UBS

Half-Year Report 1999.

UBS Group Financial Highlights

For the 6-month period ended *CHF million (except where indicated)*	**30.6.1999**	30.6.1998
Income statement key figures		
Operating income	**15,240**	14,506
Operating expenses	**10,001**	9,901
Operating profit before tax	**5,239**	4,605
Net profit	**3,962**	3,511
Per share data (CHF)		
Basic earnings per share [1]	**18.95**	16.55
Diluted earnings per share [1]	**18.84**	16.48
Ratios (%)		
Return on shareholders' equity [2]	**21.1**	17.2
Cost/income ratio [3]	**63.0**	66.8

	30.6.1999	31.12.1998
Balance sheet key figures		
Total assets	**904,573**	944,116
Shareholders' equity	**32,487**	32,395
Market capitalization	**96,260**	90,720
BIS capital ratios		
Tier 1 capital (%)	**9.6**	9.3
Total capital (Tier 1 and Tier 2) (%)	**13.4**	13.3
Risk weighted assets	**303,212**	304,701
Assets under management (bn)		
Total assets under management	**1,665**	1,572
Headcount		
Total headcount	**48,066**	48,011
of which: Switzerland	***32,847***	*32,706*
Rest of world	***15,219***	*15,305*
Long term ratings		
Moody's, New York	**Aa1**	Aa1
Fitch/IBCA, London	**AAA**	AAA
Standard & Poor's, New York	**AA+**	AA+
BankWatch, New York	**AA**	AA

[1] EPS calculations are shown in Note 8 to the Financial Statements. [2] Annualized net profit / average shareholders' equity excluding estimated dividends. [3] Operating expenses / operating income before credit loss expenses of CHF 635 million in 1999 and CHF 310 million in 1998.

Dear Shareholders,

Two items distinguish the first half of 1999: a net profit after taxes and minority interests of CHF 3,962 million – which translates into diluted earnings per share of CHF 18.84, an increase of 14% over the previous period – and the successful integration of the information technology (IT) platforms in Switzerland. Group results were driven by good developments at Warburg Dillon Read, higher-than-expected results from Private and Corporate Clients as well as gains from various divestments in the first half. Assets under management in Private Banking also developed positively. These results are testament to UBS's ability to maintain the vast majority of its client franchise through the merger. In Switzerland, UBS completed the highly complex task of integrating 2.5 million master client accounts by June 1999, and internationally we had already finalized the merger by year-end 1998. All this was realized as planned within one year of the legal merger.

UBS chose and successfully executed a rapid integration, despite the challenge thus created for growing the normal business in the short term. By doing so, we have put ourselves in a position as quickly as possible to concentrate on further building the franchise and accelerating its growth.

While first-half 1999 total operating income increased five percent to CHF 15,240 million, total operating expenses increased only one percent to CHF 10,001 million. First-half 1999 revenues also include pre-tax gains of CHF 1,490 million associated with the sale of the 25% stake in Swiss Life/Rentenanstalt, CHF 110 million from the divestment of Julius Baer, as well as CHF 200 million from the disposal of the international operations of the Global Trade Finance business. In the corresponding period of the previous year, UBS realized a pre-tax CHF 1,058 million gain from the sale of BSI-Banca della Svizzera Italiana and Adler.

Adjusted for the impact of gains on major divestments, the related operating income and expenses associated with these divestments, and the associated taxes on these items, net profit after tax increased 13%.

The one percent increase in operating expenses was driven by higher performance-related expenses due to good results in the first half of 1999. Additionally, accrual of performance-related compensation in 1998 was on a linear basis. This was due to the complexity and speed of the merger and the anticipated impact on full year results, whereas in 1999 accrual is on a non-linear basis and reflects strong year-to-date results. Excluding performance-related expenses, personnel costs decreased slightly. Perhaps the clearest indicator of the success of the merger was the decrease in general and administrative expenses of 13%, excluding the CHF 544 million provision for the US class action suit from half-year 1998 results.

Divisional results lie generally within – and to some extent clearly above – expectations. Over the past year, integration has presented a challenging environment for the Private Banking and Private and Corporate Clients divisions. However, the loss of assets under management from clients leaving UBS was significantly lower than assumed at the announcement of the merger. Furthermore, during first-half 1999, we are particularly pleased that, in the Private Banking Division, assets under management associated with new clients clearly outstripped those of clients leaving the bank. With the integration completed, the inevitable inconvenience to our clients should come to an end, and we thank them for their patience during this time.

The UBS Group that is the product of the merger is a global integrated investment services firm and the leading bank in Switzerland. Across the UBS Group, we provide a complete range of investment, financial and advisory services to individual, corporate, institutional and sovereign clients based on a highly efficient infrastructure.

We recognize trends in our industry such as globalization, consolidation and scale, the increased importance of disciplined risk management, the impact of technology on the delivery of complex and flexible solutions, and demographic shifts towards more sophisticated clientele and aging populations in industrialized countries. The UBS Group has the positioning, financial strength, unique franchise, strong earnings generating ability and now the developing culture which enable us to benefit from these trends to an exceptional degree. This translates directly into increased shareholder value.

With the merger behind UBS, we will harness the significant resources freed up by its completion to build upon our position as a leading global financial institution.

We wish to thank our employees for their dedication and hard work in making the merger a true success and also thank our shareholders for their trust. We are confident for 1999 as a whole.

UBS AG

Alex Krauer Chairman of the Board of Directors	Marcel Ospel President and Group CEO

Review of Divisions

To allow a more meaningful analysis of UBS's results, Group results are 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 UBS Group.

Segment Reporting by Business

	Private Banking		Warburg Dillon Read	
CHF million	**6.99**	6.98 [4,5]	**6.99** [6]	6.98
Operating income	**2,910**	4,313	**7,100**	6,055
Less: Credit loss expenses [1]	**6**	13	**171**	208
Total	**2,904**	4,300	**6,929**	5,847
Personnel, general and administrative expenses [2]	**1,442**	1,501	**4,983**	4,374
Depreciation and amortization [2]	**74**	63	**403**	345
Total	**1,516**	1,564	**5,386**	4,719
Segment performance before tax	**1,388**	2,736	**1,543**	1,128
Tax expense				
Group profit				
Less: Minority interests				
Net profit				
Cost/income (%)	**52**	48	**76**	78
	6.99	12.98	**6.99**	12.98
Regulatory equity used (avg)	**1,700**	1,500	**10,750**	13,300
Assets under management (bn) [3]	**659**	607	**0**	0

Private Banking

The Private Banking Division is the leading private banking franchise globally. As such, it is able to provide its clientele with a unique product palette through its close relationship with Warburg Dillon Read and UBS Capital. The Private Banking Division also draws on other areas of the UBS Group, with UBS Brinson providing investment fund management services, and the Private and Corporate Clients Division the use of its information technology platform and investment fund distribution capabilities in Switzerland.

For the first six months of 1999, Private Banking's overall performance is in line with expectations. Furthermore, we are very pleased with our progress in developing the domestic private banking business outside Switzerland.

