisation International.

UBS Warburg was also ranked 4th in International Equity Linked New Issues, and was bookrunner in several significant innovative transactions, including MILES (Market Index-Linked Equity Securities) for Allianz, one of the world's leading insurance companies.

UBS Warburg was ranked 1st in IPO performance for US offerings in 2000, according to Commscan's Equidesk. UBS Warburg was the only firm to have an overall positive return among the 17 firms included in the survey.

UBS's market share and ranking is lower than in 1999, due at least in part to its relatively underweight position in the Technology, Media and Telecoms (TMT) sectors. Whilst UBS did not suffer from the decline in these sectors in the second half of the year, it missed some of the opportunities in the first half. UBS remains committed to building its TMT capabilities through organic growth. *Note: M&A league table rankings sourced from Thomson Financial Securities Data. Fixed Income, Equity and Equity Linked league table rankings sourced from Capital Data Bondware. All league tables – for both 1999 and 2000 – have been restated on a proforma basis to reflect industry consolidation.*

Equity Research and Industry Awards

UBS Warburg's research continues to be recognized as one of the leaders on a global, sector and regional basis. Some of the significant awards received during fourth quarter 2000 included:

– Institutional Investor Global Equity Research Team – UBS Warburg was ranked 4th, overall, the same position as in 1999 but with a significantly increased number of ranked analysts.
– Reuters Emerging Markets Survey – UBS Warburg was ranked 1st in Broker Research for Emerging Europe, the Middle East and Africa (EMEA), 1st in Country Research on Israel, Greece and Russia, and 1st for capabilities in Sales Trading, Agency Execution and General Sales.
– Asiamoney – UBS Warburg was ranked 1st in the TeleTech sector and 4th best Research House in Asia.

e-commerce

UBS Warburg continues to expand its e-commerce capabilities, as an integral part of its global product and service offering to its corporate and institutional clients. New features of its Investment Banking On-Line (IBOL) service in fourth quarter 2000 included enhanced releases of:

– UBS Warburg's award winning ResearchWeb, which provides analytical tools and on-line access to UBS Warburg research reports.
– DealKey™, which provides online capabilities for primary equity and equity-linked transactions – the site now provides investors with the ability to communicate feedback and enter orders for all UBS Warburg's current primary equity issues. Investors also make extensive use of the ability to view analyst presentations, access virtual roadshows and download offering information.

Integration of PaineWebber Capital Markets Business

During fourth quarter 2000, UBS Warburg integrated the former capital markets businesses of PaineWebber into Corporate & Institutional Clients. This expanded UBS Warburg's capabilities in asset backed securities, real estate, corporate finance, equity and fixed income sales, and especially in equity research, where UBS Warburg now covers about 90% of S&P 500 and NASDAQ 100 companies.

As well as this direct and immediate impact, the integration of PaineWebber has also positioned UBS Warburg much more strongly as an employer of choice in the critical US investment banking market. As a result of the enhanced critical mass, and its strong performance in 2000, UBS Warburg has been able to take advantage of the ongoing industry consolidation and make significant hires across a wide range of sectors globally, with several notable additions to our US Corporate Finance capabilities at senior levels.

Business Area reporting

From first quarter 2001, Corporate and Institutional Clients will report revenue by business area quarterly rather than just annually as it has until now. The business areas reported will also change slightly. The Treasury Products and Fixed Income business areas have been reorganized into two new areas, the Credit Fixed Income business area (the former Fixed Income business less interest rate derivatives and government bonds) and the Rates and Foreign Exchange business area (the former Treasury Products business area, with the addition of interest rate derivatives, and government bonds). This reorganization groups related products together on a more consistent basis, and allows our businesses to realize enhanced returns from a greater focus on client needs.

Results

UBS Warburg's Corporate and Institutional Clients business unit delivered strong profit growth again this quarter, with pre-tax profit of CHF 948 million, up 167% over fourth quarter 1999, in what is seasonally a difficult period. Pre-tax profits for the full year have increased 134% from 1999, to CHF 5,023 million.

Operating income

Corporate and Institutional Clients generated revenues of CHF 3,810 million in fourth quarter 2000, an increase of 38% over fourth quarter 1999. Full year performance was even stronger, with 2000 revenues of CHF 18,033 million representing an increase of 44% over 1999.

Equities revenues during fourth quarter 2000 were somewhat lower than in third quarter, reflecting seasonal trends and poor market conditions, with increased volatility and sharply lower liquidity, but remained strong compared to prior years. Over the whole year, Equities revenues have performed extremely well, with the full year total of CHF 10,427 million 82% higher than in 1999.

Fourth quarter 2000 saw a 5% increase in secondary commissions compared to the previous quarter. UBS Warburg's secondary equity sales franchise continues to be ranked as one of the global leaders, and the leading non-US equities house.

In Fixed Income, all businesses recorded lower revenues compared to third quarter 2000, due to lower levels of issuance towards the end of the year and some volatility in the markets. On a full-year basis, the Governments & Derivatives and Principal Finance groups delivered excellent results, contributing to overall revenues for the year 2000 of CHF 2,969 million, an improvement of 21% over 1999.

In the Treasury Products business area, increased revenues were recorded in Foreign Exchange in the fourth quarter, although derivative products continued to be impacted by ongoing commoditization, which has resulted in narrower margins. Full year performance reflected this, with revenues of CHF 1,653 million for 2000 down 8% on the previous year.

