UBS

First Quarter 1999 Report.

UBS Group Financial Highlights

For the quarter ended *CHF million (except where indicated)*	**31.3.1999**	31.3.1998
Income statement key figures		
Operating income	**6,918**	6,703
Operating expenses	**4,804**	4,929
Operating profit before tax	**2,114**	1,774
Net profit	**1,621**	1,344
Per share data (CHF)		
Basic earnings per share [1]	**7.72**	6.38
Diluted earnings per share [1]	**7.67**	6.36
Ratios (%)		
Return on shareholders' equity [2]	**21.2**	17.7
Cost/income ratio [3]	**66.5**	70.6

	31.3.1999	31.12.1998
Balance sheet key figures		
Total assets	**922,503**	944,116
Shareholders' equity	**31,540**	32,395
Market capitalization	**95,500**	90,720
BIS capital ratios		
Tier 1 capital (%)	**9.4**	9.8
Total capital (Tier 1 and Tier 2) (%)	**13.1**	14.0
Risk weighted assets	**304,948**	288,296
Assets under management (bn)		
Total assets under management	**1,639**	1,572
Headcount		
Total headcount	**48,031**	48,011
of which: Switzerland	***32,851***	*32,706*
Rest of world	***15,180***	*15,305*
Long term ratings		
Moody's, New York	**Aa1**	
Fitch/IBCA, London	**AAA**	
Standard & Poor's, New York	**AA+**	
BankWatch, New York	**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 310 million in 1999 and CHF 281 million in 1998.

Dear Shareholders,

As we announced at the Annual General Meeting on 22 April 1999, UBS enjoyed a strong first quarter, earning CHF 1.6 billion in profit after taxes and minority interests, a 21% increase over first-quarter 1998. First-quarter 1999 fully diluted earnings per share increased 21% to CHF 7.67 from CHF 6.36 over the previous year period.

Total net operating income increased three percent, while total operating expenses decreased by the same order. We are pleased with this result as it reflects merger benefits achieved through integration with a maintained and, in some instances, even an enhanced client franchise and revenue-generating ability.

UBS Group profitability was driven to a large extent by very good results at Warburg Dillon Read during first-quarter 1999, with other divisions performing in line with expectations. Warburg Dillon Read achieved these results with roughly 75% of both pre-merger staff and pre-merger regulatory equity. This excellent result indicates the focus on high-quality earnings and client-driven core businesses. In particular, the division's Fixed Income business, which suffered in 1998 as a result of the integration and the emerging market crisis, is fully back on track. Consequently, the division posted a pre-tax profit of CHF 783 million, significantly higher than the comparable 1998 period, on a capital base and with a risk profile which is in line with other leading global investment banks.

A key pillar of our strategy is concentrating on our core businesses. We made substantial progress in this regard during the first quarter, successfully selling the Global Trade Finance business to Standard Chartered and our holding in Julius Baer. We have also prepared several tranches of Swiss real estate holding for sale and have terminated the exclusive alliance with, and holding in, Swiss Life / Rentenanstalt (the proceeds of which will be booked in the second quarter).

As our good results already show, the merger is proceeding according to plan. In the Private and Corporate Clients Division, the data transfer of over two million clients to a single information technology platform is in its last stages and is scheduled to end in July. We have closed 76 redundant branches since the merger was announced, a significant portion of which were finalized in the first quarter. Since the merger, there has been some limited impact on client satisfaction, which we see coming to an end. Furthermore, internal surveys reveal an improvement in employee morale (which we monitor closely) during the first quarter as compared to previous periods in 1998.

In Private Banking, assets under management grew four percent. This is considered transitory as the transfer of client data to one common information technology platform has limited temporarily the acquisition of new client assets. Client migration will be completed in July, which should have a positive influence on growth in assets under management.

While the domestic private banking business outside Switzerland is still in a start-up phase, the business has developed remarkably. Revenues and assets have grown well, as expected, and we have succeeded in attracting highly-qualified client advisors and product specialists for the business area. This is creating a good platform for growth of the business.

In first-quarter 1999, Bank of America's international private banking activities in Europe and Asia were acquired by UBS. The additional assets will be booked later in the year.

Our very positive experience with the transition to the Euro gives us confidence for Year 2000 remediation. As of April, 85% of all critical systems have been remediated. Further detailed information about our program can be found in the table at the end of the Group Financial Review.

Looking forward toward full-year 1999, we caution against direct extrapolation of the first-quarter into full-year results as several of our businesses are of a seasonal nature, such as the Equities business area of Warburg Dillon Read. In addition, the financial services industry is always subject to financial market cycles. We nonetheless are confident that our profitability in 1999 will remain substantially higher than in 1998.

