SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 20-F

(Mark One)

☒ REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

or

☐ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number___________

UBS AG

(Exact name of registrant as specified in its charter)

SWITZERLAND

(Jurisdiction of incorporation or organization)

Bahnhofstrasse 45, Zurich, Switzerland, and Aeschenvorstadt 1, Basel, Switzerland

(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of Each Class	**Name of Each Exchange on Which Registered**
Ordinary Shares (par value of CHF 10 each)	The New York Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act: None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

Indicate the number of outstanding shares (as adjusted to reflect the two-for-one stock split, the effective date of which is 8 May 2000) of each of the issuer's classes of capital or common stock at 30 April 2000:

Ordinary shares, par value CHF 10 per share . . . . . . 431,095,774 ordinary shares (including 35,117,400 treasury shares)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES ☐ NO ☒

Indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 ☐ Item 18 ☒

PRESENTATION OF INFORMATION

In this Registration Statement on Form 20-F, the term "shares" refers to units of registered shares, par value CHF 10 per unit, and ISIN Number CH0008470921, of UBS AG.

DEFINITIONS

For the purposes of this Registration Statement, the terms "UBS", the "Group", "we", "our" and "us" mean UBS AG and its consolidated subsidiaries.

The term "merger" means the merger of Union Bank of Switzerland and Swiss Bank Corporation, which was consummated on 29 June 1998.

REPORTING CURRENCY

Our financial statements have been prepared in accordance with International Accounting Standards and are denominated in Swiss francs, or "CHF", the legal tender of Switzerland. For convenience, certain amounts referred to in this Registration Statement have been translated from Swiss francs into United States dollars, or "$" at the rate of CHF 1 = $0.6657, which was the noon buying rate on 30 September 1999. This translation should not be construed as a representation that the Swiss franc amounts actually denote such United States dollar amounts or have been, could have been or could be, converted into U.S. dollars at the rate indicated.

EXCHANGE RATE INFORMATION

The table below sets forth, for the periods and dates indicated, information concerning the noon buying rate for the Swiss franc, expressed in US$ per one Swiss franc. The "noon buying rate" is the rate in New York City for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York.

Year ended 31 December	High	Low	Average Rate(1)	At Period End
		(US$ per 1 CHF)		
1995	0.8951	0.7616	0.8466	0.8666
1996	0.8641	0.7399	0.8090	0.7468
1997	0.7446	0.6510	0.6890	0.6845
1998	0.7731	0.6485	0.6894	0.7281
1999	0.7361	0.6244	0.6605	0.6277
2000 (through 30 April)	0.6441	0.5777	0.5967	0.5797

(1) The average of the noon buying rates on the last business day of each full month during the relevant period.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This registration statement contains statements that constitute "forward-looking statements". In addition, other written or oral statements which constitute forward-looking statements have been made and may in the future be made on our behalf. In this registration statement, such forward-looking statements include, without limitation, statements relating to:

- the implementation of strategic initiatives
- the development of revenues overall and within specific business areas
- the development of operating expenses, particularly personnel expenses
- the development of other operating expenses
- the anticipated level of capital expenditures and associated depreciation expense
- the expected impact of the risks that affect our business, including the risk of loss resulting from the default of an obligor or counterparty
- expected credit losses based upon our credit review
- the expected impact of the Year 2000 date change on our operations
- other statements relating to our future business development and economic performance

The words "anticipate", "believe", "expect", "estimate", "intend", "plan" and other similar expressions identify some of these forward-looking statements. Readers are cautioned not to put undue reliance on forward-looking statements because actual events may differ materially from those described by these forward-looking statements and as a result, financial results could differ from those set forth and those differences may be material to our financial statements.

Many factors may influence our actual results and cause them to differ materially from expected results as described in the forward-looking statements. These factors include:

- general market trends affecting demand for our products and services
- developments in the competitive environment in Switzerland and around the world
- developments in technology
- changes in our expenses associated with acquisitions and dispositions
- our ability to attract and retain skilled personnel
- credit ratings and the financial position of obligors and counterparties
- our ability to control risk in our businesses, including our ability to improve our overall risk profile

- effect of the Year 2000 date change
- macroeconomic trends and government and regulatory policies affecting business in Switzerland and around the world, including changes in the level of interest or tax rates and movements in foreign currency exchange rates

UBS AG

REGISTRATION STATEMENT ON FORM 20-F

Table of Contents

EXHIBITS

PART I

Item 1 DESCRIPTION OF BUSINESS

Mission

The UBS mission is to:

- provide clients with superior value-added investment services
- provide above average rewards to shareholders
- be an employer of choice
- be a good corporate citizen

Overview

UBS is a global, integrated investment services firm and the leading bank in Switzerland. Our business is managed through five operating divisions and our Corporate Center. The operating divisions are:

- UBS Private Banking
- UBS Warburg
- UBS Private and Corporate Clients
- UBS Asset Management
- UBS Private Equity

The philosophy of our business model is that each of the operating divisions holds primary responsibility for managing relationships with well-defined client segments, while ensuring appropriate access to the products and services of the entire Group. Our clients include international corporations, small and medium sized businesses in Switzerland, governments and other public bodies, financial institutions, market participants and individuals. Individuals include high net worth individuals, affluent clients and retail customers. The Group provides its clients with a broad range of products and services. These include:

- wealth management services
- investment funds
- corporate advisory (mergers and acquisitions) services
- equity and debt underwriting

- securities and financial market research
- securities and derivatives sales and trading
- structured risk management
- retail, commercial and transaction banking in Switzerland
- asset management
- private equity funds

Each of the operating divisions is one of the leaders in its field. UBS has the world's largest private banking business and is a leading global asset manager, as measured by assets under management. UBS Warburg is among the leading corporate and institutional investment banks, and it is differentiated by its European roots. UBS Private and Corporate Clients is the leading retail and commercial bank in Switzerland, and UBS Private Equity holds investments in a large and well-diversified global portfolio, which continues to grow through additional investment.

Our Corporate Center encompasses Group level functions which cannot be delegated to the operating divisions.

All of our divisions work together in an integrated investment services firm. We believe this allows us to provide several types of services to our clients, resulting in additional profits. Examples of interdivisional synergies include:

- UBS Warburg provides research, securities brokerage and foreign exchange execution services to clients of UBS Private Banking and UBS Private and Corporate Clients
- UBS Private Banking clients also have the opportunity to invest in UBS Private Equity funds
- UBS Private Equity may refer to UBS Warburg companies that are considering initial public offerings
- technology and premises infrastructure, operations and other support services are generally shared between all divisions in a given country, especially in Switzerland
- UBS Asset Management researches and recommends the asset allocation strategies employed by UBS Private Banking and UBS Private and Corporate Clients, in particular with respect to investment funds

Set forth below is summary information relating to UBS.

	Nine Months Ended 30 September		Year Ended 31 December	
	1999	**1998**	**1998**	**1997**
	(CHF in millions, except per share amounts)			
Operating income	21,763	16,619	22,328	24,880
Operating expenses	14,937	13,154	18,258	18,636
Group operating profit before restructuring costs and tax	6,826	3,465	4,070	6,244
Net profit (loss)(1)	5,179	2,600	3,030	(667)
Basic earnings per share (4)	12.43	6.13	7.15	14.89(3)
(at period end)				
Total assets	900,124	1,089,932	944,116	1,086,414
Shareholders' equity	33,298	32,198	32,395	30,927
Assets under management(2)	1,607,000	1,516,000	1,572,000	1,512,000

(1) The year ended 31 December 1997 includes a restructuring provision of CHF 7 billion. No restructuring provisions were recorded in any of the other periods.
(2) Assets under management is defined as third-party on- and off-balance sheet assets for which we have investment responsibility, as well as deposits and current accounts. This includes discretionary assets (deposited with us or externally), where we have a mandate to invest and manage the assets, as well as advisory assets. The major product categories of assets under management are mutual funds, securities (bonds and equities) and deposit and current accounts.
(3) Basic earnings before restructuring costs, net of tax.
(4) Based on outstanding shares adjusted to reflect the two-for-one stock split, the effective date of which is 8 May 2000.

Our financial stability stems from the fact that we are one of the most well capitalized banks in the world. We believe that this financial strength is a key part of the value proposition offered to both clients and investors. The long-term credit ratings assigned to us by rating agencies are set out below:

	At 30 September 1999	At 31 December 1998
Moody's, New York	Aa1	Aa1
Fitch/IBCA, London	AAA	AAA
Standard & Poor's, New York	AA+	AA+
Thomson BankWatch, New York	AA	AA

Each of these ratings reflects only the view of the applicable rating agency at the time the rating was issued, and any explanation of the significance of such rating may only be obtained from such rating agency. There is no assurance that any such credit rating will remain in effect for any given period of time or that such rating will not be lowered, suspended or withdrawn entirely by the applicable rating agency, if in such rating agency's judgment, circumstances so warrant.

Strategy

UBS seeks to grow the profitability and enhance the efficiency of all our businesses, while continuously improving the provision of products and services to our clients. We will build our franchise either through investments in internal growth or, where appropriate, through selected acquisitions. We believe that our business model and our recent history of embracing and managing change will enable flexible responses to the rapid and unpredictable changes taking place in the financial services industry. The ability to integrate new businesses, including our retained staff expertise, is a core competency of UBS following the merger. In order to maintain an edge in the highly competitive markets in which we operate, we will continue to make ongoing investments in top quality staff and technology.

In addition to the delivery of products and services through traditional channels, we are strengthening our e-commerce initiatives. Our divisions are well advanced in formulating and implementing their e-commerce strategies. We are now molding these strategies into a coherent Group-wide effort for improved effectiveness as well as cost efficiency. Our internet business council is responsible for setting our strategic internet direction, coordinating initiatives and promoting communication and resource sharing between different parts of the Group.

We are in the process of building a new e-services business unit, reporting directly to the Chief Executive Officer, or CEO, which is due for launch in the second half of 2000. This will be a multi-channel personal investment institution, regulated by the Financial Services Authority and the Securities and Futures Authority Limited in the United Kingdom. This business will target affluent individuals in key European markets in order to provide a broad range of personal financial products and services at competitive prices. UBS will commit heavily to develop e-services over the next few years, while extracting synergies from existing UBS expertise and infrastructure.

Background

On 29 June 1998, Union Bank of Switzerland and Swiss Bank Corporation merged to form UBS. Union Bank of Switzerland was created by the merger of two Swiss regional banks in 1912; these two Swiss regional banks can trace their history back to 1862 and 1863. Swiss Bank Corporation was incorporated in Basel in 1872 and its history can be traced back to the creation of "Bankverein" from six private banking houses in 1854.

Prior to the merger, Union Bank of Switzerland developed primarily through internal growth, although it made certain significant acquisitions such as Phillips and Drew in 1985. Swiss Bank Corporation expanded mainly through acquisitions. These included the acquisitions of (1) O'Connor & Associates, a group of affiliated firms specializing in the trading of options and other derivative instruments (1992); (2) Brinson Partners, a leading institutional investment management firm in terms of assets under management (1995); (3) the investment banking operating subsidiaries of S.G. Warburg Group p.l.c. (1995); and (4) Dillon Read & Co., Inc., a United States-based investment bank (1997).

The integration of Union Bank of Switzerland and Swiss Bank Corporation was largely completed within one year, despite the additional challenges presented by preparation for the Year 2000 and the introduction of the Euro. As a result, we are well positioned to benefit from the retained staff expertise that has resulted from the merger and earlier integrations, as we seek to continue to build the premier client franchise in each of our core businesses and expand our offerings of products and services around the world.

Business and Management Structure

Prior to the merger, Union Bank of Switzerland operated four strategic business segments:

- private banking and institutional asset management
- corporate and institutional finance
- trading, sales and risk management services
- retail banking

Swiss Bank Corporation also operated in four divisions prior to the merger:

- SBC Private Banking
- SBC Warburg Dillon Read (investment banking)
- SBC Switzerland (corporate and retail banking)
- SBC Brinson (investment management)

The combined entity has five operating divisions and a Corporate Center, as outlined above in the Overview section.

Our Board of Directors, which consists exclusively of non-executive directors in accordance with Swiss Banking Law, has the ultimate responsibility for the strategic direction of our business and the supervision and control of executive management. The Group Executive Board, which is our most senior executive body, assumes overall responsibility for the development of the Group's strategies and the implementation and results thereof.

Recent Developments

Reorganization

On 18 February 2000, we regrouped our existing wealth management businesses to align our business as closely as possible to client needs. The UBS Group now consists of three main businesses: UBS Switzerland, UBS Asset Management and UBS Warburg.

UBS Switzerland is composed of two divisions:

- the previous Private and Corporate Clients business

- the onshore and offshore Private Banking services, offered in Switzerland and the services offered in major international offshore centers

UBS Warburg retains the existing organization structure of the securities and investment banking businesses. Corporate Finance, Equities, Fixed Income and Treasury Products are joined by UBS Private Equity, on-shore Private Banking and e-services under the UBS Warburg brand.

UBS Asset Management will concentrate all of our investment management businesses. Our mutual funds business and the newly acquired Global Asset Management are regrouped with the existing Institutional Asset Management business.

The Corporate Center will not be directly affected by the changes.

After giving effect to the changes, the Group Executive Board will be composed as follows:

Marcel Ospel	Group Chief Executive Officer
Luqman Arnold	Chief Financial Officer
Georges Gagnebin	CEO Private Banking
Markus Granziol	CEO UBS Warburg
Stephan Haeringer	CEO UBS Switzerland
Pierre de Weck	CEO UBS Capital
Peter Wuffli	CEO UBS Asset Management

1999 Results

Summary. On 9 March 2000, we reported our results for 1999. For 1999, our operating profit before tax was CHF 8,169 million and we had net profit of CHF 6,300 million. As described below, despite a number of significant one-time events that make year–to-year comparisons complex, the year-to-year increases in operating profit before tax and net profit were substantial. Our basic earnings per share was CHF 15.14, as adjusted to reflect the two-for-one stock split, the effective date of which is 8 May 2000, and our return on equity was about 20%. Assets under management grew 11% during 1999 to CHF 1,744 billion. At the annual general meeting of shareholders held on 18 April 2000, a two-for-one stock split was approved to be effective 8 May 2000. In addition, an increase in the dividend from CHF 5 to CHF 5.5 per share (CHF 10 to CHF 11 per share before giving effect to the split) was approved.

The following table sets forth certain financial information for 1999 and 1998:

	Year Ended 31 December 1999	1998
	(CHF in millions, except per share amounts and ratios)	
Income statement data:		
Operating income	28,621	22,328
Operating expenses	20,452	18,258
Operating profit before tax	8,169	4,070
Net profit	6,300	3,030
Basic earnings per share(1)	15.14	7.15
Fully diluted earnings per share(1)	15.06	7.11
Balance sheet data:		
Total assets	981,573	944,116
Shareholders' equity	34,835	32,395
Ratios:		
Tier 1 BIS capital ratios	10.6%	9.3%
Total BIS capital ratio	14.5%	13.3%
Assets under management	1,744,000	1,572,000

(1) Based on outstanding shares adjusted to reflect the two-for-one stock split, the effective date of which is 8 May 2000.

Discussion of Consolidated Results of Operations. Our total operating income increased 28% in 1999 to CHF 28,621 million. This increase includes an aggregate pre-tax gain of CHF 1,800 million relating principally to the sale of our investment in Swiss/Life Rentenanstalt. Other items affecting operating income included

- Net interest income, which decreased 5% to CHF 6,356 million in 1999, reflecting the revenue impact resulting from the sale of banking subsidiaries, the reduction of the international loan portfolio and lower returns on invested equity

- Credit loss expense, which increased marginally from CHF 951 million in 1998 to CHF 956 million in 1999.

- Net fee and commission income, which remained relatively stable at CHF 12,607 million in 1999

- Net trading income, which increased substantially from CHF 1,750 million in 1998 to CHF 7,468 million in 1999, reflecting increased revenues from equity products and fixed-income trading, offset by declines in income from foreign exchange and banknote trading

- Other income, which increased 18% in 1999 to CHF 1,325 million, principally as a result of a CHF 200 million pre-tax gain from the disposal of our global trade finance operations outside Switzerland and CHF 395 million in income from Klinik Hirslanden, which was consolidated for the first time in 1999

Our total operating expenses increased 12% to CHF 20,452 million. This figure includes

- a one-time credit of CHF 456 million in connection with excess pension fund employer pre-payments, recorded in accordance with International Accounting Standards, or IAS

- an additional pre-tax restructuring charge of CHF 300 million, primarily due to revised estimates of the cost of terminating leases and disposing of real estate

- an additional provision of CHF 154 million relating to the settlement reached regarding dormant accounts and World War II-related claims

Other items affecting operating expenses included

- Personnel expenses, which rose 28% to CHF 12,577 million, the increase being chiefly attributable to higher performance-related compensation

- General and administrative expenses, which decreased 9% to CHF 6,018 million, principally as a result of cost reduction programs

For a further discussion of our consolidated results of operations for the first nine months of 1999, we refer you to our Management's Discussion and Analysis of Financial Condition and Results of Operations.

***UBS Private Banking*.** UBS Private Banking reported operating profit before tax of CHF 2,652 million in 1999. In 1998, adjusted for the disposal of subsidiaries, operating profit before tax was CHF 3,135 million. The weaker 1999 result is mainly due to lower levels of client transaction activity and the substantial investments made, particularly in expanding onshore private banking outside Switzerland. Assets under management increased 20% to CHF 731 billion. Over two-thirds of the CHF 124 billion increase in assets under management was performance driven, with the remainder from modest growth in net new money and the CHF 28 million contributed by the acquisition of the international private banking operations of Bank of America and the integration of Global Asset Management.

UBS Warburg. UBS Warburg reported a operating profit before tax of CHF 2,484 million in 1999, compared to an operating loss before tax of CHF (1,021) million in 1998. Contributing to the increase in operating income was the strong Equities and Fixed Income businesses, while Treasury Products was negatively impacted by lower levels of activity and narrowing margins in foreign exchange. In addition, Corporate Finance benefited from an exceptionally strong performance in mergers and acquisitions revenues. Personnel costs at UBS Warburg were 37% higher in 1999 due primarily to performance-related compensation tied directly to the strong divisional results for the year.

UBS Private and Corporate Clients. UBS Private and Corporate Clients reported operating profit before tax of CHF 1,162 million in 1999, a 28% increase over 1998. Total operating income was up 5% to CHF 6,143 million, primarily due to higher margins on interest-related business. The improved quality of the loan portfolio additionally resulted in credit loss expenses that were 10% lower in 1999.

Total operating expenses increased less than 1% to CHF 4,981 million in 1999. Assets under management increased less than 1% to CHF 439 billion in 1999. This figure also includes assets held in transaction accounts for other banks which are naturally volatile and are not a core focus. Other assets managed by the division grew by CHF 28 billion or 7%, mainly as a result of performance.

UBS Asset Management. UBS Asset Management achieved operating profit before tax of CHF 333 million in 1999, a 26% decline from 1998. Results were negatively impacted by client attrition in Europe related to the merger, and by performance issues in certain mandate types. At the end of 1999, total assets managed by the division stood at CHF 574 billion, an 8% increase over year-end 1998, which was driven by investment performance and the acquisition of Allegis Realty Investors.

UBS Capital. UBS Capital, which specializes in private equity investment, posted operating profit before tax of CHF 156 million in 1999, a 74% decline from 1998. The decrease in income compared with 1998 was due to the lower rate of divestments. UBS Capital's equity portfolio had a book value of CHF 3.0 billion at 31 December 1999 compared to CHF 1.8 billion at year-end 1998. The market value of UBS Capital's equity portfolio rose from CHF 2.7 billion at the end of 1998 to CHF 4.2 billion at the end of 1999.

For a further discussion of the divisional results for the first nine months of 1999, we refer you to our Management's Discussion and Analysis of Financial Condition and Results of Operations.

Credit Quality. Non-performing loans stood at CHF 13.1 billion at year-end 1999, down from CHF 13.6 billion at 30 September 1999 and CHF 16.1 billion at the end of 1998. As described under "Management's Discussion and Analysis of Financial Condition and Results of Operations — Analysis of Risk — Impaired and Non-performing Loans", the quality of the loan portfolio reflects the better economic climate in Switzerland and Asia. Credit quality information at 31 December 1999 and 1998 and 30 September 1999 and for the twelve-month and nine-month periods then ended, respectively, is set forth below.

	31-Dec-99	**30-Sep-99**	**31-Dec-98**
	(CHF in millions)		
Loans (Gross)	278,014	289,699	330,964
Impaired Loans			
Counterparties:			
Non-performing loans	12,649	13,154	15,717
Other impaired loans	9,096	10,840	9,884
sub-total	21,745	23,994	25,601
Country:			
Non-performing loans	424	440	397
Other impaired loans	287	314	449
sub-total	711	754	846
Total impaired loans	**22,456**	**24,748**	**26,447**

Allowances and Provisions for impaired loans

Counterparties:			
Allowances for non-performing loans	8,243	8,719	9,609
Allowances for other impaired loans	3,760	4,057	3,484
Subtotal allowances and provisions for counterparty default	12,003	12,776	13,093
Country:			
Allowances for non-performing loans	418	416	397
Allowances for other impaired loans	50	50	92
Subtotal allowances and provisions for country default	468	466	489
Allowances and provisions for country risk	908	958	961
Allowances for contingent liabilities	19	17	435
Total allowances and provisions for credit risk	**13,998**	**14,217**	**14,978**

Ratios

Impaired loans in % of gross loans	8.1%	8.5%	8.0%
Non-performing loans in % of gross loans	4.7%	4.7%	4.9%
Allowance and provisions for credit risk in % of gross loans	4.8%	4.9%	4.5%
Allowance and provisions for credit risk in % of impaired loans	55.5%	53.5%	51.4%

The following analysis provides an overview of credit loss experience by the Company:

	(3 months)		
	At 31-Dec-99	**At 30-Sep-99**	**At 31-Dec-98**
	(CHF in millions)		
Balance at beginning of the period	14,217	14,978	16,213
Net write-offs	(1,100)	(2,110)	(2,265)
Increase in credit loss allowances	46	910	951
Other Adjustments (primarily net foreign exchange and provisions for doubtful interest)	235	439	79
Balance at end of period	13,398	14,217	14,978

Year 2000 issue

We have completed our review of the Group's performance with respect to the Year 2000 issue, and report that we encountered no significant problems that could not be addressed promptly. As a result, this matter is largely behind us, and no substantial matters are left to address with respect to this widespread and much-publicized issue. The costs incurred were in line with the amounts budgeted.

UBS Private Banking

Overview

We are one of the leading international private banks, as measured by assets under management. At 30 September 1999, we had CHF 642 billion in assets under management. UBS Private Banking serves high net worth individuals with a broad range of comprehensive wealth management services and financial products. High net worth individuals generally commit at least CHF 1 million to invest. Our approach is to focus on establishing long-term client relationships and emphasizing the life-time value of these relationships.

The private banking industry is in the process of undergoing some fundamental changes resulting from the changing profile of high net worth individuals, emerging technologies and increased competition. Clients are increasingly taking a more active role in managing their wealth and are demanding more sophisticated products and a broader geographic range of services. They are focused on asset performance and allocation, quality of information and advice and extended availability of services, such as 24-hour, remote and Internet access. The private banking industry is also experiencing an increase in the wealth that remains in local markets, particularly in the form of equity and equity linked investments, as local capital markets become more developed and generate higher returns.

To address this changing environment, we are seeking to further penetrate our existing client base with enhanced wealth management solutions. Our size allows us the flexibility to offer our clients customized and expanded service offerings tailored to their particular needs. We are also committed to a strategy of developing local private banking markets outside of Switzerland. We have established local private banking businesses in the United States, the United Kingdom, Germany and Canada and have recently begun developing private banking businesses in Japan, Italy, Spain and France.

We believe that our focus on these local markets will enable us to increase assets under management by retaining assets that are migrating to these markets and tapping new sources of assets to which we would otherwise not have access. To further increase our assets under management in UBS Private Banking, we also intend to continue to consider select acquisition opportunities that may arise, as evidenced by our recent acquisitions of the Bank of America's international private banking activities and the acquisition of Global Asset Management, which was completed in December 1999.

Set forth below is summary information, based on management accounting, relating to UBS Private Banking, which is discussed in greater detail under "Management's Discussion and Analysis of Financial Condition and Results of Operations — UBS Private Banking".

	Nine Months Ended 30 September		Year Ended 31 December	
	1999	1998	1998	1997
	(CHF in millions)			
Operating income before credit loss expense	4,425	6,211	7,223	6,215
Credit loss expense	12	20	26	59
Personnel, general and administrative expenses	2,271	2,241	2,735	2,869
Depreciation and amortization	119	93	126	122
Operating profit before restructuring costs and tax	2,023	3,857	4,336	3,165
(at period end)				
Assets under management	642,000	587,000	607,000	610,000
Number of employees	8,773	7,571	7,634	7,862

Organizational Structure

We have structured UBS Private Banking primarily based on the markets we serve to allow our client advisors to offer our clients customized expertise to meet their increasingly sophisticated demands. UBS Private Banking's client-facing business areas consist of:

- ***Domestic Clients: Switzerland*** — responsible for servicing clients within Switzerland
- ***Domestic Clients: Outside Switzerland*** — responsible for developing private banking businesses in local markets outside of Switzerland
- ***International Clients*** — serves clients whose accounts are not in the country where they reside
- ***Private Banks*** — encompasses six private banks in Switzerland operating under their own brand names to offer high net worth individuals the alternative of a small private bank atmosphere

Marketing and Distribution

UBS Private Banking provides wealth management services to its clients in a number of geographic regions and seeks to tailor its service offerings to meet the specific needs of particular client segments and markets. To better understand the needs of its existing and prospective clients, UBS Private Banking differentiates its clients by geographic location and the amount of assets under management. These clients are then further differentiated based on their product needs and utilization and service requirements. The client advisors who serve UBS Private Banking clients are principally organized by respective markets, which allows them a higher level of client focus. We believe that this approach fosters valued long-term client relationships.

UBS Private Banking's client advisors retain primary responsibility for introducing products and services to the division's existing and prospective clients. The business areas that deal directly with clients are generally responsible for their own marketing activities. The client advisors are central to the delivery of services to our clients and are responsible for increasing the penetration of our service offerings with our existing customer base. The client advisors are supported by a separate marketing department, which is responsible for market research and the preparation of standardized marketing materials.

Products and Services

We provide a number of asset-based, transaction-based and other services to UBS Private Banking clients. Asset-based services include custodial services, deposit accounts, loans and fiduciary services while transaction-based services include trading and brokerage and investment fund services. We also provide financial planning and consulting and offer financial planning instruments to our clients. These services include establishing proprietary trusts and foundations, the execution of wills, corporate and tax structuring and tax efficient investments. UBS Private Banking has the following four core product and service business areas:

- ***Financial Planning and Wealth Management*** — Responsible for developing integrated comprehensive wealth management services in the form of tax and estate planning, liquidity and retirement lifestyle planning, insurance products, art and real estate advisory services and a variety of sophisticated capital enhancement and asset protection strategies;

- ***Portfolio Management*** — Responsible for providing portfolio management services to UBS Private Banking clients and for the investment clients of UBS Private and Corporate Clients;

- ***Investment Funds*** — Manages the public open-end mutual funds sponsored by the division, including administration and distribution functions; and

- ***Active Advisory Team*** — Provides sales brokerage, investment advisory services and investment advisory products to key UBS Private Banking locations worldwide. The Active Advisory Team provides information concerning, and facilitates investments in, primary initial public offerings and secondary placements. This team also provides fiduciary services and the execution of private banking orders outside Switzerland.

A significant proportion of UBS Private Banking's assets under management is managed on a discretionary basis. The remaining assets under management relate to advisory engagements. For discretionary engagements, portfolio managers in UBS Private Banking work with clients to tailor an investment strategy to meet their particular needs within the boundaries and asset allocation criteria established by UBS Asset Management. UBS Asset Management is also responsible for managing the asset allocation and investment strategies for UBS's investment funds, other than the real estate funds.

The following table shows information concerning assets under management by type of engagement and asset class in UBS Private Banking:

Type of Engagement	Assets Under Management At 30 September 1999	At 31 December 1998	1997
	(CHF in millions)		
Advisory	490,000	458,000	470,000
Discretionary	152,000	149,000	140,000
Total	642,000	607,000	610,000
Asset Class			
Deposit and current accounts	61,000	52,000	49,000
Equities	169,000	156,000	146,000
Bonds	200,000	196,000	207,000
UBS Investment Funds	102,000	97,000	116,000
Other(1)	110,000	106,000	92,000
Total	642,000	607,000	610,000

(1) Includes money market instruments, UBS medium-term notes, derivatives, mutual funds not managed by UBS and precious metals.

Global Asset Management

On 14 September 1999, we agreed to acquire Global Asset Management, with assets under management of CHF 21 billion as of 30 June 1999. Global Asset Management is a diversified asset management group with approximately 500 employees and operations in Europe, North America, Asia and the Middle East. It manages assets mainly comprised of private client portfolios and over 170 private client mutual funds, as well as a small number of institutional mandates. As a result of the transaction, clients of both Global Asset Management and UBS Private Banking will benefit from an expanded range of tailor-made products and services. In addition, UBS Private Banking will be able to offer its clients a broader range of third-party funds. We believe that Global Asset Management will also help strengthen our expertise in developing innovative and targeted asset management products.

Global Asset Management will continue to operate under its established brand name within UBS Private Banking. It will also continue to employ its investment style and multi-manager selection process, in which it selects the top 90 out of about 6,000 third-party fund providers, while taking advantage of UBS Private Banking's strong distribution capabilities. We completed the acquisition of Global Asset Management in December 1999.

Investment Funds Business

As a result of the merger, we have become the leading investment fund provider in Europe and Switzerland in terms of investment fund assets under management. UBS Private Banking's investment funds are offered to UBS Private Banking clients, clients of UBS Private and Corporate Clients and clients of other divisions. The following table shows total assets under management in these investment funds by fund category:

Fund Category	At 30 September 1999	At 31 December 1998	1997
	(CHF in millions)		
Asset Allocation	41,600	35,000	24,100
Money Market	46,600	45,500	49,600
Bond	41,400	42,500	39,700
Equity	39,900	35,400	27,000
Capital Preservation	11,400	12,400	8,000
Real Estate	4,800	4,800	4,500
Total	185,700	175,600	152,900

Synergies

UBS Private Banking draws upon our other divisions to augment the breadth and quality of its service offerings. UBS Private Banking benefits from:

- the Group's financial strength and capital
- UBS Warburg's broad range of products and services
- UBS Asset Management's expertise in asset management
- the Group's technological and physical infrastructure, including the e-commerce capabilities and initiatives of UBS Private and Corporate Clients

UBS Warburg

Overview

UBS Warburg is one of the leading global investment banks and is headquartered in Europe. UBS Warburg provides wholesale financial and investment products and advisory services globally to a diversified client base, which includes institutional investors (including institutional asset managers and broker-dealers), corporations, sovereign governments and supranational organizations. UBS Warburg also manages cash and collateral trading and interest rate risks on behalf of the Group and executes the vast majority of the Group's retail securities, derivatives and foreign currency exchange transactions. UBS Warburg's headquarters are in London and it employs about 13,000 people in over 40 countries throughout the world.

In the merger, the investment banking businesses of the two banks came together to form UBS Warburg. Within Union Bank of Switzerland, securities trading began in New York and London in the 1970s and grew in the 1980s with the acquisition of Phillips & Drew in 1985. Within Swiss Bank Corporation, the acquisition of O'Connor & Associates in 1992 and the investment banking businesses of S.G. Warburg in 1995 led to the formation of SBC Warburg as a global investment bank, which was further strengthened in the United States with the 1997 acquisition of Dillon, Read & Co., Inc.

UBS Warburg has a large corporate client financing and advisory business and is one of the top-ranked investment banks engaged in institutional client business. The division has achieved industry-wide recognition for its performance in the following areas:

- equity sales and trading (ranked number three globally in 1999 based on equity commission revenues based on an independent survey);

- cash and derivative fixed income sales and trading with institutional investors (ranked number four globally in 1999 based on information compiled and classified by the Securities Data Company and other publicly available information);

- eurobond trading (received Award of Excellence and named Eurobond Trading Firm of the year in July 1999 by Euromoney);

- global foreign exchange (ranked number four in May 1999 by Euromoney FX poll, which ranks investment banks and banks on a global basis by market share);

- research, with a global research sales team that includes about 630 specialist analysts based in over 30 countries and covering over 4,600 companies (received the Reuters award in February 1999 for best research of larger European companies and Euromoney's award in October 1999 for best overall Asian research);

- debt and equity capital (1999, ranked number five in international equity; number three in international equity-linked issuances; number two in eurobond origination; and number one in its target franchise segments of international bonds by Bondware. UBS Warburg's target franchise markets exclude asset-backed, self-issuance and U.S. agencies); and

- privatizations (including its role as lead manager in the Swisscom privatization, which was named privatization of the year by Institutional Investor and International Financing Review magazines in 1998).

Set forth below is summary information, based on management accounting, relating to UBS Warburg, which is discussed in greater detail under "Management's Discussion and Analysis of Financial Condition and Results of Operations — UBS Warburg".

	Nine Months Ended 30 September		Year Ended 31 December	
	1999	1998	1998	1997
	(CHF in millions)			
Operating income before credit loss expense	10,081	4,566	6,987	10,888
Credit loss expense	238	294	500	300
Personnel, general and administrative expenses	7,182	4,993	6,816	8,641
Depreciation and amortization	584	509	692	668
Operating profit (loss) before restructuring costs and tax	2,077	(1,230)	(1,021)	1,279
Average regulatory equity used[1]	10,350	13,600	13,300	13,600
Number of employees (*at period end*)	12,854	14,471	13,794	18,620

(1) Average regulatory equity used is the monthly average of the regulatory capital used by a division. Average regulatory equity is calculated by applying the average equity/capital ratio of the Group to the average monthly, regulatory capital usage calculated by the divisions in accordance with BIS rules, adjusted by a margin of 10%.

Business Areas

UBS Warburg operates four main business areas that have been organized by the type of products and services offered and their risk exposure. These four business areas consist of Equities, Fixed Income, Corporate Finance and Treasury Products. The Corporate Finance business area works with the Equities and Fixed Income business areas through the Equity Capital Markets Group, the Debt Capital Markets Group and Leveraged Finance to originate new equities capital markets business, fixed income capital markets business and leveraged finance business. Consequently, operating income from the Equity Capital Markets Group is shared between Equities and Corporate Finance and operating income from the Debt Capital Markets Group and Leveraged Finance is shared between Fixed Income and Corporate Finance. The table below sets forth the operating income before credit loss expense attributable to each of UBS Warburg's main business areas.

