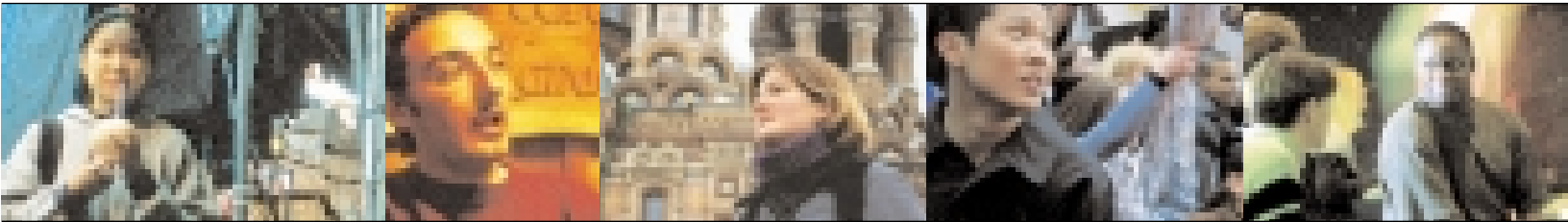


# Annual Review 2000



# Profile

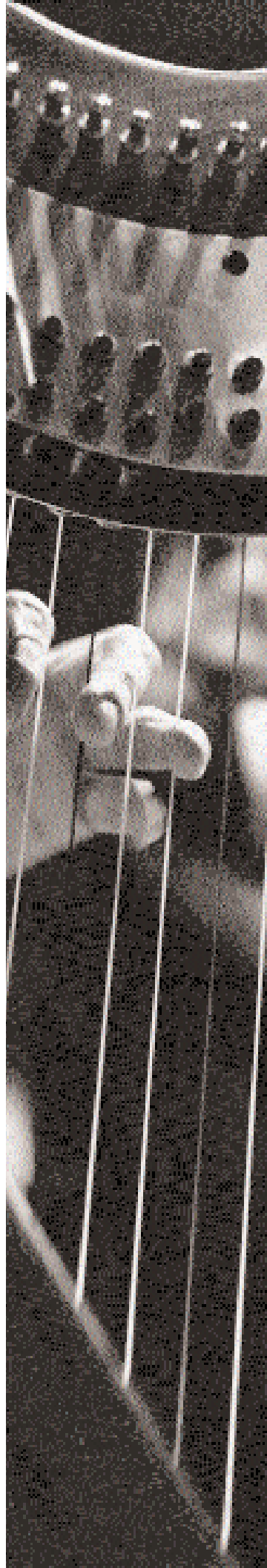
UBS is one of the world's leading financial firms, serving a discerning global client base. As an organization, we combine financial strength with a reputation for innovation and a global culture which embraces change. Our vision is to be the pre-eminent global integrated investment services firm and the leading bank in Switzerland. We are the world's leading provider of private banking services and one of the largest asset managers globally. In the investment banking and securities businesses we are among the select bracket of major global houses. In Switzerland we are the clear market leader in corporate and retail banking. As an integrated Group, not a holding company, we create added value for our clients by drawing on the combined resources and expertise of all our businesses.

Our client philosophy puts advice at the heart of relationships. Our priority is to provide premium-quality services to our clients, giving them the best possible choice by supplementing best-in-class products we develop ourselves with a quality-screened selection of products from others.

With head offices in Zurich and Basel, we operate in over 50 countries and from all major international financial centers. Our global physical presence is complemented by leading edge on-line services. All our clients can benefit from our technology – it complements our advisory services and allows us to deliver our services faster, more widely and more cost-effectively than ever before.

## "Excellence"

As sponsor of the UBS Verbier Festival Youth Orchestra, founded in 1999, we provide support and encouragement for talented young musicians from all over the world as they rise to the top of their profession. In the same way that we enable our clients to achieve success, we help these talents to realize their potential, perfect their skills and ultimately to achieve artistic excellence. Our Annual Review carries portraits of some of these young musicians, who are also shown on the front cover. You will find more information on the orchestra at [www.verbiorchestra.com](http://www.verbiorchestra.com).



# Our Business Groups

## UBS Switzerland

## UBS Asset Management

## UBS Warburg

## Corporate Center

All our business groups are in the top echelons of their sectors globally and are committed to vigorously growing their franchises.

### UBS Switzerland

Within Switzerland we provide a complete set of banking and securities services for some four million individual and corporate clients, focused foremost on customer service excellence, profitability and growth via our award-winning on-line services. UBS Switzerland also includes the world's leading private banking business, with CHF 681 billion in client assets. UBS Private Banking provides a comprehensive range of products and services tailored specifically for wealthy clients from Switzerland and around the world.

### UBS Asset Management

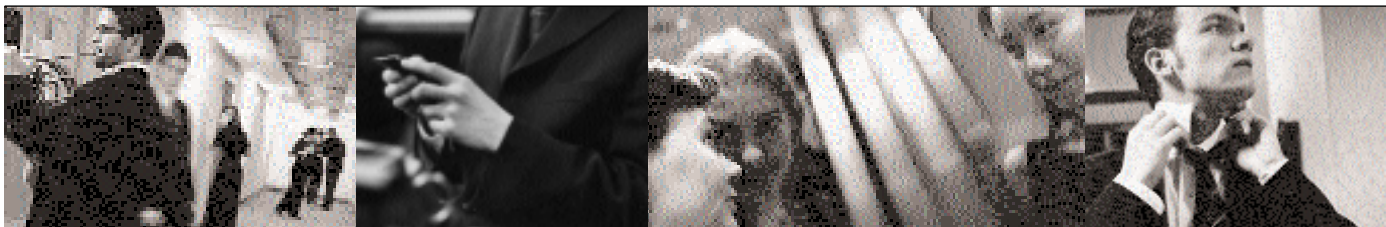
UBS Asset Management is a leading institutional asset manager and mutual fund provider, offering a broad range of asset management services and products to institutional and retail clients across the world.

### UBS Warburg

UBS Warburg operates globally as a client-driven securities, investment banking and wealth management firm. For both its own corporate and institutional clients and the other parts of the UBS Group, UBS Warburg provides product innovation, top-quality research and advice, and complete access to the world's capital markets. PaineWebber, which joined the UBS Group in November 2000, is one of the top US wealth managers, with CHF 794 billion in client assets.

### Corporate Center

Our portfolio of businesses is planned and managed for the long-term maximization of shareholder value. The role of the Corporate Center is to ensure that the business groups, operate as a coherent and effective whole, in alignment with UBS's overall corporate goals.



# Facts and figures

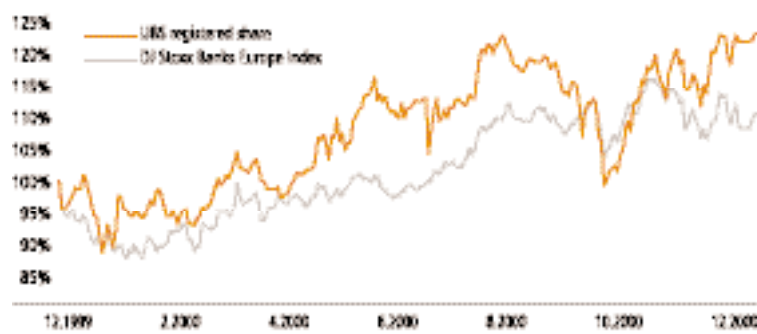
Key figures <sup>1</sup>	2000	1999 <sup>2</sup>
Operating income (CHF million)	36,402	26,587
Operating expenses (CHF million)	25,763	20,534
Operating profit before tax (CHF million)	10,639	6,053
Net profit (CHF million)	8,132	4,665
Cost/income ratio before goodwill (%)	69.2	73.3
Basic earnings before goodwill per share (CHF)	21.83	12.37
Return on shareholders' equity before goodwill (%)	24.3	18.2
Market capitalization (CHF million)	112,666	92,642
Total assets (CHF million)	1,087,123	896,556
Shareholders' equity (CHF million)	44,833	30,608
BIS Tier 1 ratio (capital and reserves)	11.7	10.6
Assets under management (CHF billion)	2,469	1,744
Headcount	71,076	49,058
Switzerland	30,095	32,747
United States	28,174	5,075
Asia/Pacific	3,487	3,315
Europe	9,320	7,921
Distribution per share (CHF)	6.10 <sup>3</sup>	5.50

<sup>1</sup> Figures have been adjusted for significant financial events, for further details, see our Group Financial Highlights. <sup>2</sup> The 1999 figures have been restated to reflect retroactive changes in accounting policy arising from newly applicable International Accounting Standards and changes in presentation. <sup>3</sup> Dividend plus par value reduction.

## Financial calendar

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

## UBS share price chart



## Long-term ratings

	2000	1999
Fitch, London	AAA	AAA
Moody's, New York	Aa1	Aa1
Standard & Poor's, New York	AA+	AA+



This Annual Review 2000 provides brief descriptions of our business groups and a summary of the year 2000. It is available in English, German, French, Italian and Spanish (SAP-80530-0101) and supplemented by several detailed reports:

## Financial Report 2000

Our Financial Report contains our audited financial statements for the year 2000 and accompanying detailed analysis. It is available in English and German (SAP-80531-0101).

## Handbook 2000 / 2001

Our Handbook contains detailed descriptions of our business groups and other in-depth information about UBS, including risk management and control, asset and liability management, corporate governance, UBS and the environment and our financial disclosure principles. It is available in English and German (SAP-80532-0101).

## Quarterly Reports

UBS provides detailed quarterly financial reporting and analysis, including comment on the progress of its businesses and key strategic initiatives.

## Our Commitment 1999 / 2000

Our Commitment 1999/2000 illustrates how we create value for our clients, employees, shareholders and the community and how we meet our responsibility to all our stakeholder groups. It is available in English, German and French (SAP-81011-0001).

➔ *These reports are available on the internet at:  
[www.ubs.com/investor-relations](http://www.ubs.com/investor-relations).*

➔ *Alternatively, printed copies of these reports can be ordered, quoting the reference number and language preference, from: UBS AG, Information Center, CA50-XMB, P.O. Box, CH-8098 Zurich, Switzerland.*