UBS AG

Alex Krauer
Chairman of the Board of Directors

Marcel Ospel
President and Group CEO

Review of Divisions

Private Banking

In the first quarter of 1999, Private Banking recorded CHF 709 million in pre-tax profit. This is an improvement compared to the fourth quarter of 1998 when financial market turmoil had an impact on divisional results.

Eliminating divestments from first-half 1998 results, we estimate that Private Banking's result for first-quarter 1999 was roughly in line with the corresponding period in 1998.

The result was influenced by slightly lower commissions and brokerage fees due to reduced transaction volumes during the quarter. In addition, the process of migrating client data in Switzerland to one IT platform temporarily limited new business development. The migration process will be completed by July 1999.

The development of our domestic private banking business outside Switzerland is still in a start-up phase. The pace of development however is remarkable. Revenues and assets have grown as expected, and highly-qualified client advisors and product specialists have been hired for the business area. This is contributing strongly towards building a stable growth platform for this business segment.

Since year-end 1998 assets under management grew by 4.3%, or CHF 26 billion, to reach CHF 633 billion. The majority of this growth is performance-driven. The composition of Private Banking assets under management remained unchanged in the first quarter 1999. UBS Investment Funds, the market leader both in Europe and Switzerland, grew by 5.1% to CHF 184 billion in the same period.

In the first quarter of 1999, Private Banking acquired Bank of America's international private banking activities in Europe and Asia. The additional assets will be booked later in the year.

For the remainder of the year we are confident that a positive business environment will lead to further improvement in the results for the Private Banking Division.

Warburg Dillon Read

Warburg Dillon Read experienced a strong first quarter in 1999, recording pre-tax profits of CHF 783 million.

All business areas performed in line with, or ahead of, expectations, assisted by generally favorable market conditions. The global Equities business, and in particular the distribution and trading of European equities and equity derivative products, performed extremely well. Moreover, the Fixed Income business area benefited from its re-focusing on client-driven business, and also the good market environment, resulting in a very good performance. Corporate Finance activity has been according to expectations, leading to stronger generation of fee income in the advisory business, while primary market fees were lower than in the previous year period. The Treasury products area, which includes foreign exchange and short-term interest rate business, is performing well, despite somewhat subdued activity in the foreign exchange market following the introduction of the Euro.

With the merger fully completed in 1998, Warburg Dillon Read is now beginning to reap the benefits in terms of significantly increased business flow from institutional and corporate clients, reflecting the broader and deeper relationships with these clients and our enlarged transaction and execution capability.

Taking three-sixths of first-half 1998 as a pro-forma basis of comparison, total operating expenses were 7% higher, due to increased accruals for performance-linked compensation. This reflects not only the excellent performance during the quarter, but also the fact that we are accruing performance-related compensation on a different basis. This basis recognizes the fact that historically our revenues have not been earned evenly throughout the year, with the first quarter usually the strongest in terms of revenue generation. Excluding performance-related compensation, we estimate that expenses fell significantly over the corresponding period in 1998, reflecting the overall reduction in costs as a result of the merger.

Average allocated regulatory equity of the division at 31 March 1999 was CHF 10.7 billion compared to CHF 13.3 billion at 31 December 1998. This reduction is primarily the result of consistent application of netting agreements and the planned reduction in the international loan portfolio. The international credit portfolio fell from approximately CHF 286 billion as of 31 March 1998 to CHF 175 billion as of 31 Decem-

Segment Reporting by Business Division [1]

For the quarter ended 31 March 1999

CHF million	Private Banking	Warburg Dillon Read	Private & Corporate Clients	UBS Brinson	UBS Capital	Corporate Center	Group total
Operating income	1,393	3,393	1,901	263	75	203	7,228
Less: Credit loss expense [2]	7	82	277	0	0	(56)	310
Total	1,386	3,311	1,624	263	75	259	6,918
Personnel, general and administrative expenses	651	2,383	1,099	174	27	88	4,422
Depreciation and amortization	26	145	143	21	0	47	382
Total	677	2,528	1,242	195	27	135	4,804
Segment performance before tax	**709**	**783**	**382**	**68**	**48**	**124**	**2,114**
Tax expense	121	219	69	19	5	53	486
Segment performance after tax	**588**	**564**	**313**	**49**	**43**	**71**	**1,628**
Less: Minority interest	0	3	0	0	0	4	7
Net profit	**588**	**561**	**313**	**49**	**43**	**67**	**1,621**
Cost/income (%)	49	75	65	74	36	n.a.	67
Regulatory equity used (avg)	1,600	10,700	8,250	100	300	9,350	30,300
Assets under management (bn) [3]	633	0	461	545	0	0	1,639

[1] As a result of differing management accounting policies before the legal merger date of 29 June 1998, first-quarter results for published segment reports are unavailable. [2] 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 310 million as of 31 March 1999 is as follows: UBS Private Banking CHF 15 million, Warburg Dillon Read CHF (39) million, UBS Private and Corporate Clients CHF 334 million. [3] UBS Brinson: Institutional assets CHF 364 billion, funds CHF 181 billion.

ber 1998 to CHF 152.7 billion as of 31 March 1999, reflecting an alignment of our credit risk-taking to our investment banking core clients.