By the end of July, UBS completed one of the final steps of the merger: the extraordinarily complex integration in Switzerland of the information technology platforms of the two predecessor banks. This task was finalized in record time with a high level of success. To achieve this according to our original timetable set out more than a year ago, we had to plan for an interim re-alignment of resources in Private Banking, which necessitated a temporary and planned diversion from the important function of new business development.

The traditional international Private Banking business remains of critical importance to UBS. Another key premise of our strategy is the expansion of domestic private banking outside Switzerland in continental Europe, filling a clear quality gap in the offering available to the clientele in that market. Thus, we opened new offices in Spain (Barcelona, Madrid, Marbella), Italy (Bologna, Rome), France (Paris) and our seventh office in Germany (Stuttgart) in first-half 1999.

At the same time, we are strengthening our private banking platforms in the major financial centers of London, New York, Singapore and Hong Kong, which service both resident and non-resident clients.

Other new business initiatives during the first half included the formation of our Global Executives Group in April 1999. It represents our continuous effort to harness UBS capabilities across all divisions and business units to create solutions for our most important asset – our clients. The entity has been established to deliver customized solutions for executives around the world.

The concept behind the Global Executive Group is unique: we are taking a holistic approach to wealth management that uses individualized sector and product expertise to manage a client's entire wealth position. This will be achieved by combining investment, executive compensation and private banking expertise, in

Private & Corporate Clients		UBS Brinson		UBS Capital		Corporate Center		Group total	
6.99	6.98 [4]	**6.99**	6.98	**6.99**	6.98	**6.99** [6]	6.98 [5]	**6.99**	6.98
3,600	3,379	**541**	618	**119**	339	**1,605**	112	**15,875**	14,816
554	520	**0**	0	**0**	0	**(96)**	(431)	**635**	310
3,046	2,859	**541**	618	**119**	339	**1,701**	543	**15,240**	14,506
2,174	2,050	**324**	333	**60**	63	**154**	670	**9,137**	8,991
290	341	**64**	56	**3**	0	**30**	105	**864**	910
2,464	2,391	**388**	389	**63**	63	**184**	775	**10,001**	9,901
582	468	**153**	229	**56**	276	**1,517**	(232)	**5,239**	4,605
								1,256	1,094
								3,983	3,511
								21	0
								3,962	3,511
68	71	**72**	63	**53**	19	**n/a**	n/a	**63**	67
6.99	12.98	**6.99**	12.98	**6.99**	12.98	**6.99**	12.98	**6.99**	12.98
8,400	8,250	**100**	100	**300**	250	**8,050**	6,350	**29,300**	29,750
443	434	**563**	531	**0**	0	**0**	0	**1,665**	1,572

[1] In order to show the relevant divisional performance over time, adjusted expected loss figures rather than the net credit loss expense are reported for all business divisions. 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 financially booked net credit loss expenses at Group level is reported in the Corporate Center. The divisional breakdown of the net credit loss expense of CHF 635 million as of 30 June 1999 is as follows: Private Banking CHF 14 million, Warburg Dillon Read CHF 14 million, Private & Corporate Clients CHF 603 million, Corporate Center CHF 4 million.

[2] The 1998 figures have been restated due to a refinement of the allocation methodology for depreciation.

[3] UBS Brinson June 1999: institutional assets CHF 376 billion, funds CHF 187 billion.

[4] Private Banking and Private and Corporate Clients figures 1998 were restated in order to properly reflect the new client segmentation (transfer of investment clients from Private Banking to Private and Corporate Clients as reported at December 1998).

[5] Private Banking: the first half of 1998 includes pre-tax CHF 1,058 million gain from divestments (BSI, Adler). Corporate Center: the first half of 1998 includes pre-tax CHF 544 million provisions for the settlement related to the role of Swiss banks during and after World War II.

[6] Warburg Dillon Read: the first half of 1999 includes pre-tax CHF 200 million gain from divestment of the Global Trade Finance business. Corporate Center: the first half of 1999 includes pre-tax CHF 1,600 million gain from divestments of investments in Julius Baer and Swiss Life/Rentenanstalt.

particular to leverage our ability to manage concentrated equity positions. The business also is an excellent example of what we wish to achieve in that it will serve its clients by drawing on the full spectrum of UBS's powerful global resources, from Warburg Dillon Read, to UBS Brinson, to UBS Capital. Our initial experience indicates a strong positive response from the marketplace.

Pre-tax profit in the Private Banking Division for the first half of 1999 was CHF 1,388 million and fully in line with expectations. The corresponding figure of CHF 2,736 million for 1998 has only been restated for interdivisional client business shifts. It is important to note, however, that the results from the previous period are not directly comparable as they include CHF 1,058 million in sale gains, CHF 260 million in operating income and CHF 121 million operating expenses from divestments. Consequently, the comparable pre-tax profit figure would be CHF 1,539 million.

Private Banking's results were influenced primarily by merger-related factors. Operating income growth has picked up since the first quarter due to a higher level of client activity. However, comparable first-half 1998 operating income could not be matched fully largely because of merger-related issues, but also because foreign exchange-related revenues weakened from the introduction of the euro and revenues from brokerage services were below expectations, mainly due to lower turnover in the Swiss market. After eliminating the effects of divestments, the 5% increase in operating expenses over the previous period was fully attributable to investments in our domestic private banking business outside of Switzerland, in line with our announced strategy.

Assets under management grew 8.6% or CHF 52 billion since year-end 1998 to CHF 659 billion. New client assets under management have significantly outstripped those of client defections, although the majority of the volume increase was performance-driven.

UBS Investment Funds continue as the market leader both in Switzerland and Europe. Total investment fund assets under management rose 8.6% to CHF 190 billion as of 30 June 1999 (including real estate funds not managed by UBS Brinson).

In the first six months of what we knew would be a challenging year in our private banking business, we have remained fully within expectations and confirm our confidence for the remainder of 1999.

Warburg Dillon Read

Warburg Dillon Read's business represents the "narrow" definition of investment banking in the Group. Other elements commonly understood in the context of a "wider" definition of investment banking, such as private banking, asset management and private equity, are found in other divisions of the UBS Group.

Warburg Dillon Read is a corporate and institutional investment bank, which provides its global client franchise with a broad range of investment, financing and advisory services. Warburg Dillon Read works closely with the private client, asset management and private equity businesses of the UBS Group to ensure an optimal leveraging of its products and advisory capabilities, and an integrated delivery approach, for all Group clients.

Warburg Dillon Read performed strongly in the first half of 1999, recording pre-tax profits of CHF 1,543 million, a 37% increase from first-half 1998. Excluding the CHF 200 million gain on the sale of the Global Trade Finance business, this represents a 19% increase over the strong first half of 1998.

With an 18% increase in net operating income to CHF 6,929 million, all businesses performed in line with, or ahead of, expectations. The Equities business area has performed extremely well across all markets following very strong customer flows. The Fixed Income business area has also exceeded expectations in all major products, with particular strength in the US in swaps and options and investment grade corporate debt. Corporate Finance business area revenues continue to be according to expectations, with strong generation of advisory fees. The strength in advisory fees offset primary equity revenues which were lower than those in the comparative period in which we had a concentration of a few large deals. The Treasury Products business area, which includes Foreign Exchange and Cash and Collateral Trading continues to perform well, despite the reduction of business that had been anticipated as a result of the introduction of the euro.