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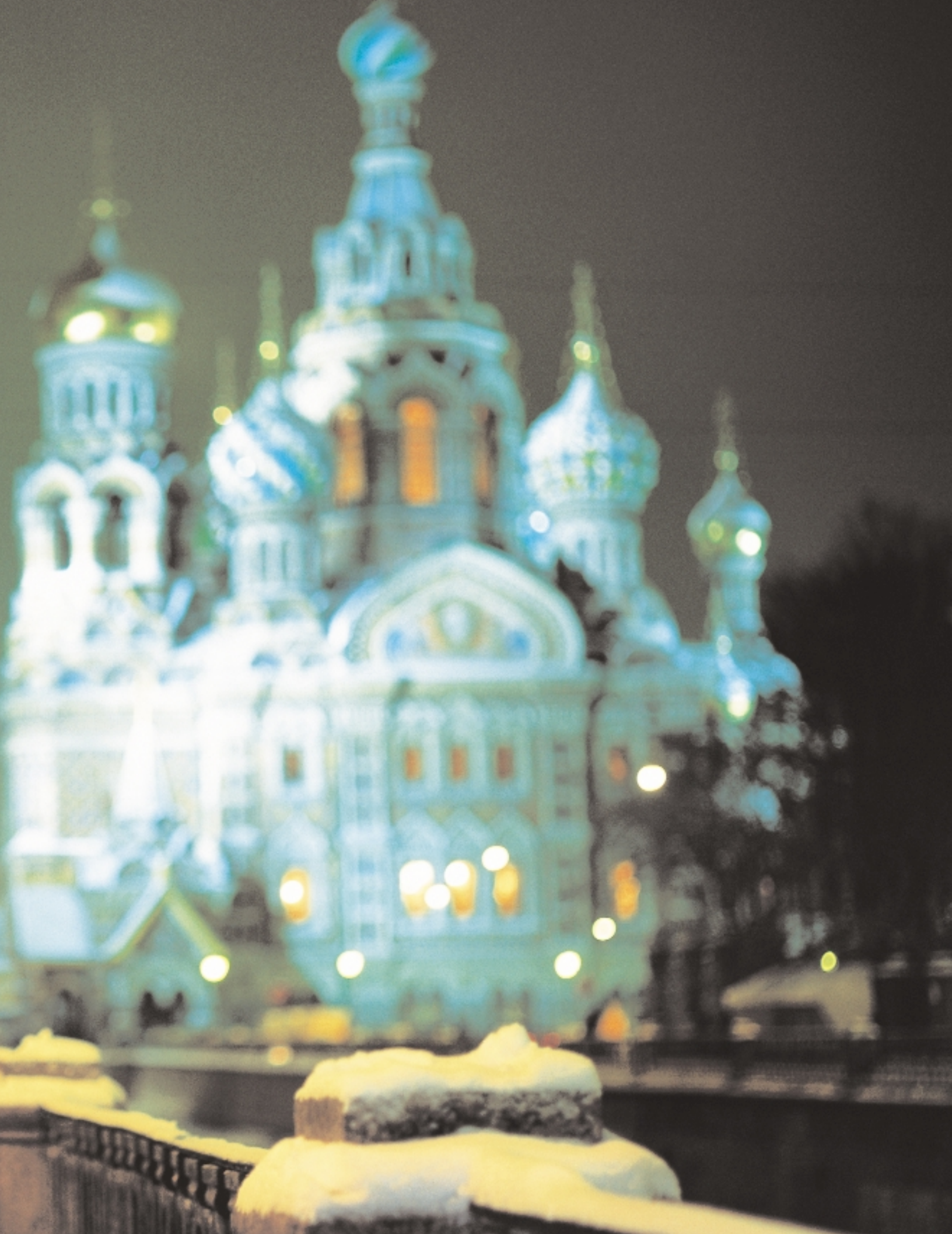


“What sets exceptional musicians apart is their sensitivity to the world around them and their desire to share it with others.”

Born into a family of musicians, **Valeria Kafelnikov** (Paris and St. Petersburg) made her stage debut at the age of six as a member of the children's choir of the St. Petersburg Opera. A year later, she began playing the harp. At the age of 14, she won first prize in the junior section of the Lily Laskin International Competition and, four years later, in the Concours International de Musique de Chambre d'Arles. Later on, she was privileged to play at the Toulouse Orchestra Academy under the supervision of the accomplished harpist Gaëlle Thouvenin, from whom she learned the rewards of playing in harmony with other musicians.

Currently in her final year at the Conservatoire National Supérieur de Paris, Valeria is keen to continue her studies after graduating and extend her experience to baroque music, jazz or improvisation. Being a member of the UBS Verbier Festival Youth Orchestra is a great opportunity for her: “It gives me a chance to hone my orchestral skills and to benefit from the **experience** of talented conductors and outstanding musicians.”





# Letter to Shareholders



## Dear Shareholders,

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

Revenues were highest during the first part of the year, when the unprecedentedly active markets provided plentiful opportunities for us and for our clients. But with every quarter this year showing adjusted earnings per share better than 1999's best

quarter, and substantial year on year revenue growth in all our major business groups, we have also demonstrated the resilience and quality of our earnings, across varied market conditions.

Assets under management increased by CHF 725 billion, to CHF 2,469 billion, boosted by the inclusion of PaineWebber which more than offset the effect of weaker equity markets in the latter part of the year.

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

pared to the dividend of CHF 5.50 per share for 1999.

### Strong performance across the board

*UBS Switzerland's* Private and Corporate Clients business unit had an extremely successful year, with profit before tax of CHF 1,993 million, 57% higher than last year. The results of the hard work to realize the benefits of the 1998 merger of UBS and SBC have shown through in the bottom line this year, both in reduced costs and in improvements in the quality of our loan book. Our continued cost control efforts and the success of our highly rated on-line services bring encouraging prospects for future growth.

The exuberant stock markets of the first part of the year helped Private Banking to a full year profit before tax up 25% over 1999 at CHF 3,682 million. Profitability during the second half of the year was also markedly stronger than in 1999, demonstrating the success of the new integrated structure within UBS Switzerland and the benefits of new product initiatives during the year.

*UBS Asset Management's* relative investment performance has staged an impressive comeback over the year, as its core price/value investment style out-performed growth-based strategies in the mixed equity market conditions. This turn-around means that a return to healthy growth rates in both client assets and earnings seems a realistic prospect.

*UBS Warburg's* Corporate and Institutional Clients business unit more





than doubled its already strong performance in 1999, with full year pre-tax profit of CHF 5,023 million, 134% higher than in 1999. Integration with PaineWebber's capital markets business has given us an enviable platform in the US, with, for example, equity research coverage of 90% of US blue-chip stocks. As well as this direct and immediate impact, UBS Warburg is now much more strongly positioned as an employer of choice in the critical US market with over 26,500 US-based employees. As a result of the enhanced critical mass, and its strong 2000 performance, UBS Warburg has been able to hire several new senior US employees, notably in Corporate Finance.

#### Success as a source of pride

The breadth and depth of the success at UBS in 2000 is a particular source of pride to us. After two years in which we experienced the disruption of completing a hugely complicated merger, the hopes which we expressed to you last year have been fulfilled. All our businesses have moved forward in 2000, with innovative new products and services for our clients, improved investment performance and much higher profitability. Our employees' commitment to delivering outstanding results and their renewed pride in UBS have delivered an excellent year for UBS.

#### Our strategic commitment

UBS's vision is to be the pre-eminent global, integrated investment services firm and the leading bank in Switzer-



# Letter to Shareholders

land. We are the world's leading provider of private banking services and one of the largest asset managers globally. In the investment banking and securities businesses we are among the select bracket of major global houses. In Switzerland we are the clear market leader in corporate and retail banking. As an integrated Group, not merely a holding company, we create added value for clients by drawing on the combined resources and expertise of all our businesses.

Our strategy is to deliver top-quality investment products and advice to a premier client base across all client segments: individual, institutional and corporate. UBS aims to bring its content excellence to an ever wider client base, adding distribution organically, through acquisition or through strategic partnership.

Our clients are increasingly global in outlook, with either global presence or global investments. All our businesses must compete on a global scale. We are committed to attaining scale and scope in all our key businesses: we must deliver the full spectrum of services at maximum efficiency.

## Integrated business model

We remain fully confident in our integrated business model. The recent round of consolidation in the financial services industry suggests that product-based "content" businesses and client-based "distribution" businesses will not thrive separately. Brand has never been more important in the financial services industry. In 2000 we strengthened and unified our brand architecture, introducing the UBS Warburg brand. In today's

fragmented financial services market, a recognized and trusted brand is a priceless asset. All our major businesses now market themselves using the UBS brand, emphasizing the strength of the integrated Group. In particular, given the smooth progress of the integration and the clear benefits of combining UBS and PaineWebber, we have accelerated our plans to integrate PaineWebber into UBS's brand structure. The new brand, UBS PaineWebber, reflects PaineWebber's place as a core influence on UBS's future.

## Advice and choice

We believe that choice is central to enhancing UBS's client offerings, and we remain committed to increasing product choice by supporting our in-house product range with a quality-screened selection of third-party products.

The launch of UBS Fund Solutions in December 2000, took us another important step forward in this move to an open product architecture.

PaineWebber has led the way with this open approach in the US, with notable success, and we are convinced that we can translate that experience into all our private client businesses.

Our client philosophy is advice-led, with client intimacy stemming from the quality of our relationship managers. Our businesses offer convenient access through multiple conventional and electronic channels, but we always put advice at the heart of relationships. Although committed to keeping UBS as part of the technological elite, we see e-commerce not as a business per se, nor as a discipline in its own right, but as integral to all

our businesses. We aim to use technology to extend our reach to clients and markets we could not previously have accessed, to perfect our clients' experience of UBS, to increase the number of products and services they buy from us, and to minimize the production cost of our services.

Our e-commerce vision is rooted in the belief that this profound transformation is as much cultural as technological. We are convinced that the new tools enhance rather than replace the people side of our business, allowing us to deliver knowledge effortlessly from the whole of UBS to any client.

We have already built one of Europe's leading e-commerce platforms, with top-class business-to-business connectivity through "Investment Banking On-Line" (IBOL) at UBS Warburg and market-leading e-banking services in Switzerland. We have recently been named the number two on-line bank in Europe.

## Efficient capital management

UBS is one of the best capitalized financial institutions in the world. During 2000 we demonstrated our continued commitment to manage our capital efficiently in the best interests of our shareholders, both through share buy-backs and through the structure of the PaineWebber merger, which was carefully designed to minimize dilution. Despite the buybacks and the costs of the PaineWebber merger our BIS Tier 1 capital ratio remains high, and the Board of Directors has proposed a further share cancellation program, available from March 2001.





## More a transformation than a merger

We believe that UBS's open and meritocratic culture is one of our key assets. The history of UBS has been one of forging new partnerships and learning from the cultures and skills of new colleagues, and Paine-Webber is already influencing us far beyond the US.

We would like to thank you for your support for our merger with Paine-Webber. We have created one of the few financial institutions with top-class private, institutional and corporate client franchises, across the world.

When we launched UBS's New York Stock Exchange listing in May 2000 we said that our primary objective was to make it easier to expand in the US, focusing on opportunities with strong cultural fit, powerful strategic logic and attractive financial returns. We believe that all these tests were met by this deal and that the merger is great news for the clients, employees and shareholders of UBS and PaineWebber.

### Expectations exceeded

Integration has been completed very smoothly. All our expectations have been exceeded. The capital markets business is now completely merged into our Corporate and Institutional Clients business unit; the US private client business of UBS Warburg is fully integrated into UBS PaineWebber's management structure; and the Mitchell Hutchins asset management business is now part of UBS Asset Management.



To our Shareholders

# Letter to Shareholders

The reception of the merger among PaineWebber staff has been overwhelming. We now have an enviable platform in the US, employing 39% of our worldwide total. We look forward to UBS PaineWebber's continuing success as a growth firm in a growth industry.

We also said that the effects of the PaineWebber merger would be felt beyond the US. In UBS we now have the world's biggest private bank, and one of the premier US brokerages, a unique combination. These two different ways of doing business, with different traditions each have much to learn from each other. We want to give our clients access to the best of both traditions, and the full range of our combined expertise, wherever they do business with us, whether in their home countries or internationally.

## European wealth management

As an important step towards this vision, we are bringing together our domestic and international private client businesses in Europe, and infusing the new combination with the spirit and expertise of UBS PaineWebber – the key catalyst to build an exceptional future. It is important to understand that we will not simply be exporting UBS PaineWebber to Europe. We already have successful domestic private client businesses in our key target markets of Germany, the UK, France, Italy and Spain. We will build on these, by adding the skills and experience of the UBS PaineWebber team – in marketing, product innovation, training and technology – and by transferring knowledge and resources from the



international Private Banking unit. Client advisors will be central to the success of our plans, and we see potential for increasing the number of advisors in this business at an average rate of 250 per annum over the next five years, obviously carefully tailoring that growth to the evolving market opportunities. UBS is already very well positioned for the secular trends affecting the investment world. Regardless of the short-term cycles of the market, the increasing reliance of individuals on equity investment, for their personal savings and for their pension provision, will benefit all firms that manage assets or trade in capital market products. The combination of this increasing shift towards equity investments with the expansion and concentration of private wealth, will bring with it a huge demand for private banking services. We believe that by combining the best of both our traditions, we can build ourselves a wealth management platform that will be hard for anyone to match.