	Operating Income			
	Nine Months Ended 30 September		Year Ended 31 December	
	1999(1)	1998	1998	1997(2)
	(CHF in millions)			
Equities	4,980	1,371	2,572	
Fixed Income	2,408	191	399	
Corporate Finance	1,324	1,317	1,665	
Treasury Products	1,369	1,687	2,351	
Total	10,081	4,566	6,987	10,888

(1) Operating income before credit loss expense broken down by business area includes operating income from non-core businesses. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — UBS Warburg".
(2) Prior to the merger, the businesses were reported under different management reporting structures. A breakdown of 1997 revenues in accordance with our current management reporting structure is, therefore, not possible.

Equities

Equities is a leader in equity, equity-linked and equity derivative products in primary markets and a large cross-border trader in secondary equity markets. Equities' secondary market business represented over 60% of the operating income from Equities in the first nine months of 1999. Equities' primary areas of responsibility include:

- researching companies, industry sectors, geographic markets and macro and economic trends
- sales and trading of cash and derivative equity securities and equity structured products
- structuring, originating, distributing and trading newly issued equity, equity-linked and equity derivative products

Through our branches and affiliates, we are a member of most major stock exchanges, including New York, London, Tokyo and Zurich. We are also participants in a number of electronic exchange ventures, including Tradepoint, through our equity investment in TP Group Limited, and NYFIX Millennium L.L.C.

Fixed Income

Fixed Income structures, originates, trades and distributes a variety of fixed income, banking and structured products. It also is responsible for loan syndication and core-loan portfolio functions. Fixed Income serves a broad client base consisting of investors and borrowers and offers a range of fixed income products and services, including:

- interest rate based credit products, including loans, and government bonds

- a variety of banking products, such as structured finance and leveraged finance products
- principal finance services, which involves the purchase, origination and securitization of credit products
- investment grade, high yield and emerging market bonds
- credit-structured vehicles and credit derivatives, including credit-linked notes and total return swaps
- various derivative products
- structured products to meet clients' risk management needs

Corporate Finance

Corporate Finance manages the relationships with our large supranational, corporate and sovereign clients. It provides a variety of advisory services in areas such as mergers and acquisitions, strategic advisory and restructuring. Corporate Finance also provides capital markets and leveraged financing services in conjunction with the Equity Capital Markets Group, the Debt Capital Markets Group and Leveraged Finance. Utilizing our existing resources, UBS Warburg's strategy is to further expand its presence in targeted global sectors in the areas of mergers and acquisitions and primary capital markets activities, including the targeted sectors in the United States. Corporate Finance's responsibilities include:

- mergers and acquisitions
- country and global sector coverage
- equity and equity-linked capital, initial public offerings and other public and private equity offerings in conjunction with the Equity Capital Markets Group
- investment grade and high-yield debt offerings in conjunction with the Debt Capital Markets Group
- leveraged debt offerings in conjunction with Leverage Finance
- structured finance

Treasury Products

Treasury Products serves institutional investors, banks, sovereigns, corporate clients, as well as other retail and wholesale clients of our other divisions. Treasury Products' primary areas of responsibility include:

- sales and trading of foreign exchange (spot and derivatives), precious metals, short-term interest rate cash and derivative products and exchange-traded derivatives
- collateral trading, securities lending and repurchase agreements

- bank notes sales and distribution
- foreign currency research
- our alternative asset management business

Clients

We have a diverse global client base, including institutional investors, corporations, supranational organizations and governments. This diversity has allowed us to establish ourselves as a leading investment bank headquartered in Europe and the leading distributor of non-U.S. investment products to United States investors.

The table below sets forth the percentage of operating income attributable to each category of clients. The total operating income used to calculate the percentage of operating income by client type only includes operating income generated from or attributed to clients.

	Operating Income From Clients		
	Nine Months Ended 30 September		Year Ended 31 December
	1999	1998	1998
		(% of total)	
Corporate clients	29%	39%	39%
Institutional investors	66	55	55
Governments and supranationals	5	6	6
Total	100%	100%	100%

E-commerce/Product Initiatives

The institutional client business worldwide is rapidly moving to an electronic basis. We believe UBS Warburg is well positioned to capitalize on this trend. Recent e-commerce initiatives include:

- ***Investment Banking On-Line (IBOL).*** IBOL provides extensive client desktop capability from a single home page with direct access to prices, research, trade ideas and analytical tools for our equities, fixed income and treasury products. We intend to expand IBOL to include wireless and video links.
- ***Electronic Transactions of Securities (ETS) and Electronic Transactions for OTC Products (ETOP).*** ETS and ETOP provide a further rollout of on-line order routing and trading capabilities for all securities, foreign exchange and derivatives products.
- ***Corporate Finance On-Line (CFOL).*** The CFOL initiative is intended to establish a secure connection for the exchange of transactional and pricing information with corporate clients to support execution and the origination of advisory mandates, as well as create on-line connectivity for capital markets participants.
- Electronic distribution of research available to over 5,000 clients.

- Establishment of transactional websites for euro commercial paper and euro medium-term notes, including consolidated site information links to all euro credit markets, credit indices and bond analytics.

- New web services such as KeyLink Web (secure international electronic banking for cash, foreign exchange and securities), Adviser Web (wholesale of Australian equity) and Global eHelp Service Desk (support for clients 24 hours per day, 6 days per week).

Providing superior advice and maintaining contacts with clients will be key to UBS Warburg's future success. We believe our e-commerce initiatives will enhance our ability to add value to clients, as well as allow us to extract value from the processing power and scale of our core business processes and development standards to maximize the benefits we can achieve from technological innovations. UBS Warburg already does fully automated processing of 100,000 domestic and cross-border securities trades per day with the capacity to increase this amount five-fold within the existing infrastructure.

Loan Portfolio

In 1998, we decided that UBS Warburg's loans and commitments that were (1) not part of the loan trading portfolio, (2) not issued in conjunction with leveraged finance transactions or (3) not directly supporting our core client relationships, would be separated from the core activities of UBS Warburg and wound down. As a result of this initiative, our total loans and committed and undrawn lines of credit have been reduced. The following table sets forth information regarding the UBS Warburg loan portfolio before allowance for loan loss:

	At 30 September 1999	At 31 December 1998
	(CHF in millions)	
Due from banks.......................	31,677	62,272
Loans to customers.................	60,186	72,425
Total loans	91,863	134,697

See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Risk Management — Credit Risk" for a more in-depth review of our credit portfolio and business, including a discussion of our impaired and non-performing loans.

UBS Private and Corporate Clients

Overview

UBS Private and Corporate Clients is the leading retail bank in Switzerland and targets individual clients with assets of up to approximately CHF 1 million as well as business and corporate clients in Switzerland. At 30 September 1999, this division had about CHF 427 billion in assets under management and a loan portfolio of approximately CHF 171 billion. UBS Private and Corporate Clients employs over 24,000 people in its headquarters in Zurich and its offices throughout Switzerland.

Set forth below is summary information, based on management accounting, relating to UBS Private and Corporate Clients, which is discussed in greater detail under "Management's Discussion and Analysis of Financial Condition and Results of Operations — UBS Private and Corporate Clients".

	Nine Months Ended 30 September		Year Ended 31 December	
	1999	1998	1998	1997
	(CHF in millions)			
Operating income before credit loss expense	5,447	5,141	7,025	7,005
Credit loss expense	836	780	1,170	1,092
Personnel, general and administrative expenses	3,364	3,123	4,263	4,497
Depreciation and amortization	406	503	684	660
Operating profit before restructuring costs and tax	841	735	908	756
Average regulatory equity used[(1)]	8,450	8,200	8,250	8,600
(at period end)				
Assets under management	427,000	416,000	434,000	398,000
Total loans	171,399	176,077	164,840	N/A[(2)]
Number of employees	24,503	23,927	24,043	25,641

(1) Average regulatory equity used is the monthly average of the regulatory capital used by a division. Average regulatory equity is calculated by applying the average equity/capital ratio of the Group to the average monthly, regulatory capital usage calculated by the divisions in accordance with BIS rules, adjusted by a margin of 10%.
(2) Total loans are not available for dates prior to the merger.

Organizational Structure

UBS Private and Corporate Clients operates four main business areas:

- ***Individual Clients*** — This business area includes over 4,000,000 client accounts, of which over 25% are client accounts that relate to clients with assets over CHF 50,000.

- ***Corporate Clients*** — This business area focuses on Swiss corporate clients and includes 170 top corporations, over 10,000 large corporate clients and 180,000 small- and medium-sized businesses.

- ***Operations*** — In addition to providing operational support to the retail banking business and other Swiss-based UBS units, this business area provides payment and custodial services to approximately 1,800 banking institutions throughout the world.

- ***Risk Transformation and Capital Management*** — This business area has responsibility for clients with impaired or non-performing loans and manages the risk in UBS Private and Corporate Client's loan portfolio. It is also responsible for optimizing capital utilization.

UBS Private and Corporate Clients also includes the Resources business area, which provides real estate, marketing, personnel and administrative services to UBS Private and Corporate Clients and the other UBS divisions in Switzerland, and the Information Technology business area, which provides information technology services to UBS Private and Corporate Clients and the other Swiss-based UBS units.

Profit Enhancement Initiatives

The domestic retail banking sector in Switzerland has historically been a high cost, low return business. In order to further enhance the profitability of the retail business and to exploit the synergies after the merger, we have developed and commenced a number of initiatives that are intended to reduce costs and increase revenue. These include:

- The further development and enhancement of alternative distribution channels, including:
  - UBS Telebanking (on-line internet and teletext banking) and telephone banking
  - UBS Multimat and UBS Bancomat Plus, which together offer a direct electronic link to the customer's account and to a full range of traditional ATM services, including accepting cash deposits, and permits additional functions, such as the set-up and maintenance of payment and standing orders;
- Increasing revenue principally through improvements in pricing, increased focus on higher yielding investment products and fee-based businesses, and improvements in the distribution of our products, including implementing risk-adjusted pricing in our new and maturing loan business and by expanding our "24-Hour Banking" services;
- Reducing costs by continuing to close branches, which we have reduced by over 170 branches, or 30%, still leaving us with more branches than either predecessor institution; and
- Increasing efficiency and productivity of our processes by standardizing our products and taking advantage of automation and other technological developments.

Clients

We have a diverse client base, ranging from individual clients to corporate clients and international banking institutions. We provide a broad range of products and services to these clients, including retail banking, investment services and lending. We believe that clients choose UBS Private and Corporate Clients primarily based on our leading position as a bank and an asset manager in Switzerland, our broad distribution network and our ability to provide a comprehensive range of financial products and services. Based on market surveys, over 96% of the Swiss market readily recognizes the UBS brand, which has a long history and is well established in Switzerland.

The table below sets forth assets under management attributable to each of UBS Private and Corporate Client's main client areas.

	At 30 September 1999	At 31 December 1998
	(CHF in billions)	
Individual Clients	231	229
Corporate Clients	188	178
Banks	8	27
Total	427	434

Client/Product Initiatives

Rapid growth of technology has made available a number of alternative distribution channels. We have offered telebanking since 1985 and, based upon our market research, we have the leading position in the Swiss telebanking market, initiating in excess of one-half of all telebanking transactions in Switzerland during 1998.

Since 1997, we have expanded our product offerings and taken steps to market additional services to our client base. Key initiatives include:

- The launch of UBS Tradepac, an expanded all-inclusive internet based offering aimed at serving the on-line trading needs of our customers and providing access to six international exchanges. As part of UBS Tradepac, we have established a partnership with Intuit Inc. that has permitted us to introduce UBS Quicken, a specially adapted version of the Quicken software that includes enhanced financial management functions and adds to the attractiveness of our product offering; and

- The launch of our small- and medium-sized business enterprises initiative, which is intended to respond to the lack of risk capital for small business enterprises.

Investment Services

Our investment services for UBS Private and Corporate Clients are a collaborative effort among:

- UBS Asset Management, which sets forth the investment strategy, delivers monthly tactical asset allocations and manages discretionary mandates of our institutional clients

- UBS Warburg, which provides research and access to the securities exchanges

- UBS Private Banking, which manages the UBS mutual fund portfolio and the discretionary mandates of our individual clients

- UBS Private and Corporate Clients, which actively markets and distributes investment products to its clients after making the appropriate revisions to take into account the needs of our clients

The principal result is a full range of investment options to offer our clients.

The following table illustrates UBS Private and Corporate Clients' assets under management by asset class.

	At 30 September 1999	At 31 December 1998
	(CHF in billions)	
Deposit and current accounts	135	153
Investments	292	281
Total	427	434

Loan Portfolio

The following table shows the loan portfolio before all allowances in UBS Private and Corporate Clients, broken down by our main business areas.

	At 30 September 1999	At 31 December 1998
	(CHF in billions)	
Individual Clients	95	90
Corporate Clients	53	49
Recovery Portfolio	23	26
Total	171	165

The following table shows the loan portfolio in UBS Private and Corporate Clients, broken down by loan category.

	At 30 September 1999	At 31 December 1998
	(CHF in billions)	
Fixed rate mortgages	78	80
Commercial credits	48	44
Variable rate mortgages	37	36
Other	8	5
Total	171	165

At 30 September 1999, about CHF 124 billion of the CHF 171 billion (or 73%) of the loan portfolio in UBS Private and Corporate Clients related to mortgages, of which approximately 78% were secured by residential real estate. A discussion of our loan portfolio classified by industry is included under "Management's Discussion and Analysis of Financial Condition and Results of Operations — Selected Statistical Information — Loans".

UBS Private and Corporate Clients' impaired loans, which include non-performing loans, are transferred to our Risk Transformation and Capital Management business area to be managed by our Recovery Group, which specializes in working-out or otherwise recovering the value of those loans. At 30 September 1999, our loan portfolio included approximately a CHF 23 billion recovery portfolio. Approximately CHF 21 billion of our 30 September 1999 recovery portfolio was impaired and related to provisional positions and positions stemming back to weakness in the Swiss commercial real estate markets during the 1990s. A provision of CHF 11.1 billion has been established against the portion of impaired loans not secured by collateral or otherwise deemed uncollectible. Approximately CHF 2 billion of our 30 September 1999 recovery portfolio is performing and unimpaired. No provisions have been established against these loans. The unimpaired loans included in our recovery portfolio are outstanding with counterparties for whom other loans have become impaired. Our lending officers actively manage the recovery portfolio, seeking to restructure the lending relationship with a goal of removing the loan from the recovery portfolio. The following table describes the changes in our recovery portfolio from 1 January 1998 to 30 September 1999:

	(CHF in billions)
Balance, 1 January 1998	29
Changes in 1998:	
New recovery loans added	7
Settlements of outstanding recovery loans	(10)
Balance, 31 December 1998	26
Changes in first nine months of 1999:	
New recovery loans added	4
Settlements of outstanding recovery loans	(7)
Balance, 30 September 1999	23

Approximately one-third of the loans that were originally included in our recovery portfolio in 1997 have been worked out and removed. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Risk Management — Credit Risk" for a further description of our process for credit risk management and control and a discussion of impaired and non-performing loans.

UBS Private and Corporate Clients is in the process of implementing a new lending business model which, in addition to being based on sophisticated portfolio management techniques, will be used to support our "risk-adjusted pricing" initiative, which differentiates loan pricing based on risk profiles. Implementation of our new lending business model is expected to permit us to improve the margins on our lending portfolio and use our capital more effectively. For a discussion of our credit approval process and how we manage our interest rate risk, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Asset and Liability Management — Interest Rate Management".

The credit approval activities of UBS Private and Corporate Clients are the responsibility of the division, coordinated by a separate chief credit officer who is accountable to the UBS Chief Credit Officer, or CCO. Generally, loans are approved by a credit officer who does not participate in the client relationship, but works with the lending officer to establish a set of lending criteria that are applicable to the risk profile rating of the borrower. The exception is for certain high risk lending relationships, in which case the credit officer directly corresponds with the borrower. UBS Private and Corporate Clients' chief credit officer reviews the division's loans on a periodic basis (annually for most loans and at least quarterly for high-risk loans) to confirm the ratings. The CCO further coordinates our lending activities and credit exposure with the lending activities and credit exposure of UBS Warburg and UBS Private Banking.

UBS Asset Management

Overview

UBS Asset Management is responsible for our institutional asset management business. Based on assets under management, we are one of the largest institutional asset managers in the world and among the industry leaders in the United States, the United Kingdom and Switzerland. At 30 September 1999, we managed over CHF 538 billion in assets including CHF 355 billion of institutional assets and CHF 183 billion of investment fund assets and portfolio management mandates for UBS Private Banking. UBS Asset Management is headquartered in Chicago and has offices in Bahrain, Basel, Frankfurt, Geneva, Hong Kong, London, Melbourne, New York, Paris, Rio de Janeiro, Singapore, Sydney, Tokyo and Zurich.

We market our institutional asset management services under two main brands: UBS Brinson/Brinson Partners and Phillips & Drew. We believe that our broad geographic spread of operations and strong brand names will help us pursue growth opportunities in Continental Europe, Asia-Pacific and Latin America and maintain our strong positions in the mature markets we serve in the United States, the United Kingdom and Switzerland.

Set forth below is summary information, based on management accounting, relating to UBS Asset Management, which is discussed in greater detail under "Management's Discussion and Analysis of Financial Condition and Results of Operations — UBS Asset Management".

	Nine Months Ended 30 September		**Year Ended 31 December**	
	1999	**1998**	**1998**	**1997**
	(CHF in millions)			
Operating income	811	868	1,163	1,040
Personnel, general and administrative expenses	472	486	608	542
Depreciation and amortization	103	87	107	95
Operating profit before restructuring costs and tax	236	295	448	403
(*at period end*)				
Assets under management	538,000	513,000	531,000	504,000
Number of employees	1,497	1,489	1,497	1,364

Organizational Structure

We have recently modified the organizational structure of UBS Asset Management to strengthen local and regional roles, while maintaining the integrity of UBS Brinson and Phillips & Drew's global investment capabilities. We believe that our new organizational structure will improve accountability for results and the division's effectiveness and efficiency. UBS Asset Management's new organizational structure consists of the following business areas:

- ***UBS Brinson/Brinson Partners and Phillips & Drew.*** These business areas have the mandate to optimize contribution from their existing markets, to further develop their investment capabilities and to contribute to global business development efforts in Europe and the Asia-Pacific region.

- ***Europe, Middle East & Africa and Asia Pacific.*** These business areas have a mandate to capture profitable growth opportunities in their assigned geographic markets and to optimize the contribution from existing businesses in these regions. These mandates strengthen the regional accountability for results and resources. At the same time, both regional business areas continue to contribute to the UBS Asset Management global investment process as well as ensure their adaptation to regional client needs where appropriate.

- ***Private Banking Investment Services.*** UBS Asset Management provides institutional quality asset management for individual investors through UBS Private Banking and UBS Private and Corporate Clients. This business area serves these divisions, and is also involved in the development of investment solutions for other major clients.

- ***IT and Operations.*** This business area is responsible for implementing and maintaining information technology and delivery platforms.

Clients

UBS Asset Management has a diverse institutional client base located throughout Europe, the Middle East, Africa, the Asia-Pacific region and the Americas. Our clients consist of:

- corporate and public pension plans
- endowments and private foundations
- insurance companies
- central banks and supranationals
- financial advisers

Externally managed pension assets constitute the majority of worldwide available institutional assets. The pension market is undergoing a shift from traditional defined benefit plans to defined contribution schemes. One of our strategic initiatives is to position ourselves to take advantage of the opportunities created in this changing environment.

We have established direct links between UBS Asset Management and UBS Private Banking and UBS Private and Corporate Clients to provide their clients with access to the same level of investment capabilities that we provide to our institutional clients. We manage the UBS Investment Funds, other than the real estate funds, which are offered to clients through UBS Private Banking and UBS Private and Corporate Clients.

The following table shows assets under management broken down between institutional assets and non-institutional assets, the latter of which includes the UBS Investment Funds.

	At 30 September	At 31 December	
	1999	1998	1997
	(CHF in millions)		
Institutional	355,000	360,000	373,000
Non-institutional	183,000	171,000	131,000
Total	538,000	531,000	504,000

We are well represented in the United States, Europe and Australia, and are one of the largest foreign investment managers in Japan. We believe this gives us a strong platform to meet the increasingly complex global investment and servicing needs of our major clients, and to expand our presence in growth markets.

The following table shows institutional assets under management by the geographic location of our clients.

	At 30 September	At 31 December	
	1999	1998	1997
	(CHF in millions)		
Europe, Middle East & Africa	187,000	202,000	233,000
The Americas	121,000	122,000	125,000
Asia-Pacific	47,000	36,000	15,000
Total	355,000	360,000	373,000

Marketing and Distribution

Clients differentiate among institutional asset managers based on client service, investment performance, process and philosophy, fees and continuity of staff. We seek to use our fundamental value approach, long-term track record and strong client franchise, to increase the penetration of our services with both new and existing clients. We are a full service institutional asset management firm, offering our clients a comprehensive range of research and investment analysis as part of our overall service and capability package.

Consultants advise institutional investors based on their expert knowledge of managers' investment performance, process and client service capabilities, as well as other factors. In consultant driven markets, such as the United States and the United Kingdom, we rely on our strong relationships with the major consultants that advise corporate and public pension plans, endowments, foundations, and other institutions. We also dedicate resources to generating new business directly with large clients.

We seek to increase our revenues from existing clients. Each of our client-facing business areas has dedicated account management teams that service existing clients and seek to find new ways to address client needs. These account managers are also focused on further developing and solidifying the relationships we have with the major consultants that serve our clients.

Client Mandates

We seek to deliver sustained value-added investment performance relative to client-mandated benchmarks. Our client mandates range from fully discretionary global asset allocation portfolios to equity or fixed income portfolios with a single country emphasis to other asset classes, including real estate, timber, oil and gas, and private equity. These portfolios are available through separately managed portfolios as well as through a comprehensive range of pooled investment funds.

The following chart sets forth institutional assets under management by client mandate:

	At 30 September	At 31 December	
	1999	1998	1997
	(CHF in millions)		
Equity	117,000	115,000	116,000
Asset Allocation	132,000	148,000	161,000
Fixed Income	89,000	83,000	85,000
Private Markets	17,000	14,000	11,000
Total	355,000	360,000	373,000

Within each of these broad client mandate categories, we have a diverse range of particular mandates that we provide to our clients without a high concentration of business in any particular segment. For example, within the equity, asset allocation and fixed income areas, we offer a range of mandates on global, regional, emerging market and sector-specific bases. The private markets category includes such mandates as direct investments, oil and gas, partnership investments, real estate and timber.

Investment Process and Research

We have 540 professionals responsible for conducting research and analysis in the division. Our senior investment professionals set policy and oversee research activity within the units, drawing upon the expertise of investment specialists in each asset class. Our asset allocation and investment strategies are based on comprehensive proprietary research in major financial markets around the world. Our method is to identify periodic discrepancies between market price and investment value and turn them to our clients' advantage.

Our investment process is based on our efforts to determine and quantify investment value. We emphasize long-term fundamental research performed by our internal investment specialists. These specialists also consult with external analysts, economists, consultants and academics. They develop research and provide input into our quantitative valuation models. We estimate long-term expected returns for asset classes, markets, and securities using proprietary valuation models that consider cash flows discounted at risk-adjusted rates. We then evaluate potential strategies in the context of forecasted returns as well as our forecasted risks and correlations.

We create portfolios and monitor and adjust them based on relative price/value discrepancies. Where no significant discrepancies exist between price and value, we continue our research and analysis. We believe that our approach allows us to respond to market changes, while we provide our clients with the benefit of our knowledge and experience and maintain the flexibility to customize portfolios to meet their requirements.

UBS Private Equity

Overview

UBS Private Equity has a local presence in major industrialized regions in Europe, North America, Latin America and the Asia-Pacific region, with about 121 employees, as of 30 September 1999, in offices in London, Zurich, New York, Sao Paolo, Buenos Aires, Paris, The Hague, Munich, Milan, Singapore, Hong Kong, Seoul and Sydney. UBS Private Equity has grown rapidly over the past five years, with the book value of UBS Private Equity's investments increasing from about CHF 401 million at 31 December 1994 to about CHF 2,439 million at 30 September 1999.

Generally, private equity is the business of investing in unlisted companies, managing these investments over a medium-term time horizon to increase the value of the investee company and "exiting" the investment in a manner that will maximize the capital gain. UBS Private Equity generally seeks to make majority and minority equity investments in established unlisted companies, either with our own capital or through sponsored investment funds. Although the main focus of our investments is late-stage financing, such as management buyouts, expansion or replacement capital, we also invest a minority of the portfolio in early stage investments in the technology and telecommunications sectors. UBS Private Equity endeavors to create investment value by working together with management to develop the businesses over the medium term (three to six years) in order to optimize their performance.

Set forth below is summary information, based on management accounting, relating to UBS Private Equity, which is discussed in greater detail under "Management's Discussion and Analysis of Financial Condition and Results of Operations — UBS Private Equity".

	Nine Months Ended 30 September		Year Ended 31 December	
	1999	1998	1998	1997
	(CHF in millions)			
Operating income	254	499	585	492
Personnel, general and administrative expenses	112	94	156	110
Depreciation and amortization	4	0	1	1
Operating profit before restructuring costs and tax	138	405	428	381
(at period end)				
Number of employees	121	123	122	90
Investments (at book value)	2,439	1,688	1,784	1,080

Competitive Position

Superior returns and recognition of private equity as an alternative asset class has led to a substantial growth in private equity funds raised in recent years. The fact that the amount of funds raised for these types of investments has exceeded the amount of attractive private equity investments has led to increased competition for investment opportunities and decreased returns for private equity investors. Our competitors in this market include investment funds, investment banks and insurance companies.

In spite of the changing environment, we believe that opportunities will continue to arise in the private equity business as a result of a number of factors, including the introduction of the Euro and the increasing need to solve succession issues in family-owned businesses. UBS Private Equity generally targets medium-sized businesses with enterprise values in the range of CHF 75 million to CHF 1.5 billion.

Organizational Structure

UBS Private Equity is structured on a country and sector approach and, as of 30 September 1999, had eight separate teams covering over 30 countries. We believe that our local presence and expertise, coupled with the global reach of our operations, generates the early identification of opportunities and their timely and effective development.

Our teams are divided geographically between Western Europe, Asia and the Americas, which includes Latin America. Our presence in the Asia-Pacific region started in Singapore and now includes Australia and our new offices in South Korea and Hong Kong.

UBS Private Equity is establishing two private equity investment funds in the Americas. One of these investment funds will make private equity investments primarily in North America, while the other investment fund will make private equity investments in Latin America. In connection with the establishment of the new funds, UBS and the management team that currently manages the investments of UBS Private Equity in the Americas will form two limited liability company advisors, one to advise each fund. Each fund's advisor will be jointly owned by the managers and principals of the management team and UBS. These advisors will be affiliates of UBS, and UBS will be the largest beneficial investor in each of the North America and Latin America funds. However, the managers and principals of the management team resident in the United States will not be employees of UBS or employees of either advisor. The remaining employees of UBS Private Equity in the Americas will become either members or employees of the respective advisors. Moreover, on or after 30 June 2000, the managers and principals of the management team will have an option to purchase a portion of UBS's interest in the North America advisor if specified conditions are satisfied and as a result UBS's interest in that advisor would be diminished.

Investment Portfolio

UBS Private Equity's investment portfolio had a book value of approximately CHF 2.4 billion and an estimated fair value of approximately CHF 3.5 billion at 30 September 1999. UBS has committed funds of approximately CHF 5 billion for UBS Private Equity to invest.

We have designed our portfolio to reduce our exposure to risk by:

- geographically diversifying our portfolio and minimizing concentration of investment in specific locations

- diversifying by industry sector to obtain a good spread between manufacturing and services sectors

- investing a minority of the portfolio in earlier stage growth opportunities, such as technology and telecommunications

- focusing on later-stage investments, such as management buy-outs of existing businesses

The following table provides information regarding UBS Private Equity's investment portfolio by geographic region, by industry sector and by age of investment.

Geographic Region (by headquarters of Investee)	At 30 September 1999	At 31 December 1998	At 31 December 1997
	(CHF in millions; all amounts are book values)		
North America	1,198	939	562
Europe	944	689	434
Latin America	195	123	48
Asia-Pacific	102	33	36
	2,439	1,784	1,080

Industry Sector (based on industry classification codes)	At 30 September 1999	At 31 December 1998	At 31 December 1997
	(CHF in millions; all amounts are book values)		
Consumer related	502	400	405
Diversified industrials	505	376	85
Transportation	391	186	61
Communications	227	208	84
Computer related	279	109	38
Energy	162	153	134
Other electronics related	38	32	49
Other manufacturing	48	53	93
Chemicals and materials	47	52	20
Industrial products and services	74	60	51
Others	166	155	60
	2,439	1,784	1,080

Aging (based on date of initial investment)	At 30 September 1999	At 31 December 1998	At 31 December 1997
	(CHF in millions; amounts are book values)		
Pre- 1994	77	112	109
1994	193	195	161
1995	330	282	180
1996	198	183	171
1997	492	450	459
1998	593	562	
1999	556		
	2,439	1,784	1,080

As shown in the table above, at 30 September 1999, approximately 67% of the investment portfolio is three years old or less. Generally, investments may be sold, and operating income recognized, between the third and the sixth year after the initial investment.

Investment Process

UBS Private Equity generally seeks to make equity investments in established unlisted companies, primarily with UBS's own capital or through managed investment funds, including the sponsored funds described below. At 30 September 1999, investments that were late-stage at the time of our investment comprised 83% of the book value of our investments. The following table provides information about UBS Private Equity's investment portfolio by investment stage as determined at the time of our investment.

	At 30 September	At 31 December	
	1999	**1998**	**1997**
	(CHF in millions)		
Early stage	407	49	32
Late stage	2,032	1,735	1,048
	2,439	1,784	1,080

Investment opportunities come to us from a variety of sources, including from UBS Private Banking and UBS Warburg. Our investment policy concentrates on five "value drivers":

- negotiate an attractive entry price
- increase the company's efficiency
- implement a sales growth strategy
- repay company debt and reduce leverage
- achieve an exit at a higher multiple than the entry price, or what we call "multiple arbitrage"

Where appropriate, we try to participate actively with the management of these entities in developing the businesses over the medium term (three to six years) in order to optimize their performance. Our exit strategies for the businesses include trade sales with strategic buyers, initial public offerings, leveraged recapitalizations and sales to other financial sponsors.

More recently, given the industry trend toward larger sized transactions, we have also begun to concentrate on the formation of four regional funds – Europe, North America, Latin America and Asia. In the United States, we have launched a $750 million investment fund, which may be increased to $1 billion to permit us to increase our committed investment from $150 million to as much as $500 million if such increased investment is permitted under applicable United States banking laws and regulations. In Latin America we have launched a $500 million fund, which we have committed to fund fully with the option to permit third-party investors to commit up to 25% of such funds. In addition to these funds, two new funds have been launched in Europe, Phildrew Ventures V, a United Kingdom private equity fund with a fund size of GBP 330 million, and CapVis Equity Partners, which is Switzerland's largest private equity fund with a fund size of CHF 300 million. CapVis Equity Partners will be UBS Private Equity's vehicle for investing in Switzerland and Austria.

Corporate Center

In the context of a global integrated investment services firm, the role of Corporate Center is to contribute to the long-term maximization of shareholder value by:

- competitively positioning us in growing market places with an optimal business model and adequate resources

- maintaining an appropriate balance between risk and profit to provide financial stability on a Group-wide basis

- ensuring that the divisions, while being accountable for their results, operate as a coherent and effective Group with a common set of values and principles

To perform its role, Corporate Center establishes standards and principles to be applied by the divisions, thereby permitting us to minimize staffing levels within Corporate Center.

The following functions are part of Corporate Center:

- Group internal audit, which reports directly to the Chairman of the Board of Directors in order to ensure its operational independence

- a number of functions reporting to the Chief Executive Officer, including human resources policies and standards, communications with staff, public and media, marketing and brand management, and the Group's general counsel

- functions reporting to the Chief Financial Officer responsible, at the Group level, for risk control, financial control and management, strategic analysis and communications with regulators, rating agencies, investors and analysts

Additionally, the Corporate Center plays an active role with regard to funding, capital and balance sheet management and management of foreign currency earnings.

Competition

We operate in a highly competitive environment in all of our businesses and markets. Many large financial services groups compete with us in the provision of sophisticated banking, investment banking and investment management services to corporate, institutional and individual customers on a global basis, while local banks and other financial services companies, which may be of substantial size, often provide significant competition within national markets. We also compete with other banks, money market funds and mutual funds for deposits, investments, and other sources of funds. In some jurisdictions, many of our competitors are not subject to the same regulatory restrictions as are applicable to us.

Employees

At 30 September 1999, we had 48,623 employees. Set forth below are the number of employees of UBS broken down by our five operating divisions and Corporate Center.

	At 30 September	At 31 December	
	1999	1998	1997
UBS Private and Corporate Clients	24,503	24,043	25,641
UBS Warburg	12,854	13,794	18,620
UBS Private Banking	8,773	7,634	7,862
UBS Asset Management	1,497	1,497	1,364
UBS Private Equity	121	122	90
Corporate Center	875	921	1,599
Group Total	48,623	48,011	55,176

During 1998, we experienced significant movements in headcount, predominantly as a result of the merger and divestments. The increase in headcount in the first nine months of 1999 was mainly attributable to UBS Private Banking's expansion of its domestic private banking business outside Switzerland, which was partially offset by decreases in UBS Warburg relating to the winding down of non-core businesses and merger related reductions.

We have not experienced any significant strike, work stoppage or labor dispute in recent years. We consider our relations with employees to be good.

Regulation and Supervision

Our operations throughout the world are regulated and supervised by the relevant central banks and regulatory authorities in each of the jurisdictions in which we have offices, branches and subsidiaries. These authorities impose reserve and reporting requirements and controls on banks, including those relating to capital adequacy, depositor protection and prudential supervision. In addition, a number of countries in which we operate impose additional limitations on (or that affect) foreign or foreign-owned or controlled banks and financial institutions, including:

- restrictions on the opening of local offices, branches or subsidiaries and the types of banking and non-banking activities that may be conducted by those local offices, branches or subsidiaries
- restrictions on the acquisition of local banks or requiring a specified percentage of local ownership
- restrictions on investment and other financial flows entering or leaving the country

Changes in the supervisory and regulatory regimes of the countries where we operate will determine to some degree our ability to expand into new markets, the services and products that we will be able to offer in those markets and how we structure specific operations.