Market conditions for Mergers and Acquisitions, advisory work and primary underwriting continued to be strong, driving Corporate Finance's excellent performance, with revenues above levels in third quarter 2000. Overall, 2000 was a year of very strong growth in this area for UBS Warburg. Revenues for the year of CHF 2,701 were 32% ahead of 1999.

Non-core revenues in 2000, which include income from the work-out of the global equity derivatives portfolio and the run-down of the non-core loan portfolio, fell 59% compared to 1999, to CHF 281 million.

Operating expenses

Corporate and Institutional Clients continues to carefully manage its cost base, with the pre-goodwill cost/income ratio remaining well below 1999 levels, at 72%. Personnel expenses increased 26% from the same quarter last year, to CHF 1,729 million, reflecting increased performance-related compensation.

General and administrative expenses increased 12% compared to fourth quarter 1999, as a result of increased expenditure on technology outsourcing, professional fees and the incremental costs of the PaineWebber capital markets business. Overall costs are growing at a significantly slower rate than revenues, delivering continued strong pre-tax profit growth.

Headcount

Corporate and Institutional Clients headcount rose 15% during the quarter, to 15,262, mainly due to increases in Corporate Finance and Equities, and also including the impact of the integration of 1,623 staff from the PaineWebber capital markets businesses.

Outlook

UBS Warburg's leading institutional franchise in both equities and fixed income, together with an increasingly deep and broad corporate client franchise, continue to improve the sustainability and quality of earnings. UBS Warburg continues to deliver growth in revenues and profitability which are amongst the best in its peer group, despite the volatility in financial markets. The current market environment remains unsettled, but the fundamental trends in UBS Warburg's core European market remain strong and should deliver significant long term growth prospects across the main business areas.

UBS Capital

Business unit reporting

	Quarter ended			% change from		Year ended	
CHF million, except where indicated	**31.12.00**	30.9.00	31.12.99[1]	3Q00	4Q99	31.12.00	31.12.99[1]
Income	**138**	79	61	75	126	368	315
Credit loss expense	**0**	0	0			0	0
Total operating income	**138**	79	61	75	126	368	315
Personnel expenses	**66**	23	27	187	144	142	105
General and administrative expenses	**16**	10	13	60	23	49	46
Depreciation	**0**	0	2			2	2
Amortization of goodwill and other intangible assets	**0**	0	1			2	5
Total operating expenses	**82**	33	43	148	91	195	158
Business unit performance before tax	**56**	46	18	22	211	173	157

KPI's				% change from	
As of	**31.12.00**	30.9.00	31.12.99	30.9.00	31.12.99
Portfolio book value (CHF billion)	**5.5**	4.5	3.0	22	83

				% change from	
As of	**31.12.00**	30.6.00	31.12.99	30.6.00	31.12.99
Value creation (CHF billion)	**0.2**	0.4	0.3	(50)	(33)

Additional information					
Regulatory equity used (avg)	**600**	500	340	20	76
Headcount (full time equivalents)	**129**	117	116	10	11

[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.

Key Performance Indicators

The book value of UBS Capital's private equity investments has grown from CHF 4.5 billion at the end of third quarter 2000 to CHF 5.5 billion at 31 December 2000. New investments of CHF 0.6 billion were made during the fourth quarter, including new shareholdings across a diverse range of sectors.

In addition, CHF 0.8 billion of investments made by PaineWebber were added to UBS Capital's private equity portfolio in December 2000.

UBS Capital accounts for its private equity investments at cost less permanent impairments, showing only realized gains or losses in the profit and loss statement. The portfolio review and valuation at 31 December 2000 resulted in an approximate current fair value of CHF 6.9 billion, compared to CHF 5.2 billion at 30 June 2000 and CHF 4.2 billion at 31 December 1999. This equates to unrealized gains of approximately CHF 1.3 billion, compared to CHF 1.4 billion at 30 June 2000 and CHF 1.2 billion at year-end 1999. The value creation during the half-year to the end of December 2000, including realized gains since 30 June 2000, and the increase in the portfolio's unrealized gains, is estimated to be approximately CHF 0.2 billion, sustaining UBS Capital's impressive record of value creation.

Initiatives and Achievements

Despite the decline of public market prices in the technology and telecoms sectors in late 2000, UBS Capital successfully disposed of several companies in these sectors during the fourth quarter, substantially increasing revenues compared to third quarter 2000 and fourth quarter 1999. Given the size and nature of UBS Capital's investments, exit strategies are more focused on trade sales than on IPOs, and are less impacted in difficult equity capital market environments.

During the quarter UBS Capital has initiated a high level of new investments and add-on investments to existing portfolio companies, throughout both old and new economy sectors.

Amongst the highlights were investment in a German auto-parts manufacturer, Reum, whose prestigious customer base includes BMW, and the success of the recently created TMT team in Asia. Taking advantage of the fall in technology asset prices, this team has already completed a selection of promising acquisitions including the purchase of Global Opticom, China Network, Pihana Pacific (Hong Kong) and Interoffice (Japan).

UBS Capital is looking to raise funding for investment in the European and Asian private equity markets. This will help meet demand from UBS's private clients for access to private equity investments, giving them an opportunity to diversify from more traditional investments.