## Outlook

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

We believe that our credit business is well positioned, thanks to our avoid-

ance of balance sheet-led earnings growth, although we do not expect to see the net credit loss write-backs we experienced this year. UBS Asset Management is cautiously optimistic about prospects for growth as its core price/value investment style demonstrates its strengths in less bullish markets, and UBS Warburg has already demonstrated the quality and sustainability of its earnings in the less

positive conditions of the second half of 2000.

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

Alex Krauer  
Chairman of the Board of Directors

Marcel Ospel  
Group Chief Executive Officer

15 March 2001

## Thank you, Alex Krauer

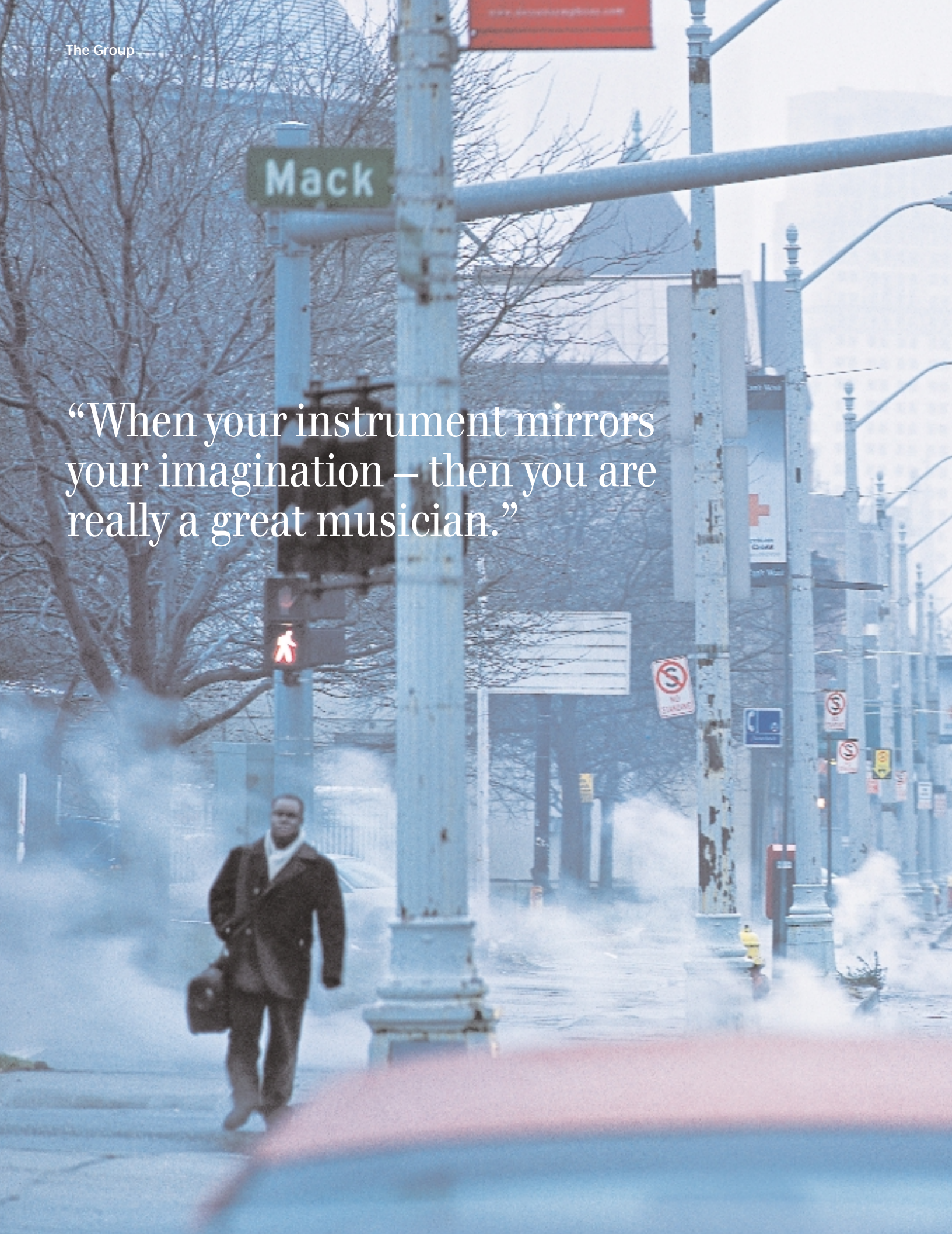
Our Chairman has decided to step down from his function after the Annual General Meeting of 26 April 2001. Since his appointment in late 1998, he has overseen the successful completion of the merger between the Union Bank of Switzerland and Swiss Bank Corporation, and the smooth integration of PaineWebber into our Group. He leaves UBS in excellent financial health. On behalf of the Board of Directors, the Group Executive Board, and UBS as a whole, we would like to extend our deep gratitude to our Chairman: Thank you, Alex Krauer.

Alberto Togni  
Vice Chairman of the Board of Directors

Marcel Ospel  
Group Chief Executive Officer



“When your instrument mirrors  
your imagination – then you are  
really a great musician.”





Antione Hackneys (Ann Arbor, USA) doesn't believe in talent. "To be successful you need only to be diligent and develop a technique that is better than your peers. But to be great takes depth, imagination and a touch of genius." Watching videos of great players and mimicking the way Isaac Stern held his instrument influenced his early career. Even more important were the people who believed in him during his youth, like John Madison, a very prominent violist, who was reluctant to teach him at first but changed his mind when he heard him play. In the short term, Antione wants to become a full member of an orchestra. His ultimate goal as a musician is to touch people's hearts with his viola playing. He applies the same diligence to other things, too. One of his favorite hobbies is bowling where, with an average of 205, he would be good enough to be a professional. He views playing in the UBS Verbier Festival Youth Orchestra as an insightful and priceless experience: "Being able to interact and create music with people from all over the world is the realization of one of my fondest dreams."

### Our commitment to our shareholders underpins our organizational structure.

UBS is structured to meet the highest international standards of corporate governance, assuring the appropriate balance between the Board of Directors and the Group Executive Board. The ultimate responsibility of both boards is to steer UBS on a successful course, in the interests of shareholders, clients, employees and the community.

In organizing our corporate governance, we comply with Swiss law and with international codes of best practice as set out in key documents. The Board of Directors and the Group Executive Board are strictly separate bodies with their own areas of authority and responsibility.

Our organizational structure ensures that robust checks and balances are in place but still allows management the flexibility and responsiveness that are essential in today's fast-moving business environment. We are aware, however, that even the best organizational structures are only as good as the people that make them work. We therefore attach exceptional importance to the careful selection of our top managers.

Audit is a central part of our corporate governance. Group Internal Audit, reporting directly to the Chairman of the Board of Directors, oversees the activities of the Group with a special focus on market, legal, operational and reputational risk. Our External Auditors, working closely with Group Internal Audit, assume all independent auditing functions in accordance with legal and regulatory requirements and international best practice. The Audit Committee of the Board of Directors supervises the work of the External Auditors.

It reviews the organization and efficiency of internal control procedures and the Group's financial reporting





**Pierre de Weck (1950)**  
CEO UBS Capital

**Georges Gagnebin (1946)**  
CEO Private Banking

**Joseph J. Grano Jr. (1948)**  
President and CEO UBS PaineWebber

**Stephan Haeringer (1946)**  
CEO UBS Switzerland

**Peter A. Wuffli (1957)**  
Chairman and CEO UBS Asset Management

**Markus J. Granziol (1952)**  
Chairman and CEO UBS Warburg

**Marcel Ospel (1950)**  
Group Chief Executive Officer

**Luqman Arnold (1950)**  
Group Chief Financial Officer



## Corporate and executive bodies

processes, as well as monitors the interaction between Group Internal Audit and the external auditors.

### Changes within the Board of Directors

Alex Krauer, Chairman of the Board of Directors, announced his intention to step down after the 2001 Annual General Meeting (AGM). To succeed him, the Board of Directors will submit the election of Marcel Ospel, Group Chief Executive Officer, for approval at the AGM on 26 April 2001 and will thereafter appoint him Chairman.

The AGM will also be requested to elect British, Dutch and US directors, reflecting UBS's global reach at Board level. The three candidates are:

Sir Peter Davis (1941), Chief Executive Officer of J. Sainsbury plc., London, Johannes Antonie de Gier (1944), former Chairman and Chief Executive Officer of Warburg Dillon Read, London, and Lawrence Allen Weinbach (1940), Chairman and Chief Executive Officer of Unisys Corporation, New York.

### Changes within the Group Executive Board

The Board of Directors has elected Luqman Arnold, Group Chief Financial Officer, as the new President of the Group Executive Board.

The Board of Directors appointed Joseph J. Grano Jr. as a member of the Group Executive Board from 1 January 2001. Joseph Grano is President and CEO of UBS Paine-Webber.

→ *For more information on corporate governance, please consult our Handbook 2000/2001.*

### Our Board of Directors (As on 1 January 2001)

**Alex Krauer (1931)**  
**Chairman**  
(retiring after the 2001 AGM)

**Alberto Togni (1938)**  
**Vice Chairman**  
(elected until 2001 AGM, and proposed for re-election)

**Markus Kündig (1931)**  
**Vice Chairman**  
(elected until 2002 AGM)

**Peter Böckli (1936)**  
Partner in the law firm Böckli, Bodmer & Partner, Basel  
(elected until 2003 AGM)

**Eric Honegger (1946)**  
Chairman of SAirGroup, Zurich-Airport  
(elected until 2003 AGM)

**Rolf A. Meyer (1943)**  
Consultant  
(elected until 2003 AGM)

**Hans Peter Ming (1938)**  
Chairman of Sika Finanz AG, Baar  
(elected until 2004 AGM)

**Andreas Reinhart (1944)**  
Chairman of Volkart Brothers Holding Ltd, Winterthur  
(stepping down after the 2001 AGM)

**Secretary to the Board of Directors**  
**Gertrud Erismann-Peyer**

### Our auditors

#### Head of Group Internal Audit

Walter Stürzinger (until 31 December 2000)  
Markus Ronner (from 1 January 2001)

#### External auditors

Ernst & Young Ltd., Basel  
Group and Statutory Auditors  
(appointed until the 2001 AGM,  
proposed for re-election)

Deloitte & Touche Experta AG, Basel  
Special Auditors  
(appointed until the 2003 AGM)





# Our employees

## Our staff's expertise adds value for our clients and is the basis of our success.

For our staff, 2000 saw significant change and development, culminating in the merger with PaineWebber which added 23,600 new members to bring our staff to 71,000 worldwide.

As a global financial services firm, UBS operates in a very competitive labor market. Being one of the most attractive employers worldwide for highly qualified and client-focused staff is one of our strategic priorities. Our corporate culture is performance-driven. We seek to create a work environment which motivates our staff and is conducive to outstanding performance and results. To measure this, we use our web-based Performance Measurement and Management tool Group-wide, ranking all employees globally on the same scale and against the same criteria. Our compensation strategy is designed to attract, retain and motivate our staff and reinforce performance, fairness, integrity and teamwork across all business groups. We provide significant equity-based compensation to our employees to help ensure their alignment to shareholders' interests. Current employee share ownership

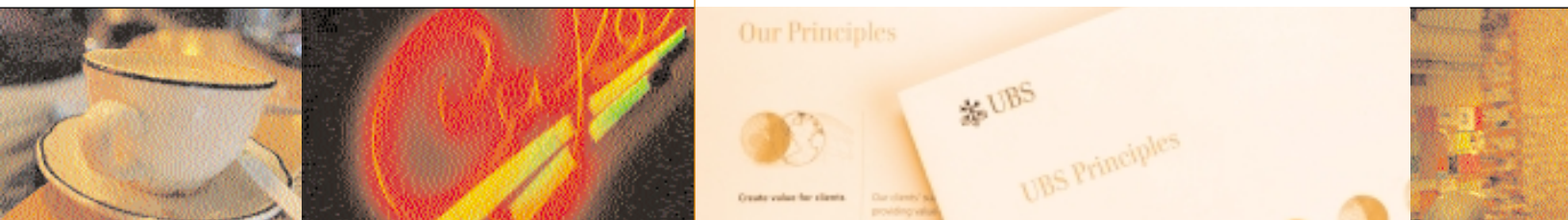
stands at about 8% of outstanding shares, with options held by employees equivalent to about another 6%.

