UBS

Financial Services Group

Second Quarter 2000 Report.

UBS Group Financial Highlights

CHF million (except where indicated)	Quarter ended 30.6.00	31.3.00	30.6.99[1]	% change from 1Q00	2Q99	Year-to-date 30.6.00	30.6.99[1]
Income statement key figures							
Operating income	9,200	9,357	8,255	(2)	11	18,557	15,102
Operating expenses	6,548	6,449	5,248	2	25	12,997	10,071
Operating profit before tax	2,652	2,908	3,007	(9)	(12)	5,560	5,031
Net profit	2,052	2,216	2,291	(7)	(10)	4,268	3,859
Cost/income ratio (%)[2]	72.8	68.0	61.2			70.4	64.0
Cost/income ratio before goodwill (%)[2,3]	71.4	66.5	60.0			68.9	62.9
Per share data (CHF)							
Basic earnings per share[4,7]	5.24	5.66	5.60	(7)	(6)	10.91	9.38
Basic earnings per share before goodwill[3,4,7]	5.57	6.04	5.84	(8)	(5)	11.61	9.79
Diluted earnings per share[4,7]	5.19	5.61	5.56	(7)	(7)	10.79	9.30
Diluted earnings per share before goodwill[3,4,7]	5.51	5.98	5.79	(8)	(5)	11.49	9.71
Return on shareholders' equity (%)							
Return on shareholders' equity[5]						29.5	22.0
Return on shareholders' equity before goodwill[3,5]						31.3	23.2

As of	30.6.00	31.3.00	31.12.99[1]	% change from 1Q00	4Q99
Balance sheet key figures					
Total assets	946,307	980,916	898,888		
Shareholders' equity	31,876	29,322	30,608		
Market capitalization	98,797	92,316	92,642		
BIS capital ratios					
Tier 1 (%)	12.1	11.0	10.6		
Total BIS (%)	15.9	14.5	14.5		
Risk-weighted assets (CHF million)	264,706	277,841	273,107		
Total assets under management (CHF billion)	1,711	1,767	1,744	(3)	1
Headcount (full time equivalents)[6]	47,744	48,157	49,058	(1)	(3)
Long term ratings					
Moody's, New York	Aa1	Aa1	Aa1		
Fitch/IBCA, London	AAA	AAA	AAA		
Standard & Poor's, New York	AA+	AA+	AA+		
BankWatch, New York	AA	AA	AA		

Earnings adjusted for significant financial events

CHF million	Quarter ended 30.6.00	31.3.00	30.6.99[1]	% change from 1Q00	2Q99	Year-to-date 30.6.00	30.6.99[1]
Operating income	9,200	9,357	6,565	(2)	40	18,557	13,302
Operating expenses	6,348	6,449	5,248	(2)	21	12,797	10,071
Operating profit before tax	2,852	2,908	1,317	(2)	117	5,760	3,231
Net profit	2,207	2,216	926	0	138	4,423	2,404
Cost / income ratio before goodwill (%)[2,3]	69.2	66.5	74.8			67.8	71.0
Basic earnings per share before goodwill (CHF)[3,4,7]	5.97	6.04	2.50	(1)	139	12.01	6.26
Diluted earnings per share before goodwill (CHF)[3,4,7]	5.90	5.98	2.48	(1)	138	11.88	6.20
Return on shareholders' equity before goodwill (%)[3,5]						31.9	18.1

[1] The 1999 figures have been restated to reflect retroactive changes in accounting policy arising from newly applicable International Accounting Standards and changes in presentation (see Note 1: Basis of Accounting). [2] Operating expenses / operating income before credit loss expense. [3] The amortization of goodwill and other purchased intangible assets are excluded from the calculation. [4] For EPS calculation, see Note 9 to the Financial Statements. [5] Annualized net profit / average shareholders' equity excluding dividends. [6] The Group headcount does not include the Klinik Hirslanden AG headcount of 1,885. [7] 1999 share figures are restated for the two-for-one split, approved at the shareholder meeting of 18 April 2000.

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Shareholders' Letter

Dear Shareholders,

We were delighted to announce to you on 12 July 2000 that UBS had entered into a definitive merger agreement with Paine Webber Group Inc. ("PaineWebber"). The merger will combine one of the top US private client firms with the world's largest private bank, to create the premier global institution serving private clients.

PaineWebber will become an integral part of the UBS Warburg business group, while retaining its powerful brand in the US. Delivering UBS Warburg's premium content and global reach to PaineWebber's 2.7 million affluent clients in the US, and uniting the two highly complementary institutional franchises will create a pre-eminent global investment services firm. UBS will be one of the few financial institutions with top-class private, institutional and corporate client franchises, across the world, served by a full range of content, products and services.

The transaction is due to be finalized in the fourth quarter of this year, subject to the required approvals. On that note, an Extraordinary General Meeting will be held on 7 September 2000 at which you will have the opportunity to approve the increase in share capital necessary for the financing of the transaction.

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 are met by this deal and that the merger is great news for the clients, employees and shareholders of both UBS and PaineWebber.

Second quarter results

We reported preliminary second quarter results when the PaineWebber merger was announced, so you will already know that this has been another highly successful quarter for UBS, with a net profit after tax of CHF 2,052 million. Once the effect of divestments and one-off provisions is stripped out, this represents outstanding growth of 138% over the second quarter of 1999 and, together with our excellent first quarter, makes this the best half-year UBS has ever recorded, 84% ahead of first half 1999. This excellent result has been driven by another record quarter for the Private and Corporate Clients business unit, a write back of credit loss provisions thanks to the buoyant Swiss economy, and earnings at UBS Warburg's Corporate and Institutional Clients business unit almost equal to the exceptional first quarter.

Adjusted for divestments and one-off provisions and pre-goodwill amortization, the Group's annualized return on equity for the first six months of this year increased to 31.9%, from 18.1% in the first half of 1999, and basic earnings per share for the second quarter increased 139% to CHF 5.97 from CHF 2.50. The pre-goodwill cost/income ratio of 69.2% is well below the 74.8% recorded in second quarter 1999. The 3% decline in assets under management over this quarter was mainly driven by negative market trends and anticipated client losses in the institutional asset management business.

Business group highlights

The Private and Corporate Clients business unit has delivered another record quarter, with net profit before tax up 7% over first quarter. Sustained revenues in the face of reduced stock market activity were accompanied by continued tight cost control and further merger-related benefits.

Thanks to its first-class institutional client franchise, UBS Warburg continued its excellent performance from the first quarter, with earnings at its Corporate and Institutional Clients business unit, adjusted for the prior-year sale of the international Global Trade Finance business, up 181% from second quarter 1999, and only 2% below last quarter, despite less favorable market conditions.

Private Banking earnings fell 19% from their exceptional first quarter, due to lower market activity levels. However, the underlying increase in profitability continued, with asset-based and advisory fee revenues up compared to first quarter and total earnings up 15% from second quarter last year.

Outlook

We look forward to the completion of the PaineWebber transaction, and to the exciting opportunities that the combination with UBS Warburg will bring. In matching the first quarter's excellent performance, we have gone a long way to proving that even before our latest addition, UBS is in good health. If market conditions remain consistent, we expect to continue to deliver a strong performance relative to last year.

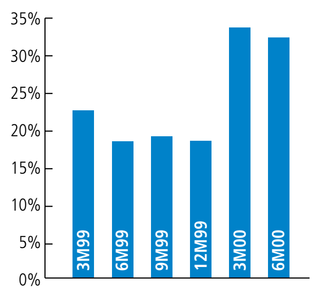
UBS AG

Alex Krauer
Chairman of the Board of Directors

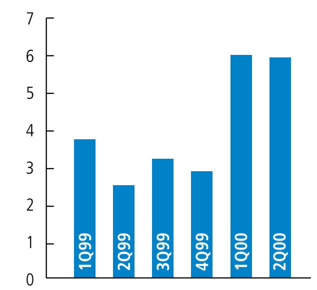
Marcel Ospel
Group Chief Executive Officer

Group Review

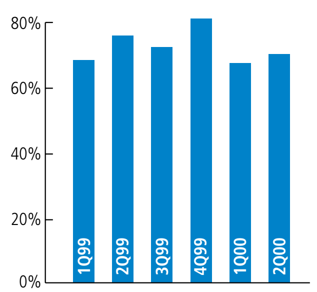
RoE[1] annualized



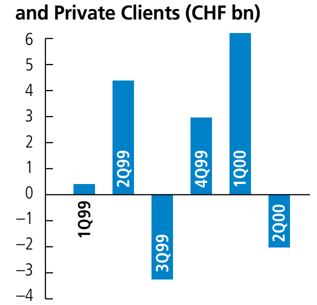
Basic EPS[2,3] (CHF)



Cost/income ratio[2]



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



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

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

[3] Adjusted to account for the recent stock split.

UBS Group Performance against Targets

For the period	**6M2000**	3M2000	6M1999
RoE (%, annualized)			
as reported	**29.5**	31.1	22.0
before goodwill amortization and adjusted for significant financial events[2,3]	**31.9**	33.2	18.1
For the quarter ended	**30.6.00**	31.3.00	30.6.99
Basic EPS (CHF) [1]			
as reported	**5.24**	5.66	5.60
before goodwill amortization and adjusted for significant financial events[2,3]	**5.97**	6.04	2.50
Cost / income ratio (%)			
as reported	**72.8**	68.0	61.2
before goodwill amortization and adjusted for significant financial events[2,3]	**69.2**	66.5	74.8

Assets under management

CHF billion	**30.6.00**	31.3.00	% change	**Net new money[4]**
UBS Group	**1,711**	1,767	(3)	
UBS Switzerland				
Private and Corporate Clients	**439**	443	(1)	**0**
Private Banking	**683**	698	(2)	**(3)**
UBS Asset Management				
Institutional Asset Management	**525**	557	(6)	**(20)**
Investment Funds / GAM	**225**	232	(3)	**1**
UBS Warburg				
Private clients	**37**	40	(7)	**1**

[1] 1999 share figures are restated for the two-for-one split, approved at the shareholder meeting of 18 April 2000. [2] The amortization of goodwill and other purchased intangible assets are excluded from the calculation. [3] Significant financial events are excluded from calculation. [4] Excludes interest and dividend income.

Group Targets

UBS focuses on four key performance targets, designed to ensure that we deliver continually improving returns to our shareholders. In general, our performance against these targets has been very good this quarter. Adjusted for the final US Global Settlement provision, our annualized pre-goodwill return on equity for the first six months of 2000 is 31.9%, slightly below that recorded in the first quarter, but well above our target range of 15–20%. Pre-goodwill earnings per share grew 139% over second quarter 1999, adjusted for divestments and one-off provisions, easily reaching our target of double-digit growth. The cost/income ratio is well below that of second quarter 1999. After a positive start to the year, net new money in the private banking units was slightly negative in this quarter, against a more muted market background for asset growth than the first quarter.

Significant Financial Events

There is one significant financial event which impacts our results in second quarter 2000. We have made a final CHF 200 million provision in respect of the US Global Settlement regarding World War II related claims. In the light of the final terms and amendments to the settlement agreed by the US courts, we foresee a lesser likelihood of offsetting contributions from other Swiss companies. This additional provision means that UBS is now fully provisioned against its two thirds share of the USD 1.25 billion settlement.

In second quarter 1999 there were two significant financial events. Income from disposal of associates and subsidiaries included CHF 1,490 million of pre-tax gains in Corporate Center from the sale of our 25% stake in Swiss Life/Rentenanstalt. Other income included a gain in the Corporate and Institutional Clients business unit of CHF 200 million pre-tax from the sale of the international Global Trade Finance business.

There were no significant financial events in first quarter 2000.

Significant financial events

	Quarter ended			Year-to-date	
CHF million	**30.6.00**	31.3.00	30.6.99	30.6.00	30.6.99
US Global Settlement Fund provision	**(200)**			(200)	
Julius Bär registered shares divestment					110
Global Trade Finance divestment			200		200
Swiss Life / Rentenanstalt divestment			1,490		1,490
Pre-tax profit / (loss) impact	**(200)**		1,690	(200)	1,800
Tax effect	**45**		(325)	45	(345)
Post-tax profit / (loss) impact	**(155)**		1,365	(155)	1,455

Results Summary

In the second quarter 2000 UBS again recorded excellent results, with net profit after taxes and minority interests of CHF 2,052 million. Adjusted for the CHF 200 million final provision relating to the US Global Settlement, this matches our first quarter results, despite quieter markets. On a comparison to the same quarter last year, profits have leapt by 138%. Combined with our excellent first quarter results, we have recorded by some distance the best half-year ever, with adjusted post-tax earnings up 84%. Compared to second quarter 1999, total operating income after credit loss expense increased 40%, adjusted for the divestments, to CHF 9,200 million.

Net interest income before credit loss expense increased 62% over second quarter 1999 to CHF 2,237 million mainly as a result of higher trading volumes, with income from the repo and securities lending business up 81%.