Results

Operating income increased 126% to CHF 138 million, from CHF 61 million in fourth quarter 1999. This reflects the realized gains from sales of investments in the quarter, partially offset by write-downs of the value of several under-performing companies in different sectors of the portfolio. UBS Capital's quarterly income is mainly driven by the timing of divestments and can therefore show some volatility.

Personnel, general and administrative expenses were CHF 82 million in the fourth quarter, a increase from the previous quarter of CHF 49 million, or 148%, mainly driven by bonus expenses. Bonuses are accrued when an investment is successfully exited, so personnel expenses move in line with divestments.

Outlook

The private equity business is looking forward to embracing its new and unique business model. With the volume of funds dedicated to private equity in Europe growing 50% in the last two years, private equity is increasingly recognized as an established asset class. UBS's increased commitment to private equity is recognition of UBS Capital's impressive investment record, while the freedom and incentive the new arrangements will give to raise larger amounts of third party funds will allow UBS Capital to increase its investment rate in line with the expanding market opportunities.

US Private Clients

Business unit reporting

CHF million, except where indicated	Quarter ended[1] 31.12.00
Income	1,225
Credit loss expense	0
Total operating income	**1,225**
Personnel expenses[2]	955
General and administrative expenses	258
Depreciation	30
Amortization of goodwill and other intangible assets	1
Total operating expenses	**1,244**
Business unit performance before tax	**(19)**
KPI's	
Client assets (CHF billion)[3]	794
Net new money (CHF billion)[4]	8.3
Gross AuM margin (bps)	86
Cost / income ratio (%)[5]	102
Cost / income ratio before goodwill (%)[5, 6]	101
Cost / income ratio before goodwill and retention payments (%)[5, 6]	92
Recurring fees (CHF millions)[7]	430
Financial advisors	8,871

Additional information

As of	31.12.00
Regulatory equity used (avg)	2,450
Headcount (full time equivalents)	21,490

[1] The US Private Clients results cover the period from the date of acquisition of PaineWebber, 3 November 2000. [2] The quarter ended 31 December 2000 personnel expenses include CHF 117 million of the CHF 128 million retention payments in respect of the PaineWebber acquisition. [3] Corresponds to UBS's current definition of Assets under management. Client assets at 3 November 2000 were CHF 890 billion. [4] Excludes interest and dividend income. [5] Operating expenses / operating income before credit loss expense. [6] The amortization of goodwill and other intangible assets is excluded from this calculation. [7] Asset based and advisory revenues including fees from mutual funds, wrap fee products, insurance products and institutional asset management products.

The merger between UBS Warburg and PaineWebber was completed on 3 November 2000 – the results shown are therefore for performance from that date until 31 December 2000. As the merger consolidation was effected via purchase accounting, results for prior periods are not shown. No precise comparative figures are available for prior periods, but some approximations have been made to allow comparisons.

The business unit reported for fourth quarter 2000 represents the old PaineWebber businesses including Mitchell Hutchins, but excluding the capital markets business that was transferred to the Corporate and Institutional Clients business unit. Although the US businesses of the former UBS Warburg Private Clients business unit were integrated into PaineWebber's management structure soon after completion of the merger, their results are still included in the International Private Clients unit for this quarter.

In first quarter 2001, Mitchell Hutchins will be moved into the UBS Asset Management business group. The US Private Clients business unit reported for first quarter 2001 will consist of the former PaineWebber private client businesses and the US operations formerly part of the UBS Warburg Private Clients business unit.

Key Performance Indicators

At the end of the fourth quarter 2000, US Private Clients had CHF 794 billion of client assets. This represents a fall of CHF 96 billion from the level at completion of the merger on 3 November 2000, reflecting the decline in equity markets, particularly in the US, and the effect of the fall of the US dollar against the Swiss franc.

PaineWebber's asset gathering business continues to perform successfully, with net new money flows averaging CHF 202.3 million (USD 119.0 million) per day in November and December 2000, comparing very favorably to the average rate for the third quarter of CHF 172.5 million (USD 103.3 million) per day, despite the effects of the holiday season.

Integration and the benefits of UBS Group

Integration of the businesses has been very smooth, thanks to the limited overlaps, and has been carried out with the central objective of causing minimal disruption to client relationships. The reception of the merger by PaineWebber staff has exceeded our expectations, with no increase in turnover rates for financial advisors, who are the critical element in our client relationships.

The GOALS product, first marketed to PaineWebber clients directly after the merger in November 2000, demonstrates the benefits of bringing PaineWebber into UBS's integrated business model. GOALS are equity-linked securities created by UBS Warburg that combine a bond with a short put option on a specific stock or index. This is an entirely new investment product for PaineWebber clients, using UBS Warburg's expertise in packaging structured products and PaineWebber's strong retail distribution capabilities. The credit element of the product relies on the UBS Group's rating and capital strength. This is a product that, prior to the merger, PaineWebber could not have originated and UBS Warburg could not have distributed in the US.

PaineWebber financial advisors have also been able to leverage the capabilities and resources of UBS Warburg's Corporate and Institutional Clients business unit to allow clients access to enhanced liquidity and a broader array of markets. The linkage has also greatly expanded the hedging and monetization capabilities available to PaineWebber clients with concentrated equity holdings, typically clients who own a business, or have significant stock options in it, and are subject to formal or informal lock-ins which prevent them from selling their shareholdings.

Initiatives and Achievements

Corporate Employee Financial Services

In fourth quarter 2000 PaineWebber announced a major initiative to significantly expand its already successful stock option finance business through the formation of Corporate Employee Financial Services, "CEFS".