Private and Corporate Clients Division

During first-quarter 1999, the Private and Corporate Clients Division's pre-tax performance was CHF 382 million. During the first quarter, reduced Swiss Stock Exchange volumes negatively impacted transaction-related revenues, especially in the Private and Business Clients business area. However, this was compensated by revenue developments by the other business areas in part due to positive development in interest rate margins.

Adjusted expected credit losses for the first quarter 1999 were CHF 277 million, which is below the quarterly average of CHF 292 million for 1998. A continuation of the positive trend is expected due to the favorable economic environment.

Even with the strong revenue development in the first quarter of 1999, costs remained mostly flat. This is largely due to effective cost control. Merger-related savings are materializing in line with the integration project plan.

The six percent increase in assets under management to CHF 461 billion since year-end 1998 was mostly due to the moderately positive development of stock markets.

After taking the seasonal characteristics of some cost categories and the market into account, Private and Corporate Clients is optimistic for full-year 1999. Our strategic initiative program is proceeding on track and will realize cost reductions and revenue enhancements planned for 1999.

As announced one year ago, 150 redundant branches will be consolidated by the end of the merger process. By the end of April 1999, of the 150, 76 redundant branches have been closed. Furthermore, in recognition of UBS's sale of 12 branches to other banks, the Swiss Competition Commission confirmed that UBS is in compliance with the requirements set out in the 4 May 1998 ruling concerning branch sales in areas deemed to have reached a critical level of competition.

Merger integration

Integration within Private and Corporate Clients is well on track and remains one of the fastest integrations among recent bank mergers. For detailed information, please see the "Integration Status Report" published by UBS on 9 April 1999.

As reported earlier, organizational integration, rebranding and market appearance were finished early last year. The redesign of distribution channels was intensified during the first quarter.

The current, very intense phase of customer migration to a single technology platform will be finished by mid-1999. As of the end of April 1999, 1.4 million clients, or more than 50% of the client base, were transferred to the new IT platform. The process will end in July with the migration of the remaining 1.1 million clients.

Our surveys have shown that, since the merger, client satisfaction has deteriorated somewhat. At the same time, client defections continue to remain low. We expect client satisfaction to increase significantly with the completion of the data migration process in July 1999.

UBS Brinson

UBS Brinson recorded CHF 68 million in segment performance before taxes for first-quarter 1999. The Brinson business area performance was in line with expectations for the period. Revenues were somewhat weaker as a result of the expected loss of revenue from the merger, changes in inter-divisional pricing arrangements and other non-recurring revenue items in 1998. The Phillips & Drew business area is experiencing a challenging environment in the U.K.

Investment performance within the Brinson business area has been generally good, although U.S. equity portfolios and certain balanced portfolios have under-performed relevant benchmarks on a short-term basis. As we indicated in our 1998 annual report, we believe U.S. equities are overvalued compared to their fundamental underpinnings and, as a result, we have currently underweighted these securities in our portfolios. Phillips & Drew has under-performed relevant benchmarks in its core balanced business. In addition, demand for core and specialist portfolios, as well as an emphasis on passive management, is growing in the U.K., shifting money away from the traditional balanced managers.

While new client mandates developed in line with expectations for the period, lost business from existing clients suggests a potentially challenging year ahead. Since 31 December 1998, institutional assets under management grew CHF 4 billion to CHF 364 billion, while non-institutional assets grew CHF 10 billion to CHF 181 billion.

We are closely monitoring costs in an effort to minimize the impact of the revenue loss on the division's profitability. We are confident that recently announced management alignments will provide the desired balance between investment and business management.

UBS Capital

UBS Capital's segment performance before tax was CHF 48 million. UBS Capital completed several smaller successful exits. As revenues are deal dependent, a comparison on a quarterly basis is less meaningful for this business. Costs remained in line with expectations. While the current portfolio's aging profile is expected to offer fewer divestment opportunities in this year than over the past two years, the portfolio continues to expand in line with expectations. As of 31 March 1999, the book value of the portfolio was CHF 1.9 billion.

Corporate Center

For the first quarter 1999, the Corporate Center posted a pre-tax profit of CHF 124 million.

The major item which positively influenced the Corporate Center result was the post-tax CHF 90 million gain from the sale of Julius Baer registered shares.