The most important jurisdictions that regulate and supervise our activities are Switzerland, the United States and the United Kingdom.

Regulation and Supervision in Switzerland

We are regulated in Switzerland under a system which is established by the Swiss Federal Law Relating to Banks and Savings Banks of 8 November 1934, as amended, and the related Implementing Ordinance of 17 May 1972, as amended, or the "FBL". Under the FBL, banks in Switzerland are permitted to engage in a full range of financial services activities, including commercial banking, investment banking and funds management. Banking groups may also engage in insurance activities, but these have to be undertaken through a separate subsidiary.

The FBL establishes a framework for supervision by the Federal Banking Commission, or "FBC". The FBC implements this framework through the issuance of Ordinances or Circular Letters to the banks which it supervises. In addition, the regulatory framework in Switzerland relies on self-regulation through the Swiss Bankers Association, or "SBA". The SBA issues guidelines to banks on conduct of business issues. Recent examples of such guidelines include:

- the Due Diligence Convention, which established know your customer standards to protect against money laundering

- Risk Management Guidelines for Trading and for the Use of Derivatives, which set out standards based on the recommendations on this subject from the Group of Thirty, The Basel Committee on Banking Supervision and The International Organization of Securities Commissions

- Portfolio Management Guidelines, which sets standards for banks when managing customers funds and administering assets on their behalf

Mandatory Annual Audits

The approach to supervising banks in Switzerland places a particular emphasis on the role of the external auditor. Our auditors, who have to be approved to perform this role by the FBC, are required to submit an annual report to the FBC which assesses our financial situation as well as our compliance with the relevant regulations and self-regulatory guidelines which are applicable to our business. In the event that the audit reveals violations or other irregularities, the independent auditors must (1) inform the FBC if a correction is not carried out within a designated time limit or (2) inform the FBC immediately in the case of serious violations or irregularities. The FBC may issue directives as necessary to require a bank to address any issues identified by the auditors and may also appoint an expert to act as an observer of a bank if the claims of the bank's creditors appear to be seriously jeopardized.

Supervision by the FBC

Since July 1999, the FBC has established a dedicated unit called the Large Banking Groups Department which focuses solely on the supervision of UBS AG and the Credit Suisse Group. The group, which consists of experts covering all the main business activities in which we operate, supervises us directly through regular meetings with management as well as on-site visits. The group also coordinates the activities of the FBC with those of our main overseas supervisors as well as with the external auditors.

Capital Requirements

For purposes of complying with Swiss capital requirements, bank capital is divided into three main categories:

- core (or Tier 1) capital
- supplementary (or Tier 2) capital
- additional (or Tier 3) capital

Tier 1 capital primarily includes paid-in share capital, reserves (defined to include retained earnings), current-year profits and capital participations of minority shareholders in fully consolidated subsidiaries, and is reduced by, among other items, the bank's holdings of its own shares. Tier 1 capital is supplemented, for capital adequacy purposes, by Tier 2 capital, which consists of, among other things, two categories of subordinated debt instruments that may be issued by a bank, and by Tier 3 capital, which consists of certain subordinated debt obligations. The use of Tier 2 and Tier 3 capital in complying with solvency ratio requirements is, however, subject to limitations.

Under Swiss law, a bank must maintain a minimum capital ratio of 8%, calculated by dividing adjusted core and supplementary capital by aggregate risk weighted assets and measured on both a consolidated and an unconsolidated basis. We are required to file a statement of our required and existing capital resources together with our annual statement of condition and interim balance sheet with both the FBC and the Swiss National Bank.

Liquidity Requirements

Under Swiss law, banks are required to maintain specified measures of primary and secondary liquidity. Primary liquidity is measured by comparing Swiss franc-denominated liabilities to liquid assets in Swiss francs. For this purpose liabilities are defined as balances due to banks, due on demand or due within three months, as well as 20% of deposits in savings and similar accounts. Under current law, our liquid assets must be maintained at the level of at least 2.5% of these kinds of liabilities.

To measure secondary liquidity, assets maturing within one month which are readily marketable and suitable for offsetting are subtracted from the short-term and suitable for offsetting liabilities due to banks on demand or maturing within one month, time deposits repayable within one month and certain other liabilities maturing within one month (such as debentures, cash bonds and cash certificates). Any excess of such liabilities remaining after this calculation is then added to the total of 50% of demand deposits and certain other deposit accounts, which have no restrictions on withdrawal, and 15% of the thrift, deposit and savings book accounts as well as similar accounts, which are subject to restrictions on withdrawal. The total of our liquid and readily marketable assets must be at least equal to 33% of the short term liabilities as calculated above.

We are required to file monthly statements reflecting our primary liquidity position and quarterly statements reflecting our secondary liquidity position

Disclosures to the Swiss National Bank

Although the primary responsibility for supervision of banks under the FBL lies with the FBC, we also submit an annual statement of condition and detailed monthly interim balance sheets to the Swiss National Bank. The Swiss National Bank may require further disclosures from us concerning our financial condition as well as other information relevant to regulatory oversight by the Swiss National Bank.

Regulation and Supervision in the United States

Banking Regulation

Our operations in the United States are subject to a variety of regulatory regimes. We maintain branches in California, Connecticut, Illinois and New York and an agency in Florida. We refer to these as our U.S. "Banking Offices". Our California Branches are located in Los Angeles and San Francisco and are licensed by the U.S. Comptroller of the Currency. Each of our other U.S. Banking Offices is licensed by the state banking authority in the state in which it is located. Each U.S. Banking Office is subject to regulation and examination by its licensing authority. In addition, the Board of Governors of the Federal Reserve System (the "Federal Reserve Board") exercises examination and regulatory authority over our state licensed U.S. Banking Offices. None of our U.S. Banking Offices are insured by the Federal Deposit Insurance Corporation (the "FDIC"). The regulation of our U.S. Banking Offices imposes restrictions on the activities of those offices, as well as prudential restrictions, such as limits on extensions of credit to a single borrower, including Group subsidiaries.

The licensing authority of each U.S. Banking Office has the authority to take possession of the business and property of the office it licenses in certain circumstances. Such circumstances generally include violations of law, unsafe business practices and insolvency. So long as we maintain one or more federal branches, such as our California Branches, state insolvency regimes that would otherwise be applicable to our state licensed offices are preempted by U.S. federal law. As a result, pursuant to federal law all of our U.S. assets would be applied first to satisfy creditors of our U.S. Banking Offices as a group, and then made available for application pursuant to a Swiss insolvency proceeding.

In addition to the direct regulation of our U.S. Banking Offices, operating our U.S. Offices subjects us to regulation by the Federal Reserve Board under various laws, including the International Banking Act of 1978, as amended, and the Bank Holding Company Act of 1956, as amended (the "BHCA"). The BHCA imposes significant restrictions on our U.S. nonbanking operations and on our worldwide holdings of equity in companies operating in the United States. Historically, our U.S. nonbanking activities were principally limited to activities that the Federal Reserve Board found to be so "closely related to banking as to be a proper incident thereto." Moreover, prior Federal Reserve Board approval has been required to engage in new activities and to make acquisitions in the United States.

The Gramm-Leach-Bliley Financial Modernization Act of 1999 was recently enacted, liberalizing the restrictions on the nonbanking activities of banking organizations, including non-U.S. banks operating U.S. Banking Offices. The Modernization Act will:

- allow bank holding companies meeting management, capital and, in the case of companies owning FDIC insured banks, Community Reinvestment Act standards to engage in a substantially broader range of nonbanking activities than currently is permissible, including insurance underwriting and making merchant banking investments;

- allow insurers and other financial services companies to acquire banks;
- remove various restrictions that currently apply to bank holding company ownership of securities firms and mutual fund advisory companies; and
- revise the overall regulatory structure applicable to bank holding companies, including those that also engage in insurance and securities operations.

This part of the Modernization Act will become effective on 11 March 2000. We currently believe we meet the requirements for the broader range of activities that will be permitted by the Modernization Act.

The Modernization Act will also modify other current financial laws, including laws related to the conduct of securities activities by U.S. banks and U.S. Banking Offices. As a result, we may relocate certain activities now conducted by our U.S. Banking Offices to a Group subsidiary or elsewhere.

Other

In the United States, our U.S. registered broker-dealer is regulated by the Securities and Exchange Commission as a registered broker-dealer. Broker-dealers are subject to regulations that cover all aspects of the securities business, including:

- sales methods
- trade practices among broker-dealers
- use and safekeeping of customers' funds and securities
- capital structure
- record-keeping
- the financing of customers' purchases
- the conduct of directors, officers and employees

In addition, our U.S. registered broker-dealer is a member of and regulated by the New York Stock Exchange and is regulated by the individual State Securities authorities in the states in which it operates.

The U.S. government agencies and self-regulatory organizations, as well as state securities commissions in the United States, are empowered to conduct administrative proceedings that can result in censure, fine, the issuance of cease-and-desist orders or the suspension or expulsion of a broker-dealer or its directors, officers or employees.

Regulation and Supervision in the United Kingdom

We operate in the United Kingdom under a regulatory regime that is undergoing comprehensive restructuring aimed at implementing the Financial Services Authority as the United Kingdom's unified regulator. Through 1999, we were regulated by the Securities and Futures Authority Limited in respect of our investment banking, individual asset management, brokerage and principal trading activities, and the Investment Management Regulatory Organization in respect of our institutional asset management and fund management activities. Some of our subsidiaries and affiliates are also regulated by the London Stock Exchange and other United Kingdom securities and commodities exchanges of which we are a member. Commencing in 2000, however, the responsibilities of the Securities and Futures Authority Limited and Investment Management Regulatory Organization have been taken over by the Financial Services Authority. The investment services that are subject to oversight by United Kingdom regulators are regulated in accordance with European Union directives requiring, among other things, compliance with certain capital adequacy standards, customer protection requirements and conduct of business rules. These standards, requirements and rules are similarly implemented, under the same directives, throughout the European Union and are broadly comparable in scope and purpose to the regulatory capital and customer protection requirements imposed under applicable U.S. law.

Item 2 DESCRIPTION OF PROPERTY

At 30 September 1999, we operated about 1,300 offices and branches worldwide, of which about 80% were in Switzerland. Of the remaining 20%, 10% were in Europe, 6% were in the Americas and 4% were in Asia. About half of the offices and branches in Switzerland are owned directly by us with the remainder, along with most of our offices outside Switzerland, being held under commercial leases. The premises are subject to continuous maintenance and upgrading and are considered suitable and adequate for our current and anticipated operations.

Item 3 LEGAL PROCEEDINGS

Except as described below, there are no legal or arbitration proceedings pending or threatened of which we are aware involving UBS which may or have had a significant effect on the financial position of UBS taken as a whole.

In the United States, several class actions, in relation to what is known as the Holocaust affair, have been brought against us (as legal successor to Swiss Bank Corporation and Union Bank of Switzerland, in the United States District Court for the Eastern District of New York (Brooklyn)). These lawsuits were initially filed in October 1996. Another Swiss bank has been designated as a defendant alongside us. On 12 August 1998, however, a settlement was reached between the parties. This settlement provides for a payment by the defendant banks to the plaintiffs, under certain terms and conditions, of an aggregate amount of $1.25 billion. UBS agreed to contribute up to two-thirds of this amount. To the extent that other Swiss companies agreed to participate in this fund, and to the extent of applicable payments to beneficiaries of eligible dormant accounts, our share was to be reduced. For these purposes, dormant accounts are defined as accounts with banks and other financial institutions prior to May 9, 1945 that are part of the settlement agreement. In Switzerland, dormant or abandoned accounts remain on the books of the bank in perpetuity, until claimed or settled. The Settlement Agreement dated 26 January 1999 states that, under certain conditions, all amounts that the settling defendants and other Swiss banks pay to deposited asset claimants shall reduce the settlement amount. Therefore, if such dormant or abandoned accounts are identified as balances that should be used to fund the settlement, the payment of cash to claimants causes the account to be liquidated from the Company's records, thereby reducing cash and reducing the dormant account liability, as well as the remaining settlement amount liability. Accordingly, to the extent that such accounts are identified at institutions other than UBS, our exposure to this matter will be reduced. Based on our estimate of such expected contributions, we provided a reserve of $610 million (CHF 842 million) in 1998. A number of persons have elected to opt out of the settlement and not participate in the class action. It is expected that a decision approving the settlement will be issued in the first half of 2000, which will be followed by hearings on the allocation of the settlement amount. We will continue to monitor the contributions of other Swiss companies, in order to determine whether we will need to make any additional provision.

Item 4 CONTROL OF REGISTRANT

As far as we are aware, we are neither directly nor indirectly owned nor controlled by another corporation or any government and there are no arrangements in place the operation of which may result in a change in control.

As of 30 April 2000, our directors and executive officers as a group beneficially held 2,368,412 of our issued shares, as adjusted to reflect the two-for-one stock split, the effective date of which is 8 May 2000. For the purposes of this analysis, our executive officers are the members of our Group Managing Board. The Group Managing Board consists of the seven members of the Group Executive Board, 24 members who hold office on the Divisional Executive Boards and four members who are responsible for special functions at the top level of our organization. See also “Item 12 – Options to Purchase Securities from Registrant or Subsidiaries” for a discussion of options and warrants issued by UBS.

Item 5 NATURE OF TRADING MARKET

Trading on the Swiss Exchange

The Swiss Exchange (Schweizer Börse/Bourse Suisse) was founded in 1993 as the successor to the local stock exchanges of Zurich, Basel and Geneva. Trading in foreign equities and derivatives began in December 1995. In August 1996, the Swiss Exchange introduced full electronic trading in Swiss equities, derivatives and bonds. The aggregate turnover of the Swiss Exchange, for both equity and debt instruments, was in excess of CHF 1.3 trillion in 1998. As of 31 December 1998, the equity securities of 425 corporations, including 193 foreign corporations, were listed and traded on the Swiss Exchange.

Trading on the Swiss Exchange occurs through a fully integrated trading system covering the entire process from trade order through settlement. Trading begins each business day at 9:00 a.m. and continues until 5:00 p.m. After close of exchange trading, new orders can be entered or deleted until 10:00 p.m. From 6:00 a.m. (the system is not available between 10:00 p.m. and 6:00 a.m.) new entries and inquiries can be made until 9:00 a.m. For the opening phase (starting at 9:00 a.m.) the system closes the order book and starts opening procedures; it establishes the opening prices and determines orders to be executed according to established rules that match bid and asked prices.

Transactions take place through the automatic matching of orders. Each valid order is entered and listed according to the price limit. In general, market orders (orders placed at best price) are executed first, followed by limit orders (orders placed at a price limit), provided that if several orders are listed at the same price, they are executed according to the time of entry. Transactions in shares effected by or through members of the Swiss Exchange are subject to a stock exchange levy of up to 0.02%, calculated on the settlement price.

Banks and broker-dealers doing business in Switzerland are required to report all transactions in listed securities traded on the Swiss Exchange. For transactions effected via the exchange system, reporting occurs automatically. Off-exchange transactions must be reported to the Swiss Exchange within 30 minutes. Transaction information is collected, processed and immediately distributed by the Exchange. Transactions outside trading hours (*i.e.*, between 10:00 p.m. and 6:00 a.m.) must be reported no later than the next opening. The Swiss Exchange distributes a comprehensive range of information through various publications, including in particular the Swiss Market Feed, or "SMF". The SMF supplies Swiss Exchange data in real time to all subscribers as well as to other information providers such as Reuters.

Exchange transactions are usually settled on a T+3 basis, meaning that delivery and payment of exchange transactions occur three days after the trade date. The Swiss Exchange promotes efficient processing by automatically transmitting transactions to SIS SEGAINTERSETTLE AG (or Intersettle) via the SECOM electronic settlement system.

A quotation may be suspended by the Swiss Exchange if large price fluctuations are observed, if important, price-sensitive information is about to be disclosed, or in other situations that might endanger fair and orderly trading. Surveillance and monitoring is the responsibility of the Swiss Exchange as the organizer of the market (self-regulation). The aim of supervision is to ensure fair trading and an orderly market.

UBS Shares

As at 30 April 2000 and adjusting for the two-for-one stock split effective 8 May 2000, we have issued and paid up share capital of 431,095,774 shares of capital stock. In addition to the issued and paid up share capital, 855,296 shares are unissued and are reserved for the employee share ownership plan and optional dividend warrants. A further 1,053,082 unissued shares are at the disposal of the Board of Directors. In the aggregate, these 433,004,152 shares represent the maximum amount of shares that may be issued in the future without further approval from the stockholders.

The principal trading market for the shares is the Swiss Exchange.

The following table sets forth, for the calendar quarters indicated, the reported highest and lowest closing price for one share on the Swiss Exchange, as derived from the Swiss Exchange, and the trading volume for our shares on the Swiss Exchange.

	Ordinary Shares[(1)]		
	High	**Low**	**Volume** [(3)]
	(in CHF)		
1998[(2)]:			
Third quarter	326.50	135.00	165.4
Fourth quarter	221.00	137.50	134.0
1999:			
First quarter	246.00	207.50	106.2
Second quarter	264.00	221.50	76.2
Third quarter	247.00	202.50	78.2
Fourth quarter	240.00	202.50	95.8
2000:			
First quarter	218.50	191.00	107.4
Second quarter (through 30 April)	224.50	209.50	27.2

(1) The share prices and volumes in this table have been adjusted for the two-for-one stock split, the effective date of which is 8 May 2000.

(2) As a result of the merger, shares of UBS began trading on 29 June 1998. Our shares did not trade at any time prior to that date.

(3) In millions of ordinary shares on the Swiss Exchange.

At 30 April 2000, there were approximately 12 holders of record of American Depositary Receipts, or ADRs, holding ADRs representing approximately 7,184,900 American Depositary Shares, or ADSs, or 718,490 shares, as adjusted to reflect the two-for-one stock split, the effective date of which is 8 May 2000. Following the effectiveness of this registration statement, however, we expect to terminate the ADR program. For more information about the ADR program, see "Description of Securities to be Registered – Description of Shares – American Depositary Receipts."

At 30 April 2000, approximately 7,179,066 shares were held by approximately 1,106 stockholders with registered addresses in the U.S., as adjusted to reflect the two-for-one stock split, the effective date of which is 8 May 2000. The combined shareholdings of these stockholders comprise approximately 1.66 % of the total number of shares on issue, including treasury shares, at 30 April 2000. These figures do not include either the number of shares held by stockholders with registered addresses outside the U.S. in which U.S. residents have an interest or the number of any such U.S. residents.

Item 6 EXCHANGE CONTROLS AND OTHER LIMITATIONS AFFECTING SECURITY HOLDERS

There are no restrictions under our Articles of Association or Swiss law, presently in force, that limit the right of non-resident or foreign owners to hold our securities freely or, when entitled, to vote our securities freely. There are currently no Swiss foreign exchange controls or laws restricting the import or export of capital. There are currently no restrictions under Swiss law affecting the remittance of dividends, interest or other payments to non-resident holders of our securities.

Item 7 TAXATION

The following is a summary of some of the material Swiss and United States federal income tax consequences of the ownership of shares by a holder that holds the shares as capital assets. This summary does not purport to address all tax consequences of the ownership of shares and does not take into account the specific circumstances of any particular holders (such as tax-exempt entities, certain insurance companies, broker-dealers, traders in securities that elect to mark to market, holders liable for alternative minimum tax, holders that actually or constructively own 10% or more of the voting stock of UBS, holders that hold shares as part of a straddle or a hedging or conversion transaction or holders whose functional currency is not the U.S. dollar), some of which may be subject to special rules. This summary is based on the tax laws of Switzerland and the United States (including the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations thereunder, published rulings and court decisions) as in effect on the date hereof, as well as the Convention Between the United States of America and Switzerland, which we call the "Treaty", all of which are subject to change (or change in interpretation), possibly with retroactive effect.

For purposes of this discussion, a "U.S. holder" is any beneficial owner of shares that is (1) a citizen or resident of the United States, (2) a corporation organized under the laws of the United States or any State, (3) an estate the income of which is subject to United States federal income tax without regard to its source or (4) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust.

The discussion does not generally address any aspects of United States taxation other than federal income taxation or any aspects of Swiss taxation other than income and capital taxation. Holders are urged to consult their tax advisors regarding the United States federal, state and local and the Swiss and other tax consequences of owning and disposing of shares.

Swiss Taxation

Withholding Tax on Dividends and Distributions

Dividends paid and similar cash or in-kind distributions made by UBS to a holder of shares (including dividends on liquidation proceeds and stock dividends) are subject to a federal withholding tax at a rate of 35%. The withholding tax must be withheld by UBS from the gross distribution, and be paid to the Swiss Federal Tax Administration.

Obtaining a Refund of Swiss Withholding Tax for U.S. Residents

The Treaty provides for a mechanism whereby a United States resident or United States corporations can seek a refund of the Swiss withholding tax paid on dividends in respect of shares of UBS, to the extent such withholding exceeds 15%.

A U.S. holder that qualifies for Treaty benefits may apply for a refund of the withholding tax withheld in excess of the 15% Treaty rate. The claim for refund must be filed with the Swiss Federal Tax Administration, Eigerstrasse 65, 3003 Berne, Switzerland. The form used for obtaining a refund is Swiss Tax Form 82 (82C for companies; 82E for other entities; 82I for individuals), which may be obtained from any Swiss Consulate General in the United States or from the Swiss Federal Tax Administration at the address above. The form must be filled out in triplicate with each copy duly completed and signed before a notary public in the United States. The form must be accompanied by evidence of the deduction of withholding tax withheld at the source.

Stamp Duties upon Transfer of Securities

The sale of shares, whether by Swiss resident or non-resident holders, may be subject to a Swiss securities transfer stamp duty of up to 0.15% calculated on the sale proceeds if it occurs through or with a Swiss bank of other Swiss securities dealer as defined in the Swiss Federal Stamp Tax Act. In addition to the stamp duty, the sale of shares by or through a member of the Swiss Exchange may be subject to a stock exchange levy. See "Item 5: Nature of Trading Market – Trading on the Swiss Exchange".

United States Federal Income Taxation

Taxation of Dividends

Under the United States federal income tax laws, and subject to the passive foreign investment company, or "PFIC", rules discussed below, U.S. holders will include in gross income the gross amount of any dividend paid (before reduction for Swiss withholding taxes) by UBS out of its current or accumulated earnings and profits (as determined for United States federal income tax purposes) as ordinary income when the dividend is actually or constructively received by the U.S. holder. The dividend will not be eligible for the dividends-received deduction generally allowed to United States corporations in respect of dividends received from the other United States corporations. The amount of the dividend distribution included in income of a U.S. holder will be the U.S. dollar value of the Swiss franc payments made, determined at the spot Swiss franc/U.S. dollar rate on the date such dividend distribution is included in the income of the U.S. holder, regardless of whether the payment is in fact converted into U.S. dollars. Generally, any gain or loss resulting from currency exchange fluctuations during the period from the date the dividend payment is included in income to the date such payment is converted into U.S. dollars will be treated as ordinary income or loss. Such gain or loss will generally be income from sources within the United States for foreign tax credit limitation purposes. Distributions in excess of current and accumulated earnings and profits, as determined for United States federal income tax purposes, will be treated as a return of capital to the extent of the U.S. holder's basis in the shares and thereafter as capital gain.

Subject to certain limitations, the Swiss tax withheld in accordance with the Treaty and paid over to Switzerland will be creditable against the U.S. holder's United States federal income tax liability. To the extent a refund of the tax withheld is available to a U.S. holder under the laws of Switzerland or under the Treaty, the amount of tax withheld that is refundable will not be eligible for credit against the

U.S. holder's United States federal income tax liability. See "Swiss Taxation—Obtaining a Refund of Swiss Withholding Tax for U.S. Residents", above, for the procedures for obtaining a refund of tax.

PFIC Rules

We believe that shares should not be treated as stock of a PFIC for United States federal income tax purposes, but this conclusion is a factual determination made annually and thus may be subject to change. In general, UBS will be a PFIC with respect to a U.S. holder if, for any taxable year in which the U.S. holder held UBS's shares, either (1) at least 75% of the gross income of UBS for the taxable year is passive income or (2) at least 50% of the value (determined on the basis of a quarterly average) of UBS's assets is attributable to assets that produce or are held for the production of passive income. If UBS were to be treated as a PFIC, unless a U.S. holder makes a mark-to-market election, gain realized on the sale or other disposition of shares would in general not be treated as capital gain, and a U.S. holder would be treated as if such holder had realized such gain and certain "excess distributions" ratably over the holder's holding period for the shares and would be taxed at the highest tax rate in effect for each such year to which the gain was allocated, together with an interest charge in respect of the tax attributable to each such year.

Item 8 SELECTED FINANCIAL DATA

The selected consolidated financial data set forth below at 30 September 1999 and 31 December 1998 and for the nine months ended 30 September 1999 and each of the years ended 31 December 1998 and 1997 have been derived from our Consolidated Financial Statements and the Notes thereto. Such Consolidated Financial Statements have been audited by ATAG Ernst & Young, our independent auditors and have been adjusted to reflect retroactively the stock split effective 8 May 2000. The unaudited interim data for the nine months ended 30 September 1998 reflect all adjustments which are, in the opinion of management, necessary to present a fair statement of our results of operations for such period. The income statement data for interim periods is not necessarily indicative of results for subsequent periods or a full year. This financial data should be read in conjunction with and are qualified by reference to the Consolidated Financial Statements and Notes thereto for the nine months ended 30 September 1999, and for each of the years ended 31 December 1998 and 1997 and the unaudited interim data for the nine months ended 30 September 1998, included elsewhere herein.

Our Consolidated Financial Statements are prepared in accordance with International Accounting Standards, or "IAS", which differ in some significant respects from United States generally accepted accounting principles, or "U.S. GAAP". Note 41 of Notes to the Consolidated Financial Statements includes a description of the significant differences between IAS and U.S. GAAP and a reconciliation of certain income statement and balance sheet items to U.S. GAAP.

	Nine Months Ended 30 September			Year Ended 31 December	
	1999	1999	1998	1998	1997
	(in millions, except per share amounts)				
	US$(1)	CHF	CHF	CHF	CHF
			(unaudited)		
Income statement data					
Interest income	8,615	12,939	18,046	22,835	23,669
Interest expense	5,394	8,102	13,092	16,173	16,733
Net interest income	3,221	4,837	4,954	6,662	6,936
Credit loss expense	606	910	464	951	1,278
Total	2,615	3,927	4,490	5,711	5,658
Net fee and commission income	6,158	9,250	9,702	12,626	12,234
Net trading income	4,003	6,013	598	1,750	5,491
Other income, including income from disposal of associates and subsidiaries	1,713	2,573	1,829	2,241	1,497
Total income	14,489	21,763	16,619	22,328	24,880
Operating expenses	9,945	14,937	13,154	18,258	18,636
Operating profit before restructuring costs and taxes	4,544	6,826	3,465	4,070	6,244
Restructuring costs	–	–	–	–	7,000
Tax expense (benefit)	1,073	1,612	907	1,045	(105)
Minority interests	23	35	(42)	(5)	16
Net profit (loss)	3,448	5,179	2,600	3,030	(667)
Basic earnings per share	8.28	12.43	6.13	7.15	(1.59)
Fully diluted earnings per share	8.23	12.36	6.10	7.11	(1.59)
Cash dividends declared per share (CHF)(2)	0	0	0	5.00	N/A
Cash dividends declared per share (US$)(2)(6)	0	0	0	3.31	N/A

	At 30 September		At 31 December	
	1999	1999	1998	1997
	(in millions)			
	US$[(1)]	CHF	CHF	CHF
Balance sheet data				
Assets:				
Total assets	599,284	900,124	944,116	1,086,414
Due from banks	23,652	35,526	68,495	66,582
Cash collateral on securities borrowed	59,020	88,648	91,695	82,656
Reverse repurchase agreements	98,209	147,510	141,285	216,355
Trading portfolio	107,895	162,059	162,588	210,738
Positive replacement values[(3)]	80,971	121,619	169,936	149,538
Loans, net of allowances for credit losses	159,877	240,135	247,926	270,917
Liabilities:				
Due to banks	54,344	81,624	85,716	159,634
Cash collateral on securities lent	8,674	13,029	19,171	14,140
Repurchase agreements	98,224	147,532	137,617	191,793
Trading portfolio liabilities	28,712	43,126	47,033	68,215
Negative replacement values[(3)]	97,944	147,112	205,080	170,162
Due to customers	183,731	275,964	274,850	302,516
Long term debt	36,967	55,524	50,783	54,284
Shareholders' equity	22,169	33,298	32,395	30,927

	Nine Months Ended 30 September 1999	Year Ended 31 December 1998	1997
Ratios			
Return on average assets	0.73%[(4)]	0.28%	(0.07)%
Return on average equity	21.06%[(4)]	9.21%	(2.00)%
Dividend payout ratio	N/A	70.27%	NM[(5)]
Average equity to average assets	3.47%	3.06%	3.40%

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(1) 30 September 1999 CHF amounts have been translated into U.S. dollars at the exchange rate of one US$=CHF 1.502, the noon buying rate in New York City on 30 September 1999, except dividends as described in note 6.

(2) Dividends are declared and paid in the year subsequent to the reporting period. Prior to the merger, Union Bank of Switzerland and Swiss Bank Corporation each paid dividends in accordance with their own dividend policies. Dividends for 1997 and prior, reflected at actual historical amounts, were paid by Union Bank of Switzerland on its bearer shares and registered shares and by Swiss Bank Corporation, as follows from 1994 until the merger:

	Union Bank of Switzerland				Swiss Bank Corporation	
	Bearer Shares		Registered Shares		Shares	
	CHF	US$[6]	CHF	US$[6]	CHF	US$[6]
1994	32.00	28.20	6.40	5.64	8.00	6.67
1995	32.00	26.25	6.40	5.25	8.00	6.29
1996	32.00	21.85	6.40	4.37	10.00	6.61
1997	50.00	33.65	10.00	6.73	12.00	8.01

(3) Positive and negative replacement values represent the fair value of derivative contracts.
(4) 1999 return on average assets and return on average equity have been annualized for purposes of facilitating a comparison.
(5) In 1997, we recorded a net loss of CHF 667 million. In 1997, our predecessors paid dividends of CHF 2,201 million.
(6) Dividend payment amounts have been translated to U.S. dollars at an exchange rate equal to the noon buying rate in New York City on the date of payment.

	Nine Months Ended 30 September		**Year Ended 31 December**
	1999	**1999**	**1998**
	(in millions, except per share amounts)		
	US$[1]	**CHF**	**CHF**
U.S. GAAP income statement data			
Interest income	10,381	15,593	22,322
Interest expense	8,854	13,298	19,486
Net interest income	1,527	2,295	2,836
Credit loss expense	519	780	787
Total	1,008	1,515	2,049
Net fee and commission income	6,158	9,250	8,925
Net trading income	5,369	8,064	982
Other income, including income from disposal of associates and subsidiaries	1,732	2,601	725
Total income	14,267	21,430	12,681
Operating expenses	11,322	17,005	17,571
Operating profit (loss) before taxes and minority interests	2,945	4,425	(4,890)
Tax expense (benefit)	811	1,218	(1,221)
Minority interests	23	35	(4)
Net profit (loss)	2,112	3,172	(3,665)
Basic earnings per share	5.18	7.79	(8.84)
Fully diluted earnings per share	5.14	7.73	(8.84)

	At 30 September		At 31 December
	1999	1999	1998
		(in millions)	
	US$[1]	CHF	CHF
U.S. GAAP balance sheet data			
Assets:			
Total assets	639,670	960,785	1,019,519
Due from banks	35,794	53,763	103,158
Cash collateral on securities borrowed	59,020	88,648	91,695
Reverse repurchase agreements	98,209	147,510	141,285
Trading portfolio assets	99,454	149,380	161,440
Positive replacement values[2]	81,405	122,270	169,753
Loans, net of allowances	162,875	244,638	254,750
Intangible assets and goodwill	13,718	20,604	21,707
Other assets	29,525	44,347	29,398
Liabilities:			
Due to banks	63,898	95,975	114,903
Cash collateral on securities lent	8,674	13,029	19,127
Repurchase agreements	96,637	145,149	136,824
Trading portfolio liabilities	28,631	43,004	51,600
Negative replacement values[2]	98,261	147,588	205,090
Due to customers	185,875	279,185	282,543
Long term debt	35,768	53,723	50,445
Other liabilities	33,087	49,696	40,476
Shareholders' equity	35,668	53,574	54,761

(1) CHF amounts have been translated into U.S. dollars at the exchange rate of one US$ = CHF 1.502, the noon buying rate in New York City on 30 September 1999.
(2) Positive and negative replacement values represent the fair value of derivative contracts.

Item 9 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with our consolidated financial statements and the related notes thereto included elsewhere in this registration statement. Our consolidated financial statements have been prepared in accordance with IAS, which differ in certain significant respects from U.S. GAAP. We refer you to Note 41 of our consolidated financial statements for a description of the significant differences between IAS and U.S. GAAP and the reconciliation of shareholders' equity and net profit (loss) to U.S. GAAP. Unless otherwise stated, all of our financial information presented herein is presented on a consolidated basis under IAS.

All references to September 1999 and September 1998 refer to our nine-month fiscal periods ended 30 September 1999 and 1998, respectively, and all references to 1998 and 1997 refer to our fiscal years ended 31 December 1998 and 1997, respectively. Except for the nine-month period ended 30 September 1998, the financial statements for each of these periods have been audited by ATAG Ernst & Young, as described in the "Report of Independent Auditors" on page F-1.

Introduction

We are a global, integrated investment services firm and operate through five operating divisions and our Corporate Center. The five operating divisions consist of the following:

- UBS Private Banking
- UBS Warburg
- UBS Private and Corporate Clients
- UBS Asset Management
- UBS Private Equity

The following table sets forth the contributions to operating profit before restructuring costs and taxes from each of our five operating divisions and Corporate Center.