Warburg Dillon Read's business has benefited significantly from increased customer flows from both institutional and corporate clients as a result of the successful completion of the merger process in 1998. Through focused strategic investments in people and technology, we are constantly enhancing our service delivery to clients. For example, Warburg Dillon Read is already a leading player in e-commerce. Our highly-rated research is distributed electronically over the Internet to 5,000 key clients around the globe; we have the top on-line trading product in Switzerland, created together with the Private and Corporate Clients Division; and we run the world's only active European Commercial Paper website. In addition, Warburg Dillon Read has leading client connectivity capabilities in electronic dealing and automated execution via our SwissKey, KeyFX and Client Interchange products.

At CHF 5,386 million, total operating expenses for the first half of 1999 were 14% higher than first-half 1998. Increased personnel costs were mainly influenced by the strong 1999 year-to-date performance. Additionally, accrual of performance-related compensation in 1998 was on a linear basis given the complexity and speed of the merger and the impact on full year results that had been anticipated, while accrual in 1999 is on a non-linear basis reflecting strong year-to-date results.

Non-personnel expenses fell 12% versus the comparative period, reflecting post-merger synergies. In addition, many specific initiatives are currently underway as we continue to focus aggressively on ongoing cost control and the elimination of non-essential expenditures. The effect of these initiatives is expected to result in a progressive and continued improvement in our cost / income ratio, which stood at 76% for the first half of 1999.

Average regulatory equity used fell to CHF 10.8 billion for the six months to June 1999, down from the CHF 13.3 billion average during 1998. This reduction is primarily due to the rigorous application of netting agreements, the ongoing reduction of the international credit portfolio (on-balance sheet loans and off-balance sheet unfunded commitments) from CHF 268 billion at the time of the merger to CHF 132 billion at the end of June 1999 and a 9% reduction in market risk capital since the end of 1998. The Warburg Dillon Read loan portfolio (on-balance sheet loans as well as loans due from banks) has also moved down to CHF 122 billion currently from CHF 148 billion at the time of the merger.

Warburg Dillon Read has earned a large number of high profile international awards in the first half of 1999. These include Euromoney's: Overall winner of the Poll of Polls, where we came first in each of the subcategories of underwriting, trading and advisory; Best Securities Firm – Eurozone (6th consecutive year); Best International Equity Underwriter; Best Corporate Bond Firm. Our roles in landmark deals during the period included: advisor to Ford Motor Company on the GBP 6.2 billion acquisition of Volvo cars; joint bookrunner of the largest ever Eurosterling bond issue of GBP

2.7 billion on behalf of London and Continental Railways; and advisor to Unilever in the return of USD 8 billion to shareholders, the largest one-off payout by a company. Notwithstanding the excellent industry awards won by Warburg Dillon Read in the first half, its league table ranking has been impacted, on the one hand, by a strong profit focus and, on the other hand, by a relatively poor first-half calendar in equity new issues.

We are optimistic that operating income in the second half of 1999 will show continued strength driven by client-servicing activities. At the same time, non-personnel costs are expected to reflect renewed efforts to control and eliminate non-essential expenditures. Although we anticipate a potential slowdown in equity market volumes before year end, we remain confident that profits for the division will close above original management expectations and strongly higher than in 1998.

Private and Corporate Clients Division

The Private and Corporate Clients Division is the leading bank in Switzerland. This division intensively exploits synergies with other divisions in the UBS Group to offer a comprehensive range of state-of-the-art products and services to individual, business and corporate clients. Within Switzerland, the Private and Corporate Clients Division supports the other divisions as a major provider of logistic, settlement and payment services.

As mentioned earlier, the integration process in Switzerland is a success story. The last milestone of the very ambitious integration program was reached on schedule, with the migration of the last tranche of 2.5 million master client accounts by mid-1999. Every customer can now be served through a single information technology (IT) platform. By integrating two large IT systems within 12 months of legal merger UBS has set a new industry benchmark.

In parallel, 130 of 150 redundant branches have been closed, 23,000 employees were trained in new products, processes and IT systems, and 26,000 infrastructure moves were executed. Most of the remaining branch mergers will be finished in the next few months.

Client defection shows a clearly decreasing trend in first-half 1999. Despite the fact that service quality was challenged during the very intense phase of client migration in the last six months, overall client satisfaction remained essentially stable. With the successful completion of client migration we expect to be able to further enhance service quality for our clients. Poll results show that client satisfaction is returning to pre-merger levels.

Turning to our employees, a turnover rate of 12% (annualized) was reported by mid-1999. Overall employee satisfaction clearly improved after a low in the fourth-quarter 1998. As the heavy work load reduces with the completion of integration, we expect further improvements in employee satisfaction going forward, as already reflected in our most recent poll results.

Our strategic initiative programs are well on track. Based on 20 strategic initiatives, some 50 strategic projects have been defined which will enhance substantially net profit in a sustainable manner. These projects will enhance revenue and reduce costs. The major value drivers of these initiatives include a sharper focus on optimizing client relationships and client product utilization, enhancing processes and the gradual decreasing of physical locations in favor of alternative distribution channels. Telebanking, which includes PC-direct and Internet banking, is growing by 2,000 users per week and reached 180,000 by the end of first-half 1999. Introduced in January 1998, Internet banking has reached 60,000 users.

During first-half 1999, the Private and Corporate Clients Division's pre-tax profit reached CHF 582 million, which is 24% higher than in the first half of 1998.

Operating income after expected credit loss expenses increased 6.5% over first-half 1998 to CHF 3,046 million. This increase was mainly due to positive interest margin developments. During the first two quarters, the moderate development of the Swiss stock market accompanied by reduced Swiss Stock Exchange volumes negatively impacted transaction-related revenues, especially in the Private and Business Clients business area. However, this was compensated by positive revenue developments in the other business areas, e.g. business area Corporate Clients was able to markedly improve the loan business through risk-adjusted pricing and continued changes in the structure of our portfolio.

Against the 6.5% increase in total operating income, total operating costs for the first half increased 3% to CHF 2,464 million, resulting in the 24% positive development of net profit before tax. Merger-related savings are materializing in line with the integration project plan.

Assets under management have increased 2% to CHF 443 billion since year-end 1998. By June 1999, assets under management associated with new clients exceeded those associated with clients leaving the bank.

In order to more effectively serve our clients, Private and Corporate Clients has prepared and announced a new organizational structure to be implemented as of 1 October 1999. After implementation of the new organizational structure, all individual clients and all business and corporate clients will be served by dedicated Business Areas called "Individual Clients" and "Corporate Clients", respectively.

A major initiative within the new organization is the creation of a new business area called "Risk Transformation and Capital Planning". This business area will assume responsibility for managing capital allocation including equity and equity participations, as well as capital flows for Private and Corporate clients. It will be the owner of the division's loan portfolio, including non-performing assets. We expect that the development of new techniques and instruments will allow for an effective management of credit risks at the portfolio level, for further strategic development of our counterparty risk management business and over time substantially contribute to the performance of the division.