CEFS features dedicated distribution, technology and service groups whose goal is to capture a larger share of the management and administration of the USD 1 trillion of stock options awarded to corporate executives in the US. PaineWebber already provides these services to well known companies such as Cisco, Enron, General Electric and Texas Instruments, whose 300,000 option holders together own more than USD 70 billion of in-the-money stock options managed by PaineWebber.

The opportunity for PaineWebber is twofold: to administer employee stock option services for additional Fortune 1000 and major international corporations, and simultaneously to offer the highest levels of Internet-based and personalized service through its financial advisors to the employees of those companies.

When properly coordinated, the combination of these services will allow PaineWebber not only to execute the options exercise for the option holders, but also to capture the clients as long term investors, managing the wealth they have generated. PaineWebber expects this business to grow strongly over the next twelve months.

Results

US Private Clients recorded a net loss for November and December 2000 of CHF 19 million. Adjusting for the effect of the retention payments of CHF 117 million, this represents a pretax operating profit of CHF 98 million for the two months.

PaineWebber's strong asset gathering performance during November and December was in contrast to the seasonal slow down in transactional business, compounded this year by the delay in the results of the US Presidential election, which had a negative effect on client confidence and investment activity. As a result, net profit per month was about 39% lower than the rate in PaineWebber's individual client segment in third quarter 2000, after adjustment for the benefit of PaineWebber's invested equity. (Within UBS's management accounts, the benefit of invested equity is reflected in Corporate Center.)

Total revenues for November and December were CHF 1,225 million, including approximately CHF 430 million of recurring fee revenue. This represents an overall decline of 2% from the run-rate recorded in PaineWebber's individual clients business in the third quarter, reflecting the effects of the seasonal slow-down.

Total expenses for November and December were CHF 1,244 million. Personnel expenses were CHF 955 million, including CHF 117 million of retention payments for PaineWebber staff. Excluding these, overall expenses rose very slightly from prior levels, reflecting investments in the development of wrap fee products and the new CEFS business.

Total headcount at 31 December 2000 was 21,490, including 8,871 financial advisors, up from 8,688 at 30 September 2000.

Outlook

The US Private Clients business is directly impacted, as are all other US brokers, by the continuing market volatility in the US and the fall in asset values, and would be impacted by any downturn in the US economy. Despite this, our focus on the core affluent client segment (households with investable assets in excess of USD 500,000) which is the segment with the largest, fastest growing pool of investable assets, positions us well to outperform our peers in revenue growth. PaineWebber will continue to grow its franchise, while broadening relationships with clients. Leveraging the product expertise and international scope of UBS Warburg's other business areas will bring a critical competitive advantage.

International Private Clients

Business unit reporting

CHF million, except where indicated	Quarter ended 31.12.00	30.9.00	31.12.99[1]	% change from 3Q00	4Q99	Year ended 31.12.00	31.12.99[1]
Income	**81**	70	58	16	40	286	197
Credit loss expense[2]	**(1)**	(1)	(1)	0	0	(4)	(3)
Total operating income	**80**	69	57	16	40	282	194
Personnel expenses	**62**	73	84	(15)	(26)	385	294
General and administrative expenses	**38**	35	52	9	(27)	188	187
Depreciation	**13**	7	9	86	44	30	25
Amortization of goodwill and other intangible assets	**2**	1	3	100	(33)	7	15
Total operating expenses	**115**	116	148	(1)	(22)	610	521
Business unit performance before tax	**(35)**	(47)	(91)	26	62	(328)	(327)
KPI's							
Assets under management (CHF billion)	**33**	44	36	(25)	(8)		
Net new money (CHF billion)[3]	**(2.5)**	8.1	1.8	(131)	–	10.4	3.6
Gross AuM margin (bps)	**84**	69	73	22	15	75	67

Additional information As of	31.12.00	30.9.00	31.12.99	% change from 30.9.00	31.12.99
Regulatory equity used (avg)	**350**	340	289	3	21
Headcount (full time equivalents)	**1,154**	1,177	1,386	(2)	(17)

[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. [2] 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. [3] Excludes interest and dividend income.

Key Performance Indicators

Assets under management decreased from CHF 44 billion at the end of the third quarter to CHF 33 billion at 31 December 2000, mostly due to the poor performance of equity markets, particularly in the US, and the fall of the US dollar against the Swiss franc.

Net new money was CHF (2.5) billion. Quarter on quarter volatility in this measure reflects the relatively early stage of development of this business, in which decisions by a few large clients can have an exaggerated effect.

The increase in the gross margin from 69 bps in third quarter to 84 bps in fourth quarter is a result of the loss of some low margin assets in the US and a strong performance in Europe, helped by increased advisory and asset-based fees.

The increase over 1999 reflects improved performance in Europe and the success of the restructuring announced in first quarter 2000.

Results

Income in the fourth quarter increased by 16% to CHF 81 million, up from CHF 70 million in the third quarter, as the benefits of the restructuring in 2000 show through, and the new offices opened since 1999 continue to build up their franchises.

Total expenses of CHF 115 million were 1% lower than in third quarter, reflecting the continued benefits of the restructuring which was started in the earlier part of the year, and the ongoing focus on cost control. Headcount fell marginally from 1,177 to 1,154.

Outlook

The transforming potential of the UBS merger with PaineWebber is particularly exciting for the International Private Clients business.