	Nine Months Ended 30 September		Year Ended 31 December	
	1999	**1998**	**1998**	**1997**
	(CHF in millions)			
UBS Private Banking	2,023	3,857	4,336	3,165
UBS Warburg	2,077	(1,230)	(1,021)	1,279
UBS Private and Corporate Clients	841	735	908	756
UBS Asset Management	236	295	448	403
UBS Private Equity	138	405	428	381
Corporate Center	1,511	(597)	(1,029)	260
Total	6,826	3,465	4,070	6,244

The merger, which was completed on 29 June 1998, was accounted for under the "pooling-of-interests" method of accounting. Under the pooling-of-interests method, a single uniform set of accounting policies was adopted and applied retrospectively for the restatement of comparative information. After the merger was effected, we began the process of integrating the operations of the two banks. This process involved streamlining operations, eliminating duplicate information technology infrastructure, consolidating banking premises and various other measures to bring the two banks together. At the time of the merger, we established a restructuring provision of CHF 7 billion to cover our expected restructuring costs associated with the merger. We have now largely completed the integration and restructuring process and, at 30 September 1999, have used approximately CHF 5.4 billion of the restructuring provision.

During the last three years, a number of significant events occurred which had a significant effect on our results of operations during these periods. These events included:

- During 1999, we recognized pre-tax gains of CHF 1,490 million on the sale of our 25% stake in Swiss Life/Rentenanstalt; CHF 110 million on Julius Baer registered shares; CHF 200 million on the sale of our international Global Trade Finance business; and CHF 26 million on Long Term Capital Management L.P.

- During the first half of 1998, we divested Banca della Svizzera Italiana, or "BSI", and Adler & Co. Ltd., or "Adler", to satisfy a condition of the Swiss Competition Commission in connection with the merger. We recognized pre-tax gains of CHF 1,058 million on these sales

- During 1998, due to extremely volatile market conditions, we incurred losses of CHF 1,160 million relating to the write-down of our trading and investment positions in Long Term Capital Management L.P. and CHF 762 million relating to our Global Equity Derivatives portfolio

- As of 30 September 1998, we established a provision of CHF 570 million in connection with the claim relating to the role of Swiss banks during and after World War II. As of 31 December 1998, this provision amounted to CHF 842 million.

As a global financial services firm, our businesses are affected by the external environment in the markets in which we operate. In particular, the results of our business in Switzerland, and notably the results of our credit-related activities, would be adversely affected by any deterioration in the state of the Swiss economy because of the impact this would have on our customers' creditworthiness. More generally, economic and political conditions in different countries can also impact our results of operations and financial position by affecting the demand for our products and services and the credit quality of our borrowers and counterparties. Similarly, any prolonged weakness in international securities markets would affect our business revenues through its effect on our clients' investment decisions and the value of portfolios under management, which would in turn reduce our revenues from our private banking and asset management businesses.

Competitive forces – We face intense competition in all aspects of our business. We compete with asset management entities, retail and commercial banks, investment banking firms, merchant banks, broker-dealers and other investment services firms. In addition, the trend toward consolidation in the global financial services industry is enhancing the competitive position of some of our competitors by broadening the range of their product and service offerings and increasing their access to capital. These competitive pressures could result in increased pricing pressure on a number of our products and services, particularly as competitors seek to win market share.

Fluctuations in currency exchange rates and interest rates – Because we prepare our accounts in Swiss francs, changes in currency exchange rates, particularly between the Swiss franc and the U.S. dollar and the Swiss franc and the British pound, may have an effect on the earnings that we report. Our approach to managing the risk is explained below under "— Asset and Liability Management — Currency Management". In addition, changes in exchange rates can affect our business earnings. For example, the establishment of the Euro during 1999 has started to have an effect on the foreign exchange markets in Europe by reducing the extent of foreign exchange dealings among member countries and generating more harmonized financial products. Movements in interest rates can also affect our results. As interest rates decline, our interest rate margins generally come under pressure and mortgage borrowers may seek to repay their borrowings early, which can affect our net interest income. Interest rate movements can also affect our fixed income trading portfolio and the investment performance of our asset management businesses.

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

As a result of these and other factors beyond our control, our revenues and operating profit have been and are likely to continue to be subject to a measure of variability from period to period. Therefore our revenues and operating profit for any particular fiscal period may not be indicative of sustainable results, may vary from year to year and may impact our ability to achieve our strategic objectives. Nevertheless, our risk management and control procedures have been designed keep the risk of such variability at an acceptably low level. For further discussion of our risk management and control see "—Risk Management".

Consolidated Results of Operations

The following table sets forth our consolidated results of operations for the nine months ended 30 September 1999 and 1998 and for the years ended 31 December 1998 and 1997:

	Nine Months Ended 30 September		Year Ended 31 December	
	1999	1998	1998	1997
	(CHF in millions)			
Operating income:				
Interest income	12,939	18,046	22,835	23,669
Interest expense	8,102	13,092	16,173	16,733
Net interest income	4,837	4,954	6,662	6,936
Credit loss expense	910	464	951	1,278
Total	3,927	4,490	5,711	5,658
Net fee and commission income	9,250	9,702	12,626	12,234
Net trading income	6,013	598	1,750	5,491
Other income, including income from disposal of associates and subsidiaries	2,573	1,829	2,241	1,497
Operating income	21,763	16,619	22,328	24,880
Operating expenses:				
Personnel	9,923	7,205	9,816	11,559
General and administrative	3,724	4,606	6,617	5,315
Depreciation and amortization	1,290	1,343	1,825	1,762
Operating expenses	14,937	13,154	18,258	18,636
Operating profit before restructuring costs and tax	6,826	3,465	4,070	6,244
Restructuring costs	--	--	--	7,000
Tax expense (benefit)	1,612	907	1,045	(105)
Group profit (loss)	5,214	2,558	3,025	(651)
Minority interests	35	(42)	(5)	16
Net profit (loss)	5,179	2,600	3,030	(667)

Nine Months Ended 30 September 1999 Compared to Nine Months Ended 30 September 1998

Net interest income decreased slightly by CHF 117 million, or 2.4%, from CHF 4,954 million in the nine months ended 30 September 1998 to CHF 4,837 million in the nine months ended 30 September 1999. Higher interest margins in the nine months ended 30 September 1999 from more consistent implementation of our risk-adjusted pricing model in the domestic loan portfolio were more than offset by the sale of business activities which had contributed to net interest income in the nine months ended 30 September 1998, as well as the impact of lower returns on invested equity and the reduction of the international loan portfolio.

Credit loss expense increased CHF 446 million, or 96.1%, from CHF 464 million in the nine months ended 30 September 1998 to CHF 910 million in the nine months ended 30 September 1999. During 1999, we experienced general improvements in the economy and in the credit performance of our loan portfolio and a reduction in impaired loans in the aggregate. Although impaired loans decreased, additional provisions were required for certain impaired domestic loans remaining in the portfolio.

Net fee and commission income decreased CHF 452 million, or 4.7%, from CHF 9,702 million in the nine months ended 30 September 1998 to CHF 9,250 million in the nine months ended 30 September 1999. Excluding the effect of divestments during the nine months ended 30 September 1998, the decrease was roughly three percent.

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

Brokerage fees were lower primarily due to lower client activity and the inclusion of divestment-related income in the nine months ended 30 September 1998 which were not reflected in the nine months ended 30 September 1999 results. Excluding disposal-related income, brokerage fees were down one percent period-on-period.

Despite strong corporate finance fees, underwriting and other management and advisory fees were down relative to exceptionally strong performance in the nine months ended 30 September 1998.

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

Net trading income increased CHF 5,415 million from CHF 598 million in the nine months ended 30 September 1998 to CHF 6,013 million in the nine months ended 30 September 1999.

The following table sets forth our net trading income by major business area for each of these time periods:

	Nine months Ended 30 September 1999	**Nine months Ended 30 September 1998**
	(CHF in millions)	
Foreign exchange and bank notes	673	1,425
Fixed income	1,378	(764)
Equities	3,900	(121)
Precious metals/commodities	62	58
	6,013	598

Net trading income from foreign exchange and bank notes decreased CHF 752 million, or 52.8%, from the nine months ended 30 September 1998 to the nine months ended 30 September 1999 mostly as a result of hedging our income from foreign subsidiaries, as well as lower volumes in foreign exchange markets due to higher volatility, introduction of the Euro and the Year 2000.

Net trading income from fixed income increased CHF 2,142 million from the nine months ended 30 September 1998 to the nine months ended 30 September 1999. During the nine months ended 30 September 1998, net trading income from fixed income was negatively impacted by the pre-tax CHF 790 million write-down of our trading position in Long Term Capital Management, L.P., or "LTCM", and approximately CHF 690 million in losses in our emerging markets trading portfolios. Fixed income trading revenues were strong across all major products, led by swaps and options and investment grade debt during the nine months ended 30 September 1999.

Net trading income from equities increased CHF 4,021 million from the nine months ended 30 September 1998 to the nine months ended 30 September 1999. During the nine months ended 30 September 1998, net trading income was negatively impacted by pre-tax CHF 1,010 million in losses from the Global Equities Derivatives positions. In the nine months ended 30 September 1999, net trading income benefited from generally good equity market conditions, leading to increased secondary market trading.

Other income, including income from disposal of associates and subsidiaries, increased CHF 744 million, or 40.7%, from CHF 1,829 million in the nine months ended 30 September 1998 to CHF 2,573 million in the nine months ended 30 September 1999. Total disposal-related pre-tax gains were CHF 1,800 million in the nine months ended 30 September 1999 compared to disposal-related pre-tax gains of CHF 1,058 million partially offset by the CHF 370 million portion of the LTCM write-down attributable to other income in the nine months ended 30 September 1998.

Personnel expense increased CHF 2,718 million, or 37.7%, from CHF 7,205 million in the nine months ended 30 September 1998 to CHF 9,923 million in the nine months ended 30 September 1999, despite only a minor increase in headcount from 48,547 at 30 September 1998 to 48,623 at 30 September 1999. At the end of 1997, we foresaw the probability of a shortfall in profit in our investment banking business as a result of the merger. In order to protect our investment banking franchise, we realized we would probably need to make payments to personnel in excess of amounts determined by normal compensation methodologies. An amount of approximately CHF 1 billion was recorded as part of the merger-related restructuring reserve for this purpose.

By the third quarter of 1998, this shortfall had materialized, and CHF 1,007 million of accrued payments to personnel were charged against the restructuring reserve as planned. The shortfall in profits noted above was aggravated by losses associated with LTCM and the Global Equity Derivatives portfolio. Adjusting the nine months ended 30 September 1998 for the CHF 1,007 million, personnel expenses in the nine months ended 30 September 1999 increased by 21%, which was directly attributable to higher nine-month performance-related compensation based on the good investment banking result during the period. Furthermore, the bonus for 1998 was accrued on a linear basis in the context of the merger, whereas in 1999 UBS Warburg reverted to a results-based model in line with industry practice.

General and administrative expense decreased CHF 882 million, or 19.1%, from CHF 4,606 million in the nine months ended 30 September 1998 to CHF 3,724 million in the nine months ended 30 September 1999. Excluding the impact of the CHF 570 million provision taken in the nine months ended 30 September 1998 for the settlement related to the role of Swiss banks during and after World War II, general and administrative expenses decreased 7.7% reflecting stringent cost reduction programs.

Depreciation and amortization decreased CHF 53 million, or 3.9%, from CHF 1,343 million in the nine months ended 30 September 1998 to CHF 1,290 million in the nine months ended 30 September 1999. A decrease in depreciation resulting from decreased property and equipment balances was partly offset by higher amortization due to acquisition-related goodwill.

Tax expense increased CHF 705 million, or 77.7%, from CHF 907 million in the nine months ended 30 September 1998 to CHF 1,612 million in the nine months ended 30 September 1999, principally due to increased operating profit.

Year Ended 31 December 1998 Compared to Year Ended 31 December 1997

Net interest income decreased CHF 274 million, or 4.0%, from CHF 6,936 million in 1997 to CHF 6,662 million in 1998. The decrease primarily resulted from lower mortgage volumes and the elimination of operations in 1998 that generated interest income during 1997. Lower variable rate mortgage volumes during 1998 more than offset an increase in fixed-rate mortgages. In addition, although lower savings and deposit accounts reduced interest expense in 1998, it also resulted in lower interest income from deposits during the year.

Our credit loss expense decreased CHF 327 million, or 25.6%, from CHF 1,278 million in 1997 to CHF 951 million in 1998. Credit loss expense improved because of positive developments in the overall Swiss economy. This was offset in part by the rapid deterioration of emerging market economies, most notably in Latin America and Southeast Asia. This caused an approximately CHF 275 million net increase in country provisions from 1997 to 1998 and other increases in individual counterparty allowances. The largest provisions in the emerging market economies were as follows:

(CHF millions)	12.31.98	12.31.97
Brazil	276	55
Indonesia	168	29
South Korea	186	19

Net fee and commission income increased CHF 392 million, or 3.2%, from CHF 12,234 million in 1997 to CHF 12,626 million in 1998. Increases in underwriting and corporate finance fees, custodian fees, portfolio and other management and advisory fees, and fees from investment funds resulting from strong markets, growth in assets under management and the acquisition of Dillon Read & Co., Inc. in late 1997 all contributed to this net increase. These increases were partially offset by a decrease in credit-related fees and commissions and brokerage fees.

Net trading income decreased CHF 3,741 million, or 68.1%, from CHF 5,491 million in 1997 to CHF 1,750 million in 1998. The decrease primarily resulted from the CHF 790 million write-down of our trading position in LTCM, the CHF 762 million loss on our Global Equities Derivatives portfolio and approximately CHF 810 million of losses on our emerging markets trading portfolios. Net trading income from foreign exchange and bank notes decreased by CHF 541 million primarily reflecting losses in foreign exchange trading which were partially offset by unusually strong results in our cash and collateral trading business. In addition, net trading income from precious metals and commodities decreased by CHF 216 million, or 89%, from CHF 244 million in 1997 to CHF 28 million in 1998 due primarily to the wind-down of certain businesses and difficult trading conditions.

Other income, including income from disposal of associates and subsidiaries, increased CHF 744 million, or 49.7%, from CHF 1,497 million in 1997 to CHF 2,241 million in 1998. The increase primarily reflected CHF 1,058 million gains on the sales of BSI and Adler and gains in our real estate and private equity activities, partially offset by the CHF 370 million write-down of our investment in LTCM attributable to other income.

Personnel expense decreased CHF 1,743 million, or 15.1%, from CHF 11,559 million in 1997 to CHF 9,816 million in 1998, reflecting reduced headcount of 13.0% from 55,176 people as of 31 December 1997 to 48,011 people as of 31 December 1998. The headcount reduction primarily resulted from efficiencies gained from the merger and divestments of specific businesses. As discussed above, CHF 1,007 million of accrued payments to personnel were charged against the restructuring reserve in 1998. Adjusting 1998 for this amount, personnel expenses decreased 6.4% in 1998 compared to 1997.

General and administrative expense increased CHF 1,302 million, or 24.5%, from CHF 5,315 million in 1997 to CHF 6,617 million in 1998. This increase primarily resulted from a CHF 842 million charge taken in 1998 for the settlement of the claim relating to the role of Swiss banks during and after World War II and approximately CHF 397 million in expenses recorded in 1998 associated with preparing for implementation of the Euro and for Year 2000 readiness.

Depreciation and amortization increased CHF 63 million, or 3.6%, from CHF 1,762 million in 1997 to CHF 1,825 million in 1998. Increased amortization of goodwill and other intangible assets primarily resulting from additional goodwill recorded in 1998 on Brinson Partners, the acquisition of Dillon, Read & Co., Inc. in September 1997 and the accelerated amortization of goodwill on Russian and Brazilian subsidiaries due to the worsening markets in these countries in 1998 were the primary reasons for the increase from 1997 to 1998. These increases were offset by a decrease in depreciation from the disposed of property and equipment.

Tax expense increased CHF 1,150 million, from a tax benefit in 1997 of CHF 105 million to a tax expense in 1998 of CHF 1,045 million. In 1997, UBS recognized a total current and deferred tax benefit of approximately CHF 1,600 million related to the CHF 7,000 million restructuring provision. Excluding the restructuring reserve, operating profit before tax would have been CHF 6,244 million in 1997 and we would have accrued tax expenses of CHF 1,395 million.

Operational Reserves

We maintain operational reserves to provide for losses associated with existing transaction errors in processing and other operational losses. The reserves cover probable losses that exist in the portfolio as of the balance sheet date. We have experienced an overall increase in the level of these reserves during 1999, primarily related to our continuing program of integrating the two predecessor banks' domestic operations. As planned, this integration is taking longer than the integration of operations outside Switzerland. These reserves are subject to senior management review and approval within the specific business unit, functional operations and financial control management and at the Group Executive Board.

Restructuring Provision

At the announcement of the merger in 1997, UBS estimated the costs it believed would result from integrating and restructuring the operations of the two pre-existing banks and recorded a charge of CHF 7 billion. The charge included estimates for personnel-related costs, costs for the elimination of duplicate infrastructures and the merging of bank premises, and other merger related restructuring costs.

During 1998, CHF 4,027 million of the restructuring provision was utilized including CHF 2 billion for personnel-related expenses; CHF 797 million for information technology integration projects and write-offs of equipment which management had committed to dispose of; CHF 267 million for merging premises; and CHF 939 million for costs associated with the exit of specific businesses, as well as merger administration costs. Included in the CHF 2 billion of personnel-related expenses are severance payments and payments required to maintain stability in the workforce during the merger integration period, as well as some performance-related compensation as discussed above.

During the nine months ended 30 September 1999, CHF 1,403 million of the restructuring provision was utilized bringing the total utilization to CHF 5,430 million at 30 September 1999. The transition to one common technology platform and parallel operation of the systems in UBS Private and Corporate Clients and the merger of bank premises, including related moving, outfitting and vacancy costs, recognized in Corporate Center, were the primary uses of the provision during the nine months ended 30 September 1999. The following table analyzes the usage of the restructuring provision.

	Usage in Nine Months Ended 30 September 1999				**Nine Months Ended 30 September 1999**	**Year Ended 31 December 1998**
	Personnel	**IT**	**Premises**	**Other**		
			(CHF in millions)			
UBS Private and Corporate Clients	85	417	114	34	650	717
UBS Warburg	181	75	0	54	310	2,382
UBS Private Banking	23	68	5	6	102	147
UBS Asset Management	7	0	0	0	7	18
UBS Private Equity	2	0	0	0	2	2
Corporate Center	17	1	296	18	332	761
Group Total	315	561	415	112	1,403	4,027
Total usage						5,430
Total provision						7,000
Future utilization						1,570

The substantial majority of the remaining restructuring reserve balance is attributed to employees and real estate located in Switzerland. We estimate that CHF 440 million of the reserve will be used in the fourth quarter of 1999, CHF 610 million in 2000 and CHF 520 million in 2001.

By the end of 1999, we expect sustainable merger-related cost savings of CHF 2 billion per year. Since 1997, headcount reductions will have resulted in total savings of CHF 1.6 billion per year. We also estimate savings for other costs to be around CHF 0.4 billion per year, including approximately CHF 75 million in eliminated depreciation expenses and other costs related to real estate.

Since the merger announcement, UBS Warburg has essentially completed its integration including the reduction of personnel and the integration of information technology platforms. As we expected, most of the cost savings over the past two years have been attributable to UBS Warburg.

UBS Private and Corporate Clients has been rapidly integrating its business in line with a detailed timetable and project schedule. For example, the branch network has been reduced by 31%, or over 170 branches, to 385 branches. Furthermore, in 1998 and the first half of 1999, UBS Private and Corporate Clients completed the integration of its pre-merger information technology platforms. As planned, UBS Private and Corporate Clients still has additional milestones to reach. For example, now that the integration of the technology platforms has been completed and in line with employee association agreements made in 1998, redundancy plans will gain momentum during 2000 and 2001. Furthermore, although the technology platform integration was completed in mid-1999, one platform still remains to be decommissioned in 2000.

UBS Private Banking, UBS Asset Management and UBS Private Equity have essentially completed their integrations, while in the Corporate Center we expect the write-off or sale of the remaining redundant real estate to proceed in 2000 and 2001.

As we move further away from the merger announcement date, cost savings attributable directly to the merger are becoming increasingly difficult to track. Across all divisions, normal organic business growth, new investments and initiatives, and at least three acquisitions and six divestments cloud underlying developments since the time of the merger.

For example, UBS Private Banking has invested heavily over the past two years in building up its domestic private banking business outside Switzerland. Additionally, in 1999, UBS formed the e-services business area which will experience further significant investment. More information on various divisional initiatives can be found in the respective business descriptions.

We are also implementing general cost control initiatives across all divisions, which extend well-beyond merger-related savings. These initiatives are already well structured at UBS Warburg and UBS Private and Corporate Clients. UBS Warburg is continuing to focus on cost management with particular downward pressure on non-personnel costs, and a dedicated cost reduction team is focused on identifying and implementing policies and programs to further reduce spending during 2000 and to control future cost growth.

In addition, the UBS Warburg investment committee has carried out a rigorous review process to ensure that investments in the UBS Warburg infrastructure are fully aligned with the strategy of the business.

Within the UBS Private and Corporate Clients division, the Strategic Initiatives Portfolio is expected to enhance revenues and reduce costs, including the ongoing realization of the remaining merger-related cost savings. This portfolio is well on track and is expected to yield a significant improvement in net profit by 2002. We will continue to track and communicate the progress of this portfolio.

Reconciliation of IAS to U.S. GAAP

Our consolidated results of operations are prepared in accordance with IAS, which differs in certain respects from U.S. GAAP. A reconciliation of the effects on shareholders' equity and net profit/(loss) to U.S. GAAP for the nine months ended 30 September 1999 and the year ended 31 December 1998 is included in Note 41 of our consolidated financial statements. A reconciliation of the effects on shareholders' equity and net profit to U.S. GAAP (unaudited) for the nine months ended 30 September 1998 is included in Note 7 of the interim consolidated financial statements.

Results of Operations by Division

Our management reporting system and policies were used to determine the revenues and expenses directly attributable to each division. Internal charges and transfer pricing adjustments have been reflected in the performance of each division. The basis of the reporting reflects our management structure.

Inter-divisional revenues and expenses include transfers between business divisions and between geographical locations. Inter-divisional expense charges are recorded as a reduction to expenses in the division providing the service. Corporate Center expenses are allocated to the five operating business divisions, to the extent possible, whereby the division controlling the process which is driving the expense bears the expense.

The credit loss expense included in the divisional results is a statistically derived adjusted annual expected loan loss that reflects the inherent counterparty and country risks in the respective portfolios. The expected loss is based on assumptions about developments covering a full economic cycle and on cumulative loss probabilities over the entire life of the loan portfolio. In determining the inherent counterparty and country risk in the portfolio, we take into consideration the statistical probability of default by the customer and the severity of loss.

As each division is ultimately responsible for its credit decisions, the difference between actual credit losses and annual expected loan loss will eventually be charged or credited back to the division in order to ensure that the risks and rewards of credit decisions are fully reflected in its results. The difference between the annual loan loss charge and the financial accounting net credit loss is included in Corporate Center results.

The following table shows the net credit loss calculated in accordance with IAS broken down by division.

	Nine Months Ended 30 September 1999	Year Ended 31 December 1998
	(CHF in millions)	
UBS Private Banking	13	48
UBS Warburg [1]	(15)	506
UBS Private and Corporate Clients	913	397
Corporate Center[1]	(1)	0
Total	910	951

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[1] For the nine months ended 30 September 1999, these credits reflected recoveries in excess of provisions.

UBS Private Banking

UBS Private Banking derives its operating income from:

- fees for financial planning and wealth management services

- fees for discretionary services, including its investment funds
- transaction-related fees

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

In March 1999, we acquired Bank of America's international private banking activities in Europe and Asia thereby increasing the assets under management in UBS Private Banking by approximately CHF 3.7 billion as of 30 September 1999. On 14 September 1999, we announced the proposed acquisition of Global Asset Management. Global Asset Management had CHF 21 billion in assets under management as of 30 June 1999, comprised primarily of private clients' portfolios and investment funds as well as institutional mandates. The agreed purchase price will be in the range of US$ 575-675 million, depending upon the level of assets under management at closing, and will be paid in cash and UBS stock. We completed the acquisition of Global Asset Management in late 1999. Therefore, the acquisition of Global Asset Management had no impact on results or assets under management for the nine months ended 30 September 1999.

The following table sets forth the results of UBS Private Banking for the nine months ended 30 September 1999 and 1998 and for the years ended 31 December 1998 and 1997.

	Nine Months Ended 30 September		**Year Ended 31 December**	
	1999	**1998**	**1998**	**1997**
	(CHF in millions)			
Operating income:				
Operating income before credit loss expense	4,425	6,211	7,223	6,215
Credit loss expense	12	20	26	59
Operating income	4,413	6,191	7,197	6,156
Operating expenses:				
Personnel, general and administrative expense	2,271	2,241	2,735	2,869
Depreciation and amortization	119	93	126	122
Operating expenses	2,390	2,334	2,861	2,991
Operating profit before restructuring costs and tax	2,023	3,857	4,336	3,165
Assets under Management *(at period end)*:				
Advisory	490,000	440,000	458,000	470,000
Discretionary	152,000	147,000	149,000	140,000
Total	642,000	587,000	607,000	610,000

Nine Months Ended 30 September 1999
Compared to Nine Months Ended 30 September 1998

Operating income from UBS Private Banking decreased CHF 1,778 million, or 28.7%, from CHF 6,191 million in the nine months ended 30 September 1998 to CHF 4,413 million in the nine months ended 30 September 1999. This significant decrease principally reflected lower transaction-based revenues as market-related uncertainties negatively affected client activity, as well as the inclusion of CHF 1,058 million gains from the divestments of BSI and Adler in operating income for the nine months ended 30 September 1998. Operating income for the nine months ended 30 September 1998 also included CHF 268 million operating income relating to BSI's operations which did not recur in the nine months ended 30 September 1999.

Notwithstanding the decrease in operating income, assets under management increased in the nine months ended 30 September 1999 by CHF 35 billion, or 5.8%, from CHF 607 billion at 31 December 1998. This increase was primarily a reflection of investment performance during the first two quarters. This increase was partially offset, however, by weaker investment performance and decreased volumes from existing clients during the third quarter of 1999.

Personnel, general and administrative expense in UBS Private Banking increased CHF 30 million, or 1.3%, from CHF 2,241 million in the nine months ended 30 September 1998 to CHF 2,271 million in the nine months ended 30 September 1999. This increase primarily reflected our continued investment in our domestic private banking business outside of Switzerland. Headcount increased by 1,202 from 7,571 at 30 September 1998 to 8,773 at 30 September 1999 as a result of these efforts. Operating expenses for the nine months ended 30 September 1998 also included CHF 125 million relating to BSI which did not recur in the nine months ended 30 September 1999.

Depreciation and amortization in UBS Private Banking increased CHF 26 million, or 28.0%, from CHF 93 million in the nine months ended 30 September 1998 to CHF 119 million in the nine months ended 30 September 1999. This increase reflects an increase in goodwill amortization due primarily to the acquisition of Bank of America's international private banking operations in Europe and Asia and an increase in depreciation due to additional fixed assets purchased. We expect that UBS Private Banking's amortization expense will further increase in subsequent years as a result of the goodwill from the Global Asset Management acquisition.

Year Ended 31 December 1998 Compared to Year Ended 31 December 1997

Operating income in UBS Private Banking increased CHF 1,041 million, or 16.9%, from CHF 6,156 million in 1997 to CHF 7,197 million in 1998. This increase primarily reflected non-recurring gains of CHF 1,058 million realized on the sales of BSI and Adler. Excluding these gains from 1998 operating income, operating income decreased marginally from 1997 to 1998. The decrease primarily reflected adverse market conditions in the second half of 1998. Despite this difficult environment and the occurrence of the merger on 29 June 1998, UBS Private Banking was able to maintain relatively stable performance, with assets under management decreasing only slightly from CHF 610 billion at 31 December 1997 to CHF 607 billion at 31 December 1998.

Personnel, general and administrative expense in UBS Private Banking decreased CHF 134 million, or 4.7%, from CHF 2,869 million in 1997 to CHF 2,735 million in 1998. Headcount decreased 2.9% from 7,862 at 31 December 1997 to 7,634 at 31 December 1998. Headcount in Switzerland, along with related personnel costs, decreased primarily from the sales of BSI and Adler.

This decrease was partially offset by an increase in headcount outside of Switzerland due to the development of our private banking business outside of Switzerland.

Depreciation and amortization in UBS Private Banking increased slightly, from CHF 122 million in 1997 to CHF 126 million in 1998.

UBS Warburg

UBS Warburg generates operating income from:

- commissions on agency transactions and spreads or markups on principal transactions
- fees from debt and equity capital markets transactions, leverage finance and structuring derivatives and complex transactions
- mergers and acquisitions advisory fees
- interest income on principal transactions and from the loan portfolio
- gains and losses on market making, proprietary and arbitrage positions

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

It should be noted that our Corporate Finance business area provides both advisory services and financing services. The financing services include both equity and fixed-income offerings undertaken in cooperation with the Equity Capital Markets, Debt Capital Markets and Leveraged Finance groups. Accordingly, a portion of operating income associated with these equity and fixed-income financing services is allocated to Corporate Finance and the remaining operating income is allocated to the Equities business area or Fixed Income business area as appropriate.

In October and November 1998, the Board of Directors mandated and undertook a review of our risk profile and risk management as well as our control processes and procedures. The review placed particular emphasis on the Fixed Income business area, which had experienced losses on credit exposures in certain emerging market assets. Each of the business areas selected for review was assessed as to whether it supported the UBS and UBS Warburg franchise and, if so, whether the expected return as compared to the estimated risk justified a continuation of the business. UBS Warburg used the review to define its core and non-core business areas, and decided to wind down over time the identified non-core businesses.

The businesses identified as non-core in late 1998 are:

- Lease Finance
- Commodities Trading (energy, base metals, electricity)
- Non-structured Asset-backed Finance
- Distressed Debt Trading

- Global Trade Finance, with the exception of the Swiss corporate business
- Conduit Finance
- Non-core loans – loans and commitments which are not part of our tradeable asset portfolio, not issued in conjunction with our Leveraged Finance business or credit exposures we wish to reduce
- Project Finance

The identified non-core businesses are being wound down over time and will be disposed of as appropriate. While we consider all of our non-core businesses to be held for sale (including those listed above), none of these businesses constitutes a single separate major line of business or class of customer or a segment to be treated as a discontinued operation, as defined by U.S. GAAP. Businesses designated as non-core businesses remain consolidated for purpose of both IAS and U.S. GAAP unless and until such businesses are actually sold or we otherwise dispose of such a business. Most of our international Global Trade Finance business was sold during the first quarter of 1999 and our Conduit Finance business was sold during the third quarter of 1999. Our non-core loan portfolio decreased approximately CHF 46 billion, or 54.1%, from approximately CHF 85 billion as of 31 December 1998 to CHF 39 billion as of 31 December 1999.

Negotiations for the sale of the Project Finance portfolio and residual Global Trade Finance positions were completed in December 1999 for proceeds approximating their carrying values. As a result, no material losses were realized. Certain aspects of our Global Equities Derivatives portfolio previously identified at the merger date as inconsistent with our risk profile were also designated as a non-core business during late 1998 in order to segregate this activity from the rest of our Equities business. We accrued CHF 154 million as a restructuring reserve for this portion of the portfolio.

For the nine months ended 30 September 1999, UBS Warburg's operating income before credit loss expense from core businesses amounted to CHF 9,437 million while its operating income before credit loss expense from non-core businesses was CHF 644 million.

The following table sets forth the results of UBS Warburg for the nine months ended 30 September 1999 and 1998 and for the years ended 31 December 1998 and 1997:

	Nine Months Ended 30 September		**Year Ended 31 December**	
	1999[(1)]	**1998**	**1998**	**1997[(2)]**
	(CHF in millions)			
Operating income:				
Equities	4,980	1,371	2,572	
Fixed Income	2,408	191	399	
Corporate Finance	1,324	1,317	1,665	
Treasury Products	1,369	1,687	2,351	
Total operating income before credit loss expense	10,081	4,566	6,987	10,888
Credit loss expense	238	294	500	300
Operating income	9,843	4,272	6,487	10,588

	Nine Months Ended 30 September		Year Ended 31 December	
	1999[1]	1998	1998	1997[2]
	(CHF in millions)			
Operating expenses:				
Personnel, general and administrative	7,182	4,993	6,816	8,641
Depreciation and amortization	584	509	692	668
Operating expenses	7,766	5,502	7,508	9,309
Operating profit (loss) before restructuring costs and tax	2,077	(1,230)	(1,021)	1,279

(1) Operating income before credit loss expense broken down by business area includes operating income from non-core businesses.

(2) Prior to the merger, the businesses were reported under different management reporting structures. A breakdown of 1997 operating income in accordance with our current management reporting structure is, therefore, not possible.

Nine Months Ended 30 September 1999 Compared to Nine Months Ended 30 September 1998

Operating income from Equities increased CHF 3,609 million, from CHF 1,371 million in the nine months ended 30 September 1998 to CHF 4,980 million in the nine months ended 30 September 1999. This increase was primarily due to continued strong performance in the nine months ended 30 September 1999 compared to weaker results and losses in the nine months ended 30 September 1998 that did not recur. Equities performed well during the six months ended 30 June 1998, but experienced a more difficult trading environment in the third quarter of 1998 as a result of higher volatility levels in equity markets. In addition, during the nine months ended 30 September 1998, Equities recognized losses of CHF 1,010 million from the Global Equity Derivatives portfolio. In the nine months ended 30 September 1999, however, Equities performed strongly in all major markets. Continuing strong secondary cash and derivatives business with institutional clients contributed significantly to the positive results. Fee income from equity underwriting, although down from exceptional levels in the nine months ended 30 September 1998, remained strong. This was due to the completion of several large offerings in the nine months ended 30 September 1999.

Operating income from Fixed Income increased CHF 2,217 million from CHF 191 million in the nine months ended 30 September 1998 to CHF 2,408 million in the nine months ended 30 September 1999. The improvement in Fixed Income largely reflected particularly strong performance in swaps and options and investment grade corporate debt products during the nine months ended 30 September 1999. Weaker than expected results in Fixed Income in the nine months ended 30 September 1998 were due primarily to significant losses in the Group's emerging market portfolio, which were largely attributable to UBS Warburg, and a write-down of CHF 790 million in the division's LTCM trading position.