The creation of the function of Divisional Chief Credit Officer is another important element of the reorganization. This competence center will assume responsibility for consistent credit decision and credit rating processes across all client segments in Private and Corporate Clients, as well as for provisioning methodologies.

Private and Corporate Clients is confident for the year 1999. Our strategic initiative program is proceeding on track and will realize the cost reductions and revenue enhancements planned for 1999.

UBS Brinson

UBS Brinson is one of the world's largest active institutional asset managers with a broad geographic diversity of clients and breadth of investment capabilities. As an integral part of the UBS Group, UBS Brinson also provides institutional quality asset management to individual investors through the Private Banking and Private and Corporate Clients Divisions, and we also cross-develop institutional clients with Warburg Dillon Read. Additionally, UBS Brinson utilizes the brokerage services of Warburg Dillon Read when appropriate from a regulatory and client perspective.

While investment performance within the UBS Brinson area remains generally good, US equity portfolios and certain balanced portfolios have under-performed relevant benchmarks on a short-term basis. These particular short-term challenges aside, our investment philosophy has clearly demonstrated itself to be a sound one upon which to add long-term value to our clients and shareholders. Partly in recognition of this, our Chief Investment Officer, Gary P. Brinson, was recently recognized with the Association of Investment Management Research's Award for Professional Excellence, for exemplary achievement, excellence of practice and true leadership inspiring and reflecting honour upon the investment profession. As already announced, Gary Brinson will strengthen his focus on this area in the future as Chief Investment Officer and Peter Wuffli will assume the business management function of Chief Executive Officer.

While UBS Brinson results were up favorably from the previous quarter, they declined by 33% on a pre-tax basis to CHF 153 million in comparison to the first half of 1998. Excluding depreciation and amortization charges, Brinson business area profitability was down compared to the prior year as a result of client attrition in Europe in the aftermath of the merger and changes in inter-divisional pricing. New business continues to develop as planned. Phillips & Drew results were down considerably year-on-year, although investment performance has improved sharply over the last months. Personnel, general and administrative costs have developed favorably as both business areas monitor spending. Assets under management have increased 6% to CHF 563 billion since year-end 1998, principally as a result of market performance and currency effects offset partially by lost business. While we expect the remainder of 1999 to be challenging, we remain confident that the soundness of our investment philosophy and organization structure will benefit us in achieving our long-term goals.

UBS Capital

UBS Capital has strongly benefited from its integrated position within the UBS Group, providing and generating tangible benefits to and from the other divisions, in particular Private Banking and Warburg Dillon Read. The ability to provide simultaneous debt and equity financing diversifies UBS's risk profile as well as allowing greater negotiation flexibility, which is an advantage for both UBS Capital and prospective sellers. This investment flexibility – together with a focus on privately-held companies – allows UBS Capital and Private Banking to offer solutions to company owners, particularly European family businesses facing succession problems.

The positive impetus provided by the merger has continued into 1999 with several new developments within the division. UBS Capital recently opened two new offices in Sydney and Seoul, which will improve its global coverage and stimulate cross-border transactions. The purchase of the Groupe Valfond in France earlier in the year was an example of the developing cross-border transaction approach. Phildrew Ventures from the UK, in association with UBS Capital in Paris, acquired the quoted French casting supplier Groupe Valfond. Together with two existing Phildrew Venture investments (Triplex, the ex-automotive division of Triplex Lloyd plc and Peak Automotive, the ex-automotive division of Vector Industries), this will allow the formation of a new group which is expected to become a major European player in the automobile subcontracting industry. Groupe Valfond, which is headquartered in Paris, employees over 10,000 people and in 1998 had a turnover of FRF 6 billion. With increasing competition, UBS Capital's integrated network of local offices and successful professional staff are seen to be advantages over rival firms.

UBS Capital's profit before tax in first-half 1999 amounted to CHF 56 million, against CHF 276 million in first-half 1998. UBS Capital recorded operating income of CHF 119 million, compared to CHF 339 million in June 1998, while expenses remained in line with the previous year period. As mentioned in previous interim reports, this year has so far offered fewer divestment opportunities due to the current portfolio's aging profile. The portfolio is maturing in line with expectations, and significant harvesting of the portfolio will occur in future periods as the division continues to expand.

UBS Capital is currently in an expansion stage with the focus being upon building the globally-diversified portfolio from its current book value of approximately CHF 2.4 billion, up from CHF 1.8 billion at year-end 1998, to its target size of approximately CHF 4 billion. UBS Capital's strategy to make majority equity investments in established unquoted companies and early stage investments in the software, Internet and telecommunications industries, has proven successful in 1999: the rate of new investments exceeded expectations as over CHF 0.6 billion was invested in the first half of 1999. The semi-annual portfolio review and valuation resulted in an approximate market value of around CHF 3.5 billion, versus CHF 2.7 billion at year-end 1998. This equates to current unrealized gains of approximately CHF 1.1 billion as compared to CHF 0.9 billion at year-end 1998. The value creation for the first half of 1999, which includes gains realized during the first half as well as the increase in unrealized gains, is estimated to be CHF 0.3 billion.

In the second half of 1999, UBS Capital plans to focus upon adding greater depth to its current quality portfolio as well as increasing its contribution to the UBS Group result.

UBS Group clients' demand for increased access to the Private Equity investment class has led UBS Capital to establish several new funds. Phildrew Ventures, in association with UBS Capital, established Phildrew Fund V with committed funds of £ 330 million and will focus on investments in the UK. CapVis, which is geared towards Switzerland and Austria, is currently obtaining investor commitments up to its predefined limit of CHF 300 million. UBS Capital is also developing two funds in the US and Latin America which will be raised with Private Banking clients in the second half of 1999. These funds, as part of the UBS Capital vision, will not only meet investor demand, but also allow UBS Capital to broaden its investment activities, develop new market opportunities and improve investment diversification.

Corporate Center

The Corporate Center encompasses Group level functions which cannot be devolved to the divisions. Additionally, the Corporate Center plays an active role with regard to funding, capital and balance sheet management and risk management. In the first half of 1999 the Corporate Center posted a pre-tax profit of CHF 1,517 million versus a pre-tax loss of CHF 232 million in the first six months of 1998. The prior year's result was negatively impacted by the provisions for the settlement related to the role of Swiss banks during and after World War II. The major items which positively influenced the Corporate Center result in first-half 1999 were the pre-tax gains of CHF 1,490 million and CHF 110 million, relating to the divestments of Swiss Life / Rentenanstalt and Julius Baer, respectively.

Group Financial Review

Overview

- Net profit increased 13%, or CHF 451 million, to CHF 3,962 million during the first half of 1999 against CHF 3,511 million over the same period in 1998.
- UBS's annualized return on equity based on first-half 1999 results is 21.1%, compared with an annualized 17.2% reported in first-half 1998.
- First-half 1999 diluted earnings per share increased 14% to CHF 18.84 from CHF 16.48 over the previous period.
- First-half 1999 total operating income increased 5%, or CHF 734 million, to CHF 15,240 million, while total operating expenses increased 1%, or CHF 100 million, to CHF 10,001 million compared to CHF 9,901 million for the first half of 1998.
- The cost/income ratio improved to 63.0% in first-half 1999 from 66.8% for the first half of 1998.
- Since 31 December 1998, Group assets under management increased 5.9%, or CHF 93 billion, to CHF 1,665 billion.