### Recruiting the best

As an employer of choice, we make great efforts to identify and recruit the top candidate for every role. Internal development is emphasized to fill senior positions. In order to secure the future of the company, we are also investing heavily in the recruitment and training of junior staff. In Switzerland, we offer attractive apprenticeships and all-round traineeships for secondary school-leavers. We aim to recruit at least 800 university and college graduates worldwide each year from the top 20% in their fields. In 2000, we successfully launched our new Group-wide graduate recruiting web site ([www.ubs.com/graduates](http://www.ubs.com/graduates)). We have developed a series of special programs for talented young people who are committed to excellence and strive to exceed our high expectations. Our Graduate Programs and our International Mobility Program (IMP) have made us a sought-after employer among university graduates. At the

### UBS Principles

To demonstrate our shared ambition to succeed and help shape and embed a group-wide corporate culture we formulated the UBS Principles, published in September 2000. These principles represent the common standards that unite us. Ensuring that these principles live is the responsibility of leaders at every level within UBS. They will become an integral part of our Performance Measurement and Management process.



end of 2000, there were a total of approximately 1000 university graduates undergoing training at UBS and almost 150 participants on the IMP, in more than 20 locations worldwide.

#### **Investing in careers**

To be an attractive employer, we must visibly add value to each individual's career and profile. We are therefore committed to providing our staff with comprehensive training opportunities, on and off the job. In 2000, we further expanded and enhanced our on-line training programs. e-learning is transforming the way corporations develop employees. The internet redefines work-based learning in terms of delivery, speed, costs, choices, dynamic content, personalized learning experiences and collaboration with experts and peers. During 2000, we gained a wealth of experience within the UBS Group, successfully deploying a variety of media alternatives, including interactive web modules, educational use of networked video, web chat and streaming of presentations and video broadcasts for staff and client communications. We intend to take full advantage of the opportunities e-learning affords for strengthening our performance-oriented culture worldwide.

#### **Getting e-skilled**

e-commerce is radically transforming our industry. The winners among financial services firms are going to be those whose workforces are e-skilled. To raise e-awareness among our employees, we launched two major e-skilling initiatives. In UBS Warburg, a program was developed



The Group

# Our employees



together with a leading e-learning company and cascaded throughout the organization. Within three months, two thirds of staff, in 32 different countries, had successfully completed all elements of the program. Feedback from a survey of participants indicated that over 70% felt that the program had raised their understanding of digital transformation. A similar initiative was directed towards all staff in Switzerland with an on-line learning program on the internet and e-commerce.

#### **Valuing diversity**

As a global organization, our competitive strength lies in leveraging the global diversity of our cultures, perspectives, skills, and experiences to achieve our common goals. In 2000, a global initiative was launched with the goal of promoting diversity among our employees, to reflect our customer base, the locations in which we operate and specific business requirements.

#### **Learning from partnership**

The merger with PaineWebber in November 2000 was only the latest in a series of mergers and acquisitions that led to UBS in its current form. Throughout this history, UBS's ability to learn has been a key strength, allowing us to integrate the best from the cultures of the companies we have

merged with. Whether this was the risk management and trading culture of O'Connor or the asset management philosophy of Brinson Partners, each acquisition has brought its own distinctive contribution to the development of UBS. This process continues today with the acquisition of PaineWebber and the lessons UBS can learn about their unique style of wealth management.

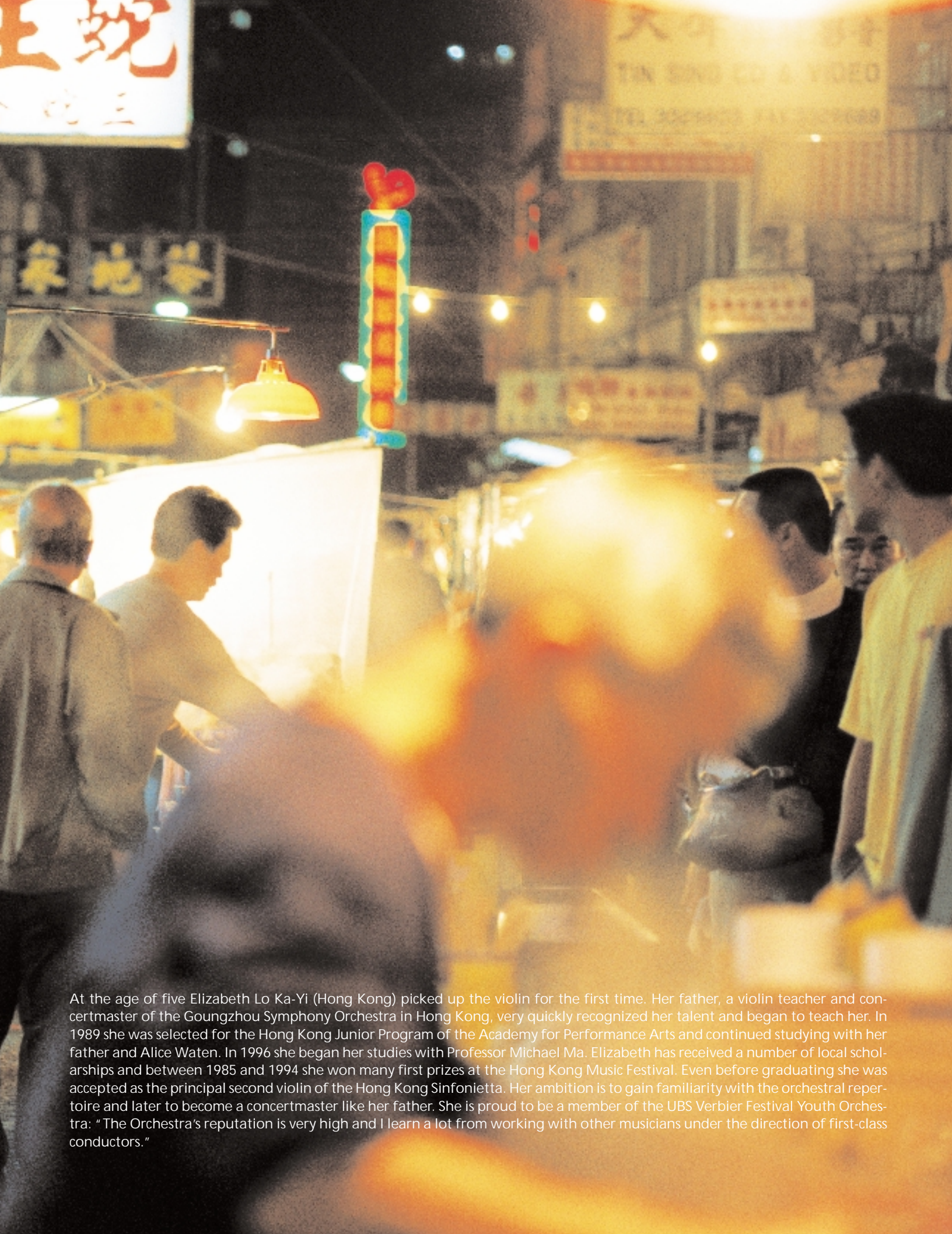
→ *For more information on our Management and Leadership Principles, please consult Our Commitment 1999/2000.*



A vibrant night market scene with people walking through a narrow alleyway. On the left, a sign for a 'DVD 專門店' (DVD Specialty Store) is visible. In the foreground, there are food stalls with baskets and cooking equipment. The background is filled with more shops and people, creating a sense of a bustling, lively environment.

“To be outstanding, you have to be a great musician with ample technique, a good promoter and an honest personality.”





At the age of five Elizabeth Lo Ka-Yi (Hong Kong) picked up the violin for the first time. Her father, a violin teacher and concertmaster of the Goungzhou Symphony Orchestra in Hong Kong, very quickly recognized her talent and began to teach her. In 1989 she was selected for the Hong Kong Junior Program of the Academy for Performance Arts and continued studying with her father and Alice Waten. In 1996 she began her studies with Professor Michael Ma. Elizabeth has received a number of local scholarships and between 1985 and 1994 she won many first prizes at the Hong Kong Music Festival. Even before graduating she was accepted as the principal second violin of the Hong Kong Sinfonietta. Her ambition is to gain familiarity with the orchestral repertoire and later to become a concertmaster like her father. She is proud to be a member of the UBS Verbier Festival Youth Orchestra: "The Orchestra's reputation is very high and I learn a lot from working with other musicians under the direction of first-class conductors."

## UBS Switzerland emphasises the strength and merits of Swiss banking with its values of trust, quality, security and discretion.

UBS Switzerland combines our Private Banking and Private and Corporate Clients business units. The year 2000 saw the first crucial steps in opening our investment architecture to include third-party products and major progress in realizing synergies between the two units. We also continued to enhance our successful electronic banking offerings.

### Our business

UBS Switzerland is the leading bank in Switzerland for individual and corporate clients and the world's largest private bank.

### Private Banking

Our Private Banking business unit offers comprehensive wealth management services for wealthy clients worldwide, from offices in Switzerland and around the globe. Our Private Banking strategy is centered on the client advisor, with technology in a complementary role, helping to put the whole of UBS's knowledge to work for every client. We are committed to long-term personal relationships and to providing a full range of products and services specifically designed for the wealthy client, supplementing our own with a screened selection of the best on offer from

outside UBS. At year-end, client assets under management amounted to CHF 681 billion.

### Private and Corporate Clients

Our Private and Corporate Clients business unit provides a complete set of banking and securities services within Switzerland. We focus foremost on customer service excellence, profitability and growth via multi-channel distribution – giving our clients maximum flexibility. Our clients can bank via the internet, by telephone, through our sophisticated automated teller machines or over the counter in our network of 349 branches. Our electronic banking offering has been consistently rated as one of the very best in Europe. At year-end, the business unit had more than 4 million individual client accounts, and relationships with some 160 top-tier companies, approximately 7,500 large corporations and 180,000 small and medium sized enterprises.

### Exploiting synergies

Although they offer distinct ranges of products and services, Private Banking and Private and Corporate Clients cooperate extensively to exploit the

### UBS e-banking: freedom made simple

More than 540,000 of our clients now use UBS e-banking to handle their day-to-day transactions more quickly and conveniently than ever before. In 2000 UBS twice won the accolade "Best Swiss Online Broker" from BlueSky International in recognition of its world-class on-line services. Forrester Research's "Best of Europe's Net Banking" report, published in November 2000, ranked us the number two internet bank in Europe.



synergies within UBS Switzerland. For example, they rely on shared centers of expertise like Private Banking's financial planning and wealth management team, they share much of their physical and IT infrastructure, and they take advantage of the potential for shared distribution efforts via our rapidly developing multi-channel architecture. Moreover, in addition to its own resources, UBS Switzerland is able to draw on the products and expertise of the other UBS business groups, from UBS Asset Management's mutual funds to UBS Warburg's investment banking expertise.