UBS has a unique opportunity to target the market for wealthy clients in Europe with an enhanced, advisor-centric client offering, taking advantage of PaineWebber's expertise and award winning on-line technology. This unit will therefore be transferred to the Private Banking business unit, and brought together with its existing pan-European Private Banking offering.

e-services

Business unit reporting

CHF million, except where indicated	Quarter ended 31.12.00	30.9.00	31.12.99	% change from 3Q00	4Q99	Year ended 31.12.00	31.12.99
Income	**4**	(5)	0	–	–	(1)	0
Credit loss expense	**0**	0	0			0	0
Total operating income	**4**	(5)	0	180		(1)	0
Personnel expenses	**34**	32	14	6	143	150	18
General and administrative expenses	**43** [1]	31	17	39	153	134 [1]	18
Depreciation	**17** [1]	4	3	325	467	35 [1]	3
Amortization of goodwill and other intangible assets	**0**	1	0	(100)		1	0
Total operating expenses	**94**	68	34	38	176	320	39
Business unit performance before tax	**(90)**	(73)	(34)	(23)	(165)	(321)	(39)

Additional information As of	31.12.00	30.9.00	31.12.99	% change from 30.9.00	31.12.99
Regulatory equity used (avg)	**0**	0	0		
Headcount (full time equivalents)	**410**	384	70	7	486

[1] The quarter ended and year ended 31 December 2000 General and administrative expenses and Depreciation have been adjusted for Significant Financial Events in respect of PaineWebber integration costs of by CHF 80 million and CHF 72 million respectively.

Results discussion

The products of the e-services initiative are to be fully integrated, along with the International Private Clients business unit into the core of UBS's new on-shore wealth-management strategy in Europe, extending PaineWebber's advisor-centric business model to new markets.

With the focus now on more upscale clients rather than those e-services originally targeted, UBS has reviewed the project's existing assets to determine which can be re-deployed in support of the new strategy.

The multi-currency and multi-entity core banking systems developed for e-services will be integrated with PaineWebber developed front-end technology to produce a multi-lingual pan-European processing platform with on-line customer interfaces tailored to each country's specific needs.

Those parts of the infrastructure that were relevant to a mass affluent market, such as the telephone call-centers, have been closed and the investment in them written off, resulting in a charge of CHF 80 million in general and administrative expenses. In addition, capitalized software costs relating to parts of the systems which will not now be used have been written off, resulting in a CHF 72 million charge to depreciation. These two amounts form part of the PaineWebber restructuring charges, and as a result these costs do not appear in the adjusted business unit results.

Corporate Center

Business Group reporting[3]

	Quarter ended			% change from		Year ended	
CHF million, except where indicated	**31.12.00**	30.9.00	31.12.99[1]	3Q00	4Q99	31.12.00	31.12.99[1]
Income	**284**	41	405	593	(30)	358	372
Credit loss expense[2]	**166**	374	272	(56)	(39)	1,161	448
Total operating income	**450**	415	677	8	(34)	1,519	820
Personnel expenses	**101**	99	356	2	(72)	490	548
General and administrative expenses	**7**	96	328	(93)	(98)	281	385
Depreciation	**107**	78	153	37	(30)	320	366
Amortization of goodwill and other intangible assets	**11**	10	17	10	(35)	44	50
Total operating expenses	**226**	283	854	(20)	(74)	1,135	1,349
Business Group performance before tax	**224**	132	(177)	70	–	384	(529)

Additional information				% change from	
As of	**31.12.00**	30.9.00	31.12.99	30.9.00	31.12.99
Regulatory equity used (avg)	**8,450**	9,750	7,850	(13)	8
Headcount (full time equivalents)	**986**	921	862	7	14

[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. [2] 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. [3] Figures have been adjusted for Significant Financial Events. Year ended 31 December 1999 income has been adjusted for CHF 38 million income from the residual holding in Long Term Capital Management (LTCM), CHF 1,490 million from the sale of our 25% stake in Swiss Life / Rentenanstalt and CHF 110 million from the sale of Julius Baer registered shares. The quarter ended and year ended 31 December 2000 Personnel expenses have been adjusted for PaineWebber integration costs of CHF 32 million. General and administrative expenses for year ended 31 December 2000 have been adjusted for the net additional CHF 150 million provision relating to the US Global Settlement and the quarter ended 31 December 2000 has been adjusted for the reduction in the provision of CHF 50 million. The quarter ended 31 December 1999 income has been adjusted for a gain of CHF 12 million relating to LTCM. The quarter ended and year-to-date 31 December 1999 Personnel expenses have been adjusted by CHF 456 million relating to a Pension Fund Accounting Credit. The quarter ended and year-to-date 31 December 1999 General and administrative expenses have been adjusted for CHF 300 million for the UBS / SBC Restructuring Provision and CHF 154 million for the increase in the provision for the US Global Settlement.

Results discussion

Adjusted for significant financial events, Corporate Center recorded a pre-tax profit of CHF 224 million for fourth quarter 2000, versus a pre-tax profit of CHF 132 million for third quarter 2000 and a pre-tax loss of CHF 177 million during fourth quarter 1999.