Further developments

- UBS's strategy to exit non-core businesses is reflected in disposals relating to investments in Swiss Life/Rentenanstalt and Julius Baer, as well as the international operations of Global Trade Finance.
- First-half 1999 total operating income consequently includes a CHF 1,490 million pre-tax gain relating to the sale of our 25% stake in Swiss Life/Rentenanstalt, a pre-tax gain of CHF 110 million from the disposal of Julius Baer, as well as a CHF 200 million pre-tax gain from the GTF disposal.
- First-half 1998 total operating income includes a CHF 1,058 million pre-tax gain associated with the sale of BSI-Banca della Svizzera Italiana and Adler.

Income statement

Moving into the final stages of integration in first-half 1999, operating income increased 5%. While total operating costs rose 1%, driven by higher performance-related expenses, non-personnel costs fell 23%.

Net interest income

Net interest income of CHF 3,365 million was 1% higher compared to first-half 1998, despite the sale of BSI and Adler which contributed to 1998 income, and the ongoing reduction of the international loan business. These effects were partly offset by higher interest margins in the domestic loan business which resulted primarily from more consistently applied risk-adjusted pricing.

Credit loss expense

The credit loss expense charged to income for the first six months of 1999 was CHF 635 million, compared to CHF 310 million for the first half of 1998. The 1998 charge was reduced by the allocation of previously established provisions. As explained in the June 1998 Report to Shareholders, a change in methodology was required during that period to harmonize the accounting methods of the two predecessor banks in accordance with International Accounting Standards. The actual write-offs in the first half of 1999 are substantially lower than for the same period in 1998. The reduction in the overall provision requirement for the first half of 1999 is the result of an improved Swiss domestic portfolio benefiting from a stronger economic environment, the reduction in international lending activities, the exit from the global trade finance business, as well as higher recoveries.

The Group believes its credit loss allowances and provisions as of 30 June 1999 and 1998 were adequate to provide for losses in the portfolio that existed at those dates, and that current expense levels are appropriate going forward.

Net fee and commission income

Net fee and commission income decreased 6%, or CHF 413 million, to CHF 6,184 million period-on-period. Excluding the effect of divestments no longer being reflected in 1999 figures, the decrease was less significant. Investment fund fees performed strongly, up 13% relative to first-half 1998, reflecting higher volumes and a shift towards equity and strategy funds. Portfolio and other management and advisory fees were 2% lower period-on-period. Lower brokerage fees, while affected by declining Swiss Stock

Exchange volumes, are distorted by the inclusion of divestment-related income in first-half 1998 no longer being reflected in 1999 figures. Excluding disposal-related income, brokerage fees are down 2% period-on-period. Despite double-digit growth in corporate finance fees, underwriting fees were down relative to an exceptionally strong first-half 1998. Guarantee and letter of credit commissions decreased in line with reduced emerging market exposures and the sale of the international Global Trade Finance operations.

Net trading income

Net trading income increased 26%, or CHF 810 million, to CHF 3,986 million, relative to first-half 1998. Net trading income comprises predominantly the net trading result of Warburg Dillon Read and certain activities related to Group asset and liability management in Corporate Center. The Warburg Dillon Read trading result includes largely client-related activities (market making, derivatives and foreign exchange), as well as some proprietary trading.

Group net trading income benefited from generally good equity market conditions, leading to increased customer volumes of secondary trading. Fixed income trading revenues were strong across all major products, led in the US by swaps and options and investment grade corporate debt. Income from foreign exchange and bank notes trading income was down 39% period-on-period.

Other income, including income from associates

Other income increased 37%, or CHF 633 million, to CHF 2,340 million. The major factors impacting this line item are disposal-related pre-tax gains of CHF 1,800 million, compared with CHF 1,058 million in first-half 1998.

Personnel expenses

Personnel expenses increased 18%, or CHF 1,039 million, to CHF 6,819 million. Performance-related compensation in line with strong results at Warburg Dillon Read more than offset the decrease in personnel expenses excluding bonuses. Additionally, accrual of performance-related compensation in 1998 was on a linear basis given the complexity and speed of the merger and the impact on full year results that had been anticipated, while accrual in 1999 is on a non-linear basis reflecting strong year-to-date results.

General and administrative expenses

General and administrative expenses decreased 28%, or CHF 893 million, to CHF 2,318 million as merger-related cost savings gathered momentum. Excluding the impact of the CHF 544 million provision for the settlement related to the role of Swiss banks during and after World War II from first-half 1998, the expense reduction is 13%.

Depreciation and amortization

Depreciation and amortization declined 5%, or CHF 46 million, to CHF 864 million reflecting lower property and equipment balances, slightly offset by higher amortization due to acquisition-related goodwill.

Tax expense

The Group effective tax rate for first-half 1999 was around 24%, broadly in line with the 23.8% effective tax rate in first-half 1998.

Balance sheet

Total balance sheet

Total assets declined 4%, or CHF 40 billion, to CHF 904 billion. Excluding currency-related effects, total assets declined 9%, or CHF 87 billion, to CHF 857 billion. Risk weighted assets declined 0.5% since year end, or CHF 1.5 billion, to CHF 303 billion.

Loan book

The strategic thrust of gradually reducing the international credit and emerging markets exposures is partly reflected in total gross loans, which have been reduced by CHF 14 billion since year-end 1998. The divisional breakdown of the Group loan portfolio is shown in the table on page 13. Since December 1998, Warburg Dillon Read reduced its gross loans by CHF 20 billion, from CHF 142 billion to CHF 122 billion as at the end of first-half 1999.

Credit quality continued to improve with allowances and provisions of CHF 14.5 billion covering non-performing loans of CHF 14 billion 103.5%, up from 95.3% as at year-end 1998. Total non-performing loans in percent of gross loans outstanding were reduced from 4.7% to 4.4%.

UBS Group loan portfolio summary by division[1]

CHF million	Private & Corporate Clients 30.6.1999	Private Banking 30.6.1999	Warburg Dillon Read 30.6.1999	Corporate Center 30.6.1999	Total 30.6.1999	Total 31.12.1998
Total loans and advances (performing and non-performing loans)						
Principal amount of loans outstanding (gross amount)	167,004	27,083	122,356	319	316,762	330,964
Allowance and provisions for credit losses	11,350	104	3,019[2]	33	14,506[2]	14,978
Loans, net of allowances for credit losses	155,654	26,979	119,570	286	302,489	316,421
Non-performing loans (NPL)	12,353	171	1,423	73	14,020	15,717
Ratios						
Allowance and provisions for credit losses in % of non-performing loans	91.9	60.8	212.2	45.2	103.5	95.3
Non-performing loans in % of gross loans outstanding	7.4	0.6	1.2	22.9	4.4	4.7
Allowance and provisions for credit losses in % of gross loans outstanding	6.8	0.4	2.5	10.3	4.6	4.5

[1] Comprises two balance sheet positions: Loans, net of allowances, and Due from banks. [2] This amount includes provisions and allowances for country risk of CHF 1,475 million (year-end 1998: CHF 1,450 million). It also includes provisions of CHF 233 million relating to contingent liabilities, not included in the reported gross and net loans.