Net fee and commission income was CHF 3,756 million in second quarter 2000, an increase of 16% over second quarter 1999. Net brokerage fees were 33% higher than second quarter 1999, with volumes in our main markets higher than a year ago, although below the exceptional levels of the first quarter this year. Strong performance in mergers and acquisitions, and an improvement in equity underwriting, helped produce our best ever quarter for underwriting and corporate finance fees, which increased by CHF 179 million from second quarter 1999 to CHF 669 million. Investment fund fees increased 37% from second quarter 1999, as a result of higher assets under management, and the inclusion of fees from Global Asset Management, acquired in fourth quarter 1999. Portfolio and other management and advisory fees increased by CHF 223 million to CHF 955 million.

Net trading income was CHF 2,691 million in second quarter 2000, up 27% from CHF 2,127 million in second quarter 1999, driven by higher equity trading revenues, although these fell back somewhat from the exceptional level of the first quarter.

Income from disposal of associates and subsidiaries increased CHF 19 million from first quarter 2000 to CHF 21 million, principally due to the gain on the sale of our stake in National-Versicherung. However, it was very much lower than second quarter 1999, when the CHF 1,507 million total included a CHF 1,490 million gain on the sale of our shareholding in Swiss Life / Rentenanstalt.

Other income decreased CHF 54 million from second quarter 1999 to CHF 287 million. Second quarter 1999 included a gain of CHF 200 million from the sale of the international Global Trade Finance business, but excluded income from Klinik Hirslanden which has only been consolidated in the income statement since fourth quarter 1999. Income from disposal of private equity investments increased, but so did losses on revaluation of financial assets, mainly due to writedowns in UBS Capital's portfolio.

Total operating expenses were just two percent higher than first quarter 2000, but increased 25% over second quarter last year to CHF 6,548 million. This principally reflects increased performance-related compensation as revenues continue to exceed levels in 1999 and the additional provision for the US global settlement. Personnel expenses were 24% higher than in second quarter 1999.

Adjusted for significant financial events, general and administrative expenses increased 24%, due partly to increased marketing expenses and adverse foreign exchange effects but fell as a percentage of revenues from 19% to 17%.

Depreciation and amortization decreased 6% to CHF 451 million compared to second quarter

Restructuring provision used

CHF million	Personnel	IT	Premises	Other	Quarter ended 30.6.00	Quarter ended 31.3.00
UBS Switzerland	25	8	1	20	**54**	39
Private and Corporate Clients	25	6	1	20	**52**	36
Private Banking	0	2	0	0	**2**	3
UBS Asset Management	1	0	0	0	**1**	0
UBS Warburg	0	0	0	0	**0**	0
Corporate Center	3	0	13	2	**18**	79
Group total	**29**	**8**	**14**	**22**	**73**	**118**

	30.6.00
Restructuring provision as of 31.12.1997	**7,000**
Additional provision in 1999	**300**
Used in 1998	**4,027**
Used in 1999	**1,844**
Used in 2000	**191**
Total used through 30.6.2000	**6,062**
Restructuring provision remaining	**1,238**

1999, with increases in goodwill amortization for the acquisitions of Allegis and GAM offset by reduced depreciation, due to the sale of properties in Switzerland and merger-related IT synergies in UBS Switzerland.

UBS Group incurred a tax expense for the second quarter of CHF 591 million, an effective tax rate of 22.3%.

Restructuring provision

Of the CHF 7,300 million merger-related restructuring provision, CHF 73 million was used in the second quarter 2000, leaving CHF 1,238 million still to be used. The main use of the provision this quarter related to severance costs in Private and Corporate Clients, and premises costs in Corporate Center, including moving, outfitting and vacancy costs. Whilst the rate of use of the provision has slowed in the last two quarters, we anticipate that it will increase again, and we still expect that the provision will be completely utilized by the end of 2001, as planned.

Credit risk

During second quarter 2000 UBS realized a substantial write back of credit loss expenses of CHF 208 million. This surprising outturn is in contrast to credit loss expenses of CHF 125 million in first quarter 2000 and CHF 325 million for second quarter 1999. This positive result was mainly due to the continued improvement of the Swiss economy, where recoveries and write-backs of previously established provisions by far exceeded new provisioning requirements. The Swiss economy is expanding at the fastest rate for a decade and accelerated further during the quarter. The growth is broadly supported, especially in the retail sector, and is markedly higher than expectations earlier this year. There is currently no indication of a slowdown in sight and, despite the upturn, the danger of inflation still appears remote.

The global economy too remained in good shape. The Asian crisis, with the possible exception of Japan, has been overcome, the upswing in the euro zone remained strong and the US economy, although cooling off somewhat during the second quarter, continued on a dynamic growth path. This favorable environment also positively influenced the quality of our credit exposure. Non-performing loans reduced by 5% during the quarter, although a CHF 9 billion reduction in our total loan portfolio to CHF 271 billion meant that the ratio of non-performing loans to total loans remained at 4.5%, the same level as at 31 March 2000.

Market risk

UBS incurs market risk mainly through its trading activities, which are centered in the Corporate and Institutional Clients business unit of UBS Warburg. Market risk exposure at UBS Warburg, as measured by the 10-day, 99% confidence level Value at Risk (VaR), amounted to CHF 231 million at the end of the second quarter, down from CHF 277 million at the end of the first quarter. Potential stress loss is measured against a set of

Allowances and provisions for credit risk

CHF million	UBS Switzerland		UBS Asset Management		UBS Warburg		Corporate Center		UBS Group	
As of	**30.6.00**	31.12.99[2]	30.6.00	31.12.99[2]	30.6.00	31.12.99[2]	30.6.00	31.12.99[2]	30.6.00	31.12.99[2]
Loans (gross)	**200,252**	199,960	**411**	213	**69,200**	77,151	**1,115**	690	**270,978**	278,014
Impaired loans[1]	**16,658**	19,166	**–**	–	**4,310**	3,226	**43**	64	**21,011**	22,456
Allowances for impaired loans	**9,267**	10,447	**–**	–	**2,279**	2,018	**6**	6	**11,552**	12,471
Non-performing loans	**10,270**	11,416	**–**	–	**1,772**	1,594	**43**	63	**12,085**	13,073
Allowances for non-performing loans	**6,486**	7,315	**–**	–	**1,383**	1,341	**5**	5	**7,874**	8,661
Total allowances for impaired and non-performing loans	**9,267**	10,447	**–**	**–**	**2,279**	2,018	**6**	6	**11,552**	12,471
Other allowances and provisions for credit and country risk	**12**	–	**–**	–	**826**	927	**–**	–	**838**	927
Total allowances and provisions	**9,279**	10,447	**–**	**–**	**3,105**	2,945	**6**	6	**12,390**	13,398
of which country allowances and provisions	**–**	–	**–**	–	**1,317**	1,376	**–**	–	**1,317**	1,376
Ratios										
Impaired loans in % of gross loans	**8.3**	9.6	**–**	–	**6.2**	4.2	**3.9**	9.3	**7.8**	8.1
Non-performing loans in % of gross loans	**5.1**	5.7	**–**	–	**2.6**	2.1	**3.9**	9.1	**4.5**	4.7
Allowances and provisions for credit loss in % of gross loans	**4.6**	5.2	**–**	–	**4.5**	3.8	**0.5**	0.9	**4.6**	4.8
Allocated allowances in % of impaired loans	**55.6**	54.5	**–**	–	**52.9**	62.6	**14.0**	9.4	**55.0**	55.5
Allocated allowances in % of non-performing loans	**63.2**	64.1	**–**	–	**78.0**	84.1	**11.6**	7.9	**65.2**	66.3

[1] Includes non-performing loans. [2] 1999 figures restated to reflect the regrouping of UBS.

Summary of 10-day 99% confidence Value at Risk

UBS Warburg	3 months ending 30.6.00				3 months ending 31.3.00			
CHF million	Min.	Max.	Average	**30.6.00**	Min.	Max.	Average	31.3.00
Risk type								
Equities	183.2	245.9	214	**189.6**	169.5	237.1	206.4	227.3
Interest rates	127	173.8	147.7	**133.7**	132.1	181.2	157.3	160.5
Foreign exchange	8.7	97.5	32.2	**9.5**	15.1	83.5	49.8	55.5
Precious metals	4.3	15.3	9.4	**12.1**	7.1	27.4	15.1	13.5
Diversification effect	–[1]	–[1]	(150.3)	**(113.6)**	–[1]	–[1]	(169.3)	(179.8)
Total UBS Warburg	**218.4**	**284**	**253**	**231.3**	214.6	296.1	259.2	277

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

Value at Risk limits and utilization

CHF million	Limit	Utilization **30.6.00**	Utilization 31.3.00
UBS Warburg	450	**231.3**	277
UBS Switzerland	50	**3.8**	4.3
Corporate Center	350	**62.8**	65.9
Reserves	100		
Diversification effects	n/a	**(69.2)**	(68.1)
UBS Group	600	**228.7**	279.1

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

standard forward-looking scenarios. Against these scenarios, our changing market risk positions led to a decrease of our stress loss exposure from CHF 642 million to CHF 293 million at the end of the second quarter. Our risk/reward appetite remains unchanged.

The reduced market risk exposure of UBS Warburg is also reflected at the UBS Group level, where VaR decreased over the past quarter to CHF 229 million.

Accounting Changes and Restatements

For comparative purposes, 1999 figures were restated in first quarter 2000, primarily for:
– The removal from net trading income of profit on UBS shares held for trading purposes.
– The treatment of these shares as treasury shares, reducing both the number of shares and the shareholders' equity used in ratio calculations.
– The reclassification of trading-related interest revenues, from net trading income to net interest income.
– The removal of the credit to net interest income and matching debit to net trading income for the cost of funding trading positions.

Since the beginning of the year, we have capitalized costs relating to the in-house development of software, reducing operating expense this quarter by CHF 75 million.

Capital Structure

Share buy-back

UBS concluded its share buy-back program on 28 June 2000. Since the start of this program on 17 January 2000 we bought back 18,421,783 shares (representing 4.3% of our share capital) at an average price of CHF 217 over a second trading line on the SWX Swiss Exchange. These shares cannot be reissued. The cancellation of the shares and corresponding reduction of share capital will take place following the approval of shareholders at the Annual General Meeting in 2001. Despite the share buy-back, balance sheet discipline and strong cash flow generation mean that the bank's BIS Tier 1 capital ratio increased, from 11.0% at 31 March 2000 to 12.1% at 30 June 2000.

Financing the PaineWebber transaction

The following terms have been agreed for the transaction. Stockholders of PaineWebber can elect to receive either USD 73.50 in cash for each PaineWebber share or 0.4954 of a UBS share. The percentage of shares of PaineWebber common stock which is convertible into UBS shares is fixed at 50%. As a result, shareholders' elections may be adjusted on a pro rata basis so that, in aggregate, 50% of the PaineWebber common stock is converted to the right to receive shares of UBS and 50% is converted to the right to receive cash.

The expected total consideration, based on UBS's share price before the announcement and assuming exercise of all PaineWebber options held by employees, is estimated at USD 12.4 billion. The cash consideration will be funded, in part, by a USD 1.5 billion issue of trust preferred securities.

At the Extraordinary General Meeting on 7 September 2000, UBS shareholders will be asked to approve the share capital increase required to fund the share portion of the consideration.

The Board of Directors will propose the creation of 38 million new UBS shares in the form of authorized capital for the merger transaction and 17 million new UBS shares in the form of conditional capital for PaineWebber options outstanding beyond the merger exchange date. Due to the inter-relationship between the two categories, the maximum total number of shares issued either as authorized or conditional capital will not exceed 46 million shares. Any shares issued as a result of these approvals can only be used in the context of the merger transaction.

The Board of Directors will additionally propose that UBS shareholders of record as of 2 October 2000 be paid a partial dividend of CHF 4.50 per share relating to the first nine months of the year. This is intended to ensure equal treatment of UBS shareholders and PaineWebber stockholders.

On 30 June 2000, approximately 146.7 million PaineWebber shares were outstanding. Employee-held options account for a further 33.6 million PaineWebber shares. Should all these options be exercised upon consummation of the merger, a maximum total of 45 million UBS shares would be needed. UBS will re-issue approximately 7 million UBS shares currently held in treasury, so that a maximum of 38 million shares in the form of authorized capital will be needed.

The existing option plans for employees of PaineWebber will be taken over by UBS. If all PaineWebber options were rolled over into similar UBS instruments, a maximum of 17 million UBS shares would be needed to cover their future exercise. These will be provided for by the proposed creation of conditional capital.

To avoid dilution of earnings and voting power, UBS's Board of Directors and the Group Executive Board are fully committed to keeping the final number of new UBS shares issued as small as possible, subject to maintaining a sound capitalization for the UBS Group. The number of shares that will finally be issued may be reduced by shares temporarily borrowed in the market. Any such borrowed shares will subsequently be replaced by purchases in the market. The Board of Directors is proposing that it be granted the right to a "green shoe option" permitting issuance of additional shares from the approved authorized capital during a limited period after the completion of the merger to the extent that market conditions make such replacement purchases less economically desirable for shareholders.

At the end of 2000, assuming that the transaction is completed by that date, UBS's pro-forma BIS Tier 1 capital ratio is expected to be between 8.5% and 9.0%. UBS's strong internal capital generation and balance sheet discipline allows it to strengthen its capital ratios rapidly. UBS is committed to maintaining a strong capitalization and rating as a distinguishing characteristic for both clients and shareholders.