The credit loss recovery booked in Corporate Center represents the difference between the adjusted statistically calculated expected losses charged to the business units and the actual credit loss recovery recognized in the Group financial accounts. UBS Group recorded a credit loss expense of CHF 95 million this quarter, however this continued to be lower than the amounts charged to the business units, resulting in a credit loss recovery in Corporate Center of CHF 166 million, compared to CHF 374 million in third quarter 2000.

Financial Information

UBS Group Income Statement

CHF million, except per share data	Note	Quarter ended 31.12.00	Quarter ended 30.9.00	Quarter ended 31.12.99[1]	% change from 3Q00	% change from 4Q99	Year ended 31.12.00	Year ended 31.12.99[1]
Operating income								
Interest income	3	**15,186**	12,480	9,958	22	53	51,745	35,604
Interest expense	3	**(13,213)**	(10,649)	(8,215)	(24)	(61)	(43,615)	(29,695)
Net interest income		**1,973**	1,831	1,743	8	13	8,130	5,909
Credit loss expense/recovery		**(95)**	142	(46)	–	–	130	(956)
Net interest income after credit loss expense/recovery		**1,878**	1,973	1,697	(5)	11	8,260	4,953
Net fee and commission income	4	**5,003**	3,865	3,357	29	49	16,703	12,607
Net trading income	5	**1,916**	2,368	1,162	(19)	65	9,953	7,719
Net gains from disposal of associates and subsidiaries		**60**	0	49		22	83	1,821
Other income		**443**	339	524	31	(15)	1,403	1,325
Total operating income		**9,300**	8,545	6,789	9	37	36,402	28,425
Operating expenses								
Personnel	6	**4,424**	3,863	2,654	15	67	17,163	12,577
General and administrative	6	**2,088**	1,503	2,319	39	(10)	6,765	6,098
Depreciation and amortization	6	**852**	476	567	79	50	2,275	1,857
Total operating expenses		**7,364**	5,842	5,540	26	33	26,203	20,532
Operating profit before tax and minority interests		**1,936**	2,703	1,249	(28)	55	10,199	7,893
Tax expense		**442**	621	161	(29)	175	2,320	1,686
Net profit before minority interests		**1,494**	2,082	1,088	(28)	37	7,879	6,207
Minority interests		**(45)**	(7)	(19)	(543)	(137)	(87)	(54)
Net profit		**1,449**	2,075	1,069	(30)	36	7,792	6,153
Basic earnings per share (CHF)[3]	7	**3.39**	5.15	2.69	(34)	26	19.33	15.20
Basic earnings per share before goodwill (CHF)[2, 3]	7	**4.02**	5.46	2.92	(26)	38	20.99	16.04
Diluted earnings per share (CHF)[3]	7	**3.34**	5.09	2.66	(34)	26	19.04	15.07
Diluted earnings per share before goodwill (CHF)[2, 3]	7	**3.95**	5.40	2.88	(27)	37	20.67	15.90

[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. [2] The amortization of goodwill and other intangible assets is excluded from this calculation. [3] 1999 share figures are restated for the two-for-one share split, effective 8 May 2000.

Notes to the Financial Information

Note 1 Acquisition of Paine Webber Group, Inc.

On 3 November 2000, UBS completed its acquisition of 100% of the outstanding common stock of the Paine Webber Group, Inc., in a transaction accounted for using the purchase method of accounting, making PaineWebber a wholly owned subsidiary of UBS. Results of operations of PaineWebber are included in the consolidated results beginning on the date of acquisition. Under International Accounting Standards, the valuation of shares and options issued is measured as of the date the acquisition was completed, 3 November 2000. Purchase consideration of CHF 22.0 billion (USD 12.5 billion) consists of the following:

	CHF million	*USD million*
Value of shares issued (40,580,570 shares issued)	**10,246**	5,817
Value of options issued (options on 6,325,270 shares issued)	**992**	563
Cash consideration	**10,607**	6,021
Direct costs of the acquisition	**115**	65
Total purchase price	**21,960**	12,466
Fair value of net assets acquired	**(5,630)**	(3,196)
Total intangible assets [1]	**16,330**	9,270
Intangible assets other than goodwill	**(4,695)**	(2,665)
Goodwill arising from acquisition	**11,635**	6,605
Purchased goodwill	**1,202**	682
Total Goodwill at 3 November 2000	**12,837**	7,287
Effect of translation adjustments	**(898)**	
Amortization from 3 November 2000	**(103)**	(61)
Balance of goodwill at 31 December 2000	**11,836**	7,226

[1] Excluding purchased goodwill.

The resulting goodwill and intangible assets will be amortized using the straight line method over their estimated useful lives of 20 years.

In addition, UBS has entered into employee retention agreements that provide for payments to key PaineWebber employees which are subject to the employee's continued employment and other restrictions. The estimated cost to the Group for the agreements is approximately CHF 1.5 billion (USD 875 million) over a four year period.

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. 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 year ended 31 December 2000

CHF million	UBS Switzerland	UBS Asset Management	UBS Warburg	Corporate Center	UBS Group
Revenues	14,182	1,953	19,779	358	36,272
Credit loss recovery [1]	(784)	0	(247)	1,161	130
Total operating income	13,398	1,953	19,532	1,519	36,402
Personnel expenses	4,759	880	11,002	522	17,163
General and administrative expenses	2,394	439	3,501	431	6,765
Depreciation	508	49	731	320	1,608
Amortization of goodwill and other intangible assets	62	263	298	44	667
Total operating expenses	7,723	1,631	15,532	1,317	26,203
Business Group performance before tax	**5,675**	**322**	**4,000**	**202**	**10,199**
Tax expense					2,320
Net profit before minority interests					**7,879**
Minority interests					(87)
Net profit					**7,792**

[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 130 million for the year ended 31 December 2000 is as follows: UBS Switzerland CHF 695 million, UBS Warburg CHF (565) million.