Operating income from Corporate Finance remained fairly stable in the nine months ended 30 September 1998 compared to the nine months ended 30 September 1999. Operating income relating to our Equity Capital Markets Group decreased somewhat, but this was primarily a reflection of unusually strong performance in equity and equity-linked business during the nine months ended 30 September

1998. This decrease was partially offset by slight increases in the Debt Capital Markets Group's business and higher advisory fees due to an increase in merger and acquisition activity.

Operating income from Treasury Products decreased CHF 318 million, or 18.8%, from CHF 1,687 million in the nine months ended 30 September 1998 to CHF 1,369 million in the nine months ended 30 September 1999. Foreign exchange trading was adversely affected by diminished volumes in key markets during the nine months ended 30 September 1999. Diminished volumes resulted from decreased execution with hedge funds, the consolidation of market providers, certain liquidity providers pulling out of the direct market and others dropping individual currencies. Volumes also decreased generally across the market, due to high volatilities, the introduction of the Euro and the Year 2000.

Credit loss expense in UBS Warburg decreased CHF 56 million, or 19.0%, from CHF 294 million in the nine months ended 30 September 1998 to CHF 238 million in the nine months ended 30 September 1999. This reflected a decrease in expected credit losses due primarily to the continued wind-down of the non-core loan portfolio and the sale of the international Global Trade Finance business in mid-1999. See "—UBS Private and Corporate Clients" for a discussion of the impact of the transfer of our Swiss Global Trade Finance business to UBS Private and Corporate Clients. The none-core loan portfolio will continue to be wound-down.

Personnel, general and administrative expense in UBS Warburg increased CHF 2,189 million, or 43.8%, from CHF 4,993 million in the nine months ended 30 September 1998 to CHF 7,182 million in the nine months ended 30 September 1999, despite a reduction in headcount of 940 from 13,794 at 31 December 1998 to 12,854 at 30 September 1999. At the end of 1997, UBS foresaw the probability of a shortfall in profit in its investment banking business as a result of the merger. In order to protect its investment banking franchise, UBS realized it would probably need to make payments to personnel in excess of amounts determined by normal compensation methodologies. An amount of approximately CHF 1 billion was recorded as part of the merger-related restructuring reserve for this purpose. By the third quarter of 1998, this shortfall had materialized, and CHF 1,007 million of accrued payments to personnel were charged against the restructuring reserve as planned. The shortfall in profits noted above was aggravated by losses associated with LTCM and the Global Equity Derivatives portfolio. After adjusting the nine months ended 30 September 1998 for the amount charged to the restructuring reserve, personnel expenses in the nine months ended 30 September 1999 increased 33% against the comparative prior period. Performance-related compensation increased over the previous period primarily due to the associated improvement in revenues, which was partially offset by a 14% decrease in salaries.

General and administrative expenses fell 15% in the nine months ended 30 September 1999 compared to the nine months ended 30 September 1998, reflecting post-merger synergies and the ongoing focus on cost efficiency delivering significant reductions in many cost categories.

Depreciation and amortization in UBS Warburg increased CHF 75 million, or 14.7%, from CHF 509 million in the nine months ended 30 September 1998 to CHF 584 million in the nine months ended 30 September 1999, primarily reflecting accelerated amortization of the goodwill on a Latin American subsidiary.

Year Ended 31 December 1998 Compared to Year Ended 31 December 1997

Total operating income before credit loss expense in UBS Warburg decreased CHF 3,901 million or 35.8%, from CHF 10,888 million in 1997 to CHF 6,987 million in 1998, with decreases recognized across all business areas. Equities experienced a difficult trading environment in the second half of 1998 in addition to recognizing net losses on the Global Equity Derivatives portfolio of CHF 762 million, although this was offset somewhat by high commissions levels and income from new issues. Fixed Income's operating income decreased from 1997 to 1998 due to the write-down in 1998 of our holdings in LTCM by CHF 790 million and CHF 725 million in emerging markets. This emerging markets loss consisted of CHF 455 million in losses in Russia, CHF 215 million in Latin America and CHF 55 million in Asia and other Eastern European countries. These losses were somewhat offset by strong primary and secondary bond activity.

Corporate Finance exceeded expectations in 1998 resulting from strong mergers and acquisitions activity and improved results from equity and equity-linked issues. In 1997 and 1998, Treasury Products performed well in cash and collateral trading, as well as in foreign exchange.

Credit loss expense in UBS Warburg increased CHF 200 million, or 66.7%, from CHF 300 million in 1997 to CHF 500 million in 1998. This increase resulted from increased exposures from the start-up of the leveraged finance business in early 1998 and an increase in over-the-counter derivatives exposures due primarily to counterparty and country rating downgrades resulting from the Asian and Russian crises.

Personnel, general and administrative expense in UBS Warburg decreased CHF 1,825 million, or 21.1%, from CHF 8,641 million in 1997 to CHF 6,816 million in 1998. This primarily reflected a reduction in personnel related costs resulting from a reduction in headcount by 25.9% from 18,620 at 31 December 1997 to 13,794 at 31 December 1998 as a result of the merger. Merger integration for UBS Warburg was substantially completed during 1998. As discussed above, CHF 1,007 million of accrued payments to personnel were charged against the restructuring reserve in 1998. Adjusting 1998 for this amount, personnel expenses decreased from 1997 by 6.4%.

Depreciation and amortization in UBS Warburg increased CHF 24 million, or 3.6%, from CHF 668 million in 1997 to CHF 692 million in 1998. This reflected increased goodwill amortization in 1998 due to the acquisition of Dillon Read & Co., Inc. in September 1997 and the accelerated amortization of goodwill on Russian and Brazilian subsidiaries of CHF 35 million due to weak market conditions in these countries in 1998.

UBS Private and Corporate Clients

UBS Private and Corporate Clients derives its operating income principally from:

- interest income on its loan portfolio
- fees for investment and asset management services
- transaction fees
- investment income from deposits

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

The following table sets forth the results of UBS Private and Corporate Clients for the nine months ended 30 September 1999 and 1998 and for the years ended 31 December 1998 and 1997.

	Nine Months Ended 30 September		Year Ended 31 December	
	1999	1998	1998	1997
	(CHF in millions)			
Operating income:				
Operating income before credit loss expense	5,447	5,141	7,025	7,005
Credit loss expense	836	780	1,170	1,092
Operating income	4,611	4,361	5,855	5,913
Operating Expenses:				
Personnel, general and administrative expense	3,364	3,123	4,263	4,497
Depreciation and amortization	406	503	684	660
Operating expenses	3,770	3,626	4,947	5,157
Operating profit before restructuring costs and taxes	841	735	908	756
Assets under management ***(at period end)***	427,000	416,000	434,000	398,000

Nine Months Ended 30 September 1999
Compared to Nine Months Ended 30 September 1998

Operating income before credit loss expense in UBS Private and Corporate Clients increased CHF 306 million, or 6%, from CHF 5,141 million in the nine months ended 30 September 1998 to CHF 5,447 million in the nine months ended 30 September 1999. Lower client activity associated with weak performance of the Swiss stock market in the nine months ended 30 September 1999 accompanied by reduced exchange volumes negatively impacted transaction-related income. Therefore, the increase from the nine months ended 30 September 1998 to the nine months ended 30 September 1999 primarily reflected positive interest margin developments, progress in implementing our new risk-adjusted pricing models and the development of the affluent client business.

Our credit loss expense in UBS Private and Corporate Clients increased CHF 56 million, or 7.2%, from CHF 780 million in the nine months ended 30 September 1998 to CHF 836 million in the nine months ended 30 September 1999, reflecting increased loss expectations primarily resulting from the transfer of the remainder of the Global Trade Finance business from UBS Warburg during the nine months ended 30 September 1999.

Personnel, general and administrative expense in UBS Private and Corporate Clients increased CHF 241 million, or 7.7%, from CHF 3,123 million in the nine months ended 30 September 1998 to CHF 3,364 million in the nine months ended 30 September 1999. This increase was due primarily to changes in methodology which resulted in additional costs or cost allocations being attributed to this division in the nine months ended 30 September 1999. A portion of corporate real estate costs which were previously borne by our Corporate Center were allocated to the UBS Private and Corporate Clients division during the nine months ended 30 September 1999. In addition, these expenses increased with the transfer into the division of our Swiss Global Trade Finance business. This business, with approximately 400 professionals, was transferred from UBS Warburg in early 1999. These increases were partially offset by cost savings resulting from the closure of redundant branches.

Depreciation and amortization expense in UBS Private and Corporate Clients decreased CHF 97 million, or 19.3%, from CHF 503 million in the nine months ended 30 September 1998 to CHF 406 million in the nine months ended 30 September 1999, primarily due to reduced assets employed subsequent to the merger.

Year Ended 31 December 1998 Compared to Year Ended 31 December 1997

Total operating income before credit loss expense in UBS Private and Corporate Clients increased slightly from CHF 7,005 million in 1997 to CHF 7,025 million in 1998. Included in operating income in 1997 was a CHF 97 million pre-tax gain on the sale of Bank Aufina AG. Included in operating income in 1998 were total gains from the sales of Boss Lab SA, a technology company, and Bank Prokredit AG, a leasing and consumer credit company, of CHF 50 million. The small increase in operating income before credit loss expense from 1997 to 1998 excluding the gains from the divestitures was primarily attributable to improved margins resulting from risk-adjusted pricing.

Our credit loss expense in UBS Private and Corporate Clients increased CHF 78 million, or 7.1%, from CHF 1,092 million in 1997 to CHF 1,170 million in 1998, reflecting increased loss expectations.

Personnel, general and administrative expense in UBS Private and Corporate Clients decreased CHF 234 million, or 5.2%, from CHF 4,497 million in 1997 to CHF 4,263 million in 1998. This decrease primarily reflected reduced costs due to a reduction in headcount from 25,641 in 1997 to 24,043 in 1998 resulting from the sales of Boss Lab SA and Bank Prokredit AG and additional reductions from the closing of redundant branches.

UBS Asset Management

UBS Asset Management generates most of its revenue from the asset management services it provides to institutional clients. In addition, UBS Asset Management manages UBS Private Banking's and UBS Private And Corporate Clients' investment funds for which a management fee is charged. Fees charged to UBS Private Banking and other clients are based on the market value of assets under management. As a result, UBS Asset Management's revenues are affected by changes in market conditions as well as new and lost business.

Within the UBS Brinson business area, long-run (three-year) investment performance remained mostly solid for fixed income and private equity mandates. However, major U.S. equity strategies have under-performed relevant benchmarks on a short-term basis, and as a result long-term performance has been near the median. This has also impacted certain global equity and balanced portfolios. While markets have recently not been favorable for active, value managers, we continue to believe our equity process is a sound basis upon which to create long-term value for our clients.

Major strategies within the Phillips & Drew business area have earned above benchmark returns over the nine month period ending 30 September 1999, resulting in improved three-year performance. Three-year U.K. balanced investment performance is above the median, as is performance for the major Phillips & Drew equity strategies, including U.K. equity.

The following table sets forth the results of UBS Asset Management for the nine months ended 30 September 1999 and 1998 and for the years ended 31 December 1998 and 1997:

	Nine Months Ended 30 September		Year Ended 31 December	
	1999	**1998**	**1998**	**1997**
	(CHF in millions)			
Operating income	811	868	1,163	1,040
Operating expenses:				
Personnel, general and Administrative expense	472	486	608	542
Depreciation and amortization	103	87	107	95
Operating expenses	575	573	715	637
Operating profit before restructuring costs and tax	236	295	448	403
Assets under Management *(at period end)*:				
Institutional	355,000	351,000	360,000	373,000
Non-institutional	183,000	162,000	171,000	131,000
Total	538,000	513,000	531,000	504,000

Nine Months Ended 30 September 1999
Compared to Nine Months Ended 30 September 1998

Operating income of UBS Asset Management decreased CHF 57 million, or 6.6%, from CHF 868 million in the nine months ended 30 September 1998 to CHF 811 million in the nine months ended 30 September 1999. From the beginning of 1999, total assets under management increased 1.3%, or CHF 7 billion, from CHF 531 billion to CHF 538 billion at 30 September 1999. Although total assets under management increased slightly due to currency and investment performance gains, declines in average institutional assets resulted in a net decline in operating income. The declines in average institutional assets primarily resulted from merger-related client defections and performance issues.

Personnel, general and administrative expense of UBS Asset Management decreased CHF 14 million, or 2.9%, from CHF 486 million in the nine months ended 30 September 1998 to CHF 472 million in the nine months ended 30 September 1999. Although headcount increased marginally from 1,489 as of 30 September 1998 to 1,497 as of 30 September 1999, lower general and administrative expenses more than offset the associated increase in personnel expenses.

Depreciation and amortization expense of UBS Asset Management increased CHF 16 million, or 18.4%, from CHF 87 million in the nine months ended 30 September 1998 to CHF 103 million in the nine months ended 30 September 1999, reflecting increased goodwill amortization related to the buy-out of our joint venture with the Long-Term Credit Bank of Japan.

Year Ended 31 December 1998 Compared to Year Ended 31 December 1997

Operating income of UBS Asset Management increased CHF 123 million, or 11.8%, from CHF 1,040 million in 1997 to CHF 1,163 million in 1998, reflecting growth in assets under management from our acquisition in Japan and positive market performance. Non-institutional assets under management, including assets from Private Banking increased CHF 40 billion, or 30.5%, from 1997 to 1998. These positive developments were partially offset by a decline in the U.K. business' operating income and assets under management due to short-term performance issues and a very competitive U.K. marketplace.

Personnel, general and administrative expense of UBS Asset Management increased CHF 66 million, or 12.2%, from CHF 542 million in 1997 to CHF 608 million in 1998. This increase reflects the expansion in Europe and the acquisition of Long-Term Credit Bank of Japan's asset management business during 1998. Principally as a result of these expansions, headcount increased 9.8% from 1,364 at 31 December 1997 to 1,497 at 31 December 1998.

Depreciation and amortization of UBS Asset Management increased CHF 12 million, or 12.6%, from CHF 95 million in 1997 to CHF 107 million in 1998. This increase reflects an increase in goodwill amortization due to additional goodwill recorded in 1998 upon the payment of the remaining obligation to the previous owners of Brinson Partners.

UBS Private Equity

UBS Private Equity's primary source of operating income is capital gains from the disposition or sale of its investments, which are recorded at the time of ultimate disposition. As a result, appreciation in fair market value is only recognized as operating income at the time of sale and the level of annual operating income from UBS Private Equity is directly affected by the level of investment dispositions that take place during the course of a year. In addition, with the formation of regional funds, UBS Private Equity has begun to receive management fees, which are recorded as operating income.

The following table sets forth the results of UBS Private Equity for the nine months ended 30 September 1999 and 1998 and for the years ended 31 December 1998 and 1997:

	Nine Months Ended 30 September		Year Ended 31 December	
	1999	**1998**	**1998**	**1997**
	(CHF in millions)			
Operating income	254	499	585	492
Operating expenses:				
Personnel, general and administrative expense	112	94	156	110
Depreciation and amortization	4	0	1	1
Operating expenses	116	94	157	111
Operating profit before restructuring costs and tax	138	405	428	381
Investments (*at book value at period end*)	2,439	1,688	1,784	1,080

Nine Months Ended 30 September 1999
Compared to Nine Months Ended 30 September 1998

Operating income of UBS Private Equity decreased CHF 245 million, or 49.1%, from CHF 499 million in the nine months ended 30 September 1998 to CHF 254 million in the nine months ended 30 September 1999. This reflects a decrease in realized gains resulting from a reduced number of sales of investments in the nine months ended 30 September 1999 as compared to the nine months ended 30 September 1998. For the first nine months of 1999, operating income included CHF 13 million of management fees paid by funds that we manage and sponsor. We launched several new funds during the nine months ended 30 September 1999 to raise additional funds in order to allow us to participate in the industry trend toward larger sized transactions.

Personnel, general and administrative expense of UBS Private Equity increased CHF 18 million, or 19.1%, from CHF 94 million in the nine months ended 30 September 1998 to CHF 112 million in the nine months ended 30 September 1999. The division’s expansion into new regions and sectors required the recruitment of professionals with the necessary expertise to grow these business areas and resulted in an increase in personnel-related expenses from the nine months ended 30 September 1998 to the nine months ended 30 September 1999. An increase in deal related expenses also contributed to the rise in operating costs.

In addition, UBS Private Equity made approximately CHF 760 million of new investments and add-ons during the nine months ended 30 September 1999. Invested capital has increased by approximately CHF 60 million from approximately CHF 700 million during the nine months ended 30 September 1998. UBS Private Equity plans to gradually increase the annual investment rate, as demonstrated by the increased investment rate during the nine months ended 30 September 1999. UBS Private Equity has a target portfolio book value of approximately CHF 5 billion from its own investments and CHF 5 billion from third party funds.

Year Ended 31 December 1998 Compared to Year Ended 31 December 1997

Operating income of UBS Private Equity increased CHF 93 million, or 18.9%, from CHF 492 million in 1997 to CHF 585 million in 1998, reflecting generally favorable conditions in Western markets allowing for the disposals of investments in Switzerland, the United States, and the Benelux and Nordic region. UBS Private Equity's portfolio in 1998 was, and it continued to be during 1999, primarily focused on the United States and Western Europe with minor exposure to Latin America and Asia. Therefore, the emerging markets crises which took place during 1998 had little impact on the division's performance.

Personnel, general and administrative expense of UBS Private Equity increased CHF 46 million, or 41.8%, from CHF 110 million in 1997 to CHF 156 million in 1998. Higher performance-related compensation in 1998 than in 1997 primarily resulted from the stronger performance in 1998. Staff losses due to the merger were minimal.

UBS Private Equity made investments totaling approximately CHF 800 million during 1998 compared to approximately CHF 600 million during 1997, further demonstrating steady growth in its investment rate.

Corporate Center

The following table sets forth the consolidated results of Corporate Center for the nine months ended 30 September 1999 and 1998 and for the years ended 31 December 1998 and 1997:

	Nine Months Ended 30 September		Year Ended 31 December	
	1999	**1998**	**1998**	**1997**
	(CHF in millions)			
Operating income:				
Operating income before credit loss expense	1,655	(202)	296	518
Credit loss expense	(176)	(630)	(745)	(173)
Operating income	1,831	428	1,041	691
Operating expenses:				
Personnel, general and administrative expense	246	874	1,855	215
Depreciation and amortization	74	151	215	216
Operating expenses	320	1,025	2,070	431
Operating profit (loss) before restructuring costs and tax	1,511	(597)	(1,029)	260

Nine Months Ended 30 September 1999
Compared to Nine Months Ended 30 September 1998

Operating income from Corporate Center activities increased CHF 1,857 million from CHF (202) million in the nine months ended 30 September 1998, to CHF 1,655 million in the nine months ended 30 September 1999. The negative operating income in the nine months ended 30 September 1998 reflected the loss of CHF 370 million from LTCM.

Operating income for the nine months ended 30 September 1999 included gains on the divestments of Swiss Life/Rentenanstalt of CHF 1,490 million and our interest in Julius Baer registered shares of CHF 110 million. In addition, Corporate Center recognizes interest income from the investment of unallocated capital as well as gains and losses on asset and liability management and the management of foreign currency earnings.

Credit loss expense in Corporate Center reflected the change in adjusted expected losses charged to the divisions compared to losses recognized in the financial accounts. In order to reconcile segmental results to the financial results, the difference between expected loss and recognized losses in the financial accounts is accounted for in Corporate Center.

Personnel, general and administrative expense in Corporate Center decreased CHF 628 million, or 71.9%, from CHF 874 million in the nine months ended 30 September 1998 to CHF 246 million in the nine months ended 30 September 1999. The decrease primarily reflected a charge for the settlement in the United States of the litigation regarding the role of Swiss banks during and after World War II of CHF 570 million which was included in the nine months ended 30 September 1998. In addition, a portion of corporate real estate costs which were previously borne by our Corporate Center were allocated to the UBS Private and Corporate Clients division during the nine months ended 30 September 1999.

Depreciation and amortization in the Corporate Center division decreased CHF 77 million, or 51.0%, from CHF 151 million in the nine months ended 30 September 1998 to CHF 74 million in the nine months ended 30 September 1999, reflecting a change in allocation methodology to charge out a greater portion of real estate depreciation to the divisions in 1999. The remaining portion of depreciation and amortization includes depreciation of workstations and information technology equipment, goodwill and intangibles as well as general depreciation of fixed assets.

Year Ended 31 December 1998 Compared to Year Ended 31 December 1997

Operating income from Corporate Center activities decreased CHF 222 million, or 42.9%, from CHF 518 million in 1997 to CHF 296 million in 1998, reflecting a CHF 370 million charge resulting from the write-down in 1998 of our investment in LTCM. In addition, Corporate Center includes interest income from the investment of unallocated capital as well as gains and losses on asset and liability management and the management of foreign currency earnings.

Personnel, general and administrative expense increased CHF 1,640 million from CHF 215 million in 1997 to CHF 1,855 million in 1998, primarily resulting from a CHF 842 million provision taken in 1998, for the settlement in the United States of the litigation regarding the role of Swiss banks during and after World War II, additional provisions for litigation and adjustments to the pricing of interdivisional allocations on the basis of service level agreements.

Depreciation and amortization decreased CHF 1 million, or 0.5%, from CHF 216 million in 1997 to CHF 215 million in 1998. This represented the charge for depreciation on goodwill and intangibles, information technology infrastructure, real estate and other fixed assets.

Liquidity and Capital Resources

Group liquidity and capital management is a part of our asset and liability management activities. This function is undertaken at Corporate Center by our Corporate Financial Management Department, which has established specific processes and policies for managing these risks. For a detailed discussion of our asset and liability management, see "— Risk Management –Asset and Liability Management" and for a detailed discussion of our liquidity risk management, see "— Risk Management – Liquidity and Funding Management".

Consolidated Cash Flows

During the nine months ended 30 September 1999 significant positive cash flow was generated by operating and investing activities resulting in a net increase in cash equivalents of CHF 14,206 million. This positive net inflow was partially offset by the net cash used in financing activities. Operating activities provided a net cash flow of CHF 11,564 million during the nine months ended 30 September 1999. The strong positive results and issuance of money market paper during the period generated a net positive cash flow. This was partially offset by a net cash outflow primarily resulting from net increases in trading related balances. Net cash from investing activities included cash outflows due to the purchase of property and equipment which were more than offset by positive cash flows generated from the sale of subsidiaries and associated companies, property and equipment and financial investments. The net cash outflow from financing activities was principally due to the payment of dividends, treasury share transactions, the repayment of CHF 3,400 million in long term debt and minority interests, which was partially offset by the issuance of CHF 8,141 million in long-term debt during the period.

During the year ended 31 December 1998 our net cash outflows from operating and financing activities more than offset our net cash inflow from investing activities resulting in a decrease in our cash equivalents of CHF 8,675 million. The negative cash flow from operating activities principally resulted from the redemption of money market paper and the net increases in trading related balances, which was partially offset by positive operating results in 1998. Further contributing to the net decrease in cash equivalents was the negative cash flow from financing activities of CHF 4,719 million. This negative cash flow was primarily due to the repayment of long term debt and the payment of dividends which was partially offset by the issuance of long term debt. Positive net cash flow from investing activities resulted primarily from the sale and maturity of financial investments.

During the year ended 31 December 1997 our net cash outflows of CHF 12,592 million from operating and investing activities more than offset our net cash inflow from financing activities of CHF 5,712 million resulting in a decrease in cash equivalents of CHF 7,451 million. Our operating activities generated negative net cash flow principally due to a net increase in our trading related balances which was only partially offset by strong operating results before the restructuring reserve and the issuance of money market paper. Investing activities generated a net cash outflow of CHF 1,470 million during the period primarily due to the purchase of property and equipment and financial investments. Net cash inflow from financing activities resulted principally from the issuance of long term debt.

Capital Resources

Capital management is a part of the Group's asset and liability management activities for which the Corporate Financial Management Department is responsible. The Group does not have any material commitments for capital expenditures as of 31 December 1998 or 30 September 1999. Our overall capital needs are continually reviewed to ensure that our capital base can appropriately support the anticipated needs of the divisions as well as the regulatory capital requirements. See "— Risk Management — Asset and Liability Management".

The Bank for International Settlements (BIS) is an international organization fostering the cooperation of central banks and international financial institutions. Among other activities, it provides guideline formulas for evaluating capital adequacy. The following table sets forth key capital figures and ratios and BIS risk-weighted assets at 30 September 1999 and 31 December 1998:

	At 30 September 1999	At 31 December 1998
	(CHF in millions, except ratios)	
BIS Tier 1 Capital	29,069	28,299
BIS Tier 1 and Tier 2 Capital	39,517	40,385
BIS Tier 1 Capital Ratio	10.2%	9.3%
BIS Tier 1 and Tier 2 Capital Ratio	13.9%	13.3%
Balance sheet assets	222,719	238,024
Off balance sheet and other positions	49,033	50,659
Market risk options	11,920	16,018
Total BIS risk-weighted assets	283,672	304,701

Balance Sheet

We maintain a significant percentage of liquid assets, including collateralized receivables and trading portfolios that can be converted into cash on relatively short notice and with a limited impact on our results in order to meet short-term funding needs. Collateralized receivables include reverse repurchase agreements and cash collateral on securities borrowed which are secured by U.S. government and agency securities, and marketable corporate debt and equity securities and a portion of our loans and due from banks which are secured primarily by real estate. The value of our collateralized receivables and our trading portfolio will fluctuate depending on market conditions and client business. The individual components of our total assets may vary significantly from period to period due to changing client needs, economic and market conditions and trading strategies.

Total assets declined CHF 43,992 million, or 4.7%, at 30 September 1999 compared to total assets at 31 December 1998. This decrease primarily resulted from significant decreases in positive replacement values resulting from a decreases in all categories of derivative products, and in due from banks. These decreases were partially offset by an increase in money market paper.

Total liabilities decreased CHF 44,275 million, or 4.9%, at 30 September 1999 compared to total assets at 31 December 1998 principally due to a significant decrease in negative replacement values resulting from decreases in all categories of derivative products.

Our long term debt portfolio increased from CHF 50.8 billion at 31 December 1998 to CHF 55.5 billion at 30 September 1999. During this period, we issued CHF 8.1 billion of long-term debt securities while CHF 3.4 billion of long-term debt securities matured. The maturity profile of the long-term debt portfolio is well balanced with slight bias towards shorter-term maturities to match the maturity profile of our assets. See Note 22 to our Consolidated Financial Statements for a discussion of our long term debt.

The following table sets forth information regarding total shareholders' equity:

	At 30 September 1999	At 31 December 1998
	(CHF in millions, except ratios)	
Total shareholders' equity	33,298	32,395
Total shareholders' equity to total assets	3.7%	3.4%

Shareholders' equity increased CHF 903 million, or 2.8%, from 31 December 1998 to 30 September 1999. Increases in dividends paid and treasury shares were more than offset by increases in net income resulting in the steady increase in total shareholders' equity. These increases coupled with the decline in total assets resulted in a higher ratio of shareholders' equity to total assets.

Credit Ratings

We use the debt capital markets to fund a significant portion of our operations. The cost and availability of debt financing is influenced by our credit ratings. Credit ratings are also important in certain markets and in entering into certain transactions, such as derivative transactions. A reduction in our credit ratings could increase our borrowing costs and limit our access to the capital markets. We have been able to maintain strong credit ratings over the past few years, even during periods of a difficult trading environment.

The following table sets forth our credit ratings on our long-term debt as of 30 September 1999 and 31 December 1998:

	At 30 September 1999	At 31 December 1998
Moody's, New York	Aa1	Aa1
Fitch/IBCA, London	AAA	AAA
Standard & Poor's, New York	AA+	AA+
Thomson BankWatch, New York	AA	AA

Recent Accounting Developments

For a discussion of recent accounting developments, including those that have not yet been adopted, see Note 1 to the Consolidated Financial Statements.

Risk Management

We recognize that taking risks is integral to our business. We require a comprehensive process for the management and control of risk. The risk framework which we have developed recognizes the importance of maintaining an appropriate balance between the active management of risk and the control of risk. In particular, we seek to suitably protect ourselves against the risk of significant adverse events.

Our risk framework has evolved following the merger and has been subject to an extensive risk review which was undertaken in the fourth quarter of 1998. The approach recognizes that an effective risk management and control process depends on sound processes to identify risks, and to establish and maintain a comprehensive set of limits and procedures to control the risks. Our Chief Risk Officer, or CRO, has overall responsibility for ensuring that these limits and procedures are appropriate and are adhered to for risks other than credit risk.

The Chief Credit Officer, or CCO, has overall responsibility for ensuring that these limits and procedures are appropriate and are adhered to for credit risk. Credit risk remains the single largest risk which we face. The limits and procedures are intended to make our risk exposure consistent with the parameters determined by the Board of Directors. These limits and procedures also take into account not only the external environment that we face, but also our internal capabilities to manage the risk, including issues such as the availability of appropriate information processing systems and the availability of suitably qualified staff to manage and control the risk.

The Board of Directors establishes the risk parameters within which we operate and receives a report on our risk profile from the CCO and the CRO on at least a quarterly basis. The Board establishes two limits: normal earnings volatility and potential losses under a stress scenario. Our risk appetite defines the amount of earnings volatility which the Board deems to be acceptable in normal market conditions in order to achieve divisional growth targets. This potential volatility is measured by the risk control organization using measures that estimate statistically possible losses. Value at risk, or VaR, methodology is the principal quantitative measure we use for evaluating risk.

Our risk bearing capacity seeks to establish a limit to the potential scale of the loss which we might face in unlikely but possible stress situations. It is set by the Board of Directors taking into account our overall earnings capacity and is set in order to protect us from unacceptable damage to annual earnings, dividend paying capability, business viability and reputation. We currently adopt this approach to risk limits in the context of our trading activities and our country risk credit exposure. We intend to extend it to other risks. In addition, the Board of Directors approves our key risk policies and the Chairman's office maintains an ongoing oversight of the integrity of the risk management and control processes through our internal audit function.

The responsibility for implementing the risk framework on a day to day basis is delegated by the Board of Directors to the Group Executive Board, or the GEB, which meets bi-weekly and allocates risk limits to the divisions and monitors our aggregate risk profile on an ongoing basis. The GEB constitutes itself as our Risk Council and meets with the CRO and the CCO to review outstanding risk issues. In addition, the GEB has established a Group Risk Committee and a Group Governance Committee. These committees, which meet quarterly, consist of representatives of the risk control organization at the Corporate Center and from the divisions and consider issues relating to the implementation and development of the risk framework.

Each division also has a risk management and control structure in place which is appropriate to its particular business profile. The CRO and CCO have risk control staff who are located in each division and who are responsible for monitoring the divisions' implementation of the Group-wide risk policies and procedures and in particular for establishing that all risks, including infrequent but severe risks, are adequately taken into account in assessing the risks of the divisions' business activities. In addition, each division has its own structure of risk management and governance committees. This is designed to ensure that there is an ongoing review of the risk profile which the division faces in new business initiatives and in large and complex transactions and that any requirement for amendments to risk policies or limits is identified and where appropriate is escalated in a timely manner to the GEB.

Analysis of Risks

Within our risk framework, we have identified a number of risk factors as being of particular importance to our business. The following section summarizes the main trends and developments in the key risks which we face.

Credit Risk

Credit risk is the risk of loss resulting from the default of an obligor or counterparty, including banks, corporations, non-bank financial institutions, public entities/governments and private individuals. For us, credit risk includes counterparty and country transfer risk, as well as settlement risk. Credit risk is inherent in traditional banking products, such as loans and conditional contracts to lend money in the future (commitments) or contracts to support clients' obligations to third parties, such as letters of credit. Credit risk is also inherent in derivative contracts and other traded products, such as bonds and equity investments. In view of the significance of credit risk to us, the approval of new transactions giving rise to credit risk plays a central part in our risk control process. Only a limited number of highly experienced senior credit professionals independent from the business units are entrusted with authority to approve significant transactions and customer limits. Such authorities are differentiated by amount, counterparty rating, tenor and other parameters.

We measure our exposure to credit risk based on a statistical analysis of the probability of default relating to each of our client categories. For this purpose, we categorize all our counterparties and the countries where we undertake business on the basis of a 15 point rating scale with a specified default probability attached to each rating class. The statistically calculated estimate of the "Adjusted Expected Loss" associated with the credit risk in the portfolio is charged to the divisions through our management accounts in order to enable us to take into account the anticipated risk cost associated with credit in the assessment of divisional results. The difference between the statistically estimated expected loss which is charged to the divisions and the credit loss expense recognized in the financial accounts is offset in the Corporate Center. See "—Results of Operations by Division" for a further discussion of credit loss expense.

Our credit risk portfolio consists of the following four components:

- Lending to commercial and private customers of UBS Private and Corporate Clients within Switzerland, which is the largest part of our credit portfolio

- Lending to the customers of UBS Private Banking, which is almost exclusively undertaken on a fully secured basis against diversified portfolios of marketable securities

- Lending to the international customers of UBS Warburg

- Counterparty and country credit risk associated with UBS Warburg's trading activities.

Loan Portfolio. Since the merger, UBS Warburg has been engaged in a process of reassessing its international credit activities so that the provision of credit related services is consistent with the needs of its core clients. In particular, UBS Warburg has been verifying that the risk/reward profile of its lending business is appropriate. This review has resulted in:

- a reduction in the overall size of the international credit portfolio

- a shift in focus away from emerging markets and into high quality credits in the major OECD countries

- the sale of the non-Swiss portion of our Global Trade Finance business

The overall impact of this shift has been a reduction in the international banking book (consisting of loans and unfunded commitments to foreign borrowers, excluding banks) from over CHF 250 billion at the time of the merger to CHF 107 billion by 30 September 1999. The loan component of this international banking book was reduced from CHF 148 billion in June 1998 to CHF 92 billion as of 30 September 1999. Our total exposure to emerging markets fell from CHF 32 billion to CHF 25 billion during the nine-month period ended 30 September 1999.

Since the merger, we have also sought to adopt a more active approach to managing our total portfolio of credit risk on an integrated basis. The objective of this approach is to optimize the risk return characteristics of our portfolio through the use of financial products, including securitization and credit derivative products. Portfolio managers have been appointed within UBS Warburg to manage the risk in the international portfolio and within UBS Private and Corporate Clients to manage the risk in the Swiss domestic portfolio. As part of our risk management activities, we have executed credit-linked securities transactions in which we have transferred to the market elements of the credit risk in our international loan portfolio. In these structures, UBS Warburg enters into a credit derivative contract under which UBS Warburg receives cash compensation from the contract counterparty or benefits from the discharge of the credit-linked note liability if there is a default on one or more of the loans covered by the contract. We do not use credit linked securities with respect to our domestic loan portfolio.