Treasury shares

Effective 1 January 2000 International Accounting Standards, Interpretation SIC 16, requires a company which holds its own shares for trading or non-trading purposes to present those shares as treasury shares and deduct them from shareholders' equity. As a result, the year-end 1999 balance sheet has been restated to reflect this requirement. UBS Warburg acts as a market maker in both UBS shares and derivatives. It holds a significant number of UBS shares as a hedge for derivatives issued to retail and institutional investors. At 30 June 2000, UBS held 40,269,350 shares or 9.3% of its outstanding capital in treasury shares, of which 14,958,828 were held for trading purposes and 18,321,783 were held as part of the second trading line, pending cancellation. In comparison, at 31 March 2000, UBS held 41,036,752 shares or 9.5% of the outstanding capital in treasury shares, of which 21,309,232 were held for trading purposes, and 8,596,242 were held as part of the second trading line.

UBS shares and market capitalization

	Number of shares			% change from	
As of	30.6.00	31.3.00	31.12.99	31.3.00	31.12.99
Total ordinary shares outstanding	431,696,624	431,093,218	430,893,162	0	0
minus 2nd trading line treasury shares	18,321,783	8,596,242	0	113	
Net shares outstanding	413,374,841	422,496,976	430,893,162	(2)	(4)
Market capitalization (CHF million)	98,797	92,316	92,642	7	7
2nd trading line treasury shares	18,321,783	8,596,242	0	113	
Own shares held for trading purposes	14,958,828	21,309,232	21,213,494	(30)	(29)
Other treasury shares	6,988,739	11,131,278	15,660,220	(37)	(55)
Total number of treasury shares	40,269,350	41,036,752	36,873,714	(2)	9

UBS Switzerland

Business group reporting

	Quarter ended			% change from		Year-to-date	
CHF million	**30.6.00**	31.3.00	30.6.99[1]	1Q00	2Q99	30.6.00	30.6.99[1]
Income	**3,526**	3,748	3,176	(6)	11	7,274	6,327
Credit loss expense	**(191)**	(232)	(276)	18	31	(423)	(560)
Total operating income	**3,335**	3,516	2,900	(5)	15	6,851	5,767
Personnel expenses	**1,218**	1,198	1,183	2	3	2,416	2,383
General and administrative expenses	**591**	572	534	3	11	1,163	988
Depreciation	**105**	125	114	(16)	(8)	230	229
Amortization of goodwill and other intangible assets	**10**	34	6	(71)	67	44	9
Total operating expenses	**1,924**	1,929	1,837	0	5	3,853	3,609
Business group performance before tax	**1,411**	1,587	1,063	(11)	33	2,998	2,158

Additional information

	Quarter ended			% change from		Year-to-date	
CHF million	**30.6.00**	31.3.00	30.6.99	1Q00	2Q99	30.6.00	30.6.99
Assets under management (CHF billion)	**1,122**	1,141	1,073	(2)	4		
Cost/income ratio (%)[2]	**55**	51	58			53	57
Cost/income before goodwill amortization (%)[2, 3]	**54**	51	58			52	57

				% change from	
As of	**30.6.00**	31.3.00	31.12.99	1Q00	4Q99
Regulatory equity used (avg)	**10,750**	10,750	10,059	0	7
Headcount (full time equivalents)	**29,717**	30,099	31,354	(1)	(5)

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

e-Channels and Products

Since its formation in April, the "e-Channels and Products" unit has moved rapidly to implement e-banking services and products across both the Private and Corporate Clients and Private Banking business units. In May, UBS launched a well received e-banking advertising and marketing campaign throughout Switzerland aimed at consolidating our broad range of telephone, internet and interactive services under a single "UBS e-banking" label.

UBS Switzerland has also made a significant step forward in WAP mobile phone services, with the launch of a pilot scheme allowing selected clients to access their bank accounts and trade shares from their mobile phone. This is a unique offering in Switzerland and UBS intends to make this service available from this autumn to all UBS e-banking clients with security-compatible WAP mobile phones.

UBS Switzerland significantly increased its online offering during the quarter and implemented:

- UBS MaX, enabling investors to trade Swiss securities after hours until 10:00 p.m. local time.
- UBS Currency Certificate, enabling investors to hedge their portfolios efficiently and cost effectively against foreign exchange fluctuations.
- UBS Research online, providing access to a wide range of economic and investment information.

During the quarter, UBS Switzerland continued to enhance UBS Quotes and added new services such as Traders Talk, providing investors with news about current foreign exchange trading direct from UBS Warburg's dealing floor. Coverage of global securities markets also expanded to include Helsinki, Oslo, Vienna and the NASDAQ OTC. Through e-banking, UBS Switzerland customers can trade on all the world's major exchanges and directly execute online on 7 key exchanges. At the end of June, BlueSky Ratings™, an independent provider of online broker ratings, ranked UBS as the best online broker in Switzerland.

Some highlights for the period include:

– UBS e-banking contracts increased to 506,000 by the end of June, from about 485,000 in March.
– Over 18% of all payment orders are now transacted via e-banking.
– 11% of all UBS Switzerland stock exchange transactions this quarter were routed through e-banking, up from 9% in the first quarter.
– During the quarter, 1,500 new clients signed up with UBS Tradepac, our discount share trading package targeted at active traders, bringing the total to 7,600.
– UBS Quotes received an average of more than 22 million page views per month during the second quarter.
– UBS Quotes on WAP, introduced in February, received an average of more than 10,000 page views per day, up ten-fold from first quarter 2000.
– We sold 2,000 more copies of UBS Quicken, UBS's exclusive personal financial management software, bringing the total since its launch in October 1999 to over 23,000.

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

Private and Corporate Clients

Business unit reporting

CHF million	Quarter ended 30.6.00	31.3.00	30.6.99[1]	% change from 1Q00	2Q99	Year-to-date 30.6.00	30.6.99[1]
Income	**1,888**	1,915	1,797	(1)	5	3,803	3,599
Credit loss expense	**(187)**	(225)	(277)	17	32	(412)	(554)
Total operating income	**1,701**	1,690	1,520	1	12	3,391	3,045
Personnel expenses	**843**	804	840	5	0	1,647	1,723
General and administrative expenses	**246**	261	290	(6)	(15)	507	501
Depreciation	**85**	107	94	(21)	(10)	192	199
Amortization of goodwill and other intangible assets	**1**	26	0	(96)		27	1
Total operating expenses	**1,175**	1,198	1,224	(2)	(4)	2,373	2,424
Business unit performance before tax	**526**	492	296	7	78	1,018	621
KPI's							
Assets under management (CHF billion)[2]	**439**	443	443	(1)	(1)		
Cost/income ratio (%)[3]	**62**	63	68			62	67
Cost/income before goodwill amortization (%)[3, 4]	**62**	61	68			62	67
Non-performing loans/Gross loans outstanding (%)	**6.0**	6.3	7.4				

Additional information As of	30.6.00	31.3.00	31.12.99	% change from 1Q00	4Q99
Regulatory equity used (avg)	**8,850**	8,850	8,550	0	4
Headcount (full time equivalents)	**22,270**	22,668	24,098	(2)	(8)

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

Key Performance Indicators

Switzerland's economy has continued to strengthen, with the Swiss National Bank recently raising its growth forecast for the year from 1.8% to 3%. This economic improvement, together with successful recovery efforts, have favorably impacted the quality of the loan portfolio, leading to a further improvement in the non-performing loans/total loans ratio from 6.3% to 6.0%.

Reflecting continued successful cost control, the pre-goodwill cost/income ratio increased only slightly from 61% in first quarter 2000 to 62% this quarter, despite a slight decrease in revenues before credit loss expense.

Assets under management decreased slightly less than 1% from CHF 443 billion to CHF 439 billion during the second quarter, due to performance effects, in line with the market. Net new money during the second quarter was flat.

Initiatives and Achievements

e-commerce

In June we announced the creation of plenaxx.com, the first comprehensive business-to-business internet portal for small and medium sized enterprises (SME's) in Switzerland. The site will serve as a hub for all the daily internet activities of companies and their employees, integrating messaging, news and calendar functions with tools for information sharing and process automation within and between companies. In addition to the equity stake, Plenaxx will provide UBS with the opportunity to offer companies easy access to the full range of its e-banking products and services, together with specially developed tools. Plenaxx is jointly owned by UBS and three business partners, Swiss Mobiliar (insurance), Swisscom (telecommunications) and Valora (international trade services), together with the Swiss Trade Association, and will launch nationally in the autumn.

Strategic Project Portfolio

Our Strategic Project Portfolio, used to closely monitor both revenue generating and cost saving initiatives, is on track and continues to deliver according to schedule.

We closed a further 7 branches this quarter, bringing the total post-merger reduction to 200 branches, or 36% of the network. We have managed to do this with minimal impact on customer convenience by increasing the number of automated banking machines located at strategic sites throughout Switzerland. Since the start of the year, the number of BancomatPlus and Multimat machines has risen by 26%, and 44% respectively, permitting clients to perform transactions 24 hours per day. BancomatPlus allows deposits and withdrawals while Multimat offers full-service banking including features such as standing orders, domestic and foreign payments, account transfers, as well as foreign exchange and mortgage rate enquiries.

Our initiatives to increase efficiency have also been supported by the rapidly increasing use of the internet for electronic payments and stock exchange transactions. In addition to the post-merger rationalization, we have realized significant sustainable infrastructure and branch-based efficiencies this quarter.

Loan portfolio

Private and Corporate Clients reduced its loan portfolio slightly to CHF 169 billion from CHF 171 billion in the first quarter. Asset quality continues to improve as a direct result of the introduction of risk-adjusted pricing. In June, Private and Corporate Clients became the first Swiss bank to structure a synthetic securitization transaction with the launch of Helvetic Asset Trust, a synthetic collateralized loan obligation, which transfers the default risk of a portion of our loan portfolio to the capital market in the form of a fixed rate bond.

During the quarter, the recovery portfolio decreased to CHF 18 billion from CHF 19 billion as a result of continued workout initiatives.

Aventic

Aventic AG is a Swiss-based venture capital fund with a committed capital of CHF 275 million. This 100% UBS owned company is designed to assist small and medium sized businesses in financing innovative products and services as well as to provide coaching throughout their developing stages.

Financing requests during the first half continued to be strong with eight new direct investments being made during the period focused on internet, software and biotechnology ventures.

Results

The second quarter net profit before tax increased CHF 34 million, or 7% to CHF 526 million, from CHF 492 million during the first quarter and increased by CHF 230 million, or 78%, compared to the second quarter 1999. This strong result was achieved despite less favorable securities market conditions to those experienced earlier this year.

Operating income

Private and Corporate Clients operating income of CHF 1,701 million was CHF 11 million, or 1% higher than first quarter and CHF 181 million, or 12%, ahead of the second quarter 1999. Brokerage income fell in comparison to the first quarter, reflecting a less active market environment, but improvements in asset quality helped offset this by reducing expected credit loss expense.

Operating expenses

Total operating expenses of CHF 1,175 million were CHF 23 million, or 2% lower than the first quarter as a result of our continued focus on cost management. The decrease in general and administrative expense and depreciation during the second quarter, was offset by increased personnel expenses due to performance related compensation reflecting the excellent year-to-date result.

Headcount

Private and Corporate Clients headcount fell 398 to 22,270 at the end of the second quarter, as merger-related benefits continue to materialize. Adjusted for the transfer of Systor to UBS Capital, Private and Corporate Clients headcount has fallen by 1,337 or 5.7% since 30 September 1999.

Outlook

With two successive record quarters behind it, confidence in the continued success of the Strategic Projects Portfolio including realization of the merger synergies, and the positive credit environment, leads Private and Corporate Clients to feel confident of a strong full-year result.

Private Banking

Business unit reporting

	Quarter ended			% change from		Year-to-date	
CHF million	30.6.00	31.3.00	30.6.99[1]	1Q00	2Q99	30.6.00	30.6.99[1]
Income	1,638	1,833	1,379	(11)	19	3,471	2,728
Credit loss expense	(4)	(7)	1	43	(500)	(11)	(6)
Total operating income	1,634	1,826	1,380	(11)	18	3,460	2,722
Personnel expenses	375	394	343	(5)	9	769	660
General and administrative expenses	345	311	244	11	41	656	487
Depreciation	20	18	20	11	0	38	30
Amortization of goodwill and other intangible assets	9	8	6	13	50	17	8
Total operating expenses	749	731	613	2	22	1,480	1,185
Business unit performance before tax	885	1,095	767	(19)	15	1,980	1,537
KPI's							
Assets under management (CHF billion)	683	698	630	(2)	8		
Net new money (CHF billion)[4]	(2.8)	2.1	3.6			(0.7)	2.8
Gross AuM margin (bps)	95	107	89	(11)	6	101	90
Cost/income ratio (%)[2]	46	40	44			43	43
Cost/income before goodwill amortization (%)[2,3]	45	39	44			42	43

Additional information				% change from	
As of	30.6.00	31.3.00	31.12.99	1Q00	4Q99
Regulatory equity used (avg)	1,900	1,900	1,509	0	26
Headcount (full time equivalents)	7,447	7,431	7,256	0	3

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

Key Performance Indicators

Assets under management decreased during the second quarter, by CHF 15 billion from CHF 698 billion to CHF 683 billion, in line with market and foreign exchange movements, but including disappointing net new money of CHF –3 billion, against a more muted market background for asset inflows than the first quarter.