For the year ended 31 December 1999 [2]

CHF million	UBS Switzerland	UBS Asset Management	UBS Warburg	Corporate Center	UBS Group
Revenues	12,761	1,369	13,241	2,010	29,381
Credit loss expense [1]	(1,071)	0	(333)	448	(956)
Total operating income	11,690	1,369	12,908	2,458	28,425
Personnel expenses	4,691	516	7,278	92	12,577
General and administrative expenses	2,308	271	2,680	839	6,098
Depreciation	460	32	659	366	1,517
Amortization of goodwill and other intangible assets	23	113	154	50	340
Total operating expenses	7,482	932	10,771	1,347	20,532
Business Group performance before tax	**4,208**	**437**	**2,137**	**1,111**	**7,893**
Tax expense					1,686
Net profit before minority interests					**6,207**
Minority interests					(54)
Net profit					**6,153**

[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 loss recovery (expense) for financial reporting purposes of CHF (956) million for the year ended 31 December 1999 is as follows: UBS Switzerland CHF (985) million, UBS Warburg CHF 20 million, Corporate Center CHF 9 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.

Note 3 Net Interest Income

	Quarter ended			% change from		Year ended	
CHF million	**31.12.00**	30.9.00	31.12.99[1]	3Q00	4Q99	31.12.00	31.12.99[1]
Interest income							
Interest earned on loans and advances to banks	**2,029**	1,507	1,946	35	4	5,615	6,105
Interest earned on loans and advances to customers	**3,626**	3,913	3,385	(7)	7	14,692	12,077
Interest from finance leasing	**6**	11	13	(45)	(54)	36	49
Interest earned on securities borrowed and reverse repurchase agreements	**5,673**	4,396	3,046	29	86	19,088	11,422
Interest and dividend income from financial investments	**63**	39	52	62	21	202	160
Interest and dividend income from trading portfolio	**3,712**	2,554	1,462	45	154	11,842	5,598
Other	**77**	60	54	28	43	270	193
Total	**15,186**	12,480	9,958	22	53	51,745	35,604
Interest expense							
Interest on amounts due to banks	**2,510**	1,415	2,039	77	23	6,155	5,515
Interest on amounts due to customers	**2,360**	2,692	2,161	(12)	9	9,505	8,330
Interest on securities lent and repurchase agreements	**4,675**	3,533	2,070	32	126	14,915	8,446
Interest and dividend expense from trading portfolio	**1,449**	1,136	485	28	199	5,309	2,070
Interest on medium and long term debt	**2,219**	1,873	1,460	18	52	7,731	5,334
Total	**13,213**	10,649	8,215	24	61	43,615	29,695
Net interest income	**1,973**	1,831	1,743	8	13	8,130	5,909

[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.

Note 4 Net Fee and Commission Income

	Quarter ended			% change from		Year ended	
CHF million	**31.12.00**	30.9.00	31.12.99	3Q00	4Q99	31.12.00	31.12.99
Credit-related fees and commissions	**96**	69	72	39	33	310	372
Security trading and investment activity fees							
Underwriting fees [1]	**480**	364	307	32	56	1,434	905
Corporate finance fees [1]	**608**	403	439	51	38	1,772	1,298
Brokerage fees	**1,552**	1,261	1,124	23	38	5,792	3,934
Investment fund fees	**820**	641	510	28	61	2,821	1,915
Fiduciary fees	**90**	86	74	5	22	351	317
Custodian fees	**364**	349	305	4	19	1,439	1,583
Portfolio and other management and advisory fees [1]	**1,156**	890	717	30	61	3,677	2,612
Other	**6**	15	(18)	(60)	–	50	57
Total	**5,076**	4,009	3,458	27	47	17,336	12,621
Commission income from other services	**235**	176	190	34	24	802	765
Total fee and commission income	**5,407**	4,254	3,720	27	45	18,448	13,758
Fee and commission expense							
Brokerage fees paid	**258**	244	228	6	13	1,084	795
Other	**146**	145	135	1	8	661	356
Total	**404**	389	363	4	11	1,745	1,151
Net fee and commission income	**5,003**	3,865	3,357	29	49	16,703	12,607

[1] In 1999, corporate finance related advisory fees were included in Portfolio and other management and advisory fees. These fees are now reported in Corporate finance fees together with merger and acquisition fees which were previously reported in Underwriting and corporate finance fees. 1999 figures have been restated accordingly.