Group Financial Review

Given that the merger was only legally completed on 29 June 1998 and bearing in mind the fact that the two predecessor banks had differing management accounting policies, first-quarter 1998 results for published segment reports are unavailable. Annualizing quarterly figures, given the degree of seasonality in the underlying businesses, can be misleading. Furthermore, in UBS segment reporting, as quarterly volatility can tend to be higher than yearly volatility, developments in quarterly segment reports should not be taken prima facie as a medium- or long-term trend.

Overview

- Profit after taxes and minority interests increased 21%, or about CHF 0.3 billion, to CHF 1.6 billion during the first quarter of 1999 against CHF 1.3 billion over the same period in 1998.
- First-quarter 1999 total operating income increased 3%, or about CHF 0.2 billion, to CHF 6.9 billion, while total operating expenses decreased 3%, or about CHF 0.1 billion, to CHF 4.8 billion compared to the first quarter of 1998.
- The cost-income ratio decreased to 66.5% in first-quarter 1999 from 70.6% for the first quarter of 1998.
- UBS's annualized return on equity for first-quarter 1999 is 21.2%, compared with an annualized 17.7% for first-quarter 1998.
- First-quarter 1999 diluted earnings per share increased 21% to CHF 7.67 from CHF 6.36 over the previous year period.
- Since 31 December 1998, Group assets under management increased 4.3%, or CHF 67 billion, to CHF 1.6 trillion.
- First-quarter 1999 figures exclude proceeds from the sale of UBS's stake in Swiss Life/ Rentenanstalt, which will be booked in the second quarter.
- First-quarter 1999 figures include a CHF 90 million post-tax gain from the sale of Julius Baer registered shares.
- Although Bank of America's international private banking business was acquired during the first quarter, there is no material impact on the financial statements as of 31 March 1999.

Income statement

Moving into the final stages of completion of the merger, operating income increased 3% in first-quarter 1999 while costs decreased 3%. In UBS management's opinion, this clearly shows the positive impact of the merger in terms of a maintained and, in some instances, enhanced client franchise and revenue-generating position.

Net interest income

Net interest income decreased 6% to CHF 1.7 billion compared to first-quarter 1998. This is because first-quarter 1998 net interest income includes income from activities divested later in the year. In addition, net interest income was negatively affected by the significant reduction of the international loan business over the past year, as well as lower returns on invested equity.

Credit loss expense

Total credit loss expense for the first quarter 1999 amounted to CHF 310 million, somewhat below the anticipated level for the period. As in previous years, please note that the figure for this quarter does not necessarily indicate a linear trend for the future.

In view of the ongoing deterioration in Latin American emerging markets we have substantially increased the coverage ratio of our country risk exposures to these countries, especially Brazil, Venezuela and Colombia. However, these additional needs could be accommodated through the release of allowances for South Korea and other countries for which prior provisioning levels are currently no longer necessary due to the improved economic environment and reduced exposures.

The Private and Corporate Clients Division in Switzerland incurred total credit loss expenses of CHF 334 million, slightly less than expected, while the Private Banking Division increased its allowances by CHF 15 million.

In the international loan portfolio, minor new requirements for counterparty specific allowances were more than offset by allowances released from workout positions which have been brought to a successful close, resulting in CHF 39 million being credited to the Group income statement in respect of Warburg Dillon Read Division.

As explained in footnote 2 of the segment reports on page 5, net credit loss expenses reported in the Group income statement differ from the adjusted expected credit expenses reported in the segment report.

Net fee and commission income

Net fee and commission income decreased 9%, or CHF 293 million, to CHF 3.0 billion period on period, in large part due to income from divested subsidiaries in 1998 no longer being reflected in 1999 figures. UBS fees from investment funds continued to perform strongly, growing 32% relative to first-quarter 1998 as the result of intensive marketing efforts, as well as good customer reception of fund consolidation following the merger and the introduction of the Euro. Income from private client brokerage fees decreased due to low Swiss Stock Exchange volumes. Underwriting fees were down relative to an exceptionally strong first-quarter 1998, which was characterized by several large primary transactions. Guarantee and letter of credit commissions decreased in line with reduced emerging market exposures and the sale of the Global Trade Finance business.

Net trading income

Net trading income, which includes revenues generated from client-serving derivatives activities, increased 26%, or CHF 430 million, to CHF 2.1 billion, relative to first-quarter 1998. This increase is mainly attributable to positive business developments in the fixed income and equities businesses, supported by good market conditions in the first quarter. Fixed income revenues benefited from tightening credit spreads. Growth in secondary trading of equities, as well as both client and trading equity derivatives activities, were supported by stabilizing markets and generally improved market conditions. Income from foreign exchange and bank notes trading declined slightly as the introduction of a single currency reduced foreign exchange volume.

Other income, including income from associates

Other income increased 76%, or CHF 213 million, to CHF 492 million. The major factor impacting this line item is the CHF 90 million post-tax gain from the sale of Julius Baer registered shares in total income from associates.