Restructuring provision usage

CHF million	Personnel	IT	Premises	Other	Total usage 31.6.1999	Total usage 31.12.1998
Private & Corporate Clients	72	298	80	25	475	717
Warburg Dillon Read	178	75	0	52	305	2,382
Private Banking	19	35	2	3	59	147
UBS Brinson	6	0	0	0	6	18
UBS Capital	2	0	0	0	2	2
Corporate Center	16	1	250	24	291	761
Group total	293	409	332	104	1,138	4,027
Group total 1998						4,027
Group total first half-year 1999						1,138
Total usage						5,165
Total provision						7,000
Future utilization						**1,835**

Due to continuing instability in emerging markets, we have essentially maintained country risk provisions and allowances at year-end 1998 levels, despite a substantial reduction in related exposures, as shown in the table on page 15. Exposures to Mexico and other Latin American countries were reduced by close to CHF 1.2 billion during the first six months of 1999, with the bulk of these reductions achieved in the trade finance business.

Restructuring provision

The restructuring announced at the time of the merger of the two predecessor banks is proceeding as planned. Of the CHF 7 billion merger-related restructuring provision created in 1997, CHF 1,138 million was utilized in the first half of 1999, leaving roughly CHF 1,835 million available for future periods. All restructuring is expected to be complete by the end of 2002.

In the Private and Corporate Clients Division, the transition to one common IT platform and the parallel operation of the systems, explain the major part of IT provision utilization. Severance costs at Warburg Dillon Read are expected to tail off during the second half of the year. Premises costs at Corporate Center are essentially due to the merging of bank premises, including related moving and outfitting costs.

Shareholders' equity

At its press conference on 12 March 1999, UBS announced its intention to invest capital in excess of its BIS Tier 1 target range of 8.5–9% in its own stock. Over the past six months, we have made two announcements that we have bought back 1% of our own shares each time. As of 30 June 1999, UBS held 7,832,697, or 3.6%, of its own shares.

Other

Market risk

During the first half, market conditions continued to stabilize from the second half of 1998 which was characterized by sharply increased volatilities and illiquidity. Market risk exposure as measured by Value at Risk (VaR) remained stable during the second quarter, following reductions in the first quarter of 1999. Average 10-day 99% confidence VaR was CHF 220 million for the first six months of 1999, down from CHF 294 million for the second half of 1998. As from 30 June 1999, UBS obtained Swiss Federal Banking Commission certification to use the VaR model as the basis for calculating capital adequacy requirements in respect of market risk.

Year 2000

All divisions made substantial progress in completing the internal systems remediation phase of the Year 2000 project during the first half of 1999. The target of completing work on all critical systems by 30 June was substantially met with a 97% completion rate being recorded. The remaining work is scheduled to be completed before the end of September.

In first-half 1999, UBS spent a total of CHF 176 million on Year 2000 issues and for the full year expects total Year 2000 costs to reach about CHF 370 million.

As the internal remediation phase of the project nears completion, attention is increasingly focusing on the external risks associated with the Year 2000 issue. In this regard, UBS is an active participant in the Swiss Bankers Association's Year 2000 initiative.

Year 2000 quantitative progress assessment for UBS [1]
as at 30 June 1999; in %

Phase	Organization plans					Current status					Forecast		
	12.98	3.99	4.99	5.99	**6.99**	12.98	3.99	4.99	5.99	**6.99**	**6.99**	9.99	12.99
Developing a strategic approach	100					100							
Creating organizational awareness	100					100							
Assessing actions and developing detailed plans	99					98	100						
Renovating systems, applications and equipment	95	99	99	100		87	96	98	99	**100**	**100**		
Validating renovation through testing	88	96	98	99	**100**	68	85	89	95	**99**	**99**	100	
Implementing tested, compliant systems	79	92	96	98	**100**	61	79	85	92	**97**	**98**	100	

[1] Mission critical systems.

Risk control has incorporated Year 2000 effects into its stress loss scenarios. In addition, steps have been taken to reduce the settlement risk exposure over the year-end.

The Group is also exposed to the risk of its counterparties and suppliers not being adequately prepared for the millennium date change. We have assessed our network of custodians and agent banks and are satisfied as to the state of preparedness of our major custodians. We have also completed a review of our major credit clients to assess their Year 2000 preparedness. Where appropriate, and practical, we have taken action to reduce or hedge our credit exposure.

Work also continues on the development of the contingency arrangements that will be in place at the end of the year. UBS has taken the leading role in the Swiss interbank taskforce on contingency planning and has also taken a leading role in the development of the Global 2000 Co-ordinating Group's risk mitigation and contingency planning guidelines.

Personnel

Since 31 December 1998, UBS Group headcount increased by 0.1% to 48,066. All divisions are below or in line with expectations. Private Banking headcount increased by 622 or 8% from 7,634 to 8,256. Excluding the 131 personnel added by the Bank of America acquisition, the increase was 6.4%, driven by increased onshore activity outside Switzerland. The Private and Corporate Clients Division experienced a temporary increase in personnel due to the completion of client data migration.

Personnel

	30.6.1999	31.12.1998	Change in %
Private Banking	**8,256**	7,634	8
Warburg Dillon Read	**13,148**	13,794	(5)
Private and Corporate Clients	**24,186**	24,043	1
UBS Brinson	**1,507**	1,497	1
UBS Capital	**111**	122	(9)
Corporate Center	**858**	921	(7)
Group total	**48,066**	48,011	0
of which: Switzerland	***32,847***	*32,706*	*0*

UBS selected emerging markets exposures

CHF million	Total exposure 30.6.1999	Tradable assets [1] 30.6.1999	Trade finance [2] 30.6.1999	Financial risk [3] 30.6.1999	Allowances & provisions [4] 30.6.1999	Coverage of financial risk in % 30.6.1999	Change of total exposure since 1998
Indonesia	**812**	6	48	758	**499**	**66**	(12)
Russia	**327**	145	89	93	**120**	**129**	(12)
Argentina, Brazil, Colombia, Ecuador, Peru, Venezuela	**4,652**	235	1,622	2,795	**674**	**24**	(890)
Mexico	**2,332**	555	383	1,394	**89**	**6**	(302)
Malaysia, Philippines, South Korea, Thailand	**3,030**	553	204	2,273	**253**	**11**	91

[1] Equity and fixed income products in the trading book, marked-to-market daily. [2] Letters of credit, export credits, short terms advances in financing of exports and imports. [3] Includes all balance sheet lending (including money market lending) as well as derivatives & repos. [4] Includes country and counterparty risk.