Gross AuM margin fell to 95 bps in second quarter 2000 from 107 bps, as a result of lower brokerage revenues than during the exceptional trading activity in the first quarter. However, Private Banking believes that its continued focus on new added-value products and services for its existing clients will help it to maintain an attractive margin relative to 1999.

The pre-goodwill cost/income ratio increased from 39% to 45%, as revenues fell back slightly from the record level achieved in first quarter, but was in line with performance in the early part of last year, and well below the peak level of over 50%.

Initiatives and Achievements

Investment Center
UBS Switzerland is establishing an Investment Center, reporting to the CEO of Private Banking, which will combine the existing investment research activities of the Private Banking and Private and Corporate Clients business units.

The Center's purpose is to develop specific investment strategies and to guide the investment process by which the two business units manage private wealth and advise their private clients regarding their global investment decisions. The Center will be used to filter research and products, both from internal UBS and external sources, and to transform this into investment strategies and advice suitable for private clients.

Rapid progress has been made and the center is expected to be fully operational in fourth quarter 2000.

Client service initiatives

We have experienced rapid growth in mandates for our Active Portfolio Advisory (APA) and Active Portfolio Supervision (APS) services. APS provides clients with investment recommendations whenever their portfolio breaches specified parameters, whilst APA additionally gives direct access to a dedicated investment specialist and tailor made strategies. Both services are available for an additional fee, or clients can pay an all-in fee, based on asset volume, asset allocation and expected activity levels. APA and APS offer structured, value enhancing services to non-discretionary clients and support our move away from brokerage based income towards advisory based fees.

We recently introduced UBS Connect II, an electronic interface to External Asset Managers (independent financial advisers who use UBS's custodial, order execution and other services for their clients). Through UBS Connect II we provide real-time information concerning the major financial markets, and the opportunity to initiate various transactions directly with UBS. Take-up has been encouraging.

Sports and Entertainment Group (SEG)

Private Banking has launched an advisory team for the special needs of individuals working in the worlds of sport and entertainment. SEG delivers an integrated financial planning model and provides solutions on a global basis with a full range of products including cash management, investment and portfolio management and life-cycle products. SEG is headquartered in London and has representatives in the United Kingdom, France, Spain, Monaco and Switzerland. It has further plans to extend its presence to Germany, Italy and the United States in the near future.

Results

Private Banking's second quarter pre-tax profit of CHF 885 million was 19% less than the CHF 1,095 million achieved during the exceptionally good first quarter, but 15% higher than second quarter 1999. This good result, higher than in every quarter of 1999, was achieved in less favorable securities market conditions than those experienced during the first quarter 2000.

Operating income

Operating income in this quarter was CHF 1,634 million, down 11% from the first quarter, as a result of lower brokerage fees than in the extremely active markets of the first quarter. Compared to second quarter 1999, income was up 18%, reflecting increased advisory and asset-based fees.

Operating expenses

Total operating expenses of CHF 749 million were CHF 18 million, or 2% higher than first quarter 2000. Personnel expenses decreased by CHF 19 million, or 5%, compared to the first quarter 2000 primarily due to lower performance-related compensation, in line with the second quarter result. This was offset by an increase in general and administrative expenses which rose by CHF 34 million, or 11%, primarily due to higher levels of marketing and IT-related expense.

Headcount

Private Banking headcount reached 7,447 at the end of the second quarter, an immaterial change since the first quarter. Headcount for the year is expected to remain at approximately these levels as Private Banking takes steps to increase the number of client-facing staff and further reduce those in support areas, through exploitation of synergy potential within UBS Switzerland. Client advisor turnover has reduced since last year, and now stands at pre-merger levels.

Outlook

Private Banking continues to focus first and foremost on delivering the best possible service to its existing clients, providing the investment strategies, advice and products that they value. This focus is delivering a sustained improvement in our margins, which, together with continued emphasis on cost control, provides a positive outlook for continued strong profitability.

UBS Asset Management

Business group reporting

	Quarter ended			% change from		Year-to-date	
CHF million	**30.6.00**	31.3.00	30.6.99[1]	1Q00	2Q99	30.6.00	30.6.99[1]
Income	**490**	482	339	2	45	972	644
Credit loss expense	**0**	0	0			0	0
Total operating income	**490**	482	339	2	45	972	644
Personnel expenses	**219**	202	135	8	62	421	281
General and administrative expenses	**100**	96	79	4	27	196	125
Depreciation	**12**	10	4	20	200	22	9
Amortization of goodwill and other intangible assets	**66**	65	29	2	128	131	57
Total operating expenses	**397**	373	247	6	61	770	472
Business group performance before tax	**93**	109	92	(15)	1	202	172

Additional information

	Quarter ended			% change from		Year-to-date	
CHF million	**30.6.00**	31.3.00	30.6.99	1Q00	2Q99	30.6.00	30.6.99
Assets under management (CHF billion)	**552**	586	563	(6)	(2)		
Cost/income ratio (%)[2]	**81**	77	73			79	73
Cost/income before goodwill amortization (%)[2, 3]	**68**	64	64			66	64

				% change from	
As of	**30.6.00**	31.3.00	31.12.99	1Q00	4Q99
Regulatory equity used (avg)	**1,250**	1,200	162	4	672
Headcount (full time equivalents)	**2,750**	2,620	2,576	5	7

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

Institutional Asset Management

Business unit reporting

	Quarter ended			% change from		Year-to-date	
CHF million	30.6.00	31.3.00	30.6.99[1]	1Q00	2Q99	30.6.00	30.6.99[1]
Income	325	313	279	4	16	638	542
Credit loss expense	0	0	0			0	0
Total operating income	325	313	279	4	16	638	542
Personnel expenses	162	137	120	18	35	299	252
General and administrative expenses	55	48	46	15	20	103	79
Depreciation	6	6	2	0	200	12	6
Amortization of goodwill and other intangible assets	43	43	29	0	48	86	57
Total operating expenses	266	234	197	14	35	500	394
Business unit performance before tax	59	79	82	(25)	(28)	138	148
KPI's							
Assets under management (CHF billion)	525	557	563	(6)	(7)		
Net new money (CHF billion)[4]	(20.2)	(32.4)	(15)	38	(35)	(52.6)	(22.4)
Cost/income ratio (%)[2]	82	75	71			78	73
Cost/income before goodwill amortization (%)[2, 3]	69	61	60			65	62

Additional information				% change from	
As of	30.6.00	31.3.00	31.12.99	1Q00	4Q99
Regulatory equity used (avg)	500	450	160	11	213
Headcount (full time equivalents)	1,712	1,657	1,653	3	4

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

Key Performance Indicators

In the second quarter, total assets under management fell 6% to CHF 525 billion from CHF 557 billion, driven primarily by institutional assets, which were down 7% from CHF 352 billion to CHF 326 billion due to currency movements and net client losses. Non-institutional assets managed by Institutional Asset Management, primarily UBS Investment Funds, declined 3% to CHF 199 billion, due to market movements.

The development of net new money during the second quarter was in line with expectations, with net losses moderating significantly from CHF 32 billion in the first quarter to CHF 20 billion. Client losses continued to be concentrated within the Americas and the UK, within equity-related mandates reflecting past investment performance issues. More recently, market volatility in the second quarter has resulted in improved investment performance. The outlook for institutional net new money remains modestly negative, with client losses expected to further moderate in future quarters as investment performance continues to improve.

The cost/income ratio before goodwill increased to 69% versus 61% in first quarter 2000, as income from institutional assets reduced in line with falling assets under management.

Initiatives and Achievements

Integration of Brinson Partners and Phillips & Drew

The merger of the Phillips & Drew and Brinson Partners organizations was completed on 17 July 2000. While client relationships were unaffected by the change, the investment platforms of the two organizations have been combined to create a top-class team of global investment specialists with a unified investment approach, building on the strengths of both predecessor organizations.

Launch of O'Connor

At the beginning of June, UBS Asset Management and UBS Warburg jointly launched a new business area, O'Connor, drawn from parts of the former proprietary equity trading, fund of funds and currency funds businesses of UBS Warburg.

O'Connor focuses on investment strategies designed to provide attractive risk-adjusted returns with a low correlation to traditional investments. It offers professionally managed trading strategies relating to merger arbitrage, convertible arbitrage and fundamental long/short positions, a fund of funds which utilizes outside alternative managers to create a diversified portfolio, and foreign exchange and interest rate arbitrage trading. The group integrates the global research, investment and distribution capabilities of UBS Asset Management with the quantitative trading and derivatives expertise of UBS Warburg.

With a growing demand by pension funds and other investors for alternative strategies, and its investment performance track record, O'Connor is expected to become an important component of the UBS Asset Management business group.

Investment capabilities and performance

Turbulence, particularly within equity markets, was a feature of the second quarter, with significant setbacks in the telecommunication and technology sectors and "old economy" shares generally outperforming. Major equity and equity-related strategies were favorably positioned for this reevaluation, and generally performed in excess of relevant benchmarks for the quarter with year-to-date investment performance generally in line with relevant benchmarks.

Expanding UBS Asset Management's successful growth equity capabilities and the creation of O'Connor represent important initiatives towards increasing Institutional Asset Management's investment style diversification.

Results

Institutional Asset Management's second quarter 2000 net profit before tax declined 25% versus the prior quarter and 28% compared to the second quarter of 1999.

Operating income

Operating income grew quarter-on-quarter by 4% to CHF 325 million. Institutional income increased from CHF 261 million in first quarter 2000, to CHF 274 million due to the addition of the O'Connor business and strong performance fees, somewhat offset by lower asset-based fee volumes. Non-institutional operating income was down CHF 1 million against first quarter 2000, at CHF 51 million, as a result of the slight decline in non-institutional assets.

Operating expenses

Personnel costs rose CHF 25 million from CHF 137 million in first quarter 2000 as a result of the addition of the O'Connor business and currency movements. Marketing expenses and currency movements also led to slightly higher general and administrative expenses.

Headcount

Headcount increased 55 over the quarter to 1,712 at the end of June as a result of the transfer of O'Connor employees from UBS Warburg.

Outlook

While client asset losses are anticipated to further moderate in coming quarters, Institutional Asset Management expects the earnings environment to remain challenging as notified client attrition impacts revenue, with a slight time-lagged effect. However, strategic initiatives such as the launch of O'Connor and the development of new investment capabilities will contribute to mitigating this impact.

Investment Funds/GAM

Business unit reporting

	Quarter ended			% change from		Year-to-date	
CHF million	**30.6.00**	31.3.00	30.6.99[1]	1Q00	2Q99	30.6.00	30.6.99[1]
Income	**165**	169	60	(2)	175	334	102
Credit loss expense	**0**	0	0			0	0
Total operating income	**165**	169	60	(2)	175	334	102
Personnel expenses	**57**	65	15	(12)	280	122	29
General and administrative expenses	**45**	48	33	(6)	36	93	46
Depreciation	**6**	4	2	50	200	10	3
Amortization of goodwill and other intangible assets	**23**	22	0	5		45	0
Total operating expenses	**131**	139	50	(6)	162	270	78
Business unit performance before tax	**34**	30	10	13	240	64	24
KPI's							
Assets under management (CHF billion)	**225**	232	190	(3)	18		
Net new money (CHF billion)[4]	**0.8**	0.6	1.2	33	(33)	1.4	3.4
Cost / income ratio (%)[2]	**79**	82	83			81	76
Cost/income before goodwill amortization (%)[2, 3]	**65**	69	83			67	76

Additional information				% change from	
As of	**30.6.00**	31.3.00	31.12.99	1Q00	4Q99
Regulatory equity used (avg)	**750**	750	2	0	–
Headcount (full time equivalents)	**1,038**	963	923	8	12

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

Key Performance Indicators

Assets under management fell by 3% from CHF 232 billion to CHF 225 billion as a result of performance and currency movements, in line with markets. Net new money was slightly positive, in the context of slower inflows industry wide.

Investment Funds' market share within Switzerland has fallen over the last year, but from an extremely high base. Historically, UBS built up product penetration of its client base earlier and more quickly than competitors, and market share naturally falls as penetration rates equalize. However, UBS sees a renewed opportunity to add market share and diversify its client base as new market distribution channels are created by the industry move towards open architecture. In addition, UBS's clients are shifting from traditional fixed income to higher margin equity-related products. We expect this shift to continue as a result of changing investor requirements and increased focus on higher margin product by our distribution channels.

The pre-goodwill cost/income ratio decreased from 69% during the first quarter to 65% in the second quarter resulting from lower personnel costs.

Initiatives and Achievements

Internet based pan-European distribution for UBS Investment Funds

Investment Funds continues its progress towards a multi-channel distribution architecture, integrating traditional and electronic distribution channels, and is currently developing an e-based investment fund distribution strategy targeting individual investors through emerging, non-traditional intermediaries such as corporations, public services and non-profit organizations.