The following table shows the proportion of our total loan portfolio which relates to the different divisions:

All Amounts in CHF millions	UBS Private and Corporate Clients		UBS Private Banking		UBS Warburg		Corporate Center		Total	
	Sept. 99	Dec. 98	Sept. 99	Dec. 98	Sept. 99	Dec. 98	Sept. 99	Dec. 98	Sept. 99	Dec. 98
Loans to banks (gross)	-	-	4,336	6,989	31,677	62,272	399	282	**36,412**	69,543
Loans to customers (gross)	171,399	164,840	21,616	24,133	60,186	72,425	86	23	**253,287**	261,421
Loans, gross	**171,399**	164,840	**25,952**	31,122	**91,863**	134,697	**485**	305	**289,699**	330,964
Counterparty a1lowance	**11,146**	11,844	**97**	66	**1,501**	1,178	**32**	5	**12,776**	13,093
Country allowance	-	-	-	-	**1,262**	1,450	-	-	**1,262**	1,450
Allowances for loan losses *(deducted from assets)*	**11,146**	**11,844**	**97**	**66**	**2,763**	**2,628**	**32**	**5**	**14,038**	**14,543**
Loans, net of allowances	**160,253**	152,996	**25,855**	31,056	**89,100**	132,069	**453**	300	**275,661**	316,421
Counterparty provision for contingent claims	**-**	-	**-**	-	**17**	435	**-**	-	**17**	435
Country provision for contingent claims	**-**	-	**-**	-	162	-	**-**	-	**162**	-
Total Provisions *(booked as liabilities)*	**-**	**-**	**-**	**-**	**179**	**435**	**-**	**-**	**179**	**435**
Summary										
Allowances and provisions for counterparty risk	**11,146**	11,844	**97**	66	**1,518**	1,613	**32**	5	**12,793**	13,528
Allowances and provisions for country risk	-	-	-	-	**1,424**	1,450	-	-	**1,424**	1,450
Total allowances and provisions	**11,146**	11,844	**97**	66	**2,942**	3,063	**32**	5	**14,217**	14,978

The development of the loan exposure is depicted in the following table:

	At 30 September 1999	At 31 December 1998
	(CHF in millions)	
Domestic:		
Banks	2,147	4,543
Financial institutions	10,173	10,240
Construction	6,973	7,897
Services (1)	14,408	11,582
Retail and wholesale	11,085	8,912
Hotels and restaurants	4,243	4,129
Real estate and rentals (2)	20,794	21,231
Manufacturing	11,527	13,505
Public authorities	4,886	5,858
Private households	94,169	97,664
Other	1,965	1,662
Total domestic	182,370	187,223
Foreign:		
Banks	34,265	65,000
Other loans (3)	73,064	78,741
Total foreign	107,329	143,741
Total loans (gross)	289,699	330,964

(1) Includes transportation, communication, health and social work, education and other social and personal service activities.
(2) Includes real estate development, buying, selling and leasing of real estate, agency activities and real estate management.
(3) Includes commercial and manufacturing (33%), financial institutions (23%), commodities (10%) and other (34%) at 30 September 1999.

Customer ratings and segmentation. A substantial majority of UBS Warburg's counterparties fall into the investment grade rating categories. UBS Warburg's counterparties are primarily governments, international institutions, financial firms and major multi-national corporate clients. Our exposure to the hedge fund industry is limited to collateralized trading with reputable fund managers. Our aggregate exposure to hedge funds measured in terms of unsecured net replacement value amounted to CHF 45 million at 30 September 1999 compared to CHF 81 million at 31 December 1998.

By contrast, the largest single component of the loan portfolio within UBS Private and Corporate Clients consists of residential mortgage lending in Switzerland, over half of which is classified within the lowest investment grade category. The rating of the remainder of the Swiss portfolio is fairly widely spread with the largest concentration being in rating classes comparable to Moody's rating of Baa1 to Ba1.

Over the Counter Derivative Contracts. A significant proportion of UBS Warburg's credit risk arises from its trading activities, including its trading of derivative products. The provision of risk management solutions which involve the use of derivative products is a core service which we offer to our clients. Derivative products by their nature are particularly sensitive to changes in market prices and consequently we pay close attention to the management and control of these risks. We primarily enter into derivative contracts which give rise to credit risk with customers whose own credit rating is appropriately high. In addition, particular care is taken in relation to longer-dated contracts with an original term of over five years. We measure our credit risk exposure to derivative contracts on the basis of replacement value plus an add-on which reflects the residual term of the contract. We are in the process of introducing a new system to monitor this risk on the basis of a statistically calculated potential exposure. We expect to introduce this system early in 2000.

Settlement risk. Because of the nature of our business in international markets, we are also exposed to settlement risk. Settlement risk is a particular form of credit risk which arises from the possibility that our counterparty in a transaction will fail to pay us the funds due under the contract. This risk is particularly significant in relation to foreign exchange and precious metals transactions. We monitor our exposure to settlement risk, and seek to limit as far as practicable the period during which we are exposed to this risk. We have also been an active participant in an industry initiative to establish a new organization, called CLS Bank, which is being established in order substantially to reduce settlement risk between major international financial institutions.

As the table below shows, we have reduced our exposure to settlement risk in the period since the merger by implementing consistent standards for monitoring and controlling this risk.

Average Daily Settlement Volume
from Foreign Exchange/Precious Metals Trades

	1998	1999
	(CHF in billions)	
January	na	86.6
February	na	93.7
March	na	111.4
April	na	93.7
May	na	83.7
June	107.9	95.1
July	106.8	92.0
August	108.1	85.9
September	111.8	96.7
October	95.8	–
November	97.2	–
December	84.0	–

Country risk exposure. Our definition of country risk comprises all cross-border exposures from loans, derivative products and trading products. This definition includes our own intracompany cross-border positions, which amounted to CHF 340 billion at 30 September 1999, about 44.2% of the total non-emerging market country risk exposure. In the first nine months of 1999, 96.8% of our country risk exposure was with highly rated OECD countries, that is, those countries rated in the highest three categories by the Organization for Economic Cooperation and Development, where the risk of default is judged to be negligible. In line with the overall reduction in the loan portfolio, the country risk exposure to these countries has decreased by CHF 79.5 billion since the end of 1998 to CHF 770 billion at 30 September 1999, a decline of 9.4%.

The following table summarizes our aggregate country risk exposure as of 30 September 1999 compared to 31 December 1998.

Country transfer risk exposure grouped by country rating classes at September 1999

Country Categories	**Banking Products**	**Derivative and Repurchase Agreements**	**Tradeable Assets(1)**	**Total**
	CHF mio	CHF mio	CHF mio	CHF mio
Industrialized Countries				
Countries rated S0 - S2	**429,861**	**126,276**	**213,537**	**769,674**
Change from Dec 98	*-46,593*	*-53,205*	*20,249*	*-79,549*
Emerging Markets				
Countries rated S3 - S11	**16,180**	**5,630**	**2,357**	**24,167**
Change from Dec 98	*-7,207*	*-1,609*	*1,467*	*-7,349*
Distressed Countries				
Countries rated S12 - S14	**1,084**	**5**	**95**	**1,184**
Change from Dec 98	*308*	*5*	*-42*	*271*
Total	**447,125**	**131,911**	**215,989**	**795,025**
Change from Dec 98	*-53,492*	*-54,809*	*21,674*	*-86,627*

(1) Tradeable assets consists of equity and fixed income financial instruments held for trading purposes, which are marked to market on a daily basis.

The remaining 3.2% of our country risk exposure is to emerging markets and distressed countries which are classified in rating classes 3 to 14. As mentioned above, this exposure has decreased as a result of the restructuring of the international loan portfolio. Total exposure to the emerging market and distressed group of countries fell by CHF 7.1 billion between 31 December 1998 and 30 September 1999 – a reduction of 21.8%. In view of the higher risk associated with emerging and distressed markets, we closely monitor this exposure on an ongoing basis within the country limits approved by the Board of Directors. All significant new transactions in emerging and distressed markets require approval from the respective country risk manager in addition to the standard counterparty credit approval. The country risk limit operates as the primary limit for such transactions and extension of credit may be denied on the basis of a country risk limit even though adequate counterparty limits may be available for the customer concerned.

The following table analyzes the 3.2% of emerging markets and distressed countries exposures by the major geographical areas as of 30 September 1999 compared to 31 December 1998:

Emerging Markets Transfer Risk Exposure by Region at 30 September 1999

Region	Banking Products	Derivative and Repurchase Agreements	Tradeable Assets(1)	Total
	CHF mio	CHF mio	CHF mio	CHF mio
Emerging Europe	**940**	**267**	**395**	**1,602**
Change from Dec 98	*-381*	*13*	*215*	*-153*
Emerging Asia	**3,571**	**4,096**	**597**	**8,264**
Change from Dec 98	*-5,662*	*-748*	*268*	*-6,142*
Latin America	**10,103**	**612**	**1,262**	**11,977**
Change from Dec 98	*285*	*-656*	*820*	*449*
Africa / Middle East	**2,649**	**660**	**199**	**3,508**
Change from Dec 98	*-1,142*	*-213*	*123*	*-1,232*
Total	**17,263**	**5,635**	**2,453**	**25,351**
Change from Dec 98	*-6,900*	*-1,604*	*1,426*	*-7,078*

(1) Tradeable assets consists of equity and fixed income financial instruments held for trading purposes, which are marked to market on a daily basis.

The following tables analyze cross-border outstandings at 30 September 1999 and at 31 December 1998, stating the name of the country and the aggregate amount of the cross-border outstandings to third party borrowers in each foreign country where such outstandings exceed 0.75% of our total assets, by the following categories:

	At 30 September 1999				
	Banking Products				
	Banks	Non-Banks	Derivatives and Repurchase Agreements	Tradeable Assets	Total
			(CHF in millions)		
United States	7,653	21,645	21,928	53,379	104,605
Japan	1,421	960	8,429	70,204	81,014
Germany	5,079	2,186	40,330	16,185	63,780
United Kingdom	4,633	1,828	8,237	21,737	36,435
Italy	1,210	853	6,553	15,249	23,865
France	4,385	1,591	7,413	6,650	20,039
Australia	2,433	376	6,718	4,956	14,483
Netherlands	1,110	981	3,956	4,948	10,995
Spain	1,251	225	2,213	5,313	9,002
Sweden	433	1,223	3,126	2,450	7,232
Luxembourg	995	1,862	2,386	1,694	6,937

	At 31 December 1998				
	Banking Products				
	Banks	Non-Banks	Derivatives and Repurchase Agreements	Tradeable Assets	Total
			(CHF in millions)		
United States	13,882	2,292	27,922	65,543	109,639
United Kingdom	4,006	2,583	10,912	32,348	49,849
Japan	1,633	768	7,879	38,133	48,413
Germany	7,850	2,500	20,666	15,903	46,919
France	2,490	1,420	10,037	8,521	22,468
Italy	2,174	1,201	8,236	9,394	21,005
Australia	6,749	543	3,097	4,760	15,149
Netherlands	1,221	1,086	6,134	6,363	14,804
Sweden	449	812	3,710	8,091	13,062
Canada	755	549	5,162	3,479	9,945
Austria	769	82	1,513	5,436	7,800
Spain	913	350	2,495	3,701	7,459
Belgium	1,248	162	2,393	3,599	7,402
Luxembourg	1,212	2,130	1,723	2,195	7,260

Under guarantees, certain trade financing and other items are deducted from the gross outstanding, taking into account Swiss National Bank requirements. Also deducted from gross outstanding are guaranteed or secured loans, provided that political and transfer risks are also covered explicitly by the guarantee or security. At 30 September 1999 and 31 December 1998, there were no outstandings exceeding 1% of total assets in any country where current conditions give rise to liquidity problems (Emerging Markets) which are expected to have a material impact on the timely repayment of interest or principal.

***Impaired and non-performing loans*.** We classify a loan as impaired when we judge that there is a high probability that we will suffer a partial or full loss and a provision is then made with respect to the loan in question. Within this category, non-performing loans are defined as loans where payment of interest, principal or fees is overdue for 90 days. Non-performing loans have decreased to CHF 13,594 million at 30 September 1999 from CHF 16,114 million at 31 December 1998. The reduction reflects an accelerated write-down in the Swiss domestic portfolio, a substantial reduction in our emerging markets exposure, a significant improvement in the macroeconomic situation in Switzerland and a faster than expected recovery in key Asian economies.

The following table provides a breakdown by divisions of the impaired and non-performing loans as of the dates indicated.

	UBS Private & Corporate Clients		UBS Private Banking		UBS Warburg		Corporate Center		UBS Group	
	30.09.99	31.12.98	30.09.99	31.12.98	30.09.99	31.12.98	30.09.99	31.12.98	30.09.99	31.12.98
					(CHF in millions)					
Impaired Loans										
Total Impaired Loans	21,396	22,953	135	175	3,144	3,319	73	0	24,748	26,447
Allocated Allowances	11,146	11,844	97	66	1,967	1,667	32	5	13,242	13,582
Impaired Loans, net of Allowances	10,250	11,109	38	109	1,177	1,652	41	-5	11,506	12,865
Non Performing Loans										
Total Non-Performing Loans	11,838	14,003	65	68	1,618	2,043	73	0	13,594	16,114
Allocated Allowances	7,700	8,646	53	66	1,350	1,289	32	5	9,135	10,006
Non-Performing Loans, net of Allowances	4,138	5,357	12	2	268	754	41	-5	4,459	6,108

The following table shows the development and distribution of non-performing loans between Swiss domestic and foreign based clients:

	At 30 September 1999	At 31 December 1998
	(CHF in millions)	
Non-performing loans:		
Domestic	11,928	14,023
Foreign	1,666	2,091
Total non-performing loans	13,594	16,114
Foreign restructured loans(1)	315	449

(1) Consist solely of rescheduled country loans; defaulted country loans are included in foreign non-performing loans. We do not, as a matter of policy, typically restructure loans to accrue interest at rates different from the original contractual terms or reduce the principal amount of loans. Instead, specific loan allowances are established as necessary.

The following table shows the development and distribution of non-performing loans by category of borrower:

	At 30 September 1999	At 31 December 1998
	(CHF in millions)	
Banks	493	477
Non-banks:		
Mortgages	8,000	9,280
Other	5,101	6,357
Total	13,594	16,114

Allowances and Provisions. The adequacy of the allowances and provisions which we make for impaired loans is assessed by the Credit Risk Management and Control function which is independent from the divisions. Allowances and provisions are determined based upon an individual assessment of counterparties and countries and their creditworthiness as well as the amount of collateral available to us to offset against the potential loss. The objective in establishing allowances and provisions is to ensure that we are fully covered against the probable loss that has been identified. The allowances and provisions for credit losses decreased CHF 761 million, or 5.1%, from CHF 14,978 million at 31 December 1998 to CHF 14,217 million at 30 September 1999 caused by net write-offs and recoveries and partially offset by the establishment of additional credit loss provisions of CHF 910 million during the nine-months ended 30 September 1999, as a result of our assessment of individual counterparty and country creditworthiness.

The allowances and provisions for credit losses decreased CHF 1,235 million, or 7.6%, from CHF 16,213 million at 31 December 1997 to CHF 14,978 million at 31 December 1998 caused by net write-offs and recoveries and partially offset by the establishment of additional credit loss provisions of CHF

951 million during 1998 as a result of our assessment of individual counterparty and country creditworthiness. Please refer to Note 12b of the Notes to the Consolidated Financial Statements for details.

The allowance and provisions for credit losses include a component for country risk. Our approach to country risk provisioning follows the guidelines of the Swiss Bankers' Association, which allows banks to establish provisions based on their own portfolio scenarios. We establish country-specific scenarios which are reviewed and used on an ongoing basis to evaluate the current and future probability of default due to country risk incidents or country-specific systemic risks. The appropriate allowances and provisions are then determined by evaluating the type of credit exposure and the loss severities that have been attributed to each exposure type. Total provisions and allowances for emerging market related exposures stood at CHF 1,424 million at 30 September 1999 and CHF 1,450 million at 31 December 1998, reflecting on the one hand the reduction in the overall size of our emerging market exposure but on the other hand also the need for a reallocation of provisions from Asia to Latin America.

The following table shows our total allowances and provisions for credit losses at 30 September 1999 and 31 December 1998.

	At 30 September 1999	**At 31 December 1998**
	(CHF in millions)	
Counterparties:		
Allowances for non-performing loans	8,719	9,609
Allowances for other impaired loans	4,057	3,484
Provisions for contingent liabilities	17	435
Subtotal allowances and provisions for counterparty default	12,793	13,528
Country:		
Allowances for non-performing loans	416	397
Other allowances and provisions for country risk	958	961
Allowances for other impaired loans	50	92
Subtotal allowances and provisions for country risk	1,424	1,450
Total allowances and provisions for credit losses	14,217	14,978

The following tables provides an analysis of the allowances for credit losses by Swiss domestic and foreign borrowers:

	At 30 September 1999		At 31 December 1998	
	CHF (in millions)	%	CHF (in millions)	%
Domestic:				
Banks	34	0.7%	49	1.4%
Financial institutions	350	3.5%	668	3.1%
Construction	1,407	2.4%	1,671	2.4%
Services (1)	1,012	5.0%	766	3.5%
Retail and wholesale	844	3.8%	825	2.7%
Hotels and restaurants	747	1.5%	657	1.2%
Real estate and rentals (2)	3,158	7.2%	3,333	6.4%
Manufacturing	1,303	4.0%	1,331	4.1%
Public authorities	19	1.7%	107	1.8%
Private households	2,549	32.5%	2,741	29.5%
Other	92	0.7%	71	0.5%
Total domestic	11,515	63.0%	12,219	56.6%
Foreign (3)	1,278		1,309	
Country provisions	1,424		1,450	
Total foreign	2,702	37.0%	2,759	43.4%
Total allowances and provisions for credit losses	14,217	100.0%	14,978	100.0%

(1) Includes transportation, communication, health and social work, education and other social and personal service activities.
(2) Includes real estate development, buying, selling and letting of real estate, agency activities and real estate management.
(3) The 1999 and 1998 amounts include CHF 179 million and CHF 435 million of provisions for commitments and contingent liabilities.

Summary of credit loss experience. In 1996, prior to the merger, both Union Bank of Switzerland and Swiss Bank Corporation established credit risk reserve pools totaling some CHF 5.5 billion in recognition of the fact that there might be a further deterioration in the quality of their loan portfolios as a result of adverse economic conditions particularly in Switzerland. In the subsequent two years all but CHF 300 million of these reserve pools was applied against specific credits in our portfolio. Following this exercise, the credit loss expense incurred in 1998 amounted to CHF 951 million. In the first nine months of 1999 a further CHF 170 million was applied from the reserve pool against specific loans and we incurred a credit loss expense of CHF 910 million. Although we began to benefit from our tightened credit procedures, our efforts on the recovery portfolio and the improving macro-economic climate, additional impairments continued to be recognized in our domestic portfolio during the nine months ended 30 September 1999. The weakest area of our loan portfolio was in the collateral values supporting loans in the domestic portfolio, specifically in the commercial real estate and services sectors.

The following analysis provides an overview of credit loss experience by Swiss/domestic and foreign borrowers:

	At 30 September 1999	At 31 December 1998
	(CHF in millions)	
Balance at beginning of period	14,978	16,213
Write-offs:		
Domestic:		
Banks	0	(2)
Financial institutions	(50)	(66)
Construction	(209)	(228)
Services (1)	(163)	(116)
Retail and wholesale	(134)	(178)
Hotels and restaurants	(86)	(98)
Real estate and rentals (2)	(559)	(610)
Manufacturing	(206)	(214)
Public Authorities	-	(2)
Private households	(381)	(534)
Other	(15)	(15)
Total domestic	(1,803)	(2,063)
Foreign	(362)	(261)
Total write-offs	(2,165)	(2,324)
Recoveries:		
Domestic	49	59
Foreign	6	-
Total recoveries	55	59
Net write-offs	(2,110)	(2,265)
Increase in credit loss allowances	910	951
Net foreign exchange adjustment	205	(98)
Provision for doubtful interest	323	423
Adjustments for subsidiaries sold and other	(89)	(246)
Balance at end of period	14,217	14,978

(1) Includes transportation, communication, health and social work, education and other social and personal service activities.
(2) Includes real estate development, buying, selling and letting of real estate, agency activities and real estate management.

Market risk. Market risk is the risk we face as a result of adverse movements in the value of our foreign exchange, commodities, equity market and interest rates positions. We incur market risk mainly through our trading activities, which are centered in UBS Warburg. UBS Warburg's primary market risk exposure relates to its business activities in equities, fixed income products and foreign exchange. The risk which UBS Warburg assumes is primarily related to the need to facilitate its customers activities in the major OECD markets, with a particular emphasis on the European markets.

We measure our exposure to market risk using the framework of expected loss, statistical loss and stress scenario loss, as follows:

- In the context of market risk, *expected losses* are the value adjustments made to the portfolio to adjust for price uncertainties resulting from a lack of market liquidity or the absence of a reliable market price for a particular instrument.

- *Statistical loss* is measured based on a Value at Risk, or VaR, methodology. VaR is a forward looking estimate of potential loss. One-day VaR looks forward one trading day, while 10-day VaR looks forward 10 days. UBS calculates VaR using a 99% confidence level. In other words, under normal market conditions, we would expect over the course of a day a loss more than our one-day VaR to occur with a one in 100 chance.

- *Stress scenario* loss is defined as the risk of an extreme market move affecting particular predefined market variables. In order to keep our exposure to market risk within acceptable boundaries, the Board of Directors has set limits on our exposure to both statistical loss by reference to the VaR exposures as well as to stress scenario loss by placing limits in relation to particular stress scenarios.

We calculate the VaR associated with our exposure to market risk and consequently also our regulatory capital requirement using the historical simulation technique. VaR is calculated both on a one-day 99% confidence interval and a 10-day 99% confidence interval, and the latter is used both for internal limits setting and for calculating regulatory capital. The calculation incorporates both the risk from general market moves such as moves in foreign exchange rates, equity indices and market interest rates as well as the risk from price movements that are specific to an individual issuer. These calculations are performed on a daily basis for all divisions and the Group.

All VaR models, while forward looking, are based on past events and are dependent upon the quality of available market data. In order to evaluate our VaR model we compare on a daily basis actual revenues with one-day VaR, a process know as "backtesting", with losses greater than the VaR estimate being know as "exceptions". During the period August through October 1998, following the market turmoil surrounding the Russia crisis, we experienced losses which exceeded the one-day VaR estimate. In the course of 325 trading days since mid 1998, we experienced four backtesting exceptions, which is consistent with a 99% confidence level over this period.

During the course of 1999 we received approval from the Swiss Federal Banking Commission, or FBC, to use our VaR model to compute regulatory capital requirements for market risks.

While we use a VaR measure as the principal measure of our exposure to day-to-day movements in market prices, our risk control is specifically focused on tail risks (or the risk of a loss significantly larger than the VaR number as a result of large movements in the risk factors, such as equity indices, foreign exchange rates and interest rates, on our portfolios). We have a consistent set of predefined large price movements, or shocks, which apply to all the major risk factors to which we are exposed. In that context we have also introduced a stress loss limit for all the trading activities which are concentrated within UBS Warburg. The potential stress loss we might suffer is calculated with respect to eight base scenarios which are supplemented by ad hoc analyses depending on external developments or specific portfolio concentrations such as Year 2000 which we added to our stress test analysis in the third quarter of 1999. Implementing this stress loss limit is designed to help us to protect our earnings during periods of extreme market stress. The limit has been in place since the beginning of 1999. When the limit was first introduced during February 1999, actual utilization was higher. The risk was actively reduced within a period of two weeks so that from early March there have been no excesses.

Long Term Capital Management. In the third quarter of 1998 we realized a post-tax loss of CHF 984 million as a result of a write-down of our investment in Long Term Capital Management, L.P., or "LTCM", and a post-tax loss of CHF 919 million as a result of unrealized losses in the value of our Global Equity Derivatives, or GED, portfolio.

In the case of LTCM, the loss arose from a structured transaction in which we sold an option which gave the optionholder the right to purchase shares in LTCM at a predetermined price over a seven-year period. In order to hedge the risk of this option, we held $800 million of LTCM shares to create an incrementally risk neutral position. Separate from the structured transaction, we also made a further direct equity investment of $266 million in LTCM. In normal market conditions, the structured transaction would have behaved in a controlled manner. However, the structured transaction could not be effectively hedged, particularly in the event of extreme market movements. As a result of the structured transaction, UBS was exposed to a sudden and severe downward movement in the value of LTCM equity, and had very limited scope to hedge this exposure. LTCM's equity was not traded and was only valued periodically based on the underlying instruments held by LTCM. Moreover, LTCM did not provide detailed information about its investment results. Consequently, UBS could not hedge with any precision against adverse moves in the value of LTCM's equity. In particular, when LTCM was faced by a sharp adverse move in market prices relating to certain specific investment strategies, UBS was unable to hedge this risk itself as it had no knowledge of the details of these strategies.

At the time of the recapitalization of LTCM in 1998, we wrote down our initial investment in LTCM and also agreed to provide a further $300 million (out of $3.6 billion provided by a group of financial institutions) of "group fund" equity in order to avoid a forced liquidation of LTCM and to enable LTCM's portfolio to be managed under the oversight of a management board which would oversee the orderly winding down of LTCM's portfolio.

On 24 November 1999, at the release of our nine month 1999 results, we reported that our initial investment, which was written down to $106 million, has been bought back by LTCM with an immaterial impact on our income statement. That position is now closed. In addition, as part of our "group fund" investment, two cash payments totaling $147 million were received by 30 September 1999. $130 million of these cash repayments were treated as a return of our $300 million investment, to leave a remaining balance of $170 million, and $17 million was recorded as income.

Global Equity Derivatives (GED) Portfolio. The other major contributory factor to the third-quarter 1998 losses related to the GED portfolio. This portfolio consists of a number of structured equity derivative transactions. This portfolio was analyzed at the time of the merger and it was recognized that it contained a number of positions which possessed the potential for significant short-term variance. Consequently, when equity market volatilities increased significantly as a result of the market turmoil in the third quarter of 1998, an unrealized loss of about CHF 728 million on the value of the portfolio arose. Over the next 12 months, as volatilities fell and positions were reduced, income from the portfolio of approximately CHF 306 million was recognized.

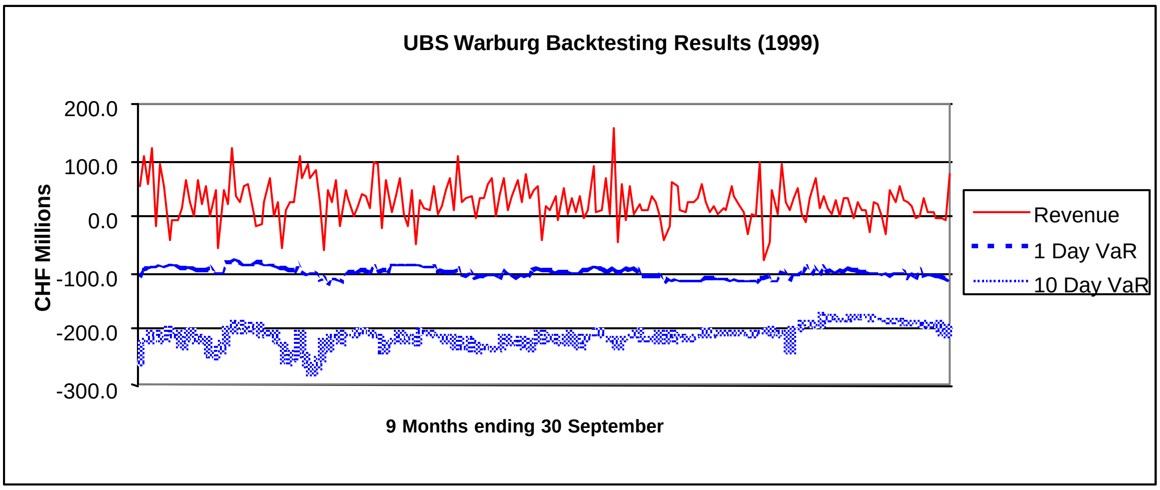
We continue to manage the exposure associated with this portfolio in order to minimize the risk of further adverse effects on earnings. The positions have now been included in our standard equity risk management platform and are subject to our normal risk control and stress loss processes. We have been reducing the market risk associated with the portfolio and will continue to do so through specific hedges, close-outs and the passage of time. These positions, including the associated hedges, are all carried at fair value. However, given that the average maturity of the transactions in the portfolio is about two years, it will take some time to wind down this exposure, and during this time the portfolio will continue to be exposed to adverse moves in equity markets.

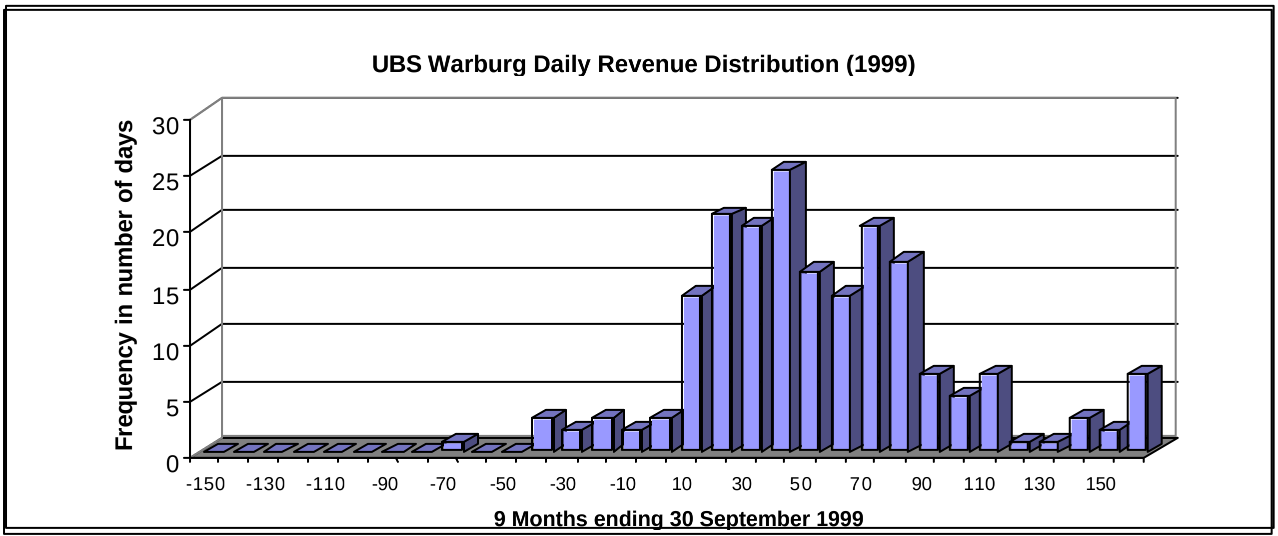
UBS Warburg Market Risk Developments. Since the merger, UBS Warburg has taken a number of steps to improve its overall risk profile. These include adjusting its market risk profile, including its exposure to emerging market risk and equity market volatility. As the table below shows, VaR utilization within UBS Warburg has dropped across all major product lines in the course of 1999, a trend which continued into the third quarter. This does not reflect a rationing of risk but a choice taken by UBS Warburg management based on the risk-return opportunities in the market. This reduction in the risk profile has coincided with a period when UBS Warburg has generated some of its strongest earnings, indicating a significant improvement in the risk-return profile of our business.

Summary of 10 day 99% Confidence Value at Risk (CHF millions)

	Risk Type	9 Months ending 30/09/99				6 Months ending 31/12/98			
		Min	Max	Average	30.09.1999	Min	Max	Average	31.12.1998
UBS Warburg	Equities	121.8	207.6	164.2	147.7	151.6	303.6	216.1	215.2
	Interest Rates	87.7	187.6	137.1	139.9	128.9	278.6	181.1	169.9
	Foreign Exchange	9.5	144.7	56.4	50.5	21.0	83.8	47.1	72.5
	Precious Metals	10.5	30.5	19.1	26.8	16.3	48.4	31.5	19.1
	Diversification Effect			-164.6	-167.2			-181.0	-216.8
	TOTAL	176.6	275.7	212.3	197.5	210.1	399.6	294.8	259.9

Moreover as the chart below shows, the UBS Warburg backtesting results for the first three quarters of 1999 have shown no losses greater than VaR.





Market Risk in the Other Divisions. Although we assume almost all of our active market risk in UBS Warburg, we measure our trading book market risk exposure to include all sources of market risk and conduct VaR analysis on that basis. This includes a small amount of risk which is assumed in order to facilitate customer business by UBS Private Banking in Switzerland as well as the risk associated with the structural foreign exchange hedge positions managed by Corporate Center, which are discussed below under "— Asset and Liability Management". As the table below shows, however, the overall impact of these additional risks are mitigated. The risk associated with these positions is to a significant degree offset by positions in the UBS Warburg portfolio. This is shown by the measure of the diversification effect which we obtain when aggregating our total market risk at the Group level.

Summary of 10 day 99% confidence / Value at Risk (CHF millions) for UBS Group

UBS Group VaR	30.09.99	31.12.1998
UBS Warburg	197.5	259.9
Corporate Center	11.5	79.2
Other	3.4	5.4
Diversification Effect	-15.4	-62.0
UBS Group	**197.0**	**282.5**

Operational Risks. In addition to credit and market risks which we assume as an integral part of our business activities, UBS assumes a number of consequential risks – often referred to as "operational risk" – which arise as a direct result of the business activities which we undertake. These risks include

- operations or transactions processing risk
- legal risk
- compliance risk
- liability risk

- security risk

We are addressing the measurement of our operational risk with the introduction of a generic operational risk-modeling framework. This framework groups risks into predetermined risk categories and identifies the factors behind the risk exposure. Operational risks scenarios are developed to stress our processes and procedures underlying the exposure. This helps us measure our risk of loss from the identified exposure as we would do with statistical loss measurements of our credit and/or market risk exposures. Finally, we use the results of these tests to initiate and improve our processes and procedures and obtain insurance, as appropriate. We believe this framework, which contains varied and sophisticated techniques, will provide us with the ability to assess more accurately our risk exposures to help ensure they are in accordance with our risk appetite and risk-bearing capacity.