Financial Statements

UBS Group Income Statement

For the 6-month period ended *CHF million*	Note	30.6.1999	30.6.1998	Change	%
Operating income					
Interest income		8,149	11,492	(3,343)	(29)
Less: Interest expense		4,784	8,156	(3,372)	(41)
Net interest income	3	3,365	3,336	29	1
Less: Credit loss expense		635	310	325	105
Total		2,730	3,026	(296)	(10)
Net fee and commission income	4	6,184	6,597	(413)	(6)
Net trading income	5	3,986	3,176	810	26
Other income, including income from associates	6	2,340	1,707	633	37
Total		15,240	14,506	734	5
Operating expenses					
Personnel	7	6,819	5,780	1,039	18
General and administrative	7	2,318	3,211	(893)	(28)
Depreciation and amortization	7	864	910	(46)	(5)
Total		10,001	9,901	100	1
Operating profit before tax		5,239	4,605	634	14
Tax expense		1,256	1,094	162	15
Group profit		3,983	3,511	472	13
Less: Minority interests		21	0	21	–
Net profit	8	3,962	3,511	451	13
Basic earnings per share (CHF)	8	18.95	16.55	2.40	14
Diluted earnings per share (CHF)	8	18.84	16.48	2.36	14

UBS Group Balance Sheet

CHF million	**30.6.1999**	31.12.1998	Change	%
Assets				
Cash and balances with central banks	**3,135**	3,267	(132)	(4)
Money market paper	**65,688**	18,390	47,298	257
Due from banks	**55,168**	68,495	(13,327)	(19)
Cash collateral on securities borrowed	**108,412**	91,695	16,717	18
Reverse repurchase agreements	**111,059**	141,285	(30,226)	(21)
Trading portfolio	**145,050**	162,588	(17,538)	(11)
Positive replacement values	**130,007**	169,936	(39,929)	(23)
Loans, net of allowance for credit losses	**247,321**	247,926	(605)	(0)
Financial investments	**6,807**	6,914	(107)	(2)
Accrued income and prepaid expenses	**6,246**	6,627	(381)	(6)
Investments in associates	**1,361**	2,805	(1,444)	(51)
Property and equipment	**9,800**	9,886	(86)	(1)
Intangible assets and goodwill	**2,352**	2,210	142	6
Other assets	**12,167**	12,092	75	1
Total assets	**904,573**	944,116	(39,543)	(4)
Total subordinated assets	***503***	*496*	*7*	*1*
Liabilities				
Money market paper issued	**55,990**	51,527	4,463	9
Due to banks	**87,432**	85,716	1,716	2
Cash collateral on securities lent	**18,444**	19,171	(727)	(4)
Repurchase agreements	**135,707**	137,617	(1,910)	(1)
Trading portfolio liabilities	**44,962**	47,033	(2,071)	(4)
Negative replacement values	**153,256**	205,080	(51,824)	(25)
Due to customers	**289,366**	274,850	14,516	5
Accrued expenses and deferred income	**10,891**	11,232	(341)	(3)
Long term debt	**54,927**	50,783	4,144	8
Other liabilities	**20,775**	27,722	(6,947)	(25)
Total liabilities	**871,750**	910,731	(38,981)	(4)
Minority interests	**336**	990	(654)	(66)
Shareholders' equity				
Share capital	**4,306**	4,300	6	0
Share premium account	**13,867**	13,740	127	1
Foreign currency translation	**(537)**	(456)	(81)	18
Retained earnings	**18,162**	16,293	1,869	11
Treasury shares	**(3,311)**	(1,482)	(1,829)	123
Total shareholders' equity	**32,487**	32,395	92	0
Total liabilities, minority interests and shareholders' equity	**904,573**	944,116	(39,543)	(4)
Total subordinated liabilities	***14,870***	*13,652*	*1,218*	*9*

UBS Group Statement of Changes in Equity

CHF million	**30.6.1999**	31.12.1998
Issued and paid up share capital		
Balance at the beginning of the year	**4,300**	4,296
Issue of share capital	**6**	4
Balance at the end of the period	**4,306**	4,300
comprising 215,288,807 ordinary shares of CHF 20 each, fully paid		
Share premium		
Balance at the beginning of the year	**13,740**	13,260
Premium on shares issued, warrants exercised	**9**	111
Premium on disposal of Treasury shares	**118**	369
Balance at the end of the period	**13,867**	13,740
Foreign currency translation		
Balance at the beginning of the year	**(456)**	(111)
Movements during the period	**(81)**	(345)
Balance at the end of the period	**(537)**	(456)
Retained earnings		
Balance at the beginning of the year	**16,293**	15,464
Net profit for the period	**3,962**	3,030
Dividends paid	**(2,093)**	(2,201)
Balance at the end of the period	**18,162**	16,293
Treasury shares, at cost		
Balance at the beginning of the year	**(1,482)**	(1,982)
Acquisitions	**(2,983)**	(2,796)
Disposals	**1,154**	3,296
Balance at the end of the period	**(3,311)**	(1,482)
Total shareholders' equity	**32,487**	32,395

In addition to the issued and paid up share capital at the end of the period comprising 215,288,807 ordinary shares, 686,728 shares are unissued and are reserved for the employee share ownership plan and optional dividend warrants (December 1998: 999,229).

The number of Treasury shares at the end of the period amounts to 7,306,156 (December 1998: 3,623,609). A further 526,541 shares are at the disposal of the Board of Directors (December 1998: 526,541).

These shares represent the maximum amount of shares that may be issued in the future without further approval from the shareholders.

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 34 "Interim Financial Reporting", with the exception of the cash flow statement.

In preparing the consolidated interim financial statements, the same accounting policies and methods of computation are followed as in the consolidated financial statements at 31 December 1998 and for the year then ended.

Note 2 Segment Reporting by Business Division

For the 6-month period ended 30 June 1999

CHF million	Private Banking	Warburg Dillon Read [2]	Private & Corporate Clients	UBS Brinson	UBS Capital	Corporate Center [2]	Group total
Operating income	2,910	7,100	3,600	541	119	1,605	15,875
Less: Credit loss expense [1]	6	171	554	0	0	(96)	635
Total	2,904	6,929	3,046	541	119	1,701	15,240
Personnel, general and administrative expenses	1,442	4,983	2,174	324	60	154	9,137
Depreciation and amortization	74	403	290	64	3	30	864
Total	1,516	5,386	2,464	388	63	184	10,001
Segment performance before tax	**1,388**	**1,543**	**582**	**153**	**56**	**1,517**	**5,239**
Tax expense							1,256
Group profit							**3,983**
Less: Minority interest							21
Net profit							**3,962**

[1] In order to show the relevant divisional performance over time, adjusted expected loss figures rather than the net credit loss expense are reported for all business divisions. 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 financially booked net credit loss expenses at Group level is reported in the Corporate Center. The divisional breakdown of the net credit loss expense of CHF 635 million as of 30 June 1999 is as follows: Private Banking CHF 14 million, Warburg Dillon Read CHF 14 million, Private & Corporate Clients CHF 603 million, Corporate Center CHF 4 million. [2] Warburg Dillon Read: the first half of 1999 includes pre-tax CHF 200 million gain from divestment of the Global Trade Finance business. Corporate Center: the first half of 1999 includes pre-tax CHF 1,600 million gain from divestment of investments in Julius Baer and Swiss Life/Rentenanstalt.