The service will allow intermediaries to provide a broad selection of fund-related products to their clients including personalized investment advisory services, investor education content, online decision support tools and automated trade execution. The launch of this distribution initiative within the European marketplace is scheduled to begin in Germany at the end of this year.

Screened open architecture for clients of UBS Switzerland

During the second quarter, UBS continued to develop investment solutions that combine UBS, GAM and third-party funds. This initiative reflects UBS's commitment to providing an attractive range of high quality investment funds, through multiple access channels, on a prescreened basis.

UBS Investment Funds product innovation

UBS Investment Funds significantly strengthened its product range during the second quarter, with several important fund launches.

These included the UBS (CH) Alternative Fund – Growth Program, UBS's first fund for alternative investments officially offered for public distribution in Switzerland. As the first of a series of new alternative products, this fund offers investors increased diversification by providing returns with less correlation to traditional investments. In contrast to alternative funds focusing on specific strategies, the UBS (CH) Alternative Fund – Growth Program is a fund of funds, that invests in a number of independent alternative funds bringing investors diversification and access to some of the world's best fund managers.

Investment capabilities and performance

Investment funds' performance during the second quarter was generally in line with relevant indices, while GAM's performance continued to be strong, exceeding the benchmarks for nearly all funds during the quarter and year-to-date.

Results

The business unit's earnings grew 13% quarter-on-quarter, driven by lower expenses. Versus the second quarter of 1999, performance before tax rose strongly with the acquisition of GAM and a rise in average assets.

Operating income

Operating income fell very slightly from first quarter, reflecting annual GAM performance fees included in the first quarter, offset by fees based on slightly higher average asset levels. Compared to the second quarter of 1999, operating income rose due to the GAM acquisition late in 1999, and higher average assets under management.

Operating expenses

Despite an increase in headcount, personnel expenses declined CHF 8 million, or 12%, due to GAM costs from December recognized in the first quarter.

Headcount

Headcount rose 75, or 8% to 1,038 at the end of June from 963 at the end of March, primarily due to investment in the distribution and open architecture growth initiatives.

Outlook

GAM's strong investment performance and the expansion of distribution channels for investment funds will drive future revenue growth, but the investment in multi-channel distribution initiatives is expected to increase expenses during the remainder of the year.

UBS Warburg

Business group reporting

	Quarter ended			% change from		Year-to-date	
CHF million	**30.6.00**	31.3.00	30.6.99[1,2]	1Q00	2Q99	30.6.00	30.6.99[1,2]
Income	**4,926**	5,269	3,536	(7)	39	10,195	6,979
Credit loss expense	**(40)**	(75)	(89)	47	55	(115)	(171)
Total operating income	**4,886**	5,194	3,447	(6)	42	10,080	6,808
Personnel expenses	**2,761**	2,988	2,141	(8)	29	5,749	4,073
General and administrative expenses	**727**	710	601	2	21	1,437	1,175
Depreciation	**145**	140	224	4	(35)	285	332
Amortization of goodwill and other intangible assets	**40**	37	43	8	(7)	77	82
Total operating expenses	**3,673**	3,875	3,009	(5)	22	7,548	5,662
Business group performance before tax	**1,213**	1,319	438	(8)	177	2,532	1,146

Additional information

	Quarter ended			% change from		Year-to-date	
CHF million	**30.6.00**	31.3.00	30.6.99	1Q00	2Q99	30.6.00	30.6.99
Assets under management (CHF billion)	**37**	40	29	(7)	27		
Cost / income ratio (%)[3]	**75**	74	85			74	81
Cost/income before goodwill amortization (%)[3,4]	**74**	73	84			73	80

				% change from	
As of	**30.6.00**	31.3.00	31.12.99	1Q00	4Q99
Regulatory equity used (avg)	**10,690**	10,500	10,679	2	0
Headcount (full time equivalents)	**14,346**	14,512	14,266	(1)	1

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

As announced on 12 July 2000, UBS and PaineWebber have entered into a definitive merger agreement. Following completion of the merger, PaineWebber will become an integral part of UBS Warburg. The PaineWebber brand will be used as the private client brand for UBS Warburg in the US. Its Private Client group will absorb the existing UBS Warburg Private Clients and e-services business units and will be responsible for all UBS Warburg's private client services. Mitchell Hutchins and DSI, PaineWebber's asset management businesses along with their transaction services group, will continue to be linked to the Private Client group in order to retain their close connections. PaineWebber's Capital Markets group will be integrated into UBS Warburg's Corporate and Institutional Clients business unit.

The integration of PaineWebber's affluent client franchise with UBS Warburg's global investment banking and securities platform, provides the opportunity for considerable synergies, principally through increased revenue generating possibilities. It also strengthens UBS Warburg's institutional franchise in the US, particularly in equity research, where the combined team will comfortably be ranked in the top ten.

Corporate and Institutional Clients

Business unit reporting

CHF million	Quarter ended 30.6.00	31.3.00	30.6.99[1,2]	% change from 1Q00	2Q99	Year-to-date 30.6.00	30.6.99[1,2]
Income	**4,860**	5,049	3,444	(4)	41	9,909	6,766
Credit loss expense	**(39)**	(74)	(89)	47	56	(113)	(171)
Total operating income	**4,821**	4,975	3,355	(3)	44	9,796	6,595
Personnel expenses	**2,601**	2,761	2,049	(6)	27	5,362	3,898
General and administrative expenses	**631**	608	547	4	15	1,239	1,074
Depreciation	**132**	127	217	4	(39)	259	322
Amortization of goodwill and other intangible assets	**37**	34	36	9	3	71	71
Total operating expenses	**3,401**	3,530	2,849	(4)	19	6,931	5,365
Business unit performance before tax	**1,420**	1,445	506	(2)	181	2,865	1,230
KPI's							
Compensation/income (%)[3]	**54**	55	59			54	58
Cost/income ratio (%)[3]	**70**	70	83			70	79
Cost/income before goodwill amortization (%)[3,4]	**69**	69	82			69	78
Non-performing loans/Gross loans outstanding (%)	**2.7**	2.4	1.2				
VaR (10-day 99%)	**231**	277	210				

Additional information

As of	30.6.00	31.3.00	31.12.99	% change from 1Q00	4Q99
Regulatory equity used (avg)	**9,850**	9,650	10,050	2	(2)
Headcount (full time equivalents)	**12,730**	12,847	12,694	(1)	0

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

Key Performance Indicators

UBS Warburg measures its expense base primarily in terms of percentage of revenues, looking at both personnel costs and non-personnel costs on this basis. Continued strong revenue performance and active cost management meant that the cost/income ratio was maintained at 69%, a significant improvement over the 82% recorded a year ago.

UBS Warburg's ratio of personnel cost to income stands at 53.5%, very slightly down from the first quarter and 6% lower than second quarter 1999. UBS Warburg is committed to invest in top quality talent and therefore aims to compensate its employees at similar levels to its global competitors.

Whilst personnel costs are more directly tied to changes in revenue, non-personnel costs as a percentage of income increased slightly to 16% this quarter as revenues just failed to meet the first quarter's exceptional result. This is well below the second quarter 1999 level of 23%.

Market risk utilization, as measured by Value at Risk, decreased from CHF 277 million at the end of March to CHF 231 million at the end of June, and is well within the limit of CHF 450 million. Market risk varies according to risk positions, currency and interest rate exposure. The business unit continues to be active in all major markets and the Value at Risk can be expected to fluctuate within the limit, according to market changes and client needs.

Corporate and Institutional Clients continues to manage its loan book closely with total loans of CHF 64.3 billion, 16% lower than the CHF 76.9 billion recorded at the end of the first quarter, and a slight increase in non-performing loans from 2.4% of gross outstandings to 2.7%.

First-half 2000 League Table Rankings

Mergers and acquisitions

UBS Warburg was ranked 6th year-to-date for both completed and announced M&A deals globally, with market shares of 20.3% and 12.9% respectively. In Europe, where the market growth is largest, UBS Warburg was ranked 4th for completed transactions with a market share of 40.2%. These good results demonstrate the continued strengthening of UBS Warburg's global M&A capabilities and coverage.

UBS Warburg was involved as advisor in several significant global transactions, including:

- The merger of Unilever and Bestfoods, valued at USD 24.3 billion, creating the pre-eminent global food and consumer goods company.
- The merger of Publicis and Saatchi & Saatchi, creating the 5th largest advertising agency in the world valued at approximately EUR 10 billion.

UBS Warburg's pipeline of mandates remains strong and the prospects are good for the future of the business.

Equity

UBS Warburg is ranked 11th overall in International Equity Underwriting with a year-to-date market share of 3.8%, and 8th in Europe with a year-to-date market share of 5.9%. However UBS Warburg has several major transactions scheduled for later in 2000.

The highlight of the quarter was the EUR 9 billion IPO of Telia in Sweden, the largest IPO of the year so far, and the biggest ever equity offering in the Nordic region. Other major transactions included:

- A EUR 750 million secondary offering of shares in Amadeus Global Travel Distribution where UBS Warburg was sole bookrunner and joint global coordinator, following our role as bookrunner for the original IPO in third quarter 1999.
- Acting as sole lead manager for a EUR 850 million Suez Lyonnaise des Eaux bond exchangeable into part of its holding in Fortis, the largest underwritten international equity-linked issue this year and the second largest ever.

The quarter was also notable for the development of our franchise in technology IPOs, including the London listings of Orchestream and Zen Research.

Equity research

According to Institutional Investor, UBS Warburg is ranked as one of the top tier equity research firms globally. Recent and planned hirings in the US, combined with the top 10 ranking of PaineWebber are expected to result in a significant improvement in the rankings there.

Fixed income

UBS Warburg's ranking in the international bond markets remains strong, with a 1st place ranking year-to-date in Eurobonds and a market share of 8.7%, 5th place year-to-date in All International Bonds, with a market share of 8.0% and 5th place year-to-date in our "franchise markets" with a market share of 8.2%. "Franchise markets" exclude specific segments in which UBS Warburg has chosen not to compete actively. UBS Warburg played a significant role in several large transactions for some of the world's leading borrowers from the US, Japan and Europe:

- USD 5.0 billion Global Bond for Freddie Mac (joint bookrunner).
- USD 1.0 billion Global Bond for the Japanese Bank for International Cooperation (joint bookrunner).
- EUR 3 billion Floating Rate Note for the Republic of Italy.

During the second quarter, UBS Warburg has lost some market share to several competitors who have benefited from a few large "elephant" deals. However, the pipeline remains strong and we are confident of remaining a leading player in this fast-growing market. The recent investment in European Leveraged Finance and US High Yield is also beginning to deliver strong results in terms of deal flow, revenues and league table rankings. Year-to-date, our ranking for European Leveraged Finance improved to 4th from 7th in 1999, with a market share of 6.8% up from 4.1%, and the ranking for US High Yield increased to 10th, with a market share of 3.5%, up from 15th and a market share of 1.1% in 1999.

(League table sources: M&A – Thomson Financial Securities Data; Underwriting – Capital Data Bondware)

e-commerce

On 9 May 2000, UBS Warburg launched Investment Banking On-Line (IBOL), its web portal for corporate and institutional clients. Providing a single point of access to all online products and services, it also facilitates the marketing of cross-product services and offers comprehensive search and personalization services. IBOL already has almost 22,000 registered client users and online usage continues to increase:

- Approximately USD 24 billion of primary debt was raised through DebtWeb in second quarter 2000, a 66% increase over first quarter 2000 and positioning UBS Warburg as one of the leading "e-managers" for new issues in the debt capital markets.
- During second quarter 2000, UBS Warburg marketed more than USD 10 billion of new equity issues on DealKey, including the Telia IPO.
- ResearchWeb, UBS Warburg's leading-edge site for research distribution, was voted one of the top 3 institutional research sites by the Primark Extel Survey 2000.

UBS Warburg also launched its Fx2B service for customers of E*Trade, the number two online broker in the US, providing live FX pricing and execution of FX transactions for E*Trade clients. The service was initially offered in Sweden and will expand to other E*Trade locations in the coming months. Fx2B connects UBS Warburg's global foreign exchange network with multinational corporates, cross-border e-commerce businesses, banks and e-brokers.

Results

UBS Warburg was less impacted than some competitors by the second quarter fall in North American M&A and technology sector activity, and generally lower market performance. While earnings, at CHF 1,420 million, were down 2% over first quarter 2000, they were up 181% over second quarter 1999, adjusting for the divestment of the international Global Trade Finance business, making this the second best quarter ever for the Corporate & Institutional Clients business unit, and reinforcing the strength of our client franchise and business model.

Operating income

UBS Warburg continues to benefit from its significant and profitable institutional client franchise. As a result, revenues were not as severely affected as those of several major competitors who are more heavily reliant on primary deal flow and M&A volumes.

Equities produced its second highest ever quarterly result, driven largely by secondary market activity, although primary equities are now recovering market share and revenue flow. Within the Fixed Income area, Derivatives and Principal Finance had a very strong quarter, while market conditions were tougher for other sectors. Treasury Products revenues decreased in comparison to second quarter last year, as a result of less positive trading conditions in foreign exchange. Corporate Finance had a significantly stronger second quarter, more than doubling its revenue since second quarter 1999.