Personnel expenses

Personnel expenses increased 4%, or CHF 131 million, to CHF 3.3 billion. Performance-related compensation in line with good results at Warburg Dillon Read more than offset the decrease in salary expenses resulting from the merger and divestments.

General and administrative expenses

General and administrative expenses decreased 15%, or CHF 195 million, to CHF 1.1 billion as cost savings from the merger begin to take effect. Consolidation of premises, back office expenses and sourcing activities contributed to this reduction in expenses.

Depreciation and amortization

Depreciation and amortization declined 14%, or CHF 61 million, to CHF 382 million due to lower asset balances as redundant machinery and equipment from the two pre-merger banks were written off in prior periods.

Tax expense

The Group's effective tax rate decreased from 25.7% in first quarter 1998, to 23% this quarter, due to the utilization of historic foreign tax losses carried forward from prior periods.

Balance sheet

Total balance sheet

Total assets declined 2%, or CHF 22 billion, to CHF 923 billion. Risk weighted assets increased 6% since year end, or CHF 17 billion, to CHF 305 billion.

Loan book

The overall quality of our assets further increased due to our strategy of gradually reducing the international loan book and emerging markets exposures coupled with an improved economic environment in Switzerland. Total outstanding loans have been reduced by CHF 15 billion since the end of 1998. Given the substantial depreciation of the Swiss franc during the first quarter, the international loan book, if expressed in original transaction currency, would have shrunk even further.

Allowances and provisions for credit losses of CHF 14,843 million covered 96% of Non-performing loans of CHF 15,439 million, up from 95% at year-end 1998.

Restructuring provision

Of the CHF 7 billion merger-related restructuring provision created in 1997, CHF 517 million was utilized in the first quarter of 1999, leaving roughly CHF 2.5 billion available for future periods. Although severance pay and lock-in costs remained at a high level at Warburg Dillon Read, this expense is expected to tail off in the second quarter. At Private and Corporate Clients, full scale migration of clients to a single IT

UBS Group loan portfolio summary by division

CHF million	Private & Corporate Clients 31.3.1999	Private Banking 31.3.1999	Warburg Dillon Read 31.3.1999	Corporate Center 31.3.1999	Total 31.3.1999	Total 31.12.1998
Total loans and advances (performing and non-performing loans)						
Principal amount of loans outstanding (gross amount)	162,641	24,349	128,567	264	315,821	330,964
Allowance and provisions for credit losses	11,895	132	2,806 [2]	10	14,843 [1]	14,978 [1]
Loans, net of allowances for credit losses	150,746	24,217	126,170	254	301,387	316,421
Non-performing loans (NPL)	14,094	84	1,261	0	15,439	15,717
Ratios						
Allowance and provisions for credit losses in % of non-performing loans	84.4	157.1	222.5	n/a	96	95.3
Non-performing loans in % of gross loans outstanding	8.7	0.3	1.0	0.0	4.9	4.7
Allowance and provisions for credit losses in % of gross loans outstanding	7.3	0.5	2.2	3.8	4.7	4.5

[1] Of which CHF 408 million relating to contingent liabilities and others (year-end 1998: CHF 435 million). [2] Of which CHF 1,493 million relating to country risk provisions (year-end 1998: CHF 1,450 million).

Restructuring provision usage

CHF million	Personnel	IT	Premises	Other	Total usage 31.3.1999	Total usage 31.12.1998
Private & Corporate Clients	11	121	6	6	144	717
Warburg Dillon Read	162	51	0	10	223	2,382
Private Banking	2	9	0	0	11	147
UBS Brinson	4	0	0	0	4	18
UBS Capital	6	0	0	0	6	2
Corporate Center	4	0	109	16	129	761
Group total	189	181	115	32	517	4,027
Group total 1998						4,027
Group total first quarter 1999						517
Total usage						4,544
Total provision						7,000
Future utilization						**2,456**

platform is underway, which is a labor-intensive effort. Usage of the provision in respect of personnel costs is expected to increase in the coming quarters as this migration is completed.

Shareholders' equity

As announced at its press conference on 12 March 1999, UBS intends to invest capital in excess of its BIS Tier 1 target range of 8.5–9% in its own stock. Between this date and 22 April 1999, UBS bought back 1% of its own shares in the market. As a result of this action, UBS held 5,032,806 of its own shares as at 22 April, 1999 (2.34% of the total of 215,178,318 UBS registered shares outstanding at that date).

In order to ensure maximum transparency and fairness for investors, UBS has agreed with the Swiss Takeover Commission that it will publish additional future purchases of its own shares each time they amount to a further one percent of market capitalization.

Other

Market risk

During the first quarter, market conditions stabilized from the second half of 1998 which was characterized by sharply increased volatilities and illiquidity. With a 10-day, 99% confidence level average Value at Risk of CHF 220 million, UBS has reached a level of market risk which roughly corresponds to target levels set at time of the merger and which is in line with the risk appetite of other global investment banks.