#### Review of 2000

Following the creation of UBS Switzerland early in the year we launched new initiatives to ensure that the benefits of cooperation are fully realized. Our Investment Center is now responsible for investment research and strategy for the whole of UBS Switzerland, continuing UBS's tradition of providing top quality customized investment advice. A single e-Channels and Products unit coordinates all electronic banking initiatives. Although e-commerce brings direct cost benefits to UBS Switzerland, expense reductions are not our key focus. We aim to use e-banking to help perfect our clients' experience – offering the most attractive information and services in the most convenient way. We continued to enhance our on-line offering during the year, providing our clients with extended trading hours, access to more exchanges, a wider range



of securities, and enhanced economic, investment and trading information. In September we were one of the first banks in the world to offer stock-market transactions via WAP mobile phones. Increased client take-up of our enhanced e-banking services resulted in significant new revenues. New features are continuously being developed including the forthcoming launch of speech recognition based security systems for telephone banking.

## Private and Corporate Clients

### Multi-channel distribution

We aim to provide our customers with convenient and efficient access to our services, while ensuring that our costs are carefully controlled. Our multi-channel distribution strategy is reshaping how we interact with our clients in order to meet this goal, encompassing not only internet and telephone banking, but also changes in our physical network. During 2000 we installed a further 149 multi-function automated teller machines (ATMs) throughout Switzerland. These machines provide a comprehensive alternative to traditional ATMs and counter service, allowing our clients to perform core banking transactions 24 hours a day. At the same time, we started implementing a two-zone concept in our branches, with transaction services separated from a highly flexible advisory zone for clients with more complex needs. These initiatives have helped us to remove overlap from the combined branch network

we inherited from the UBS/SBC merger. In 2000 36 further branches were closed, leaving us with 349 branches, or 62% of the pre-merger network.

### Improved asset quality

In 2000 we reduced our loan portfolio from CHF 165 billion to CHF 155 billion. This was mainly due to the continuing work-out of previously impaired loans and the sale of our subsidiary Solothurner Bank.

Asset quality and lending margins further improved as a result of the introduction of risk-adjusted pricing, the continued focus on loans with the most attractive risk/reward characteristics, and the positive development of the Swiss economy. With the launch of Helvetic Asset Trust in June we became the first Swiss bank to structure a synthetic securitization transaction, in which part of the credit risk attached to a CHF 2.5 billion reference portfolio of Swiss corporate loans was transferred to the capital markets.

### Geared to client needs

At the end of third quarter 2000 we launched the UBS Moneyline Mortgage, a new Libor-based mortgage product which allows clients to take advantage of money market rates, which are typically lower than standard mortgage rates, and gives them the option to limit their interest rate risk. In the third quarter we were awarded the 2000 SAS Enterprise Computing Award for our Advanced Marketing System. This sophisticated analytical software uses data mining technologies to provide effective identification of targeted cross-selling opportunities and enables us to cater more precisely to the information, product and service needs of our clients.

UBS Life, our new insurance company, started operation at the beginning of 2001, providing specially developed insurance products that cater to capital accumulation and retirement saving needs, for sale to UBS customers in Switzerland. UBS will also continue to distribute products of a select group of third-party insurance companies, through an open sales architecture.

## Swiss Economic Award

The Swiss Economic Forum (SEF), of which UBS is the patron, is one of the most important events on the calendar for small and medium-sized enterprises in Switzerland. Entrepreneurs and leading representatives from the worlds of business and politics in Switzerland and abroad will gather for the third time in Thun in May 2001. A highlight of this unique forum is the presentation of the Swiss Economic Award. The award is designed as an incentive for young businessmen and women who create new jobs through their outstanding achievement and entrepreneurship. Award-winner in 2000 was Roberto Dall'Ara of Opto Speed SA, a high-tech company based in Ticino. ([www.swisseeconomic.ch](http://www.swisseeconomic.ch))





## Private Banking

### Opening our investment architecture

Choice is central to enhancing our appeal to our clients. We increase product choice by complementing our in-house range with a quality-screened selection of third-party products.

We took a major step forward in the development of this open product architecture with the launch in December of UBS Fund Solutions. This offers access to a pre-screened selection of “best in class” investment funds from a range of UBS and third party fund managers, helping our clients to obtain the best funds from a “confusing universe”. The entire population of funds available for sale in Switzerland is screened by the UBS Switzerland Investment Center. Each individual client then receives a tailored sub-set of the screened funds, selected by their client advisor to suit their investment objectives and risk appetite, and pays an all-in “wrap” fee, based on their level of assets. UBS is committed to expanding the range and choice of funds available to its clients, using its sophisticated screening process so that the quality of funds offered is maintained.

### Compelling investment strategies

The UBS Switzerland Investment Center commenced operations in October, combining the investment research activities of Private Banking and Private and Corporate Clients. The Investment Center draws on research sources within UBS and from third parties, to formulate an independent and consistent invest-



ment policy tailored specifically to our clients' needs and expectations. In addition to controlling the asset allocation for active advisory products and discretionary managed portfolios, the Investment Center plays a pivotal role in the UBS Fund Solutions product.

#### Client service initiatives

In the first quarter we launched two new portfolio monitoring and advisory services. They are aimed at clients who wish to be actively involved in managing their own investments. With Active Portfolio Supervision (APS) the client receives new investment recommendations whenever his portfolio breaches previously defined parameters. With Active Portfolio Advisory (APA) the client also receives tailor-made investment strategies and direct access to a dedicated investment specialist. Developed in response to changing client requirements, these were our first products to offer fee-based advisory services to non-discretionary clients and to offer the option of an all-inclusive advisory fee. We have experienced rapid

growth in mandates for both services right from their launch, supporting our efforts to move away from more volatile brokerage-based income to stable advisory-based fees. Thanks to our size and the wealth of financial expertise available within our Group, we can offer specific client groups advisory services tailored to their requirements. A good example is the launch of the Sports and Entertainment Group (SEG) in the second quarter. This caters to the special needs of top sportsmen and women, who earn most of their income at a specific stage in their life. SEG delivers an integrated financial planning model and provides solutions on a global basis with a full range of products.

- *For a detailed business description of UBS Switzerland please consult our Handbook 2000/2001.*
- *For a detailed discussion of UBS Switzerland's financial results please consult our Financial Report 2000.*

#### Best of breed

With the proliferation of investment funds on the market, it has become increasingly difficult for private investors to keep track of the changing universe and pick the funds that are right for them. UBS has found the optimum response to this problem with its recently launched UBS Fund Solutions: in addition to our own funds, we now actively offer our clients a selection of funds from outside providers, as an integral part of our existing advisory services. These best-in-class funds are identified by our specialists in a multi-stage screening process and combined into fund packages tailored to clients' individual needs.

#### Financial highlights

The *Private and Corporate Clients* business unit had a very successful year with a record pre-tax profit of CHF 1,993 million, up 57% from 1999. Full year operating income was up 9%, at CHF 6,684 million, primarily reflecting higher fee income and reduced credit loss expenses as the quality of our loan portfolio improved. Full year operating expenses were down 4% at CHF 4,691 million, primarily due to falling personnel costs as headcount reduced. General and administrative expenses fell 6% over the year, reflecting continued cost control efforts.

Pre-tax profits of the *Private Banking* business unit were up 25% to CHF 3,682 million, reflecting strong markets in the first two quarters, and the margin enhancing benefits of introducing more added value products during the year. The increase in gross margin resulted in operating income of CHF 6,714 million, up 21%. Total operating expenses were up 16% to CHF 3,032 million. Personnel expenses increased by 18% in line with headcount growth and higher performance-related compensation in line with the good results this year. General and administrative expenses were up 13% due to higher IT and processing costs.

#### UBS Switzerland

CHF million	2000	Change from 1999
Operating income	13,398	15%
Operating expenses	7,723	3%
Business group performance before tax	5,675	35%
	31.12.00	Change from 31.12.99
Assets under management (CHF billion)	1,121	1%
Headcount	28,785	( 8)%



Best of breed



## What sets us apart is the diversity and global scope of our investment capabilities.

In February 2000 we brought all our asset management activities under the roof of UBS Asset Management. Our relative investment performance rebounded in 2000 as our core value-based investment approach positioned us favorably for the reversals in the equity markets during the year. We also made good progress in enhancing our investment capabilities, expanding our product range and developing third-party distribution of our investment funds through electronic distribution channels.

### Our business

Through our Asset Management Business Group, we provide asset management services and products to a broad range of institutional and mutual fund clients across the world. We are one of the top five institutional asset managers in the world, the largest mutual fund manager in Europe and the leading fund manager in Switzerland. Our US and UK brands, Brinson Partners and Phillips & Drew, are amongst the best known in their respective markets.

### Institutional Asset Management

UBS Asset Management offers a diverse range of institutional investment management capabilities, in every major asset class, from the traditional to the alternative. Our core focus is on price/value management which means we exploit periodic discrepancies between the intrinsic value and the market price of an investment. Our investment strategies are tailored to each client's risk/return objectives. Our international presence with 14 offices worldwide allows us to keep close track of all the major investment markets. What sets us apart is the ability to customize our global investment capabilities to match the local requirements of our clients and their regulatory constraints. Phillips & Drew and Brinson Partners maintain their local brand identities,

but operate a common global investment management platform, pooling investment talent and resources across the world.

### Investment Funds /GAM

UBS Asset Management also provides retail investment fund products, marketed principally through UBS Switzerland. Increasingly however, we aim to widen our reach through third-party distribution to individual clients outside the UBS Group. Investment management for these funds is generally undertaken by Institutional Asset Management, with the Investment Funds unit concentrating on product development and distribution.

Global Asset Management (GAM), acquired in late 1999, is a diversified asset management group, offering a wide range of investment styles. Dedicated to giving its clients access to the world's best investment talent, GAM's funds are managed by its own staff and by about 80 carefully selected external managers. GAM products are marketed both independently and through UBS Switzerland's Private Banking business unit.





## Review of 2000

In February 2000 we brought all our asset management activities under one roof transferring GAM and the Investment Funds unit from Private Banking and forming UBS Asset Management. Having suffered from the dominance of growth-based investment strategies in 1999, UBS Asset Management's investment performance, based on its core price/value investment style, was rewarded by the markets in 2000, with greatly improved performance relative to benchmarks and peers. Losses of client mandates in the early part of 2000 substantially declined in volume by the end of the year as performance improved. The launch of O'Connor, specializing in alternative investment strategies, was a great success, and there was a major focus during the year on initiatives to widen the range of distribution channels for UBS Investment Funds.

## Institutional Asset Management

### Outstanding investment performance

The return of global equity markets towards fundamental values was the predominant development during 2000, with significant setbacks in the telecommunication and technology sectors while "old economy" shares generally outperformed the indices. This trend accelerated towards the end of the year as the US economy began to slow, helping Institutional Asset Management to deliver the best relative annual investment performance in its history. According to the recently published CAPS (Combined Actuarial Performance Services) survey, which is the UK's most important performance league table for fund managers, Phillips & Drew was the top performing pension fund manager in Britain last year.

### Integrated investment platform

During the year we integrated our US and UK investment operations, Brinson Partners and Phillips & Drew, to form a single global investment management platform. Sharing similar investment philosophies, based on

capturing price/value discrepancies identified through fundamental research, and similar meritocratic cultures, their integration has created a top-class team of global investment specialists with a unified investment approach.

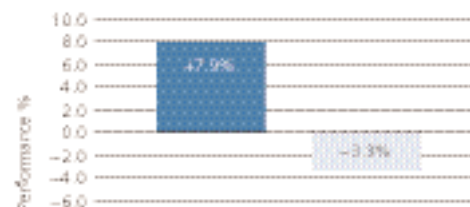
### O'Connor

In June, UBS Asset Management and UBS Warburg jointly launched a new business area, O'Connor, in response to growing demand from pension funds and other investors for alternative investments. O'Connor integrates the global research, investment and distribution capabilities of UBS Asset Management with the trading and derivatives expertise of UBS Warburg. Its investment strategies are designed to provide attractive risk-adjusted returns with a low correlation to traditional investments. Since O'Connor's launch, significant client funds have been raised, and we expect continued growth with the introduction of innovative new investment vehicles planned for 2001.