Operating expenses

Personnel costs at CHF 2,601 million, increased 27% over second quarter 1999, due to higher performance-related compensation, but were down 6% over first quarter 2000. Non-personnel expenses of CHF 800 million were unchanged from second quarter 1999, reflecting continued cost control efforts.

Outlook

The volatility in the second quarter does not appear to have had any long term impact on financial markets in general, and equity and fixed income volumes, both primary and secondary, continue to be relatively robust. Since March 2000, M&A activity has been most concentrated in Europe, where UBS Warburg has a very strong franchise, and this trend is expected to continue. The third and fourth quarters of the year generally have lower activity levels than the first half, due to the effects of the summer slowdown and the year end. That said, UBS Warburg remains confident of continued strong results relative to 1999.

UBS Capital

Business unit reporting

CHF million	Quarter ended 30.6.00	31.3.00	30.6.99[1]	% change from 1Q00	2Q99	Year-to-date 30.6.00	30.6.99[1]
Income	**4**	147	45	(97)	(91)	151	120
Credit loss expense	**0**	0	0			0	0
Total operating income	**4**	147	45	(97)	(91)	151	120
Personnel expenses	**33**	20	22	65	50	53	41
General and administrative expenses	**12**	11	11	9	9	23	19
Depreciation	**1**	1	0	0		2	0
Amortization of goodwill and other intangible assets	**1**	1	3	0	(67)	2	3
Total operating expenses	**47**	33	36	42	31	80	63
Business unit performance before tax	**(43)**	114	9	(138)	(578)	71	57
KPI's							
Book value (CHF billion)	**3.8**	3.4	2.4				
Value creation (CHF billion)						0.4	0.3

Additional information				% change from	
As of	**30.6.00**	31.3.00	31.12.99	1Q00	4Q99
Regulatory equity used (avg)	**500**	500	340	0	47
Headcount (full time equivalents)	**113**	107	116	6	(3)

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

Key Performance Indicators

The book value of UBS Capital's private equity investments has grown from CHF 3.0 billion at year end and CHF 3.4 billion at the end of the first quarter to CHF 3.8 billion at 30 June 2000. New investments of CHF 0.5 billion were made during the second quarter, including new shareholdings in 18 companies in both new and old economy industries across a diverse range of sectors.

UBS Capital accounts for its private equity investments at the lower of cost or market value, showing only realized gains or losses in the profit and loss statement. The portfolio review and valuation at 30 June 2000 resulted in an approximate current fair value of around CHF 5.2 billion, compared to CHF 4.2 billion at 31 December 1999. This equates to unrealized gains of approximately CHF 1.4 billion, compared to CHF 1.2 billion at year-end 1999. The value creation during the half-year to the end of June 2000, including realized gains since 31 December 1999, and the increase in the portfolio's unrealized gains, is estimated to be approximately CHF 0.4 billion, sustaining UBS Capital's impressive value creation record.

Results

Operating income decreased 97% from CHF 147 million in first quarter 2000 to CHF 4 million in the second quarter. This reflects the realized gains from sales of investments in second quarter 2000, substantially offset by write-downs of the value of two under-performing companies in the portfolio.

Personnel, general and administrative expenses increased by CHF 14 million, or 45%, from CHF 31 million in first quarter 2000 to CHF 45 million in second quarter. This was mainly driven by bonus expenses. Bonuses are accrued when an investment is successfully exited, so personnel expenses increase in line with divestments.

Outlook

UBS Capital has a target portfolio book value of approximately CHF 5 billion from its own investments and CHF 5 billion from third party funds. UBS Capital is gradually increasing its investment rate, reflecting the continued ability of the business to source and execute good quality investments.

Private Clients

Business unit reporting

	Quarter ended			% change from		Year-to-date	
CHF million	**30.6.00**	31.3.00	30.6.99[1]	1Q00	2Q99	30.6.00	30.6.99[1]
Income	**62**	73	47	(15)	32	135	93
Credit loss expense	**(1)**	(1)	0	0		(2)	0
Total operating income	**61**	72	47	(15)	30	133	93
Personnel expenses	**80**	170	70	(53)	14	250	134
General and administrative expenses	**45**	70	43	(36)	5	115	82
Depreciation	**3**	7	7	(57)	(57)	10	10
Amortization of goodwill and other intangible assets	**2**	2	4	0	(50)	4	8
Total operating expenses	**130**	249	124	(48)	5	379	234
Business unit performance before tax	**(69)**	(177)	(77)	61	10	(246)	(141)
KPI's							
Assets under management (CHF billion)	**37**	40	29	(7)	27		
Net new money (CHF billion)[2]	**0.8**	4	0.7	(79)	18	4.8	1.9
Gross AuM margin (bps)	**64**	77	67	(17)	(4)	72	67

Additional information				% change from	
As of	**30.6.00**	31.3.00	31.12.99	1Q00	4Q99
Regulatory equity used (avg)	**340**	350	289	(3)	18
Headcount (full time equivalents)	**1,277**	1,427	1,386	(11)	(8)

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

Key Performance Indicators

Assets under management fell 6.7% during the second quarter to CHF 37 billion, as a result of negative market performance and currency effects. Net new money was CHF 1 billion, down from CHF 4 billion in first quarter 2000, reflecting slower market conditions and the temporary effects of rationalization. Gross margin also fell, to 64 bps from 77 bps in first quarter 2000, driven by falling brokerage fees as clients traded less actively in response to more volatile markets.

Initiatives and Achievements

The integration of the Private Clients business into UBS Warburg continued during the second quarter, with several significant milestones achieved.

All management teams are now in place, with an integrated structure established, and headcount reorganization largely completed. As predicted, there has been some resulting slowdown in net new money, although client losses have been minimal.

A new client targeting and marketing process is being developed which will focus on cross-selling UBS Warburg investment banking and securities products to private clients.

Results

The rationalization has reduced losses significantly in all regions. Losses for the quarter stood at CHF 69 million, lower than at any time since first quarter 1999. Private Clients revenues fell 15% in second quarter 2000 versus first quarter

2000, as a result of lower market activity. Personnel costs were significantly down in second quarter, even excluding the effects of the restructuring charge taken in first quarter 2000, due to reductions in headcount and lower bonus accruals as a result of reduced revenues. Headcount fell by 150 during the quarter, to 1,277, with the principal reductions in the USA and Japan.

Outlook

The merger with PaineWebber will have a significant impact on opportunities for the existing UBS Warburg Private Clients business, as it becomes integrated into PaineWebber's management structure. The ability to leverage the technology, products and marketing experience of PaineWebber should allow this business to achieve accelerated growth in the medium term.

e-services

Business unit reporting

	Quarter ended			% change from		Year-to-date	
CHF million	**30.6.00**	31.3.00	30.6.99	1Q00	2Q99	30.6.00	30.6.99
Income	**0**	0	0			0	0
Credit loss expense	**0**	0	0			0	0
Total operating income	**0**	0	0			0	0
Personnel expenses	**47**	37	0	27		84	0
General and administrative expenses	**39**	21	0	86		60	0
Depreciation	**9**	5	0	80		14	0
Amortization of goodwill and other intangible assets	**0**	0	0			0	0
Total operating expenses	**95**	63	0	51		158	0
Business unit performance before tax	**(95)**	(63)	0	(51)		(158)	0

Additional information				% change from	
As of	**30.6.00**	31.3.00	31.12.99	1Q00	4Q99
Regulatory equity used (avg)	**0**	0	0		
Headcount (full time equivalents)	**226**	131	70	73	223

Key Performance Indicators

Key Performance Indicators will be published for this business unit after it has become operational.

Initiatives and Achievements

e-services continues to build towards its launch in Germany, and its costs are within expected levels. The development of operational and technology platforms, and the hiring of the necessary staff is progressing well.

Results

The business is not yet operational and therefore did not generate revenues in the second quarter. Personnel expenses increased 27% from first quarter to CHF 47 million, with headcount increasing by 95 to 226 at the end of June, as the project approaches critical mass for launch. General and administrative expenses almost doubled, to CHF 39 million from CHF 21 million in first quarter 2000. Launch-related expenses are increasing as the product offerings, brand and value proposition are tested in the market.

Outlook

e-services is moving towards a progressive launch in Germany beginning with a first phase in October/November 2000, offering a wide range of products and services through multiple access points, including the internet, customer service centers and investment centers in Dusseldorf, Frankfurt and Munich. The product scope will be expanded quickly to include leading edge advisory services and decision support tools, and further investment centers will open around the country.

Expenses are expected to increase as launch approaches and as headcount reaches the target levels in the sales, customer service, technology and marketing functions.

e-services will be integrated into the PaineWebber management structure on completion of the merger, and can expect to benefit significantly from the proven skills PaineWebber brings in the deployment of multi-channel services to affluent individuals. PaineWebber has one of the best-rated online private client offerings amongst its US peer group.

Corporate Center

Business group reporting

CHF million	Quarter ended 30.6.00	31.3.00	30.6.99[1]	% change from 1Q00	2Q99	Year-to-date 30.6.00	30.6.99[1]
Income[2]	**50**	(17)	(161)[2]	394	131	33	(13)[2]
Credit loss expense	**439**	182	40	141	998	621	96
Total operating income	**489**	165	(121)	196	504	654	83
Personnel expenses	**156**	134	63	16	148	290	82
General and administrative expenses	**125**[3]	53	30	136	317	178[3]	100
Depreciation	**62**	73	44	(15)	41	135	123
Amortization of goodwill and other intangible assets	**11**	12	18	(8)	(39)	23	23
Total operating expenses	**354**	272	155	30	128	626	328
Business group performance before tax	**135**	(107)	(276)	226	149	28	(245)

Additional information As of	30.6.00	31.3.00	31.12.99	% change from 1Q00	4Q99
Regulatory equity used (avg)	**9,950**	10,800	7,850	(8)	27
Headcount (full time equivalents)	**931**	926	862	1	8

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

Results Discussion

Adjusted for significant financial events, Corporate Center posted a pre-tax gain of CHF 135 million for second quarter 2000, versus a pre-tax loss of CHF 276 million for second quarter 1999 and a pre-tax loss of CHF 107 million during first quarter 2000. The large fall in unadjusted income since second quarter 1999 is due to the inclusion of the divestment of our stake in Swiss Life/Rentenanstalt in that quarter.

The credit loss expense booked in Corporate Center represents the difference between the adjusted expected losses charged to the business units and the actual credit loss expense recognized in the Group financial accounts. This quarter the unexpected strength of the Swiss economy has allowed us to write back credit loss provisions of CHF 208 million. Combined with the better than expected credit loss performance in second quarter 2000, this results in a negative credit loss expense of CHF 439 million.

Since the fourth quarter of 1999, the results of UBS's 91.2% holding in Klinik Hirslanden AG have been fully consolidated. This has led to an increase in operating income and expenses compared to second quarter 1999, when there was no equivalent contribution in Corporate Center.

General and administrative expenses for this quarter include significant operational and legal expenses relating to the US Global Settlement. Headcount has remained stable compared to the previous quarter.

Financial Statements

UBS Group Income Statement

CHF million, except per share data	Note	Quarter ended 30.6.00	Quarter ended 31.3.00	Quarter ended 30.6.99[1]	% change from 1Q00	% change from 2Q99	Year-to-date 30.6.00	Year-to-date 30.6.99[1]
Operating income								
Interest income	3	**12,682**	11,397[2]	8,144	11	56	24,079	16,293
Interest expense	3	**(10,445)**	(9,308)[2]	(6,765)	(12)	(54)	(19,753)	(13,540)
Net interest income		**2,237**	2,089	1,379	7	62	4,326	2,753
Credit loss recovery/expense		**208**	(125)	(325)	–	–	83	(635)
Net interest income after credit loss recovery/expense		**2,445**	1,964	1,054	24	132	4,409	2,118
Net fee and commission income	4	**3,756**	4,079	3,226	(8)	16	7,835	6,184
Net trading income	5	**2,691**	2,978	2,127	(10)	27	5,669	4,460
Net gains from disposal of associates and subsidiaries	6	**21**	2	1,507	950	(99)	23	1,778
Other income	7	**287**	334	341	(14)	(16)	621	562
Total operating income		**9,200**	9,357	8,255	(2)	11	18,557	15,102
Operating expenses								
Personnel	8	**4,354**	4,522	3,522	(4)	24	8,876	6,819
General and administrative	8	**1,743**	1,431	1,244	22	40	3,174	2,388
Depreciation and amortization	8	**451**	496	482	(9)	(6)	947	864
Total operating expenses		**6,548**	6,449	5,248	2	25	12,997	10,071
Operating profit before tax and minority interests		**2,652**	2,908	3,007	(9)	(12)	5,560	5,031
Tax expense		**591**	666	702	(11)	(16)	1,257	1,151
Net profit before minority interests		**2,061**	2,242	2,305	(8)	(11)	4,303	3,880
Minority interests		**(9)**	(26)	(14)	65	36	(35)	(21)
Net profit		**2,052**	2,216	2,291	(7)	(10)	4,268	3,859
Basic earnings per share (CHF)[4]	9	**5.24**	5.66	5.60	(7)	(6)	10.91	9.38
Basic earnings per share before goodwill (CHF)[3,4]	9	**5.57**	6.04	5.84	(8)	(5)	11.61	9.79
Diluted earnings per share (CHF)[4]	9	**5.19**	5.61	5.56	(7)	(7)	10.79	9.30
Diluted earnings per share before goodwill (CHF)[3,4]	9	**5.51**	5.98	5.79	(8)	(5)	11.49	9.71

[1] The 1999 figures have been restated to reflect retroactive changes in accounting policy arising from newly applicable International Accounting Standards and changes in presentation (see Note 1: Basis of Accounting). [2] The figures for the quarter ended 31 March 2000 have been restated to correct an understatement of intercompany balances, which had no impact on net interest income. [3] The amortization of goodwill and other purchased intangible assets is excluded from this calculation. [4] 1999 share figures are restated for the two-for-one stock split, approved at the shareholder meeting of 18 April 2000.