Year 2000

UBS has continued to make good progress on preparing its internal systems to handle the Year 2000 date change. As can be seen from the accompanying table, by the end of April over 85% of the work on the critical systems had been completed. We remain confident that this phase of the project will be substantially complete by the end of June. In first-quarter 1999, UBS Group spent a total of CHF 94 million on Year 2000 issues and for the full year expects total Year 2000 costs to reach about CHF 370 million.

In recognition of the fact that UBS cannot be certain that all its customers and suppliers will avoid Year 2000 problems, the focus of our Year 2000 work during the rest of 1999 will be increasingly on ensuring well worked-out contingency plans are in place. These contingency plans aim to minimize negative effects as far as possible on the services which UBS provides to its customers and on its own risk profile. Each division is currently developing its own business contin-

Year 2000 Quantitative Progress Assessment for UBS [1]
as at 30 April 1999; in %

Phase	Organization plans							Current status					Forecast			
	12.98	1.99	2.99	3.99	**4.99**	5.99	6.99	12.98	1.99	2.99	3.99	**4.99**	**4.99**	5.99	6.99	9.99
Developing a strategic approach	100							100								
Creating organizational awareness	100							100								
Assessing actions and developing detailed plans	99	99	100					98	98	99	100					
Renovating systems, applications and equipment	95	98	99	99	**99**	100		87	89	93	96	**98**	**98**	99	100	
Validating renovation through testing	88	92	93	96	**98**	99	100	68	72	76	85	**89**	**91**	97	99	100
Implementing tested, compliant systems	79	85	89	92	**96**	98	100	61	65	69	79	**85**	**87**	94	98	100

[1] Mission critical systems.

gency plans which will be implemented and fully tested over the next few months. In addition UBS has taken a leading role in the initiative by the Global 2000 Co-ordinating Group to develop an industry-wide approach to risk mitigation and contingency planning in close coordination with financial regulators and central banking authorities.

Personnel

Since 31 December 1998, UBS Group staff increased by 0.04% to 48,031. All divisions are below or in line with expectations. Private and Corporate Clients experienced an increase in employees during the transitory labor intensive phase relating to client data migration and segmentation.

Personnel

	31.3.1999	31.12.1998	Change in %
Private Banking	**7,909**	7,634	3.6
Warburg Dillon Read	**13,419**	13,794	(2.7)
Private and Corporate Clients	**24,247**	24,043	0.9
UBS Brinson	**1,486**	1,497	(0.7)
UBS Capital	**111**	122	(9.0)
Corporate Center	**859**	921	(6.7)
Group total	**48,031**	48,011	n.a.
of which: Switzerland	***32,851***	*32,706*	*0.4*

Financial Statements

UBS Group Income Statement

For the quarter ended *CHF million*	Note	**31.3.1999**	31.3.1998	Change	%
Operating income					
Interest income		**3,834**	6,040	(2,206)	(37)
Less: Interest expense		**2,160**	4,260	(2,100)	(49)
Net interest income	3	**1,674**	1,780	(106)	(6)
Less: Credit loss expense		**310**	281	29	10
Total		**1,364**	1,499	(135)	(9)
Net fee and commission income	4	**2,958**	3,251	(293)	(9)
Net trading income	5	**2,104**	1,674	430	26
Other income, including income from associates	6	**492**	279	213	76
Total		**6,918**	6,703	215	3
Operating expenses					
Personnel	7	**3,297**	3,166	131	4
General and administrative	7	**1,125**	1,320	(195)	(15)
Depreciation and amortization	7	**382**	443	(61)	(14)
Total		**4,804**	4,929	(125)	(3)
Operating profit before tax		**2,114**	1,774	340	19
Tax expense		**486**	420	66	16
Group profit		**1,628**	1,354	274	20
Less: Minority interests		**7**	10	(3)	(30)
Net profit	8	**1,621**	1,344	277	21
Basic earnings per share (CHF)	8	**7.72**	6.38	1.34	21
Diluted earnings per share (CHF)	8	**7.67**	6.36	1.31	21