## Phillips & Drew excelled in 2000

2000 saw excellent investment performance from Phillips & Drew, UBS Asset Management's UK institutional brand. Its flagship mutual fund for UK institutional investors, the Managed Exempt Fund, recorded a return of 7.9% in 2000 compared to an industry average of -3.3%. This 11.2% outperformance was a record for Phillips & Drew and placed the fund first in its peer group of 67 funds.

■ Phillips & Drew Managed Exempt Fund  
■ Industry average



Our business groups

# UBS Asset Management



## Investment Funds/GAM

Investment Funds is evolving towards an open, multi-channel distribution architecture, designed to bring new opportunities to sell its top quality funds. We are establishing third-party distribution partnerships, developing electronic sales channels and combining distribution efforts with Institutional Asset Management in various markets to better capture pension-related opportunities.

### Broadening our distribution platform

This Autumn we launched funds@ubs, an internet-based investment fund distribution channel. Designed to boost third-party distribution of our funds, funds@ubs targets individual investors through non-traditional intermediaries such as corporations, public services and non-profit organizations. The intermediary receives a "turn-key" solution that they can deliver directly to their clients, while we provide the products and technical, administrative and operational support.

Our first partnership, with Lufthansa, provides clients of its frequent flyer program (Lufthansa Miles and More) with access to UBS Investment Funds through a dedicated website. This offers investment education, advice on investment strategies, on-line decision support tools, and automated on-line fund purchases. We expect to announce similar cooperation agreements in 2001 with other non-traditional intermediaries, using the same technical platform.

Two initiatives in Asia in third quarter 2000 were designed to help expand



our profile in the region. In Taiwan, we acquired a majority stake in a mutual fund provider, Fortune Securities Investment & Trust Company, enabling us to produce and distribute domestically-regulated mutual funds for Taiwanese investors. In Japan, we announced the launch in 2001 of a Japanese real estate investment trust joint venture with Mitsubishi Corporation. The joint venture plans to establish Real Estate Investment Trusts in Japan and to distribute them to both institutional and retail clients. At the end of October, we purchased Fondvest AG, a Swiss company which specializes in open fund distribution. It gives banks, insurance companies and other asset managers a simple way to offer their clients a comprehensive and independent range of third-party funds.

#### Expanding our product range

We are continually looking for opportunities to broaden and deepen our product range, increasing its appeal to new and existing clients. One focus during the year was on providing access to alternative investments which offer increased diversification for our clients' portfolios, by provid-

ing returns with less correlation to traditional investments.

The UBS (CH) Alternative Fund – Growth Program, launched in second quarter, was our first alternative investment fund offered for public distribution in Switzerland. As a fund of funds it invests in a number of independent alternative funds bringing our clients access to some of the world's best fund managers. In October we launched UBS Alternative Portfolio A, a single fund combining UBS Asset Management's broad range of alternative investment capabilities. Designed primarily as a vehicle for Private Banking clients, the fund's assets will be allocated across the private equity, timber and real estate classes as well as O'Connor and GAM funds.

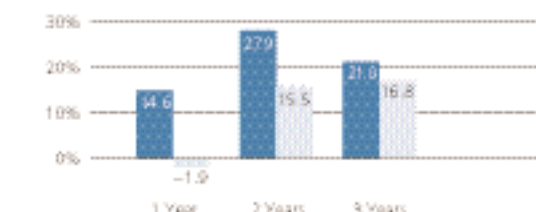
→ *For a detailed business description of UBS Asset Management please consult our Handbook 2000/2001.*

→ *For a detailed discussion of UBS Asset Management's financial results please consult our Financial Report 2000.*

#### GAM: Excellent performance in falling markets

Since Global Asset Management (GAM) became a member of UBS, our clients have access to an even wider array of investment opportunities. Many of GAM's funds generated significant outperformance in the year 2000, a difficult year for stockmarkets. GAM's multi-manager funds enjoyed particular success: non-correlated strategies and exceptional manager selection skills were the keys to this strong performance.

■ GAM Star Europa Fund – Euro Class  
■ MSCI Europa Index EUR



#### Financial highlights

*Institutional Asset Management's* pre-tax profit of CHF 227 million was 30% lower than 1999. Operating income increased 18% to CHF 1,301 million as a result of the acquisition of UBS Realty Investors and the launch of the O'Connor business, partially offset by lost revenue resulting from losses of client mandates. Operating expenses increased 39% to CHF 1,074 million, due to the acquisitions and growth initiatives.

Pre-tax profit of *Investment Funds/GAM* was down 15% at CHF 95 million. Operating income increased 141% to CHF 652 million, primarily due to the acquisition of GAM. Operating expenses increased 253% to CHF 557 million, reflecting the acquisition of GAM and spending on other strategic initiatives, including third-party distribution.

#### UBS Asset Management

CHF million	2000	Change from 1999
Operating income	1,953	43%
Operating expenses	1,631	75%
Business group performance before tax	322	(26)%
	31.12.00	Change from 31.12.99
Assets under management (CHF billion)	522	(13)%
Headcount	1,728	5%



## The merger with PaineWebber brings us closer to our ambition to be the number one financial services provider for corporate, institutional and affluent private clients.

2000 was a strong year for UBS Warburg in which we were involved in a broad range of significant corporate finance transactions worldwide and further consolidated our position as one of the leaders in the global capital markets with institutional clients. We also continued to expand and enhance our industry leading e-commerce offerings. The fourth quarter saw the smooth integration of PaineWebber into UBS Warburg, immediately generating the first merger benefits.

### Our business

UBS Warburg operates globally as a client-driven securities, investment banking and wealth management firm. For both our own corporate and institutional clients and the other parts of our Group, UBS Warburg provides product innovation, top-quality research and advice, and complete access to the world's capital markets.

Through UBS PaineWebber, the fourth largest private client firm in the US, we provide advisory services and best-of-breed products to an affluent US client base. Since the merger with PaineWebber in November 2000, UBS Warburg has been composed of four business units.

**Corporate and Institutional Clients**  
Our Corporate and Institutional Clients business unit is one of the leading global investment banking and securities businesses. The global reach, breadth and diversification of its direct access to investors is unique, and its relationship enhancing technology is among the best in the world.

### UBS Capital

UBS Capital is UBS Warburg's private equity investment vehicle, investing UBS and third-party funds primarily in unlisted companies. Although its main focus is on financing mature companies, a minority of the portfolio targets early-stage investments in the technology and telecommunications sector. UBS Capital has a rapidly growing portfolio, well diversified by region and sector. It has 14 individual teams covering around 30 countries and so combines established local presence with global reach.

### US Private Clients

US Private Clients, operating under the brand of UBS PaineWebber, is the fourth largest private client broker in the US, with the most affluent client base in the industry. With 9,000 financial advisors, it provides a full range of wealth management services to some 2.7 million affluent households in America. Its focus is on households with investable assets in excess of USD 500,000, the segment with the largest, fastest growing pool of assets in the US.

### International Private Clients

Our International Private Clients business unit provides private banking products and services for high net worth clients outside the US and Switzerland who bank in their country of residence. During 2001 the European part of this business will become part of UBS Switzerland's Private Banking business unit and the Asia-Pacific part will be merged with the US Private Clients business unit.





## Review of 2000

### Corporate and Institutional Clients

The integration of PaineWebber expanded capabilities across our business areas including equity research, where it provided a significant boost to coverage. It also positioned us much more strongly as employer of choice in the critical US investment banking market, where we were able to make significant hires at senior levels.

### Exciting year for Mergers & Acquisitions

In 2000 we secured a leading position in European and global mergers & acquisitions with significantly improved rankings. We were involved in a broad range of transactions across regions and industry sectors. An exciting year saw us closely involved in the restructuring of the US food industry, acting as financial advisor on Diageo's bid with Pernod Ricard for Seagram's spirit businesses; on the sale of Nabisco to Philip Morris, the largest ever public auction; and

on Unilever's acquisition of Bestfood, the largest ever cross-border food deal. In Asia we advised Pacific Century Cyberworks on its takeover of Hong Kong Telecom, Asia's largest ever deal. We were advisors to the Italian internet company Tiscali on its recommended USD 5.4 billion offer for the Dutch internet service provider World Online, the largest new economy M&A deal in Europe to date.

### Leading role in Fixed Income

We continued to play a leading role in the international fixed income markets and ended the year ranked 1<sup>st</sup> in Eurobond underwriting. In the All International Bonds sector we improved our ranking from 6<sup>th</sup> to 5<sup>th</sup> and significantly added market share. We were named "Eurobond House of the Year" and "Sterling Bond House of the Year" by International Financing Review. Our investment in the Leveraged Finance and US High Yield businesses delivered improved deal flow and revenues as well as league table and research rankings.

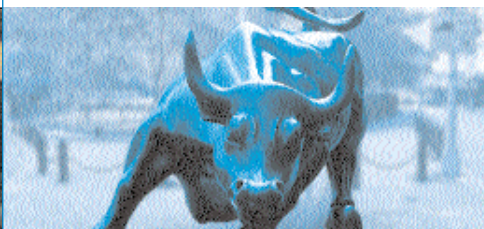
### Expanding our Equities capabilities

We continued to improve our performance in the international primary equity markets and were bookrunner in several significant innovative transactions, including the issuance of "MILES" (Market Index-Linked Equity Securities) for Allianz, which contributed to our continued number one ranking in international equity-linked issues.

Our market share and ranking were lower than in 1999, due in part to our relatively underweight position in the technology, media and telecoms (TMT) sectors. Whilst we did not suffer from the decline in these sectors in the second half of the year, we missed some of the opportunities in the first half. We implemented several strategic initiatives designed to improve our long-term position, including expanding our capabilities in the global TMT sector, increasing presence in Germany and France and enhancing capabilities in block trades and convertibles. In addition, the integration of PaineWebber significantly enhanced our retail and institutional distribution capabilities in the US.

## Top performance in IPOs

While 2000 was undoubtedly a volatile year, UBS Warburg achieved top rankings in two key markets for the performance of the Initial Public Offerings (IPO) it underwrote. In the US, UBS Warburg delivered the only positive average return over issue price among the 17 top firms. In Germany, UBS Warburg again achieved positive results while many competitors struggled, and was bookrunner on the Deutsche Post Worldnet IPO.



### Boost in equity research

Our research continued to be recognized as one of the leaders on a global, sector and regional basis. We received a number of top rankings by leading industry observers, including 4<sup>th</sup> place in the Global Equity Research Team rankings of Institutional Investor, and several 1<sup>st</sup> place rankings in the Reuters Emerging Markets Survey. The integration of PaineWebber significantly improved the breadth of our equity research in the US, where we now have over 100 publishing analysts, equivalent to the levels of the leading US-based firms, covering 90% of NASDAQ 100 and S&P 500 stocks.

### Enhanced e-commerce solutions

The core of our e-commerce strategy is to intensify relationships with our core clients and use technology to leverage our capabilities to an ever larger client base. During 2000 we continued to expand and enhance our e-commerce capabilities, launching Investment Banking On-Line (IBOL), our web portal for corporate and institutional clients. IBOL provides a

### Innovative on-line solutions

euromoney.com gave UBS Warburg its top award for the pioneering Euro Commercial Paper (ECP) client website in its inaugural internet awards. Launched in April 1999, the ECP site increased our market share by almost 50%, boasting unique functionality including a chat facility linking clients directly to the ECP sales desk. Overall, UBS Warburg was praised for innovative on-line products, and for bringing new levels of transparency to issuers.



single point of access to all our on-line products and services, from up-to-the-minute research to market analysis and on-line trading facilities, offering comprehensive search and personalization services. Research-Web, our leading-edge site for research distribution, was voted one of the top three institutional research sites in the Primark Extel Survey. Our equity research is now accessible to our institutional clients via electronic palmtop devices, helping to satisfy the growing demand for mobile access to research.