We are improving the consistent monitoring of our operational risks and we were particularly aware of the necessity to monitor and manage our operational risks during the merger integration. The stresses placed on our infrastructure, including personnel, information technology and physical premises, as a result of the merger were substantial. Three primary challenges to our operational risk management at the time of the merger were apparent:

- effectively integrating personnel and technology globally within a very short timeframe
- successful implementation of the necessary processes and procedures associated with the Euro
- successful Year 2000 remediation

While we identified risks associated with the merger integration which were present throughout our organization, we further believed that the significant integration risks would be concentrated in UBS Private and Corporate Clients and UBS Warburg. For example, in UBS Warburg we believed the integration would place significant demands on our information technology infrastructure and transaction processing. The principal risk drivers were believed to be the significant increase in transaction volumes and the effect potential staff instability would have on the control environment. Upon identifying these potential risk exposures, senior management initiated a preemptive risk assessment and implemented a series of risk mitigation initiatives which we monitored through a reporting framework whereby specific operational risk exposures were identified, communicated and addressed.

Year 2000 Issue. An important element of our operational risks over the past two years has been the need to address the Year 2000 issue. We recognized early the potential problems that could arise from computer systems failing to properly recognize the change of date from 1999 to 2000. To combat this problem, starting in 1996, we and each of our operating divisions established and implemented a program responsible for addressing the Year 2000 issue.

To date, we have not experienced any material problems related to the Year 2000 date change, and our preparations for the date change have performed according to plan. We continue to monitor for any problems that may still arise from the date change and continue to test our systems for Year 2000 compliance.

The total cost to us of the Year 2000 program was CHF 493 million in 1998 and CHF 222 million during the first nine months of 1999.

Asset and Liability Management

We recognize that the market and credit risk framework which is set out above cannot be fully applied to our asset and liability management activities which include group liquidity, group funding and capital management as well as the management of non trading foreign exchange risk and non trading interest rate risk. Consequently, we have established specific processes and policies for managing these risks. Our asset and liability management function is undertaken at the Corporate Center by our Corporate Financial Management department, or "CFM", which reports directly to the CFO. CFM is responsible for establishing and effectively managing the processes in relation to these risks in accordance with the specific policies which have been approved by the Board of Directors.

The overriding goals of all processes within our asset and liability management activities are:

- efficient management of the bank's non trading interest rate and foreign exchange exposures
- durable and cost-efficient funding of the bank's balance sheet
- optimal liquidity management in order to generate cash when required
- compliance with legal and regulatory requirements

Interest Rate Management

Interest rate risk is inherent to most of our businesses. Interest rate risks arise from a variety of factors, including differences in the timing between the contractual maturity or repricing of assets, liabilities and derivative instruments. Net interest income is affected by changes in market interest rates, given that the repricing characteristics of loans and other interest earning assets do not necessarily match those of deposits, other borrowings and capital. In the case of floating rate assets and liabilities, we are also exposed to basis risk, which is the difference in repricing characteristics of two floating rate indices, such as the savings rate and six month LIBOR. In addition, certain of our products have embedded options that affect their pricing and principal.

With regard to interest rate risk, the Board of Directors reviews and approves risk management policies, risk limits and the control framework. We have adopted a comprehensive Group-wide approach to managing our interest rate risk, and we allocate the responsibility for managing this risk to a limited number of business areas. Under this approach, interest rate risk is clearly segregated into trading and non-trading risk. In particular, all interest rate risks arising from non trading business activities are captured at the point of business origination and transferred either to UBS Warburg's Cash and Collateral Trading book, or "CCT", or to the Corporate Center's Bank book through a group wide transfer pricing mechanism. The risk is then managed centrally in accordance with the relevant risk policy.

In the case of transactions with a fixed maturity, the interest rate risk is transferred from the relevant business area to CCT on a transaction by transaction basis. This means that products with fixed maturities immediately become part of the trading book in UBS Warburg and the business locks in an interest-risk-free margin on such products thereby relieving them of any residual interest rate risk. As a result of this process, we also benefit fully from the netting potential between our balance sheet and trading products.

In the case of client business, such as savings accounts or current accounts, which have no contractual maturity date or directly market-linked customer rate the interest rate risk is transferred from the business areas by pooled transactions to the Bank Book. Since these products effectively contain various embedded options in respect of withdrawal/prepayment and rate-setting, they cannot be hedged by single back-to-back transactions. Consequently, CFM manages the inherent interest rate risk in these products in the Bank Book through the establishment of replicating portfolios of revolving fixed-rate transactions of predefined maturities which approximate the average cash flow behavior of these positions. CFM then hedges the overall risk in the Bank Book by means of internal transactions with CCT. Hence, all interest rate risks arising from client business are transferred either directly, or indirectly via the Bank Book, to CCT.

In addition to the interest rate risk associated with client business, there is a significant amount of interest rate risk in relation to our non-business balance sheet items, such as in the refinancing of our real estate portfolio; our equity investments in associated companies and the investment of our own equity. The refinancing of real estate and equity investments and the investment of our equity are all strategic decisions which implicitly create non-trading interest rate exposures. The interest rate risks inherent in these balance sheet items are managed in the Bank Book by representing them as replicating portfolios, on the basis of decisions taken by the Group Executive Board as to the appropriate effective maturities. Here, too, the risk is hedged by means of internal transactions with CCT.

All these replicating portfolios which are contained in the Bank Book are updated monthly by replacing maturing tranches with new aggregate tranches which reflect the changes in the balance sheet over the period. By their nature, the staggered tranches which constitute each replicating portfolio reduce the volume that must be hedged by the Bank Book at each monthly rollover. However, due to the extent of the underlying portfolio volumes, the new aggregate tranches are nevertheless of such a size that they cannot be hedged instantly. The Bank Book therefore assumes intramonth interest rate exposure until it can execute all the necessary offsetting hedges with CCT. The exposure of the Bank Book, which thus tends to fluctuate between monthly rollovers and the profits or losses arising out of the Bank Book, are reported on an accrual basis in the financial statements and constitute an integral part of the Group's net interest income.

The Board of Directors has approved risk management policies, risk limits and the control framework for the entire interest rate risk management process including the establishment of a Value-at-Risk limit for the interest rate exposure of the Bank Book. Market Risk Control monitors the risk in both the CCT and in the Bank Book on a daily basis as part of its overall market risk in order to ensure the integrity of the interest rate risk management process and its compliance within the defined risk limits.

The approach which we adopt for managing the interest rate risks inherent in the Bank Book complies with the regulatory framework recently introduced by the FBC. In the course of the year 2000, it will become mandatory for all Swiss banks to report to the Swiss National Bank the interest rate sensitivity of the Bank Book on a quarterly basis. Additionally, the specific composition of the underlying replicating portfolios used to manage individual balance sheet items must also be disclosed in order to assist the regulators to identify "outliers" in terms of their interest rate risk profiles.

The following table shows the interest rate sensitivity of our Bank Book at 30 September 1999 measured in terms of the potential impact of a one basis point (0.01%) parallel rise in interest rates on the market value of each balance sheet item:

CHF thousand per basis point	**within 1 month**	**1 to 3 months**	**3 to 12 months**	**1 to 5 years**	**over 5 years**	**TOTAL**
CHF	-8	14	36	537	-1,146	-567
USD	0	3	-50	89	1,185	1,229
EUR	2	-6	0	80	226	302
GBP	0	-17	15	69	769	836
JPY	3	0	0	-1	-3	-1
Others	0	0	0	0	0	0
TOTAL	**-3**	**-7**	**1**	**775**	**1,030**	**1,796**

of which Replicated Equity:

CHF thousand per basis point	**within 1 month**	**1 to 3 months**	**3 to 12 months**	**1 to 5 years**	**over 5 years**	**TOTAL**
CHF	12	18	523	6,981	0	7,534

Bank Book without Replicated Equity:

CHF thousand per basis point	**within 1 month**	**1 to 3 months**	**3 to 12 months**	**1 to 5 years**	**over 5 years**	**TOTAL**
TOTAL	**-15**	**-25**	**-522**	**-6,206**	**1,030**	**-5,738**

The most significant component of the Bank Book sensitivity stems from the investment of the Group's equity. At 30 September 1999, this was invested in a portfolio of fixed-rate CHF deposits with an average duration of 2.0 years and a sensitivity of CHF –7.5 million per basis point, in line with the strategic investment targets set by the Group Executive Board. In order to ensure that these GEB targets are met, the Group's equity is represented as a liability position in the Bank Book with a benchmark replication portfolio. By offsetting the risks represented by this "replicated equity" position, the Group's equity is invested according to the GEB's strategic targets. It should be noted that the interest rate sensitivity associated with this position cannot be viewed in the same light as the interest rate risk within our trading portfolio. This sensitivity is a direct consequence of our chosen investment strategy for our equity, and a reduction could only be achieved by adopting a shorter term investment profile which would inevitably expose our interest earnings to greater volatility.

In addition to the above standard sensitivity to a one basis point rise in rates, we use the following two measures to help to monitor the risk inherent in the Bank Book:

- *Net interest income at risk*, which is defined as the exposure of the net interest income arising in the Bank Book to an adverse movement in interest rates over the next twelve months. Given the fact that all client business with fixed maturities is matched funded with UBS Warburg, these transactions are not affected by changes in interest rates. Therefore only net interest income positions resulting out of replicating portfolios may be exposed to market changes. Our simulations estimate the impact of different changes in the level of interest rates using shock scenarios as well as gradual changes in interest rates over a period of time. All of the scenarios are compared with a scenario where current market rates are held constant for the next twelve months.

- *The economic value sensitivity*, which is defined as the potential change in market value of the Bank Book resulting from changes in interest rates. This estimates the effect of an immediate interest rate shock on the net position in the Bank Book.

The net interest income at risk measure on the Bank Book considers such variables as:

- repricing characteristics of assets and liabilities
- rate barrier effects, such as caps and floors, on assets and liabilities
- maturity effects of replicating portfolios
- behavior of competitors

Both measures are based on the Bank Book's interest rate position excluding the liability position relating to "replicated equity". The methodology is designed to highlight the effects of market changes in interest rates on existing balance sheet positions; it ignores future changes in the asset and liability mix and therefore it is not by itself a measure of future net interest income.

The two methodologies provide different measures of the level of interest rate risk. The economic value sensitivity measure provides a longer term view, since it considers the present value of all future cash flows generated from the existing balance sheet positions. The net interest income at risk measure provides a shorter term view, as it considers the repricing effect of all maturing positions over the next twelve months. The table below shows the change in risk under both measures between the end of 1998 and 30 September 1999.

	Nine Months Ended 30 September 1999	Year Ended 31 December 1998
	(CHF in millions)	
Net interest income at risk	- 294	- 265
Economic value sensitivity	- 575	- 493

The net interest income at risk figure shown is the worst case among the scenarios analyzed, simulating an interest rate shock (parallel shift) of -200 basis points. At 31 December 1998, the difference to the constant market rate scenario represents -4.0% of 1998's total net interest income and -4.4% at 30 September 1999. In this extreme scenario the largest part of the decrease would occur due to lower margins on deposit accounts and lower returns on the investment of the Group's equity.

The economic value sensitivity shows the effect of a 100 basis point adverse interest rate shock, implying that the bank had an exposure of CHF -493 million to rising rates at 31 December 1998 and CHF -566 million at 30 September 1999.

The increase in the economic value sensitivity from 31 December 1998 to 30 September 1999 was primarily due to the decreased USD and GBP sensitivities. Since these exposures act as a counterweight to the dominant CHF position, this resulted in an increased overall CHF exposure to rising rates.

Liquidity and Funding Management

Our approach to liquidity management seeks to ensure that we will always have sufficient liquidity to meet our liabilities in a timely manner while preserving the option of exploiting potential strategic market opportunities. Our centralized approach to liquidity management encompasses the entire network of branches and all of our subsidiaries and ensures that the liquidity position is more than adequate to cover short-term liabilities at all times. Our liquidity management is based on an integrated framework that incorporates an assessment of all known cash flows within the Group as well as the availability of high grade collateral which could be used to secure additional funding if required. We prudently manage our liquidity position under different potential scenarios taking stress factors into due consideration.

Our Board of Directors has approved a policy which establishes the core principles for liquidity management and has defined an appropriate contingency plan. A first set of principles relates to the establishment of liquidity risk limits, such as a net overnight funding limit. The risk limits are set by the Group Executive Board and monitored by our Financial Management Committee, or "FMC", which is chaired by the CFO and meets on a monthly basis in order to assess the bank's liquidity exposure. A second set of principles concentrates on the liquidity crisis management for which detailed contingency plans have been worked out. Regional committees constantly monitor the markets in which we operate for potential threats and regularly report their findings to the FMC. In the event of a liquidity crisis regional crisis task forces will perform all necessary contingency actions under the command of senior management.

The liquidity management process is undertaken jointly by CFM and CCT. CFM's function is to establish a comprehensive framework of directives and risk limits, in which CCT undertakes the operational cash and collateral management transactions. Our centralized cash and collateral business management enables us to achieve a tight control on both the global cash position and the stock of highly liquid and rediscountable securities.

Our funding strategy seeks to ensure that we are able to finance our business activities at the lowest possible costs. With a broad diversification (by market, product and currency) of funding sources we maintain a well balanced portfolio of liabilities which generate a stable flow of financing and additionally enables us to bridge times of market disruptions. In this context our strong domestic retail business is a very valuable, cost efficient and reliable source of funding. Through the establishment of short- and medium-/long-term funding programs in Europe, in the US and Asia we can raise funds globally in a very efficient manner and reduce our dependence on any particular source of funding.

Our long-term debt portfolio has increased from CHF 50.8 billion as of 31 December 1998 to CHF 55.5 billion as of 30 September 1999. During this period we have issued CHF 8.1 billion of long-term securities while at the same time CHF 3.4 billion have matured. The maturity profile of the long-term debt portfolio is well balanced with a slight bias towards shorter-term maturities due to the maturity profile of our assets. See Note 22 to the Notes to the Consolidated Financial Statements for further information concerning our long-term debt.

Currency Management

Our corporate currency management activities are designed to shield our equity and the expected future foreign currency cash-flows from adverse currency movements against the Swiss franc while preserving the option of exploiting any market opportunities which may arise.

The following principles guide our approach to managing this risk:

- Our equity must be invested in Swiss franc (translation risk management)
- Recognized foreign currency exposures must be hedged proactively for the whole financial year, which represents the cycle of financial accounting (transaction risk management).

Translation (balance sheet) currency risk. We aim to maintain the flexibility to allow our foreign assets (a business unit or a non-financial asset) to be divested at any time without adverse currency impacts. To limit these undesired foreign exchange impacts on investments and divestments of these assets, foreign currency assets are match funded in the relevant currency. The match-funding principle is also applied to the financing of our foreign investments, including foreign equity investments. This strategy, together with the repatriation into Swiss francs of foreign currency dividends and capital, ensures that our equity is always fully invested in Swiss francs.

Transaction (revenues/costs) currency risk. The objective of our transaction risk management process is to protect our budgeted annual foreign currency net profits against adverse currency movements during the relevant reporting period. Foreign currency net profits are actively managed by CFM on behalf of the Group against the Swiss franc in accordance with the instructions of the Group Executive Board and the established VaR limit for this risk. The budgeted net profits are treated as long forward Foreign Exchange exposures in local reporting currency against the Swiss franc.

The non-trading foreign currency exposures are mainly hedged with foreign exchange forward contracts, although foreign exchange options are also used particularly where there is a measure of uncertainty about the magnitude of the underlying income. The net position of the budgeted net profits and the corresponding hedges, is the basis for the VaR calculation on CFM' s non-trading currency position. During the year, actual results are continuously monitored. Major budget deviations must be communicated to CFM for potential additional hedge transactions. The VaR analysis, which is performed daily, is based on the same 10 day 99% confidence level as applies in UBS Warburg. The validity of the VaR measurement is evaluated by conducting backtests, which compare the estimated VaR amount with the actual shift of the positions' profit or loss due to exchange rate movements

The following table summarizes the VaR usage for the time period 1 July 1998 to 30 September 1999:

VaR (in CHF mio.)	Minimum	Maximum	Average	Last value of period
1.Jul.98 – 31 Dec.98	37.2	133.7	77.5	79.2
1. Jan.99 – 30. Sep. 99	1.4	77.8	46.6	11.5

The principal contributors to our non-trading currency exposure are the operations in the UK and the United States. In general, the VaR position is highest at the beginning of the year when the budgeted net profits are transferred to CFM and is gradually reduced during the year depending on the exact hedge strategy being used.

Our policy is to keep the VaR of the non-trading currency position relatively low, as can be observed in the development of the VaR since the merger. The large currency exposure in the course of 1998 is due to the effects of the merger as well as to the unexpected losses in relation to the Global

Equities Derivatives portfolio and LTCM which resulted in a significant divergence between budgeted and actual income.

Capital Management

Capital management is a part of the Group's asset and liability management activities for which the Corporate Financial Management Department is responsible. Our overall capital needs are continually reviewed to ensure that our capital base can appropriately support the anticipated needs of the divisions as well as the regulatory capital requirements. See "— Risk Management — Asset and Liability Management".

The following table sets forth key capital figures and ratios as of 30 September 1999 and 31 December 1998:

	At 30 September 1999	At 31 December 1998
	(CHF in millions, except ratios)	
BIS Tier 1 Capital	29,069	28,299
BIS Tier 1 and Tier 2 Capital	39,517	40,385
BIS Tier 1 Capital Ratio	10.2%	9.3%
BIS Tier 1 and Tier 2 Capital Ratio	13.9%	13.3%

The ratios measure capital adequacy by comparing our eligible capital with our risk-weighted asset positions, which include balance sheet assets, net positions in securities not held in our trading portfolio, off-balance sheet transactions converted into their credit equivalents and market risk positions at a weighted amount to reflect their relative risk. Our BIS Tier 1 Ratio increased from 9.3% at 31 December 1998 to 10.2% at 30 September 1999 primarily resulting from a significant increase in retained earnings coupled with a reduction in risk weighted assets. The decrease in risk weighted assets principally reflected reduced derivatives, amounts due from banks, off balance sheet contingent liabilities and market risk positions. See Note 33c in the consolidated financial statements for additional information on capital adequacy.

The following table sets forth BIS risk-weighted assets as of 30 September 1999 and 31 December 1998:

	At 30 September 1999	At 31 December 1998
	(CHF in millions, except ratios)	
Balance sheet assets	222,719	238,024
Off balance sheet and other positions	49,033	50,659
Market risk options	11,920	16,018
Total BIS risk-weighted assets	283,672	304,701

We believe that a strong capitalization and rating are part of distinguishing UBS to both clients and shareholders. On 12 March 1999, we introduced a treasury stock buy-back program, which was intended to run for a period of two years. At the end of the third quarter of 1999, we held 17.2 million shares, as adjusted to reflect the two-for-one stock split, the effective date of which is 8 May 2000, representing about 4% of our outstanding shares. The objective of the buy-back program was to utilize the shares for acquisitions and the employee stock ownership program. We have subsequently concluded that this program is too limited for our purposes because of the continuous increase in capital we project from on-going retained earnings and the selective reduction in our risk profile as well as increasing capital efficiency.

For this reason, we decided in December 1999 to discontinue our treasury stock buy-back program. We plan to replace the current program with a Swiss-specific buy-back program targeted at Swiss institutional shareholders, which is the only tax-efficient means that we have identified to achieve cancellation. This is called a "second trading line" program. The second trading line program will be implemented subject to agreement on the final conditions with the relevant authorities. The subsequent cancellation of the shares bought back through the second trading line program requires shareholders' approval. We also recognize, and will address over time, the potential for introducing a more active management of the composition of our capital.

Selected Statistical Information

The tables below set forth selected statistical information regarding the Group's banking operations. Unless otherwise indicated, average balances for the nine month period ended 30 September 1999 are calculated from monthly data and averages for the years ended 31 December 1998 and 1997 are calculated from quarterly data. The distinction between domestic and foreign generally is based on the domicile of the booking location. For loans, this method is not significantly different from an analysis based on domicile of the borrower. Disclosures for the years ended 31 December 1996 and 1995, where applicable, are presented for Union Bank of Switzerland and Swiss Bank Corporation individually. Combined data is not presented for these periods because differences between accounting policies of the predecessor banks were significant or could not be quantified, or because significant inter-company balances could not be identified and eliminated. For purposes of this selected statistical information, "UBS" refers to Union Bank of Switzerland and "SBC" refers to Swiss Bank Corporation.

Average Balances and Interest Rates

The following table sets forth average interest-earning assets and average interest-bearing liabilities, along with the average rates, for the nine-month period ended 30 September 1999 and the years ended 31 December 1998 and 1997.

	30 September 1999			31 December 1998			31 December 1997		
	Average Balance	Interest	Average Rate (%)	Average Balance	Interest	Average Rate (%)	Average Balance	Interest	Average Rate (%)
	(CHF in millions, except percentages)								
Assets									
Money market paper									
Domestic	2,750	17	0.8%	4,002	70	1.7%	6,768	181	2.7%
Foreign	42,183	724	2.3%	20,679	763	3.7%	27,416	1,133	4.1%
Due from banks									
Domestic	20,661	567	3.7%	22,703	916	4.0%	22,823	926	4.1%
Foreign	32,333	882	3.6%	43,705	2,852	6.5%	33,003	2,278	6.9%
Securities borrowed and reverse repurchase agreements									
Domestic	3,123	88	3.8%	7,751	89	1.2%	-	-	0.0%
Foreign	227,781	7,680	4.5%	275,549	10,290	3.7%	257,090	11,328	4.4%
Trading portfolio									
Domestic	45,413	78	0.2%	78,211	78	0.1%	19,915	139	0.7%
Foreign	108,605	2,760	3.4%	119,629	3,802	3.2%	153,211	4,059	2.6%
Loans									
Domestic	203,090	6,177	4.1%	207,937	8,839	4.3%	216,114	10,646	4.9%
Foreign	61,015	2,518	5.5%	72,445	5,440	7.5%	61,110	5,400	8.8%
Financial investments									
Domestic	3,359	53	2.1%	3,481	104	3.0%	3,819	119	3.1%
Foreign	3,879	51	1.8%	7,105	268	3.8%	9,491	379	4.0%
Net interest on swaps...........	-	1,794	-	-	1,701	-	-	725	-
Total interest-earning assets.............................	754,192	23,389	4.1%	863,197	35,212	4.1%	810,760	37,313	4.6%
Non-interest-earning assets									
Positive replacement values	146,098			164,708			124,224		
Fixed assets.....................	9,026			11,316			12,628		
Other	34,630			33,897			32,846		
Total average assets	943,946			1,073,118			980,458		

	30 September 1999			31 December 1998			31 December 1997		
	Average Balance	Interest	Average Rate (%)	Average Balance	Interest	Average Rate (%)	Average Balance	Interest	Average Rate (%)
	(CHF in millions, except percentages)								
Liabilities and Equity									
Money market paper issued									
Domestic........................	160	-	0.0%	255	2	0.8%	625	12	1.9%
Foreign...........................	54,306	1,667	4.1%	51,435	2,557	5.0%	42,565	1,920	4.5%
Due to banks									
Domestic........................	38,763	1,145	3.9%	69,140	2,772	4.0%	76,269	1,749	2.3%
Foreign...........................	39,481	1,167	3.9%	51,209	3,205	6.3%	63,498	4,155	6.5%
Securities lent and repurchase agreements									
Domestic........................	12,043	80	0.9%	12,261	71	0.6%	-	-	0.0%
Foreign...........................	146,686	5,621	5.1%	186,819	7,472	4.0%	177,128	9,660	5.5%
Trading portfolio									
Domestic........................	-	-	0.0%	-	-	0.0%	-	-	0.0%
Foreign...........................	48,490	1,804	5.0%	65,677	1,741	2.7%	40,541	1,492	3.7%
Due to customers									
Domestic........................	156,482	1,877	1.6%	161,688	2,613	1.6%	169,514	3,030	1.8%
Foreign...........................	122,087	4,403	4.8%	132,338	7,275	5.5%	121,305	6,505	5.4%
Long term debt									
Domestic........................	16,864	712	5.6%	21,267	1,138	5.4%	29,010	1,481	5.1%
Foreign...........................	36,398	1,530	5.6%	31,024	1,348	4.3%	23,788	1,055	4.4%
Total interest-bearing liabilities	671,760	20,006	4.0%	783,113	30,194	3.9%	744,243	31,059	4.2%
Non-interest-bearing liabilities									
Negative replacement values	171,396			187,934			136,151		
Other	68,007			69,184			66,755		
Total liabilities	911,163			1,040,231			947,149		
Shareholders' equity	32,783			32,887			33,309		
Total average liabilities and shareholders' equity.......	943,946			1,073,118			980,458		
Net interest income		3,383			5,018			6,254	
Net yield on interest-earning assets.................			0.6%			0.6%			0.8%

All assets and liabilities are translated into Swiss Francs at uniform month-end rates. Income and expenses are translated at monthly average rates. For the purpose of calculating the average rate and net yield for the nine-month period ended 30 September 1999, interest income and expense amounts have been annualized.

Average rates earned and paid on assets and liabilities can change from period to period based on the changes in interest rates in general, but also are affected by changes in the currency mix included in the assets and liabilities. This especially is true for foreign assets and liabilities. Tax exempt income is not recorded on a tax-equivalent basis. For all three years presented, it is considered to be insignificant and therefore the impact from such income is negligible.

Interest income and expense on certain accounts are reported as trading income in our Consolidated Financial Statements, but are reported against those accounts in the table. These accounts include: money market paper, securities borrowed and lent; reverse repurchase and repurchase agreements, and trading assets and liabilities. Also, the interest expense in our Consolidated Financial Statements is reduced by an amount for funding costs for trading positions, which is not reflected in the preceding table. The following table reconciles net interest on interest-earnings assets as shown in the table above to net interest income in our Consolidated Financial Statements.

	Nine Months Ended 30 September 1999	Year Ended 31 December 1998	1997
		(CHF in millions)	
Net interest on interest -earning assets	3,383	5,018	6,254
Money market paper	(667)	(22)	-
Securities borrowed and reverse repurchase agreements	(7,768)	(10,379)	(11,328)
Trading portfolio assets	(2,838)	(3,880)	(4,198)
Securities lent and repurchase agreements	5,701	7,543	9,660
Trading portfolio liabilities	1,804	1,741	1,492
Funding costs for trading positions	5,222	6,641	5,056
Net interest per financial statements	4,837	6,662	6,936

Analysis of Changes in Interest Income and Expense

The following tables allocate, by categories of interest-earning assets and interest-bearing liabilities, the changes in interest income and expense due to changes in volume and interest rates for the nine month period ended 30 September 1999 compared to the year ended 31 December 1998, and for the year ended 31 December 1998 compared to the year ended 31 December 1997. Volume and rate variances have been calculated on movements in average balances and changes in interest rates. Changes due to a combination of volume and rate have been allocated proportionally. For purposes of analyzing the net change for 1999 over 1998, the nine month 1999 period ended interest income and expense amounts have been annualized.

	1999 over 1998			1998 over 1997		
	Increase (decrease) due to changes in			Increase (decrease) due to changes in		
	Average Volume	**Average Rate**	**Net Change**	**Average Volume**	**Average Rate**	**Net Change**
			(CHF in millions)			
Interest-earning assets						
Money market paper						
Domestic	(22)	(25)	(47)	(74)	(37)	(111)
Foreign	793	(590)	203	(278)	(92)	(370)
Due from banks						
Domestic	(82)	(78)	(160)	(5)	(4)	(9)
Foreign	(742)	(934)	(1,676)	739	(165)	574
Securities borrowed and reverse repurchase agreements						
Domestic	(53)	82	29	89	-	89
Foreign	(1,784)	1,734	(50)	813	(1,851)	(1,038)
Trading portfolio						
Domestic	(33)	59	26	407	(468)	(61)
Foreign	(350)	228	(122)	(890)	633	(257)
Loans						
Domestic	(206)	(397)	(603)	(403)	(1,404)	(1,807)
Foreign	(859)	(1,224)	(2,083)	1,002	(962)	40
Financial investments						
Domestic	(4)	(30)	(34)	(11)	(4)	(15)
Foreign	(122)	(78)	(200)	(95)	(16)	(111)
Interest income						
Domestic	(400)	(389)	(789)	3	(1,917)	(1,914)
Foreign	(3,064)	(864)	(3,928)	1,291	(2,453)	(1,162)
Total interest-earning assets	(3,464)	(1,253)	(4,717)	1,294	(4,370)	(3,076)
Net interest on swaps			690			976
Total interest income			(4,027)			(2,100)
Interest-bearing liabilities						
Money market paper issued						
Domestic	(1)	(1)	(2)	(7)	(3)	(10)
Foreign	143	(477)	(334)	400	237	637
Due to banks						
Domestic	(1,217)	(28)	(1,245)	(164)	1,187	1,023
Foreign	(734)	(915)	(1,649)	(804)	(146)	(950)
Securities lent and repurchase agreements						
Domestic	36	-	36	71	-	71
Foreign	(1,605)	1,628	23	529	(2,717)	(2,188)
Trading portfolio						
Domestic	-	-	-	-	-	-
Foreign	(456)	1,120	664	926	(677)	249
Due to customers						
Domestic	(84)	(26)	(110)	(140)	(277)	(417)
Foreign	(564)	(841)	(1,405)	592	178	770
Long term debt						
Domestic	(236)	47	(189)	(395)	52	(343)
Foreign	234	458	692	321	(28)	293
Interest expense						
Domestic	(1,502)	(8)	(1,510)	(635)	959	324
Foreign	(2,982)	973	(2,009)	1,964	(3,153)	(1,189)
Total interest-bearing liabilities	(4,484)	965	(3,519)	1,329	(2,194)	(865)

Deposits

The following table analyzes average deposits and the average rates on each deposit category listed below at and for the nine months ended 30 September 1999 and the years ended 31 December 1998 and 1997. The geographic allocation is based on the location of the office or branch where the deposit is made.

	30 September 1999		31 December 1998		1997	
	Average Deposit	Average Rate (%)	Average Deposit	Average Rate (%)	Average Deposit	Average Rate (%)
	(CHF in millions, except percentages)					
Banks						
Domestic offices:						
Demand deposits	14,382	1.0%	11,890	0.6%	9,856	0.8%
Time deposits	6,279	5.7%	10,813	4.7%	12,967	2.5%
Total domestic offices	20,661	2.4%	22,703	2.6%	22,823	1.8%
Foreign offices:						
Interest-bearing deposits (1)	32,333	3.9%	43,705	6.3%	33,003	6.5%
Total due to banks	52,994	3.3%	66,408	5.0%	55,826	4.6%
Customer accounts						
Domestic offices:						
Demand deposits	49,145	0.6%	44,569	0.7%	41,411	0.8%
Savings deposits	80,990	1.2%	82,561	1.6%	85,027	1.8%
Time deposits	26,347	4.6%	34,558	2.9%	43,076	2.7%
Total domestic offices	156,482	1.6%	161,688	1.6%	169,514	1.8%
Foreign offices:						
Demand deposits	122,087	4.8%	132,338	5.5%	121,305	5.4%
Total due to customers	278,569	3.0%	294,026	3.4%	290,819	3.3%

(1) Includes mostly time deposits.

At 30 September 1999, the maturity of time deposits exceeding CHF 150,000, or an equivalent amount in other currencies, was as follows:

	At 30 September 1999 (CHF in millions)	
	Domestic	Foreign
Within 3 months	40,155	126,550
3 to 12 months	4,899	8,376
1 to 5 years	766	469
Over 5 years	48	2,107
Total time deposits	45,868	137,502

Short-term Borrowings

The following table presents our period-end, average and maximum month-end outstanding amounts for short-term borrowings, along with the average rates and period-end rates at and for the nine months ended 30 September 1999 and the years ended 31 December 1998 and 1997.

	Money Market Paper Issued			**Due to Banks**			**Repurchase Agreements**		
	30 September	**31 December**		**30 September**	**31 December**		**30 September**	**31 December**	
	1999	**1998**	**1997**	**1999**	**1998**	**1997**	**1999**	**1998**	**1997**
	(CHF million)								
Period-end balance	67,417	51,527	55,600	39,997	10,361	84,952	147,532	137,617	191,792
Average balance	54,466	51,690	43,190	25,250	53,941	83,941	139,935	177,298	153,028
Maximum month-end balance	67,417	53,710	55,600	39,997	89,072	105,332	147,532	202,062	191,792
Average interest rate during the period	4.1%	5.0%	4.5%	5.2%	4.9%	4.0%	5.0%	3.6%	5.3%
Average interest rate at period-end	5.3%	4.6%	4.5%	5.2%	4.4%	4.2%	5.5%	4.9%	4.5%

Loans

Our loans are widely dispersed over customer categories both within and outside of Switzerland. No one concentration of loans, with the exceptions of private households in Switzerland and foreign banks accounted for more than 10% of our total loan portfolio. For further discussion of our loan portfolio, see "— Risk Management — Credit Risk". The following table illustrates the diversification of our loan portfolio among customer categories at 30 September 1999 and 31 December 1998, 1997, 1996 and 1995. The industry categories presented are consistent with the classification of loans for reporting to the Swiss Federal Banking Commission and Swiss National Bank.

		At 31 December					
				1996		**1995**	
	At 30 September 1999	**1998**	**1997**	**UBS**	**SBC**	**UBS**	**SBC**
	(CHF in millions)						
Domestic:							
Banks	2,147	4,543	17,751	15,039	2,532	2,700	2,467
Financial institutions	10,173	10,240	11,371	14,465	6,752	12,865	6,673
Construction	6,973	7,897	9,627	6,022	4,556	3,737	4,644
Services (1)	14,408	11,582	13,083	7,841	6,383	6,011	6,401
Retail and wholesale	11,085	8,912	10,512	7,220	6,602	6,772	6,323
Hotels and restaurants	4,243	4,129	4,668	4,815	2,200	4,311	2,219
Real estate and rentals (2)	20,794	21,231	22,915	N/A	N/A	N/A	N/A
Manufacturing	11,527	13,505	16,440	9,650	9,019	10,113	9,788
Public authorities	4,886	5,858	6,354	3,271	4,972	2,727	4,484
Private households	94,169	97,664	109,044	55,088	59,098	48,935	56,732
Other	1,965	1,662	1,862	1,156	694	1,629	747
Total domestic	182,370	187,223	223,627	124,567	102,808	99,800	100,478
Foreign:							
Banks	34,265	65,000	49,559	25,048	70,758	88,586	42,689
Other loans (3)	73,064	78,741	80,054	33,412	34,758	55,188	29,814
Total foreign	107,329	143,741	129,613	58,460	105,516	143,774	72,503
Total gross loans	289,699	330,964	353,240	183,027	208,324	243,574	172,981

(1) Include transportation, communication, health and social work, education and other social and personal service activities.
(2) Include real estate development, buying, selling and leasing of real estate, agency activities and real estate management. The SNB introduced this category in 1997; prior years' balances cannot be restated.
(3) Include commercial and manufacturing (33%), financial institutions (23%), commodities (10%) and other (34%) at 30 September 1999.