UBS Group Balance Sheet

CHF million	30.6.00	31.3.00	31.12.99[1]	% change from 31.12.99
Assets				
Cash and balances with central banks	3,457	3,569	5,073	(32)
Money market paper	61,504	54,602	69,717	(12)
Due from banks	25,761	32,374	29,907	(14)
Cash collateral on securities borrowed	146,199	144,863	113,162	29
Reverse repurchase agreements	164,866	180,161	132,474	24
Trading portfolio assets	215,649	234,385	212,440	2
Positive replacement values	57,758	58,169	64,698	(11)
Loans, net of allowance for credit losses	233,015	234,422	234,858	(1)
Financial investments	9,504	9,123	7,039	35
Accrued income and prepaid expenses	5,817	6,697	5,167	13
Investments in associates	818	1,099	1,102	(26)
Property and equipment	8,216	8,604	8,701	(6)
Intangible assets and goodwill	3,545	3,746	3,543	0
Other assets	10,198	9,102	11,007	(7)
Total assets	946,307	980,916	898,888	5
Total subordinated assets	*330*	*279*	*600*	*(45)*
Liabilities				
Money market paper issued	85,409	88,698	64,655	32
Due to banks	75,172	90,459	76,365	(2)
Cash collateral on securities lent	15,334	16,718	12,832	19
Repurchase agreements	230,565	231,063	196,914	17
Trading portfolio liabilities	60,279	65,393	54,586	10
Negative replacement values	77,926	87,023	95,786	(19)
Due to customers	279,915	282,715	279,960	(0)
Accrued expenses and deferred income	14,492	12,177	12,040	20
Long term debt	52,990	52,350	56,332	(6)
Other liabilities	21,950	24,597	18,376	19
Total liabilities	914,032	951,193	867,846	5
Minority interests	399	401	434	(8)
Shareholders' equity				
Share capital	4,317	4,311	4,309	0
Share premium account	14,554	14,129	14,437	1
Foreign currency translation	(557)	(620)	(442)	(26)
Retained earnings	22,431	20,178	20,327	10
Treasury shares	(8,869)	(8,676)	(8,023)	(11)
Total shareholders' equity	31,876	29,322	30,608	4
Total liabilities, minority interests and shareholders' equity	946,307	980,916	898,888	5
Total subordinated liabilities	*14,089*	*13,682*	*14,801*	*(5)*

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

UBS Group Statement of Changes in Equity

CHF million For the six-month period ended	30.6.00	30.6.99[1]
Issued and paid up share capital		
Balance at the beginning of the period	**4,309**	4,300
Issue of share capital	**8**	6
Balance at the end of the period[2]	**4,317**	4,306
Share premium		
Balance at the beginning of the period as previously reported	**13,929**	13,740
Change in accounting policy	**508**	(123)
Balance at the beginning of the period (restated)	**14,437**	13,617
Premium/(Discount) on treasury shares issued and treasury share contract activity	**(107)**	476
Premium on disposal of treasury shares and treasury share contracts	**224**	179
Balance at the end of the period	**14,554**	14,272
Foreign currency translation		
Balance at the beginning of the period	**(442)**	(456)
Movements during the period	**(115)**	(81)
Balance at the end of the period	**(557)**	(537)
Retained earnings		
Balance at the beginning of the period as previously reported	**20,501**	16,293
Changes in accounting policy	**(174)**	(69)
Balance at the beginning of the period (restated)	**20,327**	16,224
Net profit for the period	**4,268**	3,859
Dividends paid	**(2,164)**	(2,051)
Balance at the end of the period	**22,431**	18,032
Treasury shares, at cost		
Balance at the beginning of the period as previously reported	**(3,462)**	(1,482)
Change in accounting policy	**(4,561)**	(3,409)
Balance at the beginning of the period (restated)	**(8,023)**	(4,891)
Acquisitions	**(6,591)**	(2,983)
Disposals	**5,745**	3,002
Balance at the end of the period[3]	**(8,869)**	(4,872)
Total shareholders' equity	**31,876**	31,201

[1] The 1999 figures have been restated to reflect retroactive changes in accounting policy arising from newly applicable International Accounting Standards and changes in presentation (see Note 1: Basis of Accounting). [2] Comprising 431,696,624 ordinary shares as of 30 June 2000 and 430,577,614 ordinary shares as of 30 June 1999, at CHF 10 each, fully paid. [3] Comprising 40,269,350 ordinary shares as of 30 June 2000 and 22,395,766 ordinary shares as of 30 June 1999.

In addition to treasury shares, a maximum of 254,446 unissued shares (conditional capital) (1,373,456 as of 30 June 1999) can be issued without the approval of the shareholders. This amount consists of unissued and reserved shares for the former Swiss Bank Corporation employee share ownership plan and optional dividend warrants. The optional dividend warrants were granted in lieu of a cash dividend by the former Swiss Bank Corporation in February 1996 (at the option of the shareholder).

UBS Group Statement of Cash Flows

CHF million For the six-month period ended	**30.6.00**	30.6.99[1]
Cash flow from / (used in) operating activities		
Net profit	**4,268**	3,859
Adjustments to reconcile to cash flow from / (used in) operating activities		
Non cash items included in net profit and other adjustments:		
Depreciation and amortization	**947**	864
Provision for credit losses	**(83)**	635
Income from associates	**(59)**	(102)
Deferred tax expense	**213**	193
Net gain from investing activities	**(299)**	(1,997)
Net increase / (decrease) in operating assets:		
Net due from / to banks	**(1,005)**	(2,091)
Reverse repurchase agreements, cash collateral on securities borrowed	**(65,429)**	13,509
Trading portfolio including net replacement values	**(8,436)**	1,257
Loans due to / from customers	**1,881**	14,486
Accrued income, prepaid expenses and other assets	**159**	306
Net increase / (decrease) in operating liabilities:		
Repurchase agreements, cash collateral on securities lent	**36,153**	(2,637)
Accrued expenses and other liabilities	**6,354**	(6,647)
Income taxes paid	**(535)**	(591)
Net cash flow from / (used in) operating activities	**(25,871)**	21,044
Cash flow from / (used in) investing activities		
Investments in subsidiaries and associates	**(282)**	(339)
Disposal of subsidiaries and associates	**370**	3,350
Purchase of property and equipment	**(928)**	(1,096)
Disposal of property and equipment	**763**	279
Net (investment) / divestment in financial investments	**(2,216)**	293
Net cash flow from / (used in) investing activities	**(2,293)**	2,487
Cash flow from financing activities		
Money market paper issued	**20,754**	4,463
Net movements in treasury shares and treasury share contract activity	**(729)**	674
Capital issuance	**8**	6
Dividends paid	**(2,164)**	(2,051)
Issuance of long term debt	**7,452**	5,225
Repayment of long term debt	**(10,794)**	(1,081)
Repayment of minority interests	**(20)**	(689)
Net cash flow from financing activities	**14,507**	6,547
Effects of exchange rate differences	**(131)**	(46)
Net increase / (decrease) in cash equivalents	**(13,788)**	30,032
Cash and cash equivalents, beginning of period	**102,277**	83,678
Cash and cash equivalents, end of period	**88,489**	113,710
Cash and cash equivalents comprise:		
Cash and balances with central banks	**3,457**	3,135
Money market paper	**61,504**	65,688
Bank deposits maturing in less than 3 months	**23,528**	44,887
Total	**88,489**	113,710

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

Notes to the Financial Statements

Note 1 Basis of Accounting

The consolidated interim financial statements have been prepared in accordance with and comply with International Accounting Standard ("IAS") 34, "Interim Financial Reporting".

In the first half of 2000, the Group reorganized its business divisions. The segment reporting for the six-month period ended 30 June 2000, as well as the comparative segment reporting for the first six-month period ended 30 June 1999, reflect the new Group structure.

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

In preparing the consolidated interim financial statements, the same accounting policies and methods of computation are followed as in the consolidated financial statements as of 31 December 1999 and for the year then ended, with the exception of the following changes in accounting policies:

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

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

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

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

As a result of the adoption of Interpretation SIC 16, financial information has been retroactively restated. Net trading income was reduced by CHF 67 million for the quarter ended 30 June 1999 and CHF 138 million for the six-month period ended 30 June 1999. Shareholders' equity and total assets were reduced by CHF 4,227 million as of 31 December 1999 and CHF 3,601 million as of December 1998.

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

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

Interest income was increased by CHF 3,829 million and CHF 8,144 million for the quarter ended 30 June 1999 and the six-month period ended 30 June 1999 respectively. Interest expense was increased by CHF 4,141 million and CHF 8,756 million for the quarter ended 30 June 1999 and the six-month period ended 30 June 1999 respectively. In addition, Net trading income was increased by CHF 312 million and CHF 612 million for the quarter ended 30 June 1999 and the six-month period ended 30 June 1999 respectively.

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

Note 2 Reporting by Business Group

The business group results have been presented on a management reporting basis. Consequently, internal charges and transfer pricing adjustments have been reflected in the performance of each business. The basis of the reporting reflects the management of the business within the Group. Total revenue includes income, which is directly attributable to a business group whether from sales to external customers or from transactions with other segments. Revenue sharing agreements are used to allocate external customer revenues to a business group on a reasonable basis. Transactions between business groups are conducted at arm's length.

For the six-month period ended 30 June 2000

CHF million	UBS Switzerland	UBS Asset Management	UBS Warburg	Corporate Center	UBS Group
Revenues	7,274	972	10,195	33	18,474
Credit loss recovery [1]	(423)	0	(115)	621	83
Total operating income	6,851	972	10,080	654	18,557
Personnel expenses	2,416	421	5,749	290	8,876
General and administrative expenses	1,163	196	1,437	378	3,174
Depreciation	230	22	285	135	672
Amortization of goodwill and other intangible assets	44	131	77	23	275
Total operating expenses	3,853	770	7,548	826	12,997
Business group performance before tax	**2,998**	**202**	**2,532**	**(172)**	**5,560**
Tax expense					1,257
Net profit before minority interests					**4,303**
Minority interests					(35)
Net profit					**4,268**

[1] In order to show the relevant business group performance over time, adjusted expected loss figures rather than the net credit expense/recovery are reported for all business groups. The statistically derived adjusted expected losses reflect the inherent counterparty and country risks in the respective portfolios. The difference between the statistically derived adjusted expected loss figures to the net credit loss expenses 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 83 million for the 6-month period ended 30 June 2000 is as follows: UBS Switzerland CHF 237 million, UBS Warburg CHF (154) million.

For the six-month period ended 30 June 1999 [2]

CHF million	UBS Switzerland	UBS Asset Management	UBS Warburg	Corporate Center	UBS Group
Revenues	6,327	644	7,179	1,587	15,737
Credit loss expense [1]	(560)	0	(171)	96	(635)
Total operating income	5,767	644	7,008	1,683	15,102
Personnel expenses	2,383	281	4,073	82	6,819
General and administrative expenses	988	125	1,175	100	2,388
Depreciation	229	9	332	123	693
Amortization of goodwill and other intangible assets	9	57	82	23	171
Total operating expenses	3,609	472	5,662	328	10,071
Business group performance before tax	**2,158**	**172**	**1,346**	**1,355**	**5,031**
Tax expense					1,151
Net profit before minority interests					**3,880**
Minority interests					(21)
Net profit					**3,859**

[1] In order to show the relevant business group performance over time, adjusted expected loss figures rather than the net credit loss expense are reported for all business groups. The statistically derived adjusted expected losses reflect the inherent counterparty and country risks in the respective portfolios. The difference between the statistically derived adjusted expected loss figures to the net credit loss expenses for financial reporting purposes is reported in the Corporate Center. The divisional breakdown of the net credit loss expense for financial reporting purposes of CHF 635 million for the 6-month period ended 30 June 1999 is as follows: UBS Switzerland CHF 617 million, UBS Warburg CHF 14 million, Corporate Center CHF 4 million.
[2] The 1999 figures have been restated to reflect retroactive changes in accounting policy arising from newly applicable International Accounting Standards and changes in presentation (see Note 1: Basis of Accounting).