**UBS Capital**

In 2000 we continued with our strategy to diversify our portfolio by sector and region. The book value of our private equity investments grew from CHF 3.0 billion at the end of 1999 to CHF 5.5 billion at the end of 2000. We made CHF 2.1 billion of new investments and add-on investments

across both old and new economy sectors. These included the largest restructuring ever undertaken in Thailand by a private equity investor, our first investments in India and the largest ever financial sponsor-backed leveraged buy-out in the Hong Kong market.

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

**Adopting a new business model**

In 2001 we will implement a new business model for UBS Capital, designed to best capture the opportunities available from the growth of the international private equity market. UBS Capital intends to increase

the level of funding sourced from third parties, reducing its dependence on direct funding from the UBS's balance sheet. The new business model will center on the formation of an autonomous investment management firm, known as a fund advisor, 80% owned by UBS Capital's current management and 20% owned by UBS. The fund advisor will adopt a new corporate identity in 2001, while retaining a strong affiliation with UBS. UBS will remain a cornerstone investor in new funds, and increase its target overall commitment to private equity investment from CHF 5 billion to CHF 7.5 billion.

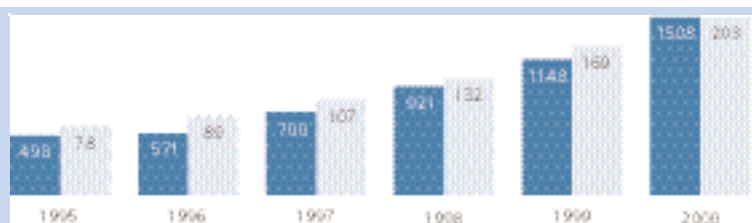
**US Private Clients**

We were pleased to welcome Paine-Webber into the UBS Group on 3 November 2000. The US Private Clients business unit represents the individual client businesses of Paine-Webber. Integration of PaineWebber

**Growing fee-based income at UBS PaineWebber**

While discount brokers offer transaction-driven services for the mass market, UBS PaineWebber offers a value-added, advisor-centric approach targeted at high net worth individuals. Client assets are invested in a wide variety of products and services dedicated to meeting client needs and guided by a personal financial advisor. Many of these services are fee-based, rather than being based simply on the number of transactions carried out. Strong growth in fee-based assets and in recurring fee income has helped to align the firm's interests even more closely with those of its clients.

■ Fee-based assets (USD billion)  
 ■ Recurring fees (USD million)







was smooth, and caused no disruption to our client relationships. The reception of the merger by PaineWebber staff was overwhelmingly positive.

#### **First benefits of integration**

Directly after the merger in November we demonstrated the benefits of bringing PaineWebber into our integrated business model with the US launch of GOALS.

GOALS are equity-linked securities created by UBS Warburg, and an entirely new investment product for PaineWebber clients. Creating and selling these securities required UBS Warburg's expertise in packaging structured products, PaineWebber's strong retail distribution capabilities, and UBS's rating and capital strength, to support the credit element of the product. Prior to the merger, PaineWebber could not have offered this product to its clients and UBS Warburg could not have distributed it in the US.

#### **Corporate Employee Financial Services**

In fourth quarter 2000 PaineWebber announced a major initiative to significantly expand its already successful stock option finance business through the formation of Corporate Employee Financial Services (CEFS). CEFS's goal is to capture a larger share of the management and administration of the USD 1 trillion of stock options awarded to corporate employees in the US. PaineWebber already provides these services to well known companies such as Cisco, Enron, General Electric and Texas Instruments. These services will not



only allow PaineWebber to execute the option exercise, but also provide the potential to capture clients as long-term investors, managing the wealth they have generated. We expect this business to grow strongly over 2001.

#### International Private Clients and e-services

These two business units both made strong progress in 2000, with the International Private Clients unit increasing its momentum and steadily increasing income during the year. e-services successfully created the technology backbone for our renewed efforts in European domestic private banking. As a result of the merger

with PaineWebber, we now have a unique opportunity to target the market for wealthy clients in Europe with an enhanced, advisor-centered wealth management service, taking advantage of the transforming potential of PaineWebber's expertise and award-winning on-line services.

- *For a detailed business description of UBS Warburg please consult our Handbook 2000/2001.*
- *For a detailed discussion of UBS Warburg's financial results please consult our Financial Report 2000.*

#### Financial highlights

*Corporate and Institutional Clients delivered excellent results with pre-tax profits adjusted for significant financial events up 134% from 1999, to CHF 5,023 million. 2000 income increased 44% to CHF 18,033 million, primarily due to strong growth in the Equities, Fixed Income and Corporate Finance business areas, and the continued strength of its institutional client franchise. The business unit continued to carefully manage its cost base, with the pre-goodwill cost/income ratio well below 1999 levels, at 70%.*

*UBS Capital's pre-tax profit was up 10% at CHF 173 million. Operating income increased 17% and operating expenses increased 23%, mainly driven by bonus expenses, in line with divestments. Value creation during 2000, including realized gains and the increase in the portfolio's unrealized gains, is CHF 0.6 billion, sustaining UBS Capital's impressive record of investment success.*

*US Private Clients recorded a net loss of CHF 19 million for the period from the completion of the merger on 3 November 2000 to the end of the year. Underlying performance, adjusted for staff retention payments, was encouraging, with monthly revenues down only 2% from the PaineWebber revenues during third quarter 2000.*

*International Private Clients operating income rose 45%, to CHF 282 million, with expenses at CHF 610 million, up 17%. The unit progressed well from its start-up phase with losses reducing considerably as the year went on.*

#### UBS Warburg

CHF million	2000	Change from 1999
Operating income	19,532	54%
Operating expenses	15,274	42%
Business group performance before tax	4,258	120%
	31.12.00	Change from 31.12.99
Assets under management (CHF billion)	827	-
Headcount	38,445	169%





## Corporate Center

Our business groups are managed together to optimize shareholder value – making the whole worth more than the sum of the parts.

### Our business

Our commitment to an integrated business model remains as strong as ever. UBS is not a holding company. We are a portfolio of complementary businesses, managed together for optimal shareholder value, where the whole is worth more than the sum of its parts. Every business group works together in an integrated fashion, with products from the wholesale units distributed through the individual client units, benefiting both franchises.

Our business groups are accountable for their results and enjoy considerable autonomy in pursuing their business objectives. Hence the need for a

strong counterbalancing Corporate Center. Its mission is to maximize sustainable shareholder value by coordinating the activities of the business groups. It ensures that they operate as a coherent and effective Group with a common set of values and principles. To perform its role, Corporate Center avoids process ownership wherever possible, but instead establishes standards and principles, thereby minimizing its own staffing levels.

→ *For more information on Corporate Center, in particular on Risk Management and Control processes, Asset and Liability Management, and Relations with Regulators please consult our Handbook 2000/2001.*

→ *For a more detailed discussion of Corporate Center's financial results please consult our Financial Report 2000.*

### Listing on the NYSE

Tuesday 16 May was a historic moment for UBS when we became the first Swiss financial institution to list its shares on the New York Stock Exchange. The listing brought us closer to realizing our vision of a global investment services firm and paved the way to the merger with PaineWebber later in the year. The listing was achieved in record time by a Corporate Center project team.




## Financial highlights

Corporate Center posted a pre-tax profit adjusted for significant financial events of CHF 384 million, after a pre-tax loss of CHF 529 million in 1999. Operating income was CHF 1,519 million, up CHF 699 million. The difference results primarily from the credit loss recovery booked in Corporate Center representing the difference between the statistically calculated expected losses charged to the business units and the actual credit loss recovery recognized in the Group financial accounts. Due to the unexpectedly strong performance of the Swiss economy during 2000, the Group has experienced net write-backs of credit loss. Operating expenses were down 16% at CHF 1,135 million.

### Corporate Center

<i>CHF million</i>	31.12.00	Change from 1999
Operating income	1,519	85%
Operating expenses	1,135	(16)%
Business group performance before tax	384	n/a
Headcount	986	14%



A scenic view of a valley with a river and a town, seen from a high vantage point on a rocky hillside. The foreground shows a rocky outcrop with sparse, dry vegetation. The middle ground features a winding river and a town nestled in the valley. The background consists of rolling hills and mountains under a bright, slightly hazy sky. A thin, vertical red line is visible on the left side of the image.

“You need to be generous with your talents and be willing to give a great deal of yourself.”

Musicians invest a lot of emotion in their music, but they still need to keep both feet firmly on the ground. This was a lesson **Pascal Viglino** (from Martigny, Switzerland) learnt the hard way during his first rehearsal with the Orchestre de la Suisse Romande. Overcome by nerves, he forgot to breathe, fainted and promptly missed his cue. At the age of eight, Pascal Viglino was already taking drumming lessons and playing in his village band. He is currently studying for his final exams at the Conservatoire Supérieur in Geneva and would then like to pursue his training abroad. A highlight of his career to date was a tour with the Sarajevo Philharmonic Orchestra after the cessation of hostilities in Bosnia. The public's enthusiasm at being able to attend a cultural event again after such a long period of privation made a deep impression on him. His European tour with the UBS Verbier Festival Youth Orchestra also left him with lasting memories: "It's fun playing together with people you know well, sharing a laugh and sharing each other's lives for a while."



## UBS Group income statement

<i>CHF million, except where indicated</i>				
For the year ended	31.12.00	31.12.99 <sup>1</sup>	31.12.98 <sup>1</sup>	% change from 31.12.99
<b>Operating income</b>				
Interest income	51,745	35,604	37,442	45
Interest expense	(43,615)	(29,695)	(32,424)	47
Net interest income	8,130	5,909	5,018	38
Credit loss recovery / (expense)	130	(956)	(951)	
Net interest income after credit loss recovery / (expense)	8,260	4,953	4,067	67
Net fee and commission income	16,703	12,607	12,626	32
Net trading income	9,953	7,719	3,313	29
Net gains from disposal of associates and subsidiaries	83	1,821	1,119	(95)
Other income	1,403	1,325	1,122	6
Total operating income	36,402	28,425	22,247	28
<b>Operating expenses</b>				
Personnel	17,163	12,577	9,816	36
General and administrative	6,765	6,098	6,735	11
Depreciation and amortization	2,275	1,857	1,825	23
Total operating expenses	26,203	20,532	18,376	28
<b>Operating profit before tax and minority interests</b>	10,199	7,893	3,871	29
Tax expense	2,320	1,686	904	38
<b>Net profit before minority interests</b>	7,879	6,207	2,967	27
Minority interests	(87)	(54)	5	61
<b>Net profit</b>	7,792	6,153	2,972	27
Basic earnings per share (CHF) <sup>3</sup>	19.33	15.20	7.33	27
Basic earnings per share before goodwill (CHF) <sup>2,3</sup>	20.99	16.04	8.18	31
Diluted earnings per share (CHF) <sup>3</sup>	19.04	15.07	7.20	26
Diluted earnings per share before goodwill (CHF) <sup>2,3</sup>	20.67	15.90	8.03	30

<sup>1</sup> The 1999 and 1998 figures have been restated to reflect retroactive changes in accounting policy arising from newly applicable International Accounting Standards and changes in presentation. <sup>2</sup> The amortization of goodwill and other intangible assets is excluded from this calculation. <sup>3</sup> 1999 and 1998 share figures are restated for the two-for-one share split, effective 8 May 2000.







## Summary comment on Group results

### Group targets

We focus on four key performance targets. The targets are designed to ensure that we deliver continually improving returns to our shareholders.

– We seek to increase the value of the UBS Group by achieving a sustainable after-tax return on equity of 15–20%, across periods of varying market conditions.

– We aim to increase shareholder value through double-digit average annual earnings per share (EPS) growth, across periods of varying market conditions.