Note 5 Net Trading Income

	Quarter ended			% change from		Year ended	
CHF million	**31.12.00**	30.9.00	31.12.99 [1]	3Q00	4Q99	31.12.00	31.12.99 [1]
Foreign exchange [2]	**352**	255	216	38	63	1,287	1,108
Fixed income	**168**	101	575	66	(71)	912	2,603
Equities	**1,396**	2,012	371	(31)	276	7,754	4,008
Net trading income	**1,916**	2,368	1,162	(19)	65	9,953	7,719

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

Note 6 Operating Expenses

CHF million	Quarter ended 31.12.00	Quarter ended 30.9.00	Quarter ended 31.12.99	% change from 3Q00	% change from 4Q99	Year ended 31.12.00	Year ended 31.12.99
Personnel expenses							
Salaries and bonuses	**3,228**	3,025	2,200	7	47	13,523	9,872
Contractors	**206**	184	277	12	(26)	725	886
Insurance and social contributions	**252**	217	155	16	63	959	717
Contribution to retirement benefit plans	**112**	125	(329)	(10)	–	475	8
Employee share plans	**32**	24	20	33	60	97	151
Other personnel expenses	**594**	288	331	106	79	1,384	943
Total	**4,424**	3,863	2,654	15	67	17,163	12,577
General and administrative expenses							
Occupancy	**294**	211	248	39	19	979	847
Rent and maintenance of machines and equipment	**164**	100	194	64	(15)	520	410
Telecommunications and postage	**288**	214	208	35	38	914	756
Administration	**227**	165	308	38	(26)	750	784
Marketing and public relations	**165**	106	143	56	15	480	335
Travel and entertainment	**220**	144	173	53	27	656	552
Professional fees	**241**	141	195	71	24	660	526
IT and other outsourcing	**389**	293	384	33	1	1,246	1,289
Other	**100**	129	466	(22)	(79)	560	599
Total	**2,088**	1,503	2,319	39	(10)	6,765	6,098
Depreciation and amortization							
Property, equipment and software	**586**	350	479	67	22	1,608	1,517
Goodwill and other intangible assets	**266**	126	88	111	202	667	340
Total	**852**	476	567	79	50	2,275	1,857
Total operating expenses	**7,364**	5,842	5,540	26	33	26,203	20,532

Note 7 Earnings per Share

	Quarter ended			% change from		Year ended	
	31.12.00	30.9.00	31.12.99[1]	3Q00	4Q99	31.12.00	31.12.99[1]
Basic earnings per share calculation							
Net profit for the period (CHF million)	1,449	2,075	1,069	(30)	36	7,792	6,153
Net profit for the period before goodwill amortization (CHF million)[2]	1,715	2,201	1,157	(22)	48	8,459	6,493
Weighted average shares outstanding:							
Registered ordinary shares	439,952,307	431,697,293	430,683,246	2	2	433,486,003	430,497,026
Own shares to be delivered	8,232,849	0	0	–	–	2,058,212	0
Treasury shares	(21,313,375)	(28,873,507)	(33,786,574)	26	37	(32,514,906)	(25,754,544)[3]
Weighted average shares for basic earnings per share	426,871,781	402,823,786	396,896,672	6	8	403,029,309	404,742,482
Basic earnings per share (CHF)	3.39	5.15	2.69	(34)	26	19.33	15.20
Basic earnings per share before goodwill amortization (CHF)[2]	4.02	5.46	2.92	(26)	38	20.99	16.04
Diluted earnings per share calculation							
Net profit for the period (CHF million)	1,449	2,075	1,069	(30)	36	7,778[5]	6,153
Net profit for the period before goodwill amortization (CHF million)[2]	1,715	2,201	1,157	(22)	48	8,445[5]	6,493
Weighted average shares for basic earnings per share	426,871,781	402,823,786	396,896,672	6	8	403,029,309	404,742,482
Potential dilutive ordinary shares resulting from outstanding options, warrants and convertible debt securities	7,215,838	4,613,913	4,837,702	56	49	5,496,591	3,632,670[4]
Weighted average shares for diluted earnings per share	434,087,619	407,437,699	401,734,374	7	8	408,525,900	408,375,152
Diluted earnings per share (CHF)	3.34	5.09	2.66	(34)	26	19.04	15.07
Diluted earnings per share before goodwill amortization (CHF)[2]	3.95	5.40	2.88	(27)	37	20.67	15.90

[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. [2] The amortization of goodwill and other intangible assets is excluded from this calculation. [3] Treasury shares have increased by 11,371,720 for the year ended 31 December 1999, due to a change in accounting policy. [4] Share amount has been adjusted by 1,414,114 representing other potentially dilutive instruments for the year ended 31 December 1999, due to a change in accounting policy. [5] Net profit has been adjusted for the dilutive impact of own equity derivative activity in accordance with International Accounting Standards.

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

Note 8 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		
	31.12.00	30.9.00	31.12.99	**31.12.00**	30.9.00	31.12.99
1 USD	**1.64**	1.73	1.59	**1.69**	1.67	1.50
1 EUR	**1.52**	1.52	1.61	**1.56**	1.57	1.60
1 GBP	**2.44**	2.53	2.58	**2.57**	2.58	2.43
100 JPY	**1.43**	1.60	1.56	**1.57**	1.57	1.33

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 US	UBS.N	UBS, 65
Tokyo	8657 JP	UBS.T	N16631, 106

Financial calendar

Publication of 2000 Annual Report	Thursday, 15 March 2001
Annual General Meeting	Thursday, 26 April 2001
Publication first-quarter 2001 results	Tuesday, 15 May 2001
Publication second-quarter 2001 results	Tuesday, 14 August 2001
Publication third-quarter 2001 results	Tuesday, 13 November 2001

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UBS has also produced an interactive version of this Fourth Quarter 2000 Report. This can be viewed online in the Fourth 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 new European wealth management strategy and the implementation of a new business model for UBS Capital, 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 creditworthiness of our customers, obligors and counterparties, (6) legislative developments 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 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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