The following table analyzes our mortgage portfolio by geographic origin of the customer and type of mortgage at 30 September 1999 and 31 December 1998, 1997, 1996 and 1995. Mortgages are included in the aforementioned industry categories.

	30 September	31 December					
				1996		1995	
	1999	1998	1997	UBS	SBC	UBS	SBC
	(CHF in millions)						
Mortgages:							
Domestic	128,262	138,306	142,919	68,534	70,966	67,200	67,098
Foreign	2,111	2,479	3,883	1,657	2,266	1,306	2,372
Total gross mortgages	130,373	140,785	146,802	70,191	73,232	68,506	69,470
Mortgages:							
Residential	100,611	106,093	105,926	48,508	49,794	48,711	46,083
Commercial	29,762	34,692	40,876	21,683	23,438	19,795	23,387
Total gross mortgages	130,373	140,785	146,802	70,191	73,232	68,506	69,470

Loan Maturities

The following table discloses loans by maturities at 30 September 1999. The determination of maturities is based on contract terms. Information on interest rate sensitivities can be found in Note 33 of our Consolidated Financial Statements.

	Within 1 Year	1 to 5 Years	Over 5 Years	Total
	(CHF in millions)			
Domestic:				
Banks	2,127	5	15	2,147
Mortgages	64,967	60,963	2,332	128,262
Other loans	38,571	10,701	2,689	51,961
Total domestic	105,665	71,669	5,036	182,370
Foreign:				
Banks	33,160	873	232	34,265
Mortgages	1,138	847	126	2,111
Other loans	64,706	4,629	1,618	70,953
Total foreign	99,004	6,349	1,976	107,329
Total gross loans	204,669	78,018	7,012	289,699

Non-performing and Restructured Loans

Non-performing loans are loans for which the contractual payments of principal and/or interest are in arrears for 90 days or more. After the 90-day period, we no longer recognize interest income on the loan and we take a charge for the unpaid and accrued interest receivable. Unrecognized interest related to non-performing loans amounted to CHF 323 million for the nine month period ended 30 September 1999 and CHF 423 million and CHF 450 million for the years ended 31 December 1998 and 1997, respectively. The table below provides an analysis of our non-performing and restructured loans at 30 September 1999 and 31 December 1998, 1997, 1996 and 1995. For further discussion of non-performing and restructured loans, see — Risk Management — Credit Risk".

	At 30 September 1999	At 31 December 1998	1997	1996 UBS	1996 SBC	1995 UBS	1995 SBC
		(CHF in millions)					
Non-performing loans:							
Domestic	11,928	14,023	15,238	7,171	9,587	7,787	10,582
Foreign	1,666	2,091	1,426	414	1,446	424	1,703
Total non-performing loans	13,594	16,114	16,664	7,585	11,033	8,211	12,285
Foreign restructured loans (1)	315	449	638	473	289	439	301

(1) Amounts presented for 1999 and 1998 include only performing foreign restructured loans. Amounts presented for prior years include both performing and non-performing foreign restructured loans. We do not, as a matter of policy, typically restructure loans to accrue interest at rates different from the original contractual terms or reduce the principal amount of loans. Instead, specific loan allowances are established as necessary. Unrecognized interest related to the foreign restructured loans was not material to our results of operations.

In addition to the aforementioned data analyzing non-performing loans, at 30 September 1999 we had CHF 11,154 million in "other impaired loans". These are loans that are current, or less than 90 days in arrears, with respect to payment of principal or interest, however our credit officers have expressed doubts as to the ability of the borrowers to repay the loan and specific allowances of CHF 4,107 million have been established against them. These loans are primarily domestic.

Cross-border Outstandings

Cross-border outstandings consist of general banking products such as loans and deposits with third parties, credit equivalents of over-the-counter derivatives and repurchase agreements, and the market value of the inventory of securities. The outstandings are monitored and reported on an ongoing basis by the credit risk management organization with a dedicated country risk information system. With the exception of the 27 most developed economies the exposures are rigorously limited.

Claims which are secured by third party guarantees are recorded against the guarantor's country of domicile. Outstandings which are secured by collateral are recorded against the country where the asset could be liquidated. This follows the "Guidelines for the Management of Country Risk", which are applicable to all banks that report to the Swiss Federal Banking Commission as the supervisory body.

The following tables list those countries for which the cross-border outstandings exceeded 0.75% of total assets at 30 September 1999 and 31 December 1998 and 1997. At 30 September 1999, there were no outstandings that exceeded 0.75% of total assets in any country currently facing liquidity problems that we expect would materially impact the country's ability to service its obligations.

For more information on cross-border outstandings, see "—Risk Management".

	At 30 September 1999					
	Banking Products		Derivatives and Repurchase Agreements	Tradeable Assets[(1)]	Total	% of Total Assets
	Banks	Non-Banks				
	(CHF in millions)					
United States	7,653	21,645	21,928	53,379	104,605	11.6%
Japan	1,421	960	8,429	70,204	81,014	9.0%
Germany	5,079	2,186	40,330	16,185	63,780	7.1%
United Kingdom	4,633	1,828	8,237	21,737	36,435	4.0%
Italy	1,210	853	6,553	15,249	23,865	2.7%
France	4,385	1,591	7,413	6,650	20,039	2.2%
Australia	2,433	376	6,718	4,956	14,483	1.6%
Netherlands	1,110	981	3,956	4,948	10,995	1.2%
Spain	1,251	225	2,213	5,313	9,002	1.0%
Sweden	433	1,223	3,126	2,450	7,232	0.8%
Luxembourg	995	1,862	2,386	1,694	6,937	0.8%

	At 31 December 1998					
	Banking Products		Derivatives and Repurchase Agreements	Tradeable Assets[(1)]	Total	% of Total Assets
	Banks	Non-Banks				
	(CHF in millions)					
United States	13,882	2,292	27,922	65,543	109,639	11.6%
United Kingdom	4,006	2,583	10,912	32,348	49,849	5.3%
Japan	1,633	768	7,879	38,133	48,413	5.1%
Germany	7,850	2,500	20,666	15,903	46,919	5.0%
France	2,490	1,420	10,037	8,521	22,468	2.4%
Italy	2,174	1,201	8,236	9,394	21,005	2.2%
Australia	6,749	543	3,097	4,760	15,149	1.6%
Netherlands	1,221	1,086	6,134	6,363	14,804	1.6%
Sweden	449	812	3,710	8,091	13,062	1.4%
Canada	755	549	5,162	3,479	9,945	1.1%
Austria	769	82	1,513	5,436	7,800	0.8%
Spain	913	350	2,495	3,701	7,459	0.8%
Belgium	1,248	162	2,393	3,599	7,402	0.8%
Luxembourg	1,212	2,130	1,723	2,195	7,260	0.8%

(1) Tradeable assets consists of equity and fixed income financial instruments held for trading purposes, which are marked to market on a daily basis.

	UBS At 31 December 1997				
	Banking Products	Derivatives and Repurchase Agreements	Tradeable Assets[1]	Total	% of Total Assets
	(CHF in millions)				
United States	8,306	10,063	-	18,369	3.2%
France	7,338	3,450	-	10,788	1.9%
Germany	5,074	4,704	-	9,778	1.7%
United Kingdom	2,741	6,963	-	9,704	1.7%
Italy	6,088	1,748	-	7,836	1.4%
Singapore	5,930	739	-	6,669	1.2%
Luxembourg	4,832	1,123	-	5,955	1.0%
Japan	1,641	4,101	-	5,742	1.0%
Netherlands	3,524	1,114	-	4,638	0.8%

	SBC At 31 December 1997				
	Banking Products	Derivatives and Repurchase Agreements	Tradeable Assets[1]	Total	% of Total Assets
	(CHF in millions)				
United States	23,084	11,432	26,170	60,686	13.8%
Germany	4,790	10,404	8,768	23,962	5.5%
Japan	2,022	6,555	11,870	20,447	4.7%
France	1,271	5,150	2,900	9,321	2.1%
Netherlands	2,621	4,009	2,379	9,009	2.1%
Italy	2,419	2,541	3,988	8,948	2.0%
Sweden	1,144	2,096	1,254	4,494	1.0%
Belgium	365	1,664	2,035	4,064	0.9%
Canada	655	2,531	818	4,004	0.9%
Australia	73	1,982	1,671	3,726	0.8%
Cayman Islands	771	1,443	1,328	3,542	0.8%

(1) Tradeable assets consists of equity and fixed income financial instruments held for trading purposes, which are marked to market on a daily basis.

Summary of Movements in Allowances and Provisions for Credit Losses

The following table provides an analysis of movements in allowances and provisions for credit losses.

Prior to the merger, in 1996, both Union Bank of Switzerland and Swiss Bank Corporation had established credit risk reserve pools, totaling CHF 5.5 billion, based on statistical analysis of their portfolios. To a significant extent, this was done in recognition of the continued weakness in the Swiss economy and real estate market, and the likelihood of deterioration in collateral values and the loan portfolio in general. Over the next two years, substantially all of these reserve pools were applied to specific credits.

As a result of Swiss bankruptcy laws, banks will write off loans against allowances only upon final settlement of bankruptcy proceedings, the sale of the underlying asset and/or in case of the forgiveness of debt. Under Swiss law, a creditor can continue to collect from a debtor who has emerged from bankruptcy, unless the debt has been forgiven through a formal agreement.

	30 September 1999	31 December 1998	1997	1996 UBS	1996 SBC	1995 UBS	1995 SBC
	(CHF in millions)						
Balance at beginning of period	14,978	16,213	18,135	6,413	6,700	6,412	7,403
Write-offs:							
Domestic							
Banks	-	(2)	(5)	-	-	(3)	-
Financial institutions	(50)	(66)	(226)	(32)	(284)	(57)	(88)
Construction	(209)	(228)	(408)	(103)	(140)	(447)	(166)
Services (1)	(163)	(116)	(229)	(220)	(54)	(283)	(100)
Retail and wholesale	(134)	(178)	(227)	(108)	(46)	(192)	(68)
Hotels and restaurants	(86)	(98)	(138)	(28)	(37)	(46)	(35)
Real estate and rentals (2)	(559)	(610)	(871)	(561)	(263)	(386)	(278)
Manufacturing	(206)	(214)	(514)	(179)	(111)	(197)	(171)
Public authorities	-	(2)	(19)	-	(3)	-	(2)
Private households	(381)	(534)	(1,214)	(306)	(389)	(220)	(867)
Other	(15)	(15)	(29)	(85)	(35)	(155)	(28)
Total domestic	(1,803)	(2,063)	(3,880)	(1,622)	(1,362)	(1,986)	(1,803)
Foreign	(362)	(261)	(240)	(49)	(350)	(73)	(339)
Total write-offs	(2,165)	(2,324)	(4,120)	(1,671)	(1,712)	(2,059)	(2,142)
Recoveries:							
Domestic	49	59	406	438	71	354	78
Foreign	6	-	36	25	20	8	-
Total recoveries	55	59	442	463	91	362	78
Net write-offs	(2,110)	(2,265)	(3,678)	(1,208)	(1,621)	(1,697)	(2,064)
Increase in credit loss allowances	910	951	1,432	1,272	1,018	1,084	874
Special provisions (3)	-	-	-	2,289	2,480	711	-
Net foreign exchange and other Adjustments (4)	439	79	324	140	652	(97)	487
Balance at end of period	14,217	14,978	16,213	8,906	9,229	6,413	6,700

(1) Includes transportation, communication, health and social work, education and other social and personal service activities.

(2) Includes real estate development, buying, selling and letting of real estate, agency activities and real estate management.

(3) The 1996 UBS amount includes a special provision of CHF 3,000 million for credit risks and the release of a CHF 711 million provision for general banking risks from the prior year. The 1996 SBC amount includes special provisions of CHF 2,480 million.

(4) Includes provisions for doubtful interest of CHF 323 million, CHF 423 million and CHF 450 million for 1999, 1998 and 1997, respectively.

Allocation of the Allowances and Provisions for Credit Losses

The following tables provide an analysis of the allocation of the allowances and provisions for credit losses by customer categories and geographic location at 30 September 1999 and 31 December 1998, 1997, 1996 and 1995. For a description of our procedures with respect to allowances and provisions for credit losses, see "— Risk Management — Credit Risk".

	At 30 September	At 31 December					
				1996		1995	
	1999	**1998**	**1997**	**UBS**	**SBC**	**UBS**	**SBC**
	(CHF in millions)						
Domestic:							
Banks	34	49	34	9	39	43	32
Financial institutions	350	668	510	152	403	132	370
Construction	1,407	1,671	1,449	716	539	602	471
Services (1)	1,012	766	661	429	160	440	157
Retail and wholesale	844	825	723	371	263	318	212
Hotels and restaurants	747	657	512	172	135	113	112
Real estate and rentals (2)	3,158	3,333	2,591	1,286	1,335	1,314	1,163
Manufacturing	1,303	1,331	1,036	603	438	547	385
Public authorities	19	107	59	1	66	1	47
Private households	2,549	2,741	2,264	970	1,459	976	1,396
Other	92	71	52	40	19	19	34
Total domestic	11,515	12,219	9,891	4,749	4,856	4,505	4,379
Foreign	1,278	1,309	1,399	353	1,286	340	1,539
Country provisions	1,424	1,450	1,175	804	404	857	559
Total foreign (3)	2,702	2,759	2,574	1,157	1,690	1,197	2,098
Unallocated allowances (4)	-	-	3,748	3,000	2,683	711	223
Total allowances and provisions for credit losses	14,217	14,978	16,213	8,906	9,229	6,413	6,700

(1) Includes transportation, communication, health and social work, education and other social and personal service activities.
(2) Includes real estate development, buying, selling and leasing of real estate, agency activities and real estate management.
(3) The 1999, 1998 and 1997 amounts include CHF 179 million, CHF 435 million and CHF 472 million, respectively, of provisions and commitments for contingent liabilities.
(4) The 1996 SBC amount includes CHF 603 million of provisions for commitments and contingent liabilities. The 1995 UBS and SBC amounts represent provisions for general banking risks and commitments and contingent liabilities, respectively.

The following table presents the percentage of loans in each category to total loans. This table can be read in conjunction with the preceding table showing the breakdown of the allowances and provisions for credit losses by loan categories to evaluate the credit risks in each of the categories.

	At 30 September	At 31 December					
				1996		1995	
	1999	1998	1997	UBS	SBC	UBS	SBC
Domestic:							
Banks	0.7%	1.4%	5.0%	8.2%	1.2%	1.1%	1.4%
Financial institutions	3.5%	3.1%	3.2%	7.9%	3.2%	5.3%	3.9%
Construction	2.4%	2.4%	2.7%	3.3%	2.2%	1.5%	2.7%
Services	5.0%	3.5%	3.7%	4.3%	3.1%	2.5%	3.7%
Retail and wholesale	3.8%	2.7%	3.0%	3.9%	3.2%	2.8%	3.6%
Hotels and restaurants	1.5%	1.2%	1.3%	2.6%	1.0%	1.8%	1.3%
Real estate and rentals	7.2%	6.4%	6.5%	0.0%	0.0%	0.0%	0.0%
Manufacturing	4.0%	4.1%	4.7%	5.3%	4.3%	4.1%	5.7%
Public authorities	1.7%	1.8%	1.8%	1.8%	2.4%	1.1%	2.6%
Private households	32.5%	29.5%	30.9%	30.1%	28.4%	20.1%	32.8%
Other	0.7%	0.5%	0.5%	0.6%	0.3%	0.7%	0.4%
Total domestic	63.0%	56.6%	63.3%	68.0%	49.3%	41.0%	58.1%
Foreign:							
Banks	11.8%	19.6%	14.0%	13.7%	34.0%	36.4%	24.7%
Other loans	25.2%	23.8%	22.7%	18.3%	16.7%	22.6%	17.2%
Total foreign	37.0%	43.4%	36.7%	32.0%	50.7%	59.0%	41.9%
Total gross loans	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Loss History Statistics

As a result of Swiss bankruptcy laws, banks will write off loans against allowances only upon final settlement of bankruptcy proceedings, the sale of the underlying asset and/or from the forgiveness of debt. Under Swiss Law, a creditor can continue to collect from a debtor who has emerged from bankruptcy, unless the debt has been forgiven through a formal agreement. As bankruptcy proceedings in Switzerland can last up to 5 years, especially in cases where foreclosure of real estate property is involved, it is not unusual for banks in Switzerland to carry large allowances compared to annual charge-offs.

	31.12.1999	**30.9.1999**	**31.12.1998**	**31.12.1997**	**31.12.1996**		**31.12.1995**	
					UBS	**SBC**	**UBS**	**SBC**
				(CHF in millions)				
Gross Loans	278,014	289,699	330,964	353,240	183,027	208,324	243,574	172,981
Impaired loans	22,456	24,748	26,447	N/A	N/A	N/A	N/A	N/A
Non-performing loans	13,073	13,594	16,114	16,664	7,585	11,033	8,211	12,285
Allowances and provisions for credit Losses	13,398	14,217	14,978	16,213	8,906	9,229	6,413	6,700
Net write-offs	3,210	2,110	2,265	3,678	1,208	1,621	1,697	2,064
Credit loss expense	956	910	951	1,432	1,272	1,018	1,084	874
RATIOS:								
Impaired loans / Gross loans	8.1%	8.5%	8.0%	N/A	N/A	N/A	N/A	N/A
Non-performing loans / Gross loans	4.7%	4.7%	4.9%	4.7%	4.1%	5.3%	3.4%	7.1%
Allowance and provisions for credit Losses as a percentage of period end								
Gross loans	4.8%	4.9%	4.5%	4.6%	4.9%	4.4%	2.6%	3.9%
Impaired loans	59.7%	57.4%	56.6%	N/A	N/A	N/A	N/A	N/A
Non-performing loans	102.5%	104.6%	93.0%	97.3%	117.4%	83.6%	78.1%	54.5%
Net write-offs as a percentage of:								
Gross loans	1.2%	0.7%	0.7%	1.0%	0.7%	0.8%	0.7%	1.2%
Allowance and provisions for credit losses	24.0%	14.8%	15.1%	22.7%	13.6%	17.6%	26.5%	30.8%
Allowance and provisions for credit losses as a multiple of net write-offs	4.17	6.74	6.61	4.41	7.37	5.69	3.78	3.25

N/A = Not Available

Item 9A QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

See “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Risk Management – Market Risk”.

Item 10 DIRECTORS AND OFFICERS OF REGISTRANT

The Board of Directors has ultimate responsibility for the strategic direction of our business and the supervision and control of our executive management. The Board consists exclusively of non-executive directors in accordance with Swiss Banking Law. Each member of the Board is elected at the annual general meeting of shareholders for a four-year term. However, at the initial annual general meeting, the terms varied between one and four years to provide for staggered terms for Board members. In order to ensure its independence, the Chief Executive Officer is not permitted to be a member of the

Board. The Articles of Association and the Organizational Regulations prescribe the presentation of information on our affairs to the members of the Board.

The Group Executive Board is our most senior executive body. It assumes overall responsibility for the development of our strategies, and the implementation of the results thereof. The GEB is comprised of seven members, namely the CEO, the CEOs of the five divisions and the CFO. The Group Executive Board normally convenes bi-weekly. Information concerning the members of the Board of Directors is set forth in the table below.

Name	**Positions held**	**Year of Initial Appointment**	**Expiration of Term of Office**
Alex Krauer	Chairman Member of the Audit Supervisory Board	1998	2002
Alberto Togni	Vice Chairman Chairman of the Audit Supervisory Board	1998	2001
Markus Kündig	Vice Chairman Member of the Audit Supervisory Board	1998	2002
Peter Böckli	Chairman of the Audit Committee	1998	2003
Rolf A. Meyer	Member of the Audit Committee	1998	2003
Hans Peter Ming	Board member	1998	2000
Andreas Reinhart	Member of the Audit Committee	1998	2000
Eric Honegger	Board member	1999	2003

Information concerning the members of the Group Executive Board is set forth below.

Name	**Positions held**	**Year of Initial Appointment**
Marcel Ospel	President and Group Chief Executive Officer	1998
Luqman Arnold	Chief Financial Officer	1999
Georges Gagnebin	Chief Executive Officer of Private Banking	2000
Markus Granziol	Chairman and Chief Executive of UBS Warburg	1999

Name	Positions held	Year of Initial Appointment
Stephan Haeringer	Deputy of the Group Chief Executive Officer and Chief Executive Officer of UBS Switzerland	1998
Pierre de Weck	Chief Executive Officer of UBS Private Equity	1998
Peter A. Wuffli	Chief Executive Officer of UBS Asset Management	1998

Item 11 COMPENSATION OF DIRECTORS AND OFFICERS

The aggregate compensation paid by us to our directors and officers as a group in 1998 was approximately CHF 102.8 million, including bonus compensation and approximately CHF 10.3 million in accrued pension benefits. The aggregate compensation paid by us to our directors and officers as a group for the nine months ended 30 September 1999 was approximately CHF 136.2 million, including bonus compensation and approximately CHF 3.3 million in accrued pension benefits. For the purposes of this analysis, our executive officers are the members of our Group Managing Board, which consists of the seven members of the Group Executive Board, 18 members who hold office on the Divisional Executive Boards and five members who are responsible for special functions at the top level of our organization.

Item 12 OPTIONS TO PURCHASE SECURITIES FROM REGISTRANT OR SUBSIDIARIES

We offer employees options on our shares under five plans, described below:

Under the Group's Employee Ownership Plan and Senior Management Compensation Program, key personnel are awarded that portion of their performance-related compensation in excess of a predetermined amount in UBS shares, warrants or options, which are restricted for a specified number of years.

Under the Group's Employee Investment Plan, employees have the option to invest part or all of their annual bonus in our shares, warrants or other derivatives on our shares. A certain holding period applies during which the instruments cannot be sold or exercised.

Under the Group's Long Term Incentive and Key Award plans, long-term stock options are granted to key employees. We consider the key employee's performance, potential, years of service and the performance of the division in which the employee works in determining the amount of the award. The options are blocked for a certain period of time during which they cannot be exercised. For the 1997 options and certain of the 1998 options, one half of each grant is subject to an acceleration clause after which certain forfeiture provisions lapse. One option gives the right to purchase one registered share at the option's strike price.

The following table provides information concerning options to purchase UBS AG registered shares at 30 April 2000, as adjusted to reflect the two-for-one stock split, the effective date of which is 8 May 2000.

Instrument Type	Number Issued	Weighted-Average Exercise Price (in CHF)	Weighted-Average Expiration (in years)
Options	14,733,750	198	4.7
Warrants	6,790,726	221	2.5
Total	21,524,476	208	4.1

The total securities called for by such options and warrants being held by officers and directors as of 30 April 2000 is 3,530,694.

Item 13 INTEREST OF MANAGEMENT IN CERTAIN TRANSACTIONS

Total loans and advances receivable from the Board of Directors, the Group Executive Board, the Group Managing Board, close family members and enterprises which are controlled by these individuals were as follows:

CHF million	1999
Mortgages at 1 January	27
Additions	6
Reductions	5
Mortgages at 31 December	28

Members of the Board of Directors, Group Executive Board and Group Managing Board are granted mortgages at the same terms and conditions as other employees. Terms and conditions are based on third party conditions excluding credit margin. No loans or advances other than mortgage loans are made to our officers or directors.

PART II

Item 14 DESCRIPTION OF SECURITIES TO BE REGISTERED

Description of Shares

Set forth below is a summary of the material provisions of our Articles of Association, which we call the “Articles” throughout this document, and the Swiss Code of Obligations relating to our shares. This description does not purport to be complete and is qualified in its entirety by reference to Swiss law, including, Swiss company law, and to the Articles, copies of which are available at our offices.

The shares are registered shares with a par value of CHF 10 per share. The shares are fully paid-up and non-assessable.

Each share carries one vote at our shareholders’ meetings. Voting rights may be exercised only after a shareholder has been recorded in our share register as a shareholder with voting rights.

Registration with voting rights is subject to certain restrictions. See "— Transfer of Shares" and "— Shareholders' Meeting".

The Articles provide that we may elect not to print and deliver certificates in respect of registered shares. Shareholders may, however, request at any time that we print and deliver such certificates free of charge.

Transfer of Shares

The transfer of shares is effected by corresponding entry in the books of a bank or depositary institution following an assignment in writing by the selling shareholder and notification of such assignment to us by the bank or depository institution. The transfer of shares further requires that the purchaser file a share registration form in order to be registered in our share register as a shareholder. Failing such registration, the purchaser may not vote at or participate in shareholders' meetings.

A purchaser of shares will be recorded in our share register with voting rights upon disclosure of its name, citizenship and address. However, we may decline a registration with voting rights if the shareholder does not declare that it has acquired the shares in its own name and for its own account. If the shareholder refuses to make such declaration, it will be registered as a shareholder without voting rights.

There is no limitation under Swiss law or our Articles on the right of non-Swiss residents or nationals to own or vote our shares.

Shareholders' Meeting

Under Swiss law, annual ordinary shareholders' meetings must be held within six months after the end of our fiscal year, which is 31 December. Shareholders' meetings may be convened by the Board of Directors or, if necessary, by the statutory auditors, with twenty-days' advance notice. The Board of Directors is further required to convene an extraordinary shareholders' meeting if so resolved by a shareholders' meeting or if so requested by shareholders holding in aggregate at least 10% of our nominal share capital. Shareholders holding shares with an aggregate par value of at least CHF 1,000,000 have the right to request that a specific proposal be put on the agenda and voted upon at the next shareholders' meeting. A shareholders' meeting is convened by publishing a notice in the Swiss Official Commercial Gazette (*Schweizerisches Handelsamtsblatt*) at least twenty days prior to such meeting.

The Articles do not require a minimum number of shareholders to be present in order to hold a shareholders' meeting.

Resolutions generally require the approval of an "absolute majority" of the votes cast at a shareholders' meeting. Shareholders' resolutions requiring a vote by absolute majority include:

- amendments to the Articles
- elections of directors and statutory auditors
- approval of the annual report and the annual group accounts

- setting the annual dividend
- decisions to discharge directors and management from liability for matters disclosed to the shareholders' meeting
- the ordering of an independent investigation into the specific matters proposed to the shareholders' meeting

Under the Articles, a resolution passed at a shareholders' meeting with a supermajority of at least two-thirds of the Shares represented at such meeting is required to:

- change the limits on Board size in the Articles
- remove one-fourth or more of the members of the Board of Directors
- delete or modify the above supermajority voting requirements

Under Swiss corporate law, a resolution passed by at least two-thirds of votes represented and an absolute majority of the par value of the shares represented must approve:

- a change in our stated purpose in the Articles
- the creation of shares with privileged voting rights
- a restriction of transferability
- an increase in authorized capital
- an increase of capital out of equity against contribution in kind, for the purpose of acquisition and granting of special rights
- changes to pre-emptive rights
- a change of domicile of the company
- a dissolution of the company without liquidation

At shareholders' meetings, shareholders can be represented by proxy, but only by another shareholder, a proxy appointed by us, an independent representative nominated by us, or a depository institution. Votes are taken on a show of hands unless a written ballot is requested by at least 3% of the votes present at the shareholders' meeting or such ballot is ordered by the Chairman of the meeting.

Net Profits and Dividends

Swiss law requires that at least 5% of the annual net profits of a corporation must be retained as general reserves for so long as these reserves amount to less than 20% of the corporation's nominal share capital. Any net profits remaining are at the disposal of the shareholders' meeting, except that, if an annual dividend exceeds 5% of the nominal share capital, then 10% of such excess must be retained as general reserves.

Under Swiss law, dividends may be paid out only if the corporation has sufficient distributable profits from previous business years, or if the reserves of the corporation are sufficient to allow distribution of a dividend. In either event, dividends may be paid out only after approval by the shareholders' meeting. The Board of Directors may propose that a dividend be paid out, but cannot itself set the dividend. The auditors must confirm that the dividend proposal of the Board conforms with statutory law. In practice, the shareholders' meeting usually approves the dividend proposal of the Board of Directors.

Dividends are usually due and payable after the shareholders' resolution relating to the allocation of profits has been passed. Under Swiss law, the statute of limitations in respect of dividend payments is five years.

U.S. holders of shares will receive dividend payments in dollar denominations, unless they provide notice to our U.S. transfer agent, The Bank of New York, that they wish to receive dividend payments in Swiss francs. The Bank of New York will be responsible for paying the U.S dollars or Swiss francs to registered holders, and for withholding any required amounts for taxes or other governmental charges. If The Bank of New York determines, after consultation with us, that in its judgement any foreign currency received by it cannot be converted into dollars or transferred to U.S. holders, it may distribute the foreign currency received by it, or an appropriate document evidencing the right to receive such currency, or in its discretion hold such foreign currency for the accounts of U.S. holders.

Preemptive Rights

Under Swiss law, any share issue, whether for cash or non-cash consideration or for no consideration, is subject to the prior approval of the shareholders' meeting. Shareholders of a Swiss corporation have certain preemptive rights to subscribe for new issues of shares in proportion to the nominal amount of shares held. A resolution adopted at a shareholders' meeting with a supermajority may, however, limit or suspend preemptive rights in certain limited circumstances.

Borrowing Power

Neither Swiss law nor the Articles restrict in any way our power to borrow and raise funds. No shareholders' resolution is required.

Conflicts of Interest

Swiss law does not have a general provision on conflicts of interests. However, the Swiss Code of Obligations requires Directors and members of senior management to safeguard the interests of the corporation and, in this connection, imposes a duty of care and a duty of loyalty on directors and officers. This rule is generally understood as disqualifying directors and senior officers from participating in decisions that directly affect them. Directors and officers are personally liable to the corporation for any breach of these provisions. In addition, Swiss law contains a provision under which payments made to a shareholder or a director or any person associated therewith, other than at arm's length, must be repaid to us if the shareholder or director was acting in bad faith.

Repurchase of Shares

Swiss law limits a corporation's ability to hold or repurchase its own shares. We and our subsidiaries may only repurchase shares if we have sufficient free reserves to pay the purchase price, and if the aggregate nominal value of the shares does not exceed 10% of our nominal share capital. Furthermore, we must create a special reserve on our balance sheet in the amount of the purchase price of the acquired Shares. Such shares held by us or our subsidiaries do not carry any rights to vote at shareholders' meetings.

Notices

Notices to shareholders are made by publication in the Swiss Official Gazette of Commerce. The Board of Directors may designate further means of communication for publishing notices to shareholders.

Notices required under the listing rules of the Swiss Exchange will be published in two Swiss newspapers in German and French. We or the Swiss Exchange may also disseminate the relevant information on the online exchange information systems.

Registration and Business Purpose

We are registered as a corporation in the commercial register and have registered offices in Zurich and Basel, Switzerland.

Our business purpose, as set forth in our Articles, is the operation of a bank, with a scope of operations extending to all types of banking, financial, advisory, trading and service activities in Switzerland and abroad.

Duration, Liquidation and Merger

Our duration is unlimited.

Under Swiss law, we may be dissolved at any time by a shareholders' resolution which must be passed by (1) an absolute majority of the shares represented at the meeting in the event we are to be dissolved by way of liquidation, or (2) a supermajority of at least two-thirds of the votes represented and an absolute majority of the par value of the shares represented at the meeting in other events (for example in a merger where we are not the surviving entity). Dissolution by court order is possible if we become bankrupt.

Under Swiss law, any surplus arising out of a liquidation (after the settlement of all claims of all creditors) is distributed to shareholders in proportion to the paid-up nominal value of shares held.

Disclosure of Principal Shareholders

Under the applicable provisions of the new Swiss Stock Exchange Act, shareholders and shareholders acting in concert with third parties who reach, exceed or fall below the thresholds of 5%, 10%, 20%, 33 1/3%, 50% or 66 2/3% of the voting rights of a Swiss listed corporation must notify the corporation and the Swiss Exchange on which such shares are listed of such holdings, whether or not the voting rights can be exercised. Following receipt of such notification, the corporation has the obligation to inform the public. The company must disclose in an attachment to the balance sheet the identity of any shareholders who own in excess of 5% of our shares.

Mandatory Tender Offer

Under the Swiss Stock Exchange Act, shareholders and groups of shareholders acting in concert who acquire more than 33 1/3% of the voting rights of a listed Swiss company will have to submit a takeover bid to all remaining shareholders. A waiver from the mandatory bid rule may be granted by our supervisory authority. If no waiver is granted, the mandatory takeover bid must be made pursuant to the procedural rules set forth in the Swiss Stock Exchange Act and implementing ordinances.

American Depositary Receipts

We currently have an American Depositary Receipt, or "ADR", program in place in the U.S. Following the effectiveness of this registration statement, however, we expect to terminate the ADR program. Pursuant to our deposit agreement with The Bank of New York, we will provide advance notice of the termination to holders of ADRs, and such holders will have the opportunity to surrender their ADRs and receive delivery of the ordinary shares underlying their ADRs.

Other

ATAG Ernst & Young, Aeschengraben 9, P.O. Box 2149, CH-4002 Basel, Switzerland, have been appointed as statutory auditors and as auditors of the consolidated accounts of UBS. The auditors are subject to confirmation by the shareholders at the ordinary general meeting on an annual basis.

PART III

Item 15 DEFAULTS UPON SENIOR SECURITIES

Not applicable.

Item 16 CHANGES IN SECURITIES, CHANGES IN SECURITY FOR REGISTERED SECURITIES AND USE OF PROCEEDS

Not applicable.

PART IV

Item 17 FINANCIAL STATEMENTS

Not applicable.

Items 18 and 19 FINANCIAL STATEMENTS AND EXHIBITS

(a) **Financial Statements**

(b) **Exhibits**

SIGNATURES

Pursuant to the requirements of Section 12 of the Securities and Exchange Act of 1934, the registrant certifies that it meets all of the requirements for filing on Form 20-F and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized.

UBS AG

By: ____________________________
Name:
Title:

Date: