

Media release

UBS reports first quarter result of CHF 3,275 million

- **Net profit attributable to UBS shareholders of CHF 3,275 million, down CHF 229 million from the same period a year earlier (first quarter 2006 included a CHF 290 million after-tax gain from sale of Motor-Columbus)**
- **Financial businesses attributable profit from continuing operations of CHF 3,182 million, a new record and up 4% from both first and fourth quarter 2006**
- **Total UBS net new money was at an all-time high of CHF 52.8 billion, with CHF 44.8 billion inflow from wealth management businesses worldwide**
- **Diluted EPS from continuing operations of CHF 1.62, up 9% from a year earlier, cost/income ratio of 68.1%, down 0.3 percentage points from first quarter 2006**
- **Return on equity of 28.7%, down from 29.6% a year earlier, still well above UBS's target of a 20% minimum over the cycle**
- **All business groups reported record profits in first quarter**

Zurich/Basel, 3 May 2007 – UBS reports net profit attributable to shareholders of CHF 3,275 million in first quarter 2007. This figure comprises both continuing and discontinued operations, resulting in a decline of CHF 229 million from first quarter 2006, when results included a CHF 290 million after-tax gain from the sale of Motor-Columbus.

In UBS's core operational businesses (financial businesses attributable profit from continuing operations), profit was a record CHF 3,182 million in first quarter 2007, up 4% from both first and fourth quarter 2006. Performance was driven by revenue growth in all businesses, despite negative trading revenues from the Investment Bank's proprietary capital managed by DRCM of approximately CHF 150 million in the context of difficult market conditions in US mortgage securities.

"Fee and commission income has reached its highest level since 2001, and represents more than half of our total income. Invested asset levels totalled CHF 3.1 trillion, up 4% from the beginning of the year, reflecting strong net new money inflows. This drove asset-based fees up in both the wealth and asset management businesses," said Clive Standish, UBS Chief Financial Officer.

Compared with first quarter 2006, fee-based revenues in the Investment Bank grew substantially in all businesses. UBS gained market share in both equity and debt underwriting, with the latter benefiting from a strong global syndicated finance performance. In corporate finance, UBS took advantage of the continued market momentum in mergers and acquisitions, improving the firm's competitive position in all regions. Higher fees from exchange-traded derivatives business bolstered performance, reflecting the positive effect of last year's acquisition of ABN AMRO's global futures and options business.

Net income from trading businesses rose in first quarter 2007, with equities, in particular, being positively impacted by favorable market conditions in Europe and Asia Pacific. The prime services business benefited from increased client balances and fixed income revenues improved compared with the same quarter last year on strong performances in the structured credit, global credit strategies and syndicated finance businesses. Foreign exchange and cash collateral trading was strong across the

board, with high volumes more than offsetting the effect of global increases in interest rates. Emerging markets, base metals and structured products all had a very strong quarter marked by significant growth.

The record first quarter 2007 performance shows the strength of the wealth management business, whose power remains unmatched across the industry. Wealthy clients around the globe entrusted UBS with a total of CHF 44.8 billion in net new money in first quarter, 85% of the total net new money inflow.

Personnel expenses were up 10% compared with first quarter 2006. In first quarter 2007, the firm continued to hire personnel in key areas of its business. In the Investment Bank, UBS hired at a slower rate than a year earlier, and staff numbers rose by only 1% from the end of last year. Amortization of intangible assets rose compared with first quarter 2006 due to the acquisitions made last year. General and administrative expenses were down, primarily reflecting the absence of the provision for the Sumitomo settlement recorded a year earlier. This was partly offset by increased costs resulting from higher business volumes and staff levels. Compared with fourth quarter, however, spending on marketing, travel and entertainment, professional fees and expenses for IT and outsourcing fell.

The number of personnel in the financial businesses was 80,637 on 31 March 2007, up 2,497 from 78,140 on 31 December 2006, with staff levels increasing across most businesses. Excluding the additional personnel from the McDonald acquisition and Perot contractors converted into UBS employees, staff numbers worldwide would have been up by 1,158 people.

Outlook

While it is likely that the economic expansion in the US will slow down over the next few months, there is increasing evidence from global macroeconomic data – most notably from Europe and major emerging markets – that the rest of the world economy is in good shape. In particular, UBS does not expect the difficulties being experienced in the US mortgage market to have a negative long-term effect on a global scale.

UBS is convinced that clients will increasingly seek its advice, with financial markets just as challenging as ever. The deal pipeline remains strong and its business model and balanced global presence provide it with many opportunities.

"Over the course of 2007, we will concentrate on consolidating the investments we initiated last year. We will also continue to manage capital, risk and costs in disciplined fashion – and in line with market developments. The performance of our business – in common with the financial industry – tends to be stronger in the first quarter of the year than in the summer. In the past, we have repeatedly proven our strength in delivering strong returns throughout the business cycle, which makes us confident that 2007 will be another successful year of growth for UBS," said Clive Standish.

Performance against targets

UBS focuses on four key performance indicators, designed to ensure the delivery of continuously improving returns to shareholders. All are calculated based on results from continuing operations. The first two, return on equity and diluted earnings per share, are based on the results of the entire firm. The cost / income ratio and net new money indicators are limited to the financial businesses. On this basis, performance indicators in first quarter 2007 show:

- annualized return on equity at 28.7%, down from 29.6% in the same quarter a year earlier but well above UBS's target of a 20% minimum over the cycle. Higher attributable net profit was offset by an increase in average equity following strong retained earnings.
- diluted earnings per share at CHF 1.62, up 9% or CHF 0.14 from CHF 1.48 in the same quarter a year earlier, reflecting the increase in net profit and a 3% reduction in the average number of shares outstanding as UBS continued to repurchase shares. It was also just below its target of double digit earnings growth.
- a cost / income ratio in the financial businesses of 68.1%, slightly better than the 68.4% shown in the same quarter last year. The strong increase in operating income reflected higher revenues in all businesses. This was only partially offset by the increase in personnel expenses, which were driven by higher levels of staff and performance-related accruals.
- net new money of CHF 52.8 billion, at its highest level ever, was up from CHF 48.0 billion a year earlier. The wealth management units recorded inflows of CHF 44.8 billion this quarter, up from CHF 33.6 billion in first quarter 2006. Inflows in the international and Swiss wealth management business rose by CHF 9.2 billion to CHF 33.9 billion, mainly driven by higher inflows from Asia and the Americas. Net new money in European wealth management was CHF 5.4 billion in first quarter 2007, down from CHF 6.5 billion in first quarter 2006, as higher inflows in Germany and Italy were more than offset by lower inflows in other European countries. Inflows into the domestic wealth management business in the US were CHF 10.9 billion in first quarter, up from CHF 8.9 billion a year earlier. This increase was driven by inflows from both existing and new clients. The asset management business saw inflows fall to CHF 5.3 billion, down from CHF 12.6 billion a year earlier. Institutional clients reported CHF 2.7 billion in new inflows, mainly driven by contributions from fixed income, multi-asset and alternative investments, partly offset by outflows in equity capabilities. The wholesale intermediary business saw an inflow of CHF 2.6 billion, down from CHF 5.5 billion in the same quarter a year earlier, mainly due to lower inflows in multi-asset and outflows in fixed income. Of the total, CHF 5.8 billion flowed out of money market funds, which tend to experience larger quarterly swings than other asset classes. The Swiss retail banking business recorded net new money inflows of CHF 2.7 billion in first quarter, primarily relating to increased inflows from existing clients.

Invested assets

Invested assets, benefiting from net new money and rising financial markets, totaled CHF 3,112 billion on 31 March 2007, up 4% from 31 December 2006.

UBS Financial Highlights
UBS Group

<i>CHF million, except where indicated</i>	As of or for the quarter ended			% change from	
	31.3.07	31.12.06	31.3.06	4Q06	1Q06
Net profit attributable to UBS shareholders	3,275	3,407	3,504	(4)	(7)

Performance indicators from continuing operations

Diluted earnings per share (CHF) ¹	1.62	1.54	1.48	5	9
Return on equity attributable to UBS shareholders (%) ²	28.7	26.5	29.6		

Financial Businesses³

Operating income	13,347	12,272	12,380	9	8
Operating expenses	9,091	8,645	8,405	5	8
Net profit attributable to UBS shareholders from continuing operations	3,182	3,055	3,048	4	4
Cost / income ratio (%) ⁴	68.1	70.6	68.4		
Net new money (CHF billion) ⁵	52.8	25.5	48.0		
Personnel (full-time equivalents)	80,637	78,140	70,210	3	15

UBS balance sheet & capital management
Balance sheet key figures

Total assets	2,572,945	2,396,511	2,169,649	7	19
Equity attributable to UBS shareholders	51,606	49,686	47,541	4	9
Market capitalization	149,157	154,222	150,663	(3)	(1)

BIS capital ratios

Tier 1 (%) ⁶	11.7	11.9	12.9		
Total BIS (%)	14.7	14.7	14.1		
Risk-weighted assets	354,603	341,892	311,827	4	14
Invested assets (CHF billion)	3,112	2,989	2,766	4	13

Long-term ratings

Fitch, London	AA+	AA+	AA+		
Moody's, New York ⁷	Aa2	Aa2	Aa2		
Standard & Poor's, New York	AA+	AA+	AA+		

¹ For the EPS calculation, see note 8 to the financial statements in the first quarter 2007 report. ² Net profit attributable to UBS shareholders from continuing operations year to date (annualized as applicable) / average equity attributable to UBS shareholders less distributions (estimated as applicable). ³ Excludes results from industrial holdings. ⁴ Operating expenses / operating income less credit loss expense or recovery. ⁵ Excludes interest and dividend income. ⁶ Includes hybrid Tier 1 capital. Please refer to the BIS capital and ratios table in the capital management section of the first quarter 2007 report. ⁷ Moody's long-term rating was changed to Aaa on 20 April 2007.

UBS Financial Highlights (USD)

 USD convenience translation (spot rate of CHF/USD as of 31.3.07): **1.22**
UBS income statement

	As of or for the quarter ended
<i>USD million, except where indicated</i>	31.3.07
Net profit attributable to UBS shareholders	2,684

Performance indicators from continuing operations

Diluted earnings per share (USD) ¹	1.33
Return on equity attributable to UBS shareholders (%) ²	28.7

Financial Businesses³

Operating income	10,940
Operating expenses	7,452
Net profit attributable to UBS shareholders from continuing operations	2,608
Cost / income ratio (%) ⁴	68.1
Net new money (USD billion) ⁵	43.3
Personnel (full-time equivalents)	80,637

UBS balance sheet & capital management
Balance sheet key figures

Total assets	2,108,971
Equity attributable to UBS shareholders	42,300

Market capitalization	122,260
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BIS capital ratios

Tier 1 (%) ⁶	11.7
Total BIS (%)	14.7
Risk-weighted assets	290,658

Invested assets (USD billion)	2,551
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¹ For the EPS calculation, see note 8 to the financial statements in the first quarter 2007 report. ² Net profit attributable to UBS shareholders from continuing operations year to date (annualized as applicable) / average equity attributable to UBS shareholders less distributions (estimated as applicable). ³ Excludes results from industrial holdings. ⁴ Operating expenses / operating income less credit loss expense or recovery. ⁵ Excludes interest and dividend income. ⁶ Includes hybrid Tier 1 capital. Please refer to the BIS capital and ratios table in the capital management section of the first quarter 2007 report.

Results from the Financial Businesses

Global Wealth Management & Business Banking

Global Wealth Management & Business Banking's pre-tax profit was a record CHF 2,244 million in first quarter 2007, an increase of 3% from fourth quarter 2006.

In the *International and Swiss wealth management businesses*, pre-tax profit rose 6% to a record CHF 1,501 million in first quarter 2007. Total operating income increased 9%, with recurring income buoyed by the higher asset base. Non-recurring income, up 19%, benefited from significantly higher client activity.

Operating expenses rose 12%, reflecting rising personnel expenses, which were up due to higher performance-related accruals, new staff hires and increased costs for the employee pension plan in Switzerland. General and administrative expenses fell slightly on the release of previously made provisions.

In the *US wealth management business*, pre-tax profit was CHF 171 million in first quarter 2007, down 2% from CHF 174 million in fourth quarter 2006. In US dollar terms, pre-tax profit fell 3%. Total operating income rose slightly, reflecting a record level of recurring income due to rising managed account fees. This was partly offset by lower non-recurring revenue, which fell mainly on lower performance fees in first quarter 2007. In US dollar terms, operating income was 1% higher than in fourth quarter.

In first quarter 2007, total operating expenses rose marginally. Personnel expenses rose 9%, a result of increased performance-related compensation, higher salary costs due to the integration of personnel from McDonald Investments, and the hiring of additional non-financial advisor staff for growth initiatives. Non-personnel expenses, which include general and administrative, depreciation and amortization expenses, decreased, mainly as a result of lower legal provisions.

Business Banking Switzerland reported pre-tax profit falling 4% to CHF 572 million. The rise in total operating expenses more than offset the marginal increase in total operating income. Net interest income fell, partly reflecting the fewer number of days in first quarter compared with fourth quarter 2006. Non-interest income increased, mainly due to higher client activity levels.

General and administrative expenses rose slightly, mainly due to the fourth quarter release of previously made provisions, which lowered that quarter's expenses correspondingly.