UBS Group Balance Sheet

CHF million	31.3.1999	31.12.1998	Change	%
Assets				
Cash and balances with central banks	**2,954**	3,267	(313)	(10)
Money market paper	**26,168**	18,390	7,778	42
Due from banks	**51,008**	68,495	(17,487)	(26)
Cash collateral on securities borrowed	**88,336**	91,695	(3,359)	(4)
Reverse repurchase agreements	**138,329**	141,285	(2,956)	(2)
Trading portfolio	**169,977**	162,588	7,389	5
Positive replacement values	**156,600**	169,936	(13,336)	(8)
Loans, net of allowance for credit losses	**250,379**	247,926	2,453	1
Financial investments	**6,953**	6,914	39	1
Accrued income and prepaid expenses	**7,114**	6,627	487	7
Investments in associates	**2,782**	2,805	(23)	(1)
Property and equipment	**9,787**	9,886	(99)	(1)
Intangible assets and goodwill	**2,375**	2,210	165	7
Other assets	**9,741**	12,092	(2,351)	(19)
Total assets	**922,503**	944,116	(21,613)	(2)
Total subordinated assets	***487***	*496*	*(9)*	*(2)*
Liabilities				
Money market paper issued	**49,801**	51,527	(1,726)	(3)
Due to banks	**88,523**	85,716	2,807	3
Cash collateral on securities lent	**21,849**	19,171	2,678	14
Repurchase agreements	**116,772**	137,617	(20,845)	(15)
Trading portfolio liabilities	**56,147**	47,033	9,114	19
Negative replacement values	**180,157**	205,080	(24,923)	(12)
Due to customers	**284,317**	274,850	9,467	3
Accrued expenses and deferred income	**9,942**	11,232	(1,290)	(11)
Long term debt	**52,474**	50,783	1,691	3
Other liabilities	**30,674**	27,722	2,952	11
Total liabilities	**890,656**	910,731	(20,075)	(2)
Minority interests	**307**	990	(683)	(69)
Shareholders' equity				
Share capital	**4,304**	4,300	4	0
Share premium account	**13,817**	13,740	77	1
Foreign currency translation	**(529)**	(456)	(73)	16
Retained earnings	**15,765**	16,293	(528)	(3)
Treasury shares	**(1,817)**	(1,482)	(335)	23
Total shareholders' equity	**31,540**	32,395	(855)	(3)
Total liabilities, minority interests and shareholders' equity	**922,503**	944,116	(21,613)	(2)
Total subordinated liabilities	***14,653***	*13,652*	*1,001*	*7*

UBS Group Statement of Changes in Equity

CHF million	**31.3.1999**	31.12.1998
Issued and paid up share capital		
Balance at the beginning of the year	**4,300**	4,296
Issue of share capital	**4**	4
Balance at the end of the period	**4,304**	4,300
comprising 215,178,318 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	**6**	111
Premium on disposal of Treasury shares	**71**	369
Balance at the end of the period	**13,817**	13,740
Foreign currency translation		
Balance at the beginning of the year	**(456)**	(111)
Movements during the period	**(73)**	(345)
Balance at the end of the period	**(529)**	(456)
Retained earnings		
Balance at the beginning of the year	**16,293**	15,464
Net profit for the period	**1,621**	3,030
Dividends paid	**(2,149)**	(2,201)
Balance at the end of the period	**15,765**	16,293
Treasury shares, at cost		
Balance at the beginning of the year	**(1,482)**	(1,982)
Acquisitions	**(1,186)**	(2,796)
Disposals	**851**	3,296
Balance at the end of the period	**(1,817)**	(1,482)
Total shareholders' equity	**31,540**	32,395

In addition to the issued and paid up share capital at the end of the period comprising 215,178,318 ordinary shares, 797,217 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 4,099,373 (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 financial statements are in compliance with International Accounting Standard 34 “Interim Financial Reporting”, with the exception of the cash flow statement and the comparative figures for the segment reporting, where the information is not available.
In preparing the consolidated financial statements, the same accounting policies and methods of computation are followed as in the consolidated financial statements as at 31 December 1998 and for the period then ended.

Note 2 Segment Reporting by Business Division

For the quarter ended 31 March 1999

CHF million	Private Banking	Warburg Dillon Read	Private & Corporate Clients	UBS Brinson	UBS Capital	Corporate Center	Group total
Operating income	1,393	3,393	1,901	263	75	203	7,228
Less: Credit loss expense [1]	7	82	277	0	0	(56)	310
Total	1,386	3,311	1,624	263	75	259	6,918
Personnel, general and administrative expenses	651	2,383	1,099	174	27	88	4,422
Depreciation and amortization	26	145	143	21	0	47	382
Total	677	2,528	1,242	195	27	135	4,804
Segment performance before tax	**709**	**783**	**382**	**68**	**48**	**124**	**2,114**
Tax expense / (benefit)	121	219	69	19	5	53	486
Segment performance after tax	**588**	**564**	**313**	**49**	**43**	**71**	**1,628**
Less: Minority interest	0	3	0	0	0	4	7
Net profit / (loss)	**588**	**561**	**313**	**49**	**43**	**67**	**1,621**

[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 310 million as of 31 March 1999 is as follows: Private Banking CHF 15 million, Warburg Dillon Read CHF (39) million, Private and Corporate Clients CHF 334 million.

To enable a more meaningful analysis of UBS’s results, the above 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 group. The basis of the reporting reflects the management of the business within UBS Group.