Income Statement

Note 3 Net Interest Income

	Quarter ended			% change from		Year-to-date	
CHF million	**30.6.00**	31.3.00[2]	30.6.99[1]	1Q00	2Q99	30.6.00	30.6.99[1]
Interest income							
Interest earned on loans and advances to banks	**987**	1,092	1,570	(10)	(37)	2,079	2,467
Interest earned on loans and advances to customers	**3,790**	3,363	2,721	13	39	7,153	5,639
Interest from finance leasing	**8**	11	11	(27)	(27)	19	23
Interest earned on securities borrowed and reverse repurchase agreements	**4,929**	4,090	2,530	21	95	9,019	5,392
Interest and dividend income from financial investments	**60**	40	38	50	58	100	66
Interest and dividend income from trading portfolio	**2,813**	2,763	1,234	2	128	5,576	2,622
Other	**95**	38	40	150	138	133	84
Total	**12,682**	11,397	8,144	11	56	24,079	16,293
Interest expense							
Interest on amounts due to banks	**1,130**	1,100	1,123	3	1	2,230	1,695
Interest on amounts due to customers	**2,269**	2,184	1,982	4	14	4,453	4,060
Interest on securities lent and repurchase agreements	**3,638**	3,069	1,816	19	100	6,707	4,218
Interest and dividend expense from trading portfolio	**1,435**	1,289	532	11	170	2,724	1,078
Interest on medium and long term debt	**1,973**	1,666	1,312	18	50	3,639	2,489
Total	**10,445**	9,308	6,765	12	54	19,753	13,540
Net interest income	**2,237**	2,089	1,379	7	62	4,326	2,753

[1] The 1999 figures have been restated to reflect retroactive changes in accounting policy arising from newly applicable International Accounting Standards and changes in presentation (see Note 1: Basis of Accounting). [2] Net interest income has been restated due to a misclassification in the first quarter 2000.

Note 4 Net Fee and Commission Income

	Quarter ended			% change from		Year-to-date	
CHF million	30.6.00	31.3.00	30.6.99	1Q00	2Q99	30.6.00	30.6.99
Credit-related fees and commissions	65	80	115	(19)	(43)	145	215
Security trading and investment activity fees							
Underwriting and corporate finance fees	669	400	490	67	37	1,069	826
Brokerage fees	1,257	1,722	943	(27)	33	2,979	1,882
Investment fund fees	658	702	479	(6)	37	1,360	925
Fiduciary fees	86	89	85	(3)	1	175	162
Custodian fees	373	353	452	6	(17)	726	788
Portfolio and other management and advisory fees	955	958	732	0	30	1,913	1,476
Other	4	25	25	(84)	(84)	29	53
Total	4,002	4,249	3,206	(6)	25	8,251	6,112
Commission income from other services	188	203	184	(7)	2	391	367
Total fee and commission income	4,255	4,532	3,505	(6)	21	8,787	6,694
Fee and commission expense							
Brokerage fees paid	266	316	197	(16)	35	582	359
Other	233	137	82	70	184	370	151
Total	499	453	279	10	79	952	510
Net fee and commission income	3,756	4,079	3,226	(8)	16	7,835	6,184

Note 5 Net Trading Income

	Quarter ended			% change from		Year-to-date	
CHF million	30.6.00	31.3.00	30.6.99[1]	1Q00	2Q99	30.6.00	30.6.99[1]
Foreign exchange[2]	397	283	465	40	(15)	680	718
Fixed income	440	203	421	117	5	643	1,303
Equities	1,854	2,492	1,241	(26)	49	4,346	2,439
Net trading income	2,691	2,978	2,127	(10)	27	5,669	4,460

[1] The 1999 figures have been restated to reflect retroactive changes in accounting policy arising from newly applicable International Accounting Standards and changes in presentation (see Note 1: Basis of Accounting). [2] Includes other trading income such as banknotes, precious metals and commodities.

Note 6 Net Gains from Disposal of Associates and Subsidiaries

	Quarter ended			% change from		Year-to-date	
CHF million	30.6.00	31.3.00	30.6.99	1Q00	2Q99	30.6.00	30.6.99
Net income from disposal of consolidated subsidiaries	0	0	1		(100)	0	1
Net gains from the disposal of investments in associates	21	2	1,506	950	(99)	23	1,777
Net gains from disposal of associates and subsidiaries	21	2	1,507	950	(99)	23	1,778

Note 7 Other Income

CHF million	Quarter ended 30.6.00	Quarter ended 31.3.00	Quarter ended 30.6.99	% change from 1Q00	% change from 2Q99	Year-to-date 30.6.00	Year-to-date 30.6.99
Investments in financial assets (debt and equity)							
Net income from disposal of private equity investments	**214**	197	67	9	219	411	150
Net income from disposal of other financial assets	**77**	7	27	-	185	84	30
Net losses from revaluation of financial assets	**(198)**	(20)	(30)	(890)	(560)	(218)	(20)
Total	**93**	184	64	(49)	45	277	160
Investments in property							
Net income from disposal of properties held for resale	**14**	23	17	(39)	(18)	37	36
Net losses from revaluation of properties held for resale	**(60)**	(6)	(7)	(900)	(757)	(66)	(9)
Net income from other properties	**21**	7	21	200	0	28	33
Total	**(25)**	24	31	(204)	(181)	(1)	60
Equity income from investments in associates	**48**	11	39	336	23	59	102
Other	**171**	115	207	49	(17)	286	240
Total other income	**287**	334	341	(14)	(16)	621	562

Note 8 Operating Expenses

CHF million	Quarter ended 30.6.00	Quarter ended 31.3.00	Quarter ended 30.6.99	% change from 1Q00	% change from 2Q99	Year-to-date 30.6.00	Year-to-date 30.6.99
Personnel expenses							
Salaries and bonuses	**3,553**	3,717	2,779[1]	(4)	28	7,270	5,372[1]
Contractors	**166**	169	234	(2)	(29)	335	386
Insurance and social contributions	**225**	265	179[1]	(15)	26	490	372[1]
Contributions to retirement benefit plans	**118**	120	131	(2)	(10)	238	242
Employee share plans	**21**	20	54	5	(61)	41	109
Other personnel expenses	**271**	231	145	17	87	502	338
Total	**4,354**	4,522	3,522	(4)	24	8,876	6,819
General and administrative expenses							
Occupancy	**243**	231	203	5	20	474	400
Rent and maintenance of machines and equipment	**136**	120	67	13	103	256	123
Telecommunications and postage	**218**	194	196	12	11	412	371
Administration	**175**	183	162	(4)	8	358	337
Marketing and public relations	**138**	71	67	94	106	209	107
Travel and entertainment	**155**	137	140	13	11	292	247
Professional fees	**155**	123	114	26	36	278	297
IT and other outsourcing	**258**	306	277	(16)	(7)	564	399
Other	**265**	66	18	302	–	331	107
Total	**1,743**	1,431	1,244	22	40	3,174	2,388
Depreciation and amortization							
Property, equipment and software	**324**	348	386	(7)	(16)	672	693
Goodwill and other intangible assets	**127**	148	96	(14)	32	275	171
Total	**451**	496	482	(9)	(6)	947	864
Total operating expenses	**6,548**	6,449	5,248	2	25	12,997	10,071

[1] Bonus-related social contribution costs of CHF 60 million for quarter ended 30 June 1999, and CHF 125 million for the half year ended 30 June 1999 have been reclassified from Salaries and bonuses to Insurance and social contributions.

Note 9 Earnings per Share

	Quarter ended			% change from		Year-to-date	
	30.6.00	31.3.00	30.6.99[1]	1Q00	2Q99	30.6.00	30.6.99[1]
Basic earnings per share calculation							
Net profit for the period (CHF million)	2,052	2,216	2,291	(7)	(10)	4,268	3,859
Net profit for the period before goodwill amortization (CHF million)[2]	2,179	2,364	2,387	(8)	(9)	4,543	4,030
Weighted average shares outstanding:							
Registered ordinary shares	431,328,220	430,966,190	430,503,116	0	0	431,147,206	430,232,988
Treasury shares	(40,080,525)	(39,266,168)	(21,623,434)	(2)	(85)	(39,936,372)	(18,746,327)[3]
Weighted average shares for basic earnings per share	391,247,695	391,700,022	408,879,682	0	(4)	391,210,834	411,486,661
Basic earnings per share (CHF)	5.24	5.66	5.60	(7)	(6)	10.91	9.38
Basic earnings per share before goodwill amortization (CHF)[2]	5.57	6.04	5.84	(8)	(5)	11.61	9.79
Diluted earnings per share calculation							
Net profit for the period (CHF million)	2,052	2,216	2,291	(7)	(10)	4,268	3,859
Net profit for the period before goodwill amortization (CHF million)[2]	2,179	2,364	2,387	(8)	(9)	4,543	4,030
Weighted average shares for basic earnings per share	391,247,695	391,700,022	408,879,682	0	(4)	391,210,834	411,486,661
Potential dilutive ordinary shares resulting from outstanding options, warrants and convertible debt securities	4,405,372	3,598,418	3,515,948	22	25	4,201,494	3,673,968[4]
Weighted average shares for diluted earnings per share	395,653,067	395,298,440	412,395,630	0	(4)	395,412,328	415,160,629
Diluted earnings per share (CHF)	5.19	5.61	5.56	(7)	(7)	10.79	9.30
Diluted earnings per share before goodwill amortization (CHF)[2]	5.51	5.98	5.79	(8)	(5)	11.49	9.71

[1] The 1999 figures have been restated to reflect retroactive changes in accounting policy arising from newly applicable International Accounting Standards and changes in presentation (see Note 1: Basis of Accounting). [2] The amortization of goodwill and other purchased intangible assets is excluded from this calculation. [3] Treasury shares have increased by 6,679,451 for the half year ended 30 June 1999, due to a change in accounting policy (see Note 1: Basis of Accounting). [4] Share amount has been adjusted by 1,247,968, representing other potentially dilutive instruments for the half year ended 30 June 1999, due to a change in accounting policy (see Note 1: Basis of Accounting).

1999 share figures are restated for the two-for-one stock split, approved at the shareholder meeting of 18 April 2000.

Information for Shareholders

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

Ticker symbols

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

Financial calendar

Extraordinary General Meeting	Tuesday, 7 September 2000
Publication third-quarter results	Tuesday, 28 November 2000
Publication of 2000 results	Thursday, 15 March 2001
Annual General Meeting	Thursday, 26 April 2001

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Caution concerning forward-looking statements

This communication contains forward-looking statements. These forward-looking statements include, without limitation, statements concerning the financial conditions, results of operations and businesses of UBS and PaineWebber and, assuming the consummation of the merger, a combined UBS and PaineWebber, as well as the expected timing and benefits of the merger. While these forward-looking statements represent our judgments and future expectations concerning the development of our business and the timing and benefits of the merger, 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, those listed in UBS's 1999 Annual Report on Form 20-F and PaineWebber's 1999 Annual Report on Form 10-K, as well as the failure of the UBS shareholders or PaineWebber stockholders to approve the transaction; the risk that the UBS and PaineWebber businesses will not be successfully integrated; the costs related to the transaction; the inability to obtain, or meet conditions imposed for, governmental approvals for the transaction; the risk that anticipated synergies will not be obtained or not obtained within the time anticipated; and other key factors that we have indicated could adversely affect our businesses and financial performance contained in our past and future filings and reports, including those with the SEC.

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

Information concerning proxy materials

This communication is not a solicitation of a proxy from any security holder of Paine Webber Group Inc. UBS and PaineWebber will be filing with the Securities and Exchange Commission a proxy statement/prospectus to be mailed to PaineWebber security holders and other relevant documents concerning the planned merger of PaineWebber into a subsidiary of UBS. WE URGE INVESTORS IN PAINEWEBBER TO READ THE PROXY STATEMENT/PROSPECTUS AND ANY OTHER RELEVANT DOCUMENTS TO BE FILED WITH THE SEC, BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION. Investors will be able to obtain the documents free of charge at the SEC's website, www.sec.gov. In addition, documents filed with the SEC by UBS will be available free of charge from Investor Relations, UBS, Stockerstrasse 64, CH-8098 Zurich. Documents filed with the SEC by PaineWebber will be available free of charge from Geraldine Banyai, Assistant Secretary, 1285 Avenue of the Americas, New York, New York 10019.

PaineWebber and its directors and executive officers may be deemed to be participants in the solicitation of proxies from the security holders of PaineWebber in favour of the merger. The directors and executive officers of PaineWebber include the following: D. B. Marron; M. Alexander; S. P. Baum; E. G. Bewkes, Jr.; R. Braun; R. A. Dolan; F. P. Doyle; J. T. Fadden; J. J. Grano, Jr.; J. W. Kinnear; R. N. Kiyono; T. A. Levine; R. M. Loeffler; E. Randall, III; H. Rosovsky; K. Sekiguchi; R. H. Silver; M. B. Sutton; and J. R. Torell, III. Collectively, as of February 4, 2000, the directors and executive officers of PaineWebber may be deemed to beneficially own approximately 4.8% of the outstanding shares of PaineWebber common stock. Security holders of PaineWebber may obtain additional information regarding the interests of such participants by reading the proxy statement/prospectus when it becomes available.

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