Global Asset Management

Pre-tax profit in first quarter 2007 was CHF 404 million, an increase of 1% compared with CHF 400 million in fourth quarter 2006. This largely reflected the increased average asset base, which led to higher management fees across the business.

Total operating income rose 6%, with *Institutional* revenues rising on increased management fees across the business, higher performance fees from the Dillon Read Capital Management (DRCM) outside investor fund and the impact of a full quarter of fees earned by the Pactual asset management business. *Wholesale intermediary* revenues were up on increased management fees, reflecting the higher average asset base during the quarter, the inclusion of a full quarter of revenues from Pactual's asset management business and higher performance fees from equity funds.

Total operating expenses rose 9%, mainly reflecting lower charges-out for investment management services to the Investment Bank. Personnel expenses were down, primarily due to lower incentive-based compensation. General and administrative expenses decreased, with the prior quarter including significant investments in business support areas and IT as well as costs related to the launch of DRCM's first outside investor fund.

Investment Bank

In first quarter 2007, pre-tax profit was at an all-time quarterly record of CHF 1,801 million, up 3% from the performance a year earlier.

Total operating income in first quarter 2007 was a record CHF 6,260 million, up 5% from the same quarter a year earlier.

The *equities* business posted record revenues of CHF 3,128 million in first quarter 2007, up 10% from first quarter 2006, when it benefited from gains on NYSE membership seats. All businesses reported stronger revenues, but the most significant gains were in derivatives, proprietary trading, and equity capital markets. Prime brokerage revenues continued to grow as the number of clients increased and average balances rose, although this was partly offset by lower client spreads.

Fixed income, rates and currencies revenues were CHF 2,265 million, down 7% from the same quarter a year ago. Difficult market conditions in the US mortgage securities market led the business activities managed by DRCM to record losses. Revenues from the other parts of the FIRC business were up 19% from a year earlier. Credit fixed income saw significant growth across all aspects of the business. Emerging markets revenues also saw a strong increase. Performance in the rates business was down overall. A solid result in mortgage-backed securities, which benefited from high market volumes in Europe and Japan, was not enough to offset results from derivatives and government bonds, both of which fell – largely due to a flat yield curve and lower volatility. Trading revenues in power and gas fell in first quarter 2007 from the same period a year earlier, while sales and trading in both commodities structured products and crude oil rose considerably. Performance in the foreign exchange and cash and collateral trading businesses was very strong across the board, as high volumes more than offset the continued pressure on spreads. Emerging markets, base metals, prime services and structured products all had a very strong quarter marked by significant growth.

Investment banking revenues, at CHF 865 million, rose 30% from first quarter 2006. This is a record for a first quarter, reflecting revenue growth in all regions, particularly in the Americas and Asia. Revenues from the advisory business grew strongly in a buoyant environment in which market share improved in all regions. The capital markets business also saw significant growth, led by equity capital markets and leveraged finance.

Total operating expenses in first quarter 2007 were up 6% from the same period last year. Personnel expenses rose as salary costs and contributions to retirement benefit plans increased to reflect higher personnel levels and annual pay increases.

Share-based compensation decreased 6% from the prior-year quarter, mainly reflecting the transfer of DRCM staff to Global Asset Management.

General and administrative expenses decreased by 4%, with the year-earlier quarter including a litigation provision for the settlement agreement with Sumitomo Corporation of CHF 112 million. This was partially offset by increased expenditure on occupancy, IT and other outsourcing and telecommunications and travel, mainly driven by higher personnel levels.

Market risk for the Investment Bank, measured by average VaR (10-day, 99% confidence, 5 years of historical data) increased to CHF 517 million in first quarter 2007 from CHF 391 million in fourth quarter 2006, while the range (the difference between maximum and minimum VaR) increased to CHF 258 million from CHF 162 million. As mentioned in fourth quarter 2006, the integration of Pactual from 1 December 2006 has resulted in an increase in average VaR for the Investment Bank.

Media release available at www.ubs.com/media

Further information on UBS's quarterly results is available at www.ubs.com/investors

- 1Q2007 Report (pdf and interactive version)
 - 1Q2007 Results slide presentation
- Letter to shareholders (English, German, French and Italian)

Webcast: The results presentation, with Clive Standish, Chief Financial Officer, and Tom Hill, Chief Communications Officer, will be webcast live on www.ubs.com at the following time on 3 May 2007:

- 0900 CET
- 0800 GMT
- 0300 US EST

Webcast playback will be available from 1400 CET on 3 May 2007.