For the 6-month period ended 30 June 1998

CHF million	Private Banking [2, 3]	Warburg Dillon Read	Private & Corporate Clients [2]	UBS Brinson	UBS Capital	Corporate Center [3]	Group total
Operating income	4,313	6,055	3,379	618	339	112	14,816
Less: Credit loss expense	13	208	520	0	0	(431)	310
Total	4,300	5,847	2,859	618	339	543	14,506
Personnel, general and administrative expenses [1]	1,501	4,374	2,050	333	63	670	8,991
Depreciation and amortization [1]	63	345	341	56	0	105	910
Total	1,564	4,719	2,391	389	63	775	9,901
Segment performance before tax	**2,736**	**1,128**	**468**	**229**	**276**	**(232)**	**4,605**
Tax expense							1,094
Group profit							**3,511**
Less: Minority interest							0
Net profit							**3,511**

[1] The 1998 figures have been restated due to a refinement of the allocation methodology for depreciation. [2] Private Banking and Private & Corporate Clients figures 1998 were restated in order to properly reflect the new client segmentation (transfer of investment clients from Private Banking to Private & Corporate Clients as reported at December 1998). [3] Private Banking: the first half of 1998 includes pre-tax CHF 1,058 million gain from divestments (BSI, Adler). Corporate Center: the first half of 1998 includes pre-tax CHF 544 million provisions for the settlement related to the role of Swiss banks during and after World War II.

Income Statement

Note 3 Net Interest Income

For the 6-month period ended *CHF million*	**30.6.1999**	30.6.1998
Interest income		
Interest earned on loans and advances to banks	**2,337**	3,111
Interest earned on loans and advances to customers	**5,639**	7,287
Interest from finance leasing	**23**	26
Interest income from financial investments	**45**	223
Dividend income from financial investments	**21**	48
Other	**84**	797
Total	**8,149**	11,492
Interest expense		
Interest on amounts due to banks	**1,565**	4,065
Interest on amounts due to customers	**4,060**	4,850
Interest on medium and long term debt	**2,489**	2,476
Less: Refinancing costs for trading positions	**3,330**	3,235
Total	**4,784**	8,156
Total	**3,365**	3,336

Note 4 Net Fee and Commission Income

For the 6-month period ended *CHF million*	**30.6.1999**	30.6.1998
Credit-related fees and commissions		
Guarantee and letter of credit commissions	**104**	153
Other	**111**	169
Total	**215**	322
Security trading and investment activities fees		
Underwriting and corporate finance fees	**826**	1,110
Brokerage fees	**1,882**	2,009
Fiduciary fees	**162**	186
Custodian fees	**788**	721
Portfolio and other management and advisory fees	**1,476**	1,499
Investment funds	**925**	822
Other	**53**	56
Total	**6,112**	6,403
Commission income from other services		
Total	**367**	365
Commission expense		
Brokerage fees paid	**359**	360
Other	**151**	133
Total	**510**	493
Total	**6,184**	6,597

Note 5 Net Trading Income

For the 6-month period ended *CHF million*	**30.6.1999**	30.6.1998
Foreign exchange and bank notes	**585**	965
Fixed income	**1,039**	761
Equities	**2,314**	1,419
Precious metals/commodities	**48**	31
Total	**3,986**	3,176

With regard to trading activities, interest and dividends derived from the securities and derivative product portfolios are included within Net trading income. The funding costs of holding these assets are charged to Net trading income and credited to Interest expense. In this context, margins earned on client cash securities and derivative transactions are booked in Net trading income as well.

Note 6 Other Income, including Income from Associates

For the 6-month period ended *CHF million*	**30.6.1999**	30.6.1998
Investments in financial assets (debt and equity)		
Net income from disposal of private equity investments	**150**	291
Net income from disposal of other financial assets	**30**	267
Gains/(losses) from revaluation of financial assets	**(20)**	(189)
Subtotal	**160**	369
Net income from disposal of consolidated subsidiaries	**1**	1,141
Total	**161**	1,510
Investments in property		
Net income from disposal of properties held for resale	**36**	16
Gains/(losses) from revaluation of properties held for resale	**(9)**	(94)
Subtotal	**27**	(78)
Net income from other properties	**33**	45
Total	**60**	(33)
Investments in associates and other income	**2,119**	230
Total	**2,340**	1,707

Note 7 Operating Expenses

For the 6-month period ended *CHF million*	**30.6.1999**	30.6.1998
Personnel expenses		
Salaries and bonuses	**5,497**	4,502
Contractors	**386**	204
Insurance and social contributions	**247**	246
Contributions to retirement benefit plans	**242**	317
Employee share plans	**109**	123
Other personnel expenses	**338**	388
Total	**6,819**	5,780
General and administrative expenses		
Occupancy	**399**	420
Rent and maintenance of machines and equipment	**123**	226
Telecommunications and transportation	**371**	415
Administration	**337**	390
Marketing and public relations	**107**	102
Travel and entertainment	**247**	270
Professional fees, including IT outsourcing	**697**	753
Other	**37**	635
Total	**2,318**	3,211
Depreciation and amortization		
Property and equipment	**693**	768
Intangible assets and goodwill	**171**	142
Total	**864**	910
Total operating expenses	**10,001**	9,901

Note 8 Earnings per Share

For the 6-month period ended	**30.6.1999**	30.6.1998
Basic earnings per share calculation		
Net profit for the period (CHF million)	**3,962**	3,511
Weighted average shares outstanding:		
Registered ordinary shares (nominal CHF 20)	**215,116,494**	214,743,229
Less: Treasury shares	**6,033,438**	2,631,574
Weighted average shares for basic earnings per share (nominal CHF 20)	**209,083,056**	212,111,655
Basic earnings per share (CHF)	**18.95**	16.55
Diluted earnings per share calculation		
Net profit for the period (CHF million)	**3,962**	3,511
Weighted average shares for basic earnings per share (nominal CHF 20)	**209,083,056**	212,111,655
Add:		
Potential ordinary shares resulting from the issuance of outstanding options	**301,206**	359,717
Potential ordinary shares relating to employee plans	**911,794**	541,318
Weighted average shares for diluted earnings per share (nominal CHF 20)	**210,296,056**	213,012,690
Diluted earnings per share (CHF)	**18.84**	16.48

The weighted average number of shares is calculated based upon the average outstanding shares at the end of each month. All share amounts, including comparatives, are restated in terms of new UBS shares.

Information for Shareholders

UBS Registered Shares (Par Value CHF 20), ISIN Number CH0008470921

Ticker symbols

Stock exchange listings	Bloomberg	Reuters	Telekurs
SWX (Swiss exchange)	UBSN SW	UBSZn.S	UBSN, 004
Tokyo	1264Z JP	UBS.T	N16631, 106
London (Stock exchange automatic quotation SEAQ)		UBSZq.L	847092, 182

Sponsored American Depository Receipt (ADR) program in the USA

Ratio	20 ADR's = 1 UBS Share
Exchange	OTC (over the counter)
Symbol	UBBSY
CUSIP	# 90261R105

Financial calendar

Publication third-quarter results 1999	Thursday, 25 November 1999
General Meeting of Shareholders	Tuesday, 18 April 2000

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