Income Statement

Note 3 Net Interest Income

For the quarter ended *CHF million*	**31.3.1999**	31.3.1998
Interest income		
Interest earned on loans and advances to banks	**832**	1,257
Interest earned on loans and advances to customers	**2,918**	4,203
Interest from finance leasing	**12**	12
Interest income from financial investments	**24**	129
Dividend income from financial investments	**4**	22
Other	**44**	417
Total	**3,834**	6,040
Interest expense		
Interest on amounts due to banks	**507**	1,994
Interest on amounts due to customers	**2,078**	2,429
Interest on medium and long term debt	**1,177**	1,267
Less: Refinancing costs for trading positions	**1,602**	1,430
Total	**2,160**	4,260
Total	**1,674**	1,780

Note 4 Net Fee and Commission Income

For the quarter ended *CHF million*	**31.3.1999**	31.3.1998
Credit-related fees and commissions		
Guarantee and letter of credit commissions	**54**	80
Other	**46**	87
Total	**100**	167
Security trading and investment activities fees		
Underwriting and corporate finance fees	**336**	471
Brokerage fees	**939**	1,102
Fiduciary fees	**77**	91
Custodian fees	**336**	346
Portfolio and other management and advisory fees	**744**	795
Investment funds	**446**	338
Other	**28**	29
Total	**2,906**	3,172
Commission income from other services		
Total	**183**	182
Commission expense		
Brokerage fees paid	**162**	206
Other	**69**	64
Total	**231**	270
Total	**2,958**	3,251

Note 5 Net Trading Income

For the quarter ended *CHF million*	**31.3.1999**	31.3.1998
Foreign exchange and bank notes	**197**	426
Fixed income	**785**	374
Equities	**1,104**	884
Precious metals/commodities	**18**	(10)
Total	**2,104**	1,674

With regard to trading activities, interest and dividends derived from the securities and derivatives 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 quarter ended *CHF million*	**31.3.1999**	31.3.1998
Investments in financial assets (debt and equity)		
Net income from disposal of private equity investments	**83**	76
Net income from disposal of other financial assets	**3**	86
Gains/(losses) from revaluation of financial assets	**10**	(32)
Subtotal	**96**	130
Net income from disposal of consolidated subsidiaries		4
Total	**96**	134
Investments in property		
Net income from disposal of properties held for resale	**19**	21
Gains/(losses) from revaluation of properties held for resale	**(2)**	(22)
Subtotal	**17**	(1)
Net income from other properties	**12**	16
Total	**29**	15
Investments in associates and other income	**367**	130
Total	**492**	279

Note 7 Operating Expenses

For the quarter ended *CHF million*	**31.3.1999**	31.3.1998
Personnel expenses		
Salaries and bonuses	**2,658**	2,480
Contractors	**152**	94
Insurance and social contributions	**128**	140
Contributions to retirement benefit plans	**111**	156
Employee share plans	**55**	60
Other personnel expenses	**193**	236
Total	**3,297**	3,166
General and administrative expenses		
Occupancy	**197**	210
Rent and maintenance of machines and equipment	**56**	101
Telecommunications and transportation	**175**	213
Administration	**175**	195
Marketing and public relations	**40**	45
Travel and entertainment	**107**	122
Professional fees, including IT outsourcing	**305**	343
Other	**70**	91
Total	**1,125**	1,320
Depreciation and amortization		
Property and equipment	**307**	370
Intangible assets and goodwill	**75**	73
Total	**382**	443
Total operating expenses	**4,804**	4,929

Note 8 Earnings per Share

For the quarter ended	**31.3.1999**	31.3.1998
Basic earnings per share calculation		
Net profit for the period (CHF million)	**1,621**	1,344
Weighted average shares outstanding:		
Registered ordinary shares (nominal CHF 20)	**215,116,494**	214,584,691
Less: Treasury shares	**5,038,580**	3,806,514
Weighted average shares for basic earnings per share (nominal CHF 20)	**210,077,914**	210,778,177
Basic earnings per share (CHF)	**7.72**	6.38
Diluted earnings per share calculation		
Net profit for the period (CHF million)	**1,621**	1,344
Weighted average shares for basic earnings per share (nominal CHF 20)	**210,077,914**	210,778,177
Add:		
Potential ordinary shares resulting from the issuance of outstanding options	**449,958**	367,756
Potential ordinary shares relating to employee plans	**859,464**	178,345
Weighted average shares for diluted earnings per share (nominal CHF 20)	**211,387,336**	211,324,278
Diluted earnings per share (CHF)	**7.67**	6.36

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 first-half results 1999	Tuesday, 24 August 1999
Publication third-quarter results 1999	Thursday, 25 November 1999
General Meeting of Shareholders	Tuesday, 18 April 2000

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