Cautionary statement regarding forward-looking statements

This communication contains statements that constitute "forward-looking statements", including, but not limited to, statements relating to the implementation of strategic initiatives and other statements relating to our future business development and economic performance. While these forward-looking statements represent our judgments and future expectations concerning the development of our business, a number of risks, uncertainties and other important factors could cause actual developments and results to differ materially from our expectations. These factors include, but are not limited to, (1) general market and macro-economic trends, (2) legislative developments, governmental and regulatory trends, (3) movements in local and international securities markets, currency exchange rates and interest rates, (4) competitive pressures, (5) technological developments, (6) changes in the financial position or creditworthiness of our customers, obligors and counterparties and developments in the markets in which they operate, (7) management changes and changes to our Business Group structure and (8) other key factors that we have indicated could adversely affect our business and financial performance which are contained in other parts of this document and in our past and future filings and reports, including those filed with the SEC. More detailed information about those factors is set forth elsewhere in this document and in documents furnished by UBS and filings made by UBS with the SEC, including UBS's Annual Report on Form 20-F for the year ended 31 December 2006. UBS is not under any obligation to (and expressly disclaims any such obligations to) update or alter its forward-looking statements whether as a result of new information, future events, or otherwise.

Reporting by Business Group and Unit

<i>CHF million</i>	Total operating income			Total operating expenses			Performance before tax from continuing operations		
	31.3.07	31.3.06	% change	31.3.07	31.3.06	% change	31.3.07	31.3.06	% change
For the quarter ended	31.3.07	31.3.06	% change	31.3.07	31.3.06	% change	31.3.07	31.3.06	% change
Global Wealth Management & Business Banking									
Wealth Management International & Switzerland	3,063	2,642	16	1,562	1,366	14	1,501	1,276	18
Wealth Management US	1,610	1,478	9	1,439	1,292	11	171	186	(8)
Business Banking Switzerland	1,338	1,311	2	766	752	2	572	559	2
Global Asset Management	997	809	23	593	435	36	404	374	8
Investment Bank	6,260	5,970	5	4,459	4,220	6	1,801	1,750	3
Corporate Center	79	170	(54)	272	340	(20)	(193)	(170)	(14)
Financial Businesses	13,347	12,380	8	9,091	8,405	8	4,256	3,975	7

Income statement (unaudited)					
	Quarter ended			% change from	
<i>CHF million, except per share data</i>	31.3.07	31.12.06	31.3.06	4Q06	1Q06
Continuing operations					
Interest income	25,942	24,405	19,046	6	36
Interest expense	(24,634)	(22,880)	(17,196)	8	43
Net interest income	1,308	1,525	1,850	(14)	(29)
Credit loss (expense) / recovery	1	21	83	(95)	(99)
Net interest income after credit loss expense	1,309	1,546	1,933	(15)	(32)
Net fee and commission income	7,396	7,135	6,229	4	19
Net trading income	4,535	3,401	3,701	33	23
Other income	244	312	545	(22)	(55)
Revenues from industrial holdings	112	109	136	3	(18)
Total operating income	13,596	12,503	12,544	9	8
Personnel expenses	6,841	6,032	6,247	13	10
General and administrative expenses	1,923	2,249	1,927	(14)	0
Depreciation of property and equipment	303	368	274	(18)	11
Amortization of intangible assets	85	53	36	60	136
Goods and materials purchased	59	54	68	9	(13)
Total operating expenses	9,211	8,756	8,552	5	8
Operating profit from continuing operations before tax	4,385	3,747	3,992	17	10
Tax expense	953	500	844	91	13
Net profit from continuing operations	3,432	3,247	3,148	6	9
Discontinued operations					
Profit from discontinued operations before tax	7	157	630	(96)	(99)
Tax expense	2	(99)	85		(98)
Net profit from discontinued operations	5	256	545	(98)	(99)
Net profit	3,437	3,503	3,693	(2)	(7)
Net profit attributable to minority interests	162	96	189	69	(14)
from continuing operations	162	96	86	69	88
from discontinued operations	0	0	103		(100)
Net profit attributable to UBS shareholders	3,275	3,407	3,504	(4)	(7)
from continuing operations	3,270	3,151	3,062	4	7
from discontinued operations	5	256	442	(98)	(99)
Earnings per share (CHF)					
Basic earnings per share (CHF)	1.69	1.73	1.78	(2)	(5)
from continuing operations	1.69	1.60	1.55	6	9
from discontinued operations	0.00	0.13	0.23	(100)	(100)
Diluted earnings per share (CHF)	1.62	1.66	1.69	(2)	(4)
from continuing operations	1.62	1.54	1.48	5	9
from discontinued operations	0.00	0.12	0.21	(100)	(100)