– Through cost reduction and earnings enhancement initiatives we shall reduce the Group's cost/income ratio, to a level that compares positively with best-in-class competitors.

– We aim at achieving a clear growth trend in net new money in the private client businesses.

The first three targets are all pre-goodwill amortization and adjusted for significant financial events.

On this basis, our return on equity for the year 2000 was 24.3%, clearly above our target range of 15–20%.

Pre-goodwill earnings per share, again on an adjusted basis, grew 76% over 1999 to CHF 21.83, a very strong performance, unmatched among our global peer group.

Continued focus on cost control, and our strong revenue generation during the year has brought the pre-goodwill

cost/income ratio down to 69.2% in 2000, from 73.3% in 1999.

Net new money in the private client units (Private Banking, US Private Clients and International Private Clients) was CHF 18 billion for the year, compared to CHF 4 billion in 1999, and including CHF 8 billion of net new money at UBS PaineWebber in only two months.

### Income statement

*Net profit* was CHF 7,792 million, an increase of 27% over 1999. Adjusted for significant financial events, net profit was CHF 8,132 million, 74% higher than 1999. Excluding the identifiable effects of the PaineWebber merger, UBS estimates that full year adjusted net profit would have been up 80% over 1999.

*Net interest income* before credit loss expense increased 38% to CHF 8,130 million, principally driven by the much stronger trading-related performance. The unexpectedly strong performance of the Swiss economy during the year led to net write-backs of *credit loss expense* of CHF 130 million, compared to net credit loss expenses of CHF 956 million in 1999.

*Net fee and commission income* was CHF 16,703 million, up 32% compared to 1999, thanks to the very high level of brokerage fees in the exceptional trading markets of the first few months of 2000, strong per-

formance in Corporate Finance, and the contribution from our new businesses – PaineWebber, O'Connor and Global Asset Management (GAM). *Net trading income* increased 29% to CHF 9,953 million as a result of increased global market activity, especially in the first few months of the year, and the continued strength of UBS Warburg's secondary client franchise.

*Personnel expenses* amounted to CHF 17,163 million, 36% more than in 1999. This increase principally reflects higher performance-related pay, in the light of UBS's strong results this year. UBS is committed to paying a significant amount of staff compensation in the form of bonus or other variable schemes. Senior management's pay is largely made up of UBS shares or options, and all staff are given incentives to take part in employee share ownership schemes. These measures are designed to align the interests of employees and management with those of shareholders. Current employee share ownership stands at about 8% of outstanding UBS shares, with options held by employees equivalent to about another 6%.

*General and administrative expenses* rose 11%, to CHF 6,765 million, partly as a result of the costs of integrating PaineWebber. The favourable comparison to operating income, which rose 28%, reflects our successful control of non-revenue driven costs.



*Depreciation and amortization* increased by CHF 418 million to CHF 2,275 million, mainly due to the PaineWebber merger and the acquisition of GAM at the end of fourth quarter 1999.

*Tax expense* was CHF 2,320 million, an effective tax rate of 22.8%, compared to an effective tax rate of 21.4% in 1999.

→ *A more detailed discussion of UBS's results can be found in the Financial Report 2000.*

## Appropriation of retained earnings

The Board of Directors proposes to the Annual General Meeting on 26 April 2001 the following appropriation:

	<i>CHF million</i>
Parent Bank's profit for the financial year 2000	7,906
Retained earnings from prior years	7
Release of other reserves for payment of partial dividend (5.10.2000)	1,764
Available for appropriation	9,677
Appropriation to general statutory reserve	165
Distributed partial dividend (1.1.–30.9.2000)	1,764
Appropriation to other reserve	7,748
<b>Total appropriation</b>	<b>9,677</b>

The Extraordinary General Meeting on 7 September 2000 accepted a proposal to pay a partial dividend of CHF 4.50 per share in respect of the first three quarters of the reporting year. This payment, after deduction of 35 % Swiss withholding tax, was made on 5 October 2000, to all UBS shareholders of record on 2 October 2000.

The Board of Directors proposes to the AGM on 26 April 2001 to repay CHF 1.60 of the par value of each CHF 10 share, instead of distributing a final dividend for the remaining months of the reporting year: October, November and December. This repayment would reduce the share capital by approximately CHF 682 million and the par value per share to CHF 8.40. If the proposal is approved and the revised article 622 paragraph 4 of the Swiss Code of Obligations comes into force, the repayment of CHF 1.60 of the par value would be made on 18 July 2001 to shareholders of record on 13 July 2001, through their depository banks, without any deduction of Swiss withholding tax.



The figures



# UBS Group financial highlights

CHF million, except where indicated

For the year ended	31.12.00	31.12.99 <sup>1</sup>	31.12.98 <sup>1</sup>	% change from 31.12.99
<b>Income statement key figures</b>				
Operating income	36,402	28,425	22,247	28
Operating expenses	26,203	20,532	18,376	28
Operating profit before tax	10,199	7,893	3,871	29
Net profit	7,792	6,153	2,972	27
Cost/income ratio (%) <sup>2</sup>	72.2	69.9	79.2	
Cost/income ratio before goodwill amortization (%) <sup>2,3</sup>	70.4	68.7	77.7	
<b>Per share data (CHF)</b>				
Basic earnings per share <sup>6</sup>	19.33	15.20	7.33	27
Basic earnings per share before goodwill <sup>3,6</sup>	20.99	16.04	8.18	31
Diluted earnings per share <sup>6</sup>	19.04	15.07	7.20	26
Diluted earnings per share before goodwill <sup>3,6</sup>	20.67	15.90	8.03	30
<b>Return on shareholders' equity (%)</b>				
Return on shareholders' equity <sup>4</sup>	21.5	22.4	10.7	
Return on shareholders' equity before goodwill <sup>3,4</sup>	23.4	23.6	12.0	

As of	31.12.00	31.12.99 <sup>1</sup>	31.12.98 <sup>1</sup>	% change from 31.12.99
<b>Balance sheet key figures</b>				
Total assets	1,087,552	896,556	861,282	21
Shareholders' equity	44,833	30,608	28,794	46
Market capitalization	112,666	92,642	90,720	22
<b>BIS capital ratios</b>				
Tier 1 (%)	11.7	10.6	9.3	10
Total BIS (%)	15.7	14.5	13.2	8
Risk-weighted assets	273,290	273,107	303,719	0
<b>Total assets under management (CHF billion)</b>	<b>2,469</b>	<b>1,744</b>	<b>1,573</b>	<b>42</b>
<b>Headcount (full time equivalents)<sup>5</sup></b>	<b>71,076</b>	<b>49,058</b>	<b>48,011</b>	<b>45</b>

## Earnings adjusted for significant financial events

CHF million, except where indicated	31.12.00	31.12.99 <sup>1</sup>	% change from 31.12.99 <sup>1</sup>
Operating income	36,402	26,587	37
Operating expenses	25,763	20,534	25
Operating profit before tax	10,639	6,053	76
Net profit	8,132	4,665	74
Cost/income ratio before goodwill (%) <sup>2,3</sup>	69.2	73.3	
Basic earnings per share before goodwill (CHF) <sup>3,6</sup>	21.83	12.37	76
Diluted earnings per share before goodwill (CHF) <sup>3,6</sup>	21.50	12.26	75
Return on shareholders' equity before goodwill (%) <sup>3,4</sup>	24.3	18.2	

<sup>1</sup> The 1999 and 1998 figures have been restated to reflect retroactive changes in accounting policy arising from newly applicable International Accounting Standards and changes in presentation.

<sup>2</sup> Operating expenses/operating income before credit loss expense.

<sup>3</sup> The amortization of goodwill and other intangible assets is excluded from the calculation.

<sup>4</sup> Net profit/average shareholders' equity excluding dividends.

<sup>5</sup> The Group headcount does not include the Klinik Hirslanden AG headcount of 1,839 and 1,853 for 31 December 2000 and 31 December 1999, respectively.

<sup>6</sup> 1999 and 1998 share figures are restated for the two-for-one share split, effective 8 May 2000.

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



## Business group reporting<sup>1</sup>

CHF million For the year ended	UBS Switzerland		UBS Asset Management		UBS Warburg		Corporate Center		UBS Group	
	31.12.00	31.12.99 <sup>2</sup>	31.12.00	31.12.99 <sup>2</sup>	31.12.00	31.12.99 <sup>2</sup>	31.12.00	31.12.99 <sup>2</sup>	31.12.00	31.12.99 <sup>2</sup>
Income	14,182	12,761	1,953	1,369	19,779	13,041	358	372	36,272	27,543
Credit loss recovery / (expense) <sup>3</sup>	(784)	(1,071)	0	0	(247)	(333)	1,161	448	130	(956)
Total operating income	13,398	11,690	1,953	1,369	19,532	12,708	1,519	820	36,402	26,587
Personnel expenses	4,759	4,691	880	516	10,916	7,278	490	548	17,045	13,033
General and administrative expenses	2,394	2,308	439	271	3,408	2,680	281	385	6,522	5,644
Depreciation	508	460	49	32	652	659	320	366	1,529	1,517
Amortization of goodwill and other intangible assets	62	23	263	113	298	154	44	50	667	340
Total operating expenses	7,723	7,482	1,631	932	15,274	10,771	1,135	1,349	25,763	20,534
<b>Business group performance before tax</b>	<b>5,675</b>	<b>4,208</b>	<b>322</b>	<b>437</b>	<b>4,258</b>	<b>1,937</b>	<b>384</b>	<b>(529)</b>	<b>10,639</b>	<b>6,053</b>
Tax expense									2,420	1,334
<b>Net profit before minority interests</b>									<b>8,219</b>	<b>4,719</b>
Minority interests									(87)	(54)
<b>Net profit</b>									<b>8,132</b>	<b>4,665</b>

<sup>1</sup> Figures in this table are adjusted for the effect of Significant Financial Events. <sup>2</sup> The 1999 figures have been restated to reflect retroactive changes in accounting policy and changes in presentation. <sup>3</sup> In order to show the relevant business group performance over time, adjusted expected loss figures rather than the net credit expense / recovery are reported for all business groups. The statistically derived adjusted expected losses reflect the inherent counterparty and country risks in the respective portfolios. The difference between the statistically derived adjusted expected losses and the net IAS credit loss expenses recorded at Group level for financial reporting purposes is reported in the Corporate Center. The divisional breakdown of the net credit recovery / (expense) for financial reporting purposes of CHF (956) million for the year ended 31 December 1999 is as follows: UBS Switzerland CHF (965) million and Corporate Center CHF 9 million. The divisional breakdown of the net credit recovery / (expense) for financial reporting purposes of CHF 130 million for the year ended 31 December 2000 is as follows: UBS Switzerland CHF 695 million and UBS Warburg CHF (565) million.

### True and fair

The Group Auditors Ernst & Young Ltd. confirm that the Group Financial Statements, as published in the Financial Report 2000, "give a true and fair view of the financial position, the results of operations and the cash flows in accordance with International Accounting Standards (IAS), and comply with the Swiss law."



**Cautionary statement regarding forward-looking statements**

This communication contains statements that constitute "forward-looking statements", including, without limitation, statements relating to the implementation of strategic initiatives, including the implementation of the new European wealth management strategy and the implementation of a new business model for UBS Capital, and other statements relating to our future business development and economic performance.

While these forward-looking statements represent our judgments and future expectations concerning the development of our business, a number of risks, uncertainties and other important factors could cause actual developments and results to differ materially from our expectations.

These factors include, but are not limited to, (1) general market, macro-economic, governmental and regulatory trends, (2) movements in local and international securities markets, currency exchange rates and interest rates, (3) competitive pressures, (4) technological developments, (5) changes in the financial position or credit-worthiness of our customers, obligors and counterparties, (6) legislative developments and (7) other key factors that we have indicated could adversely affect our business and financial performance which are contained in our past and future filings and reports, including those with the SEC.

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

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