

Fourth Quarter 2006

13 February 2007

Dear shareholders,

We are pleased to report that 2006 was another record year for UBS. The performance of our financial businesses improved for the fourth consecutive year. Even more importantly, we took a number of strategic steps to expand and develop our business in line with our growth ambitions. We realized four significant acquisitions in 2006, three of which have already been completed. They will close important competitive gaps and help us accelerate growth, particularly with regard to Pactual in Latin America. We also made major investments in our organic development, further building our capability to serve clients and create value, leading to a significant expansion in staff and expense levels.

One of the consequences of our investments was the lower level of share repurchases. Still, we continued to deliver high shareholder returns. Diluted earnings per share from continuing operations rose 20% to CHF 5.58 in 2006, and return on equity was 26.4%.

In fourth quarter, we ended the year on a strong note. As in the first two quarters of 2006, profits from continuing operations in our financial businesses exceeded CHF 3 billion. We are especially proud since this followed the relatively challenging conditions experienced in the summer. In the quarter, income again expanded on the continued strong levels of asset-based revenues in our wealth and asset management businesses, reflecting sustained inflows of assets from clients and strengthening financial markets. Bond and equity underwriting fees grew. Trading revenues rose compared with both fourth quarter 2005 and third quarter 2006. The equities business benefited from increased commissions in the cash business, particularly in emerging markets, and overall revenues in fixed income, rates and currencies grew 11% compared with fourth quarter 2005.

The fourth quarter included one month of revenues from Pactual in Brazil. Its operations are being integrated into each of our business groups following the closing of the acquisition on 1 December. We have renamed the business UBS Pactual, and it is now the cornerstone of our expanding Latin American presence.

Our acquisition of ABN AMRO's global futures and options business closed on 30 September. With its integration, fee revenues from exchange traded derivatives in fourth quarter 2006 have already doubled from a year earlier.

In fourth quarter, our new alternative investment management business, Dillon Read Capital Management (DRCM), launched its first outside investor fund, and began to contribute to the asset management business's revenues.

In full-year 2006, net profit attributable to you, our shareholders, was CHF 11,253 million in our financial businesses. Discontinued operations contributed CHF 4 million, compared with CHF 4,075

million in 2005, when we sold Private Banks & GAM. Continuing operations contributed CHF 11,249 million to net profit, a year on year increase of 19%.

The results of all our businesses improved notably in 2006 from a year earlier. Net new money from clients totaled CHF 151.7 billion, with CHF 113.3 billion contributed by the wealth management business, which experienced strong client flows all around the world, and particularly in Asia and Europe.

As a result of strong inflows and rising markets, invested assets nearly reached the CHF 3 trillion mark. Recurring fees, including asset-based revenues and income from private client lending businesses, were up significantly compared with 2005. Brokerage fees rose as well, reflecting the vigorous levels of financial market trading activity from institutional and private clients.

Our Investment Bank further expanded its share of M&A and equity capital markets, with particular success in large cap deals, emerging markets and technology. As a result, corporate finance and underwriting fees rose 25%.

The strategic expansion of our business, both by acquisition and through organic development, requires more people, infrastructure and investment, and although income rose 19%, costs were up 18%. We, and our colleagues in management positions at all levels of the firm, are acutely aware of the importance of concentrating extra resources in areas that generate or support increased revenues, and making sure that we do not allow any part of our business to develop inefficient habits. The overall cost/income ratio of our financial businesses in 2006, at 69.7%, fell to its lowest level ever for a full year. Some of the increase in expenses comes from two major provisions you are already familiar with – the settlement agreement with Sumitomo Corporation and the sublease of unused office space in New Jersey. Higher personnel costs, however, were the major contributor to increased expenses as, at the end of 2006, we employed 78,140 people – 8,571 more than a year earlier. Over 2,000 of the increase was from the acquisitions completed during the year. We continued to hire client-facing personnel and functional specialists for our businesses all around the world. More people means more office space, so occupancy costs rose. Expenses for IT outsourcing, telecommunication and travel were up in conjunction with higher activity levels, business volume and revenue. Professional fees rose for initiatives that support our growth strategy. We will continue to carefully manage costs, maintaining our ability to make the required investments in strategic projects that will set the basis for the future success of our firm.

We are confident that we have made the right investment decisions, as there was tangible progress in 2006. In the US, we opened a pilot office dedicated to serving domestic ultra-high net worth clients – those with more than USD 10 million to invest. This was

part of an initiative which began in 2004. In three years, invested assets from such clients have grown from USD 48 billion to USD 106 billion at the end of 2006.

Our Investment Bank has re-engineered its processes to become a powerful and effective partner in leveraged finance transactions. We have completed some important and profitable deals without compromising our disciplined approach to risk. Our commodities business – which we started to expand in the latter half of 2005 – has widened its geographic scope and product offering, making our services more attractive to clients and resulting in a more balanced mix of trading and client revenues. Our mortgage- and asset-backed securities business saw revenues grow hand-somely as it benefited from its strong presence outside the US, as the American housing market started to deteriorate in second half 2006. In structured credit, we have also broadened the product range and our geographical reach. This was complemented by a new risk management and reporting platform. Even at this early stage, we recorded a substantial rise in 2006 revenues. And – finally – our local presence in emerging markets is much stronger than a year ago, following the integration of Pactual and the receipt of operating licenses in Russia and Mexico. In China, UBS Securities Co. Limited was officially established following the registration of the business.

Our approach to risk has been critical to our current growth. UBS's average risk-weighted assets are today at a similar level to 1998, just after the UBS-SBC merger, although our underlying risk profile is very different. We are now a more integrated firm – our business model has evolved, and the way we view, manage and control our risks has changed. The primary focus in our risk-taking activities is to ensure the adequate diversification of risk in order to avoid illiquid and concentrated positions, and to ensure that we are rewarded for the risks we take. We have transferred resources from businesses in illiquid markets into more liquid ones, and have actively pursued risk distribution strategies. Portfolios with poor returns on risk have been cut back and the quality of other portfolios has been enhanced.

It is largely because of these efforts that we have, in the last couple of years, been in a position to speed up our entry into new markets and assume the related risk.

The dividend proposal for 2006 is an expression of the confidence we have in our future performance. The Board of Directors will propose that we raise the payout to CHF 2.20 a share in order to match our strong 2006 result. Subject to your approval, this is a 16% increase from the total payout last year, which included a

par value repayment of CHF 0.30 a share. It is also 38% higher than last year's regular dividend of CHF 1.60 a share.

In March 2007, our seventh consecutive annual share buyback program will end. This will be succeeded by a new three-year second-line repurchase program with a maximum limit of 10% of shares issued. At the current share price, this would represent a maximum total of approximately CHF 16 billion. This underlines our long-term approach to managing UBS capital. The three-year period is an extended commitment showing our continued disciplined approach to shareholder returns. It also gives us the flexibility to deploy capital for our first priority – the growth of our business. We will make further add-on acquisitions if appropriate opportunities arise and keep investing in the organic growth of our business.

Outlook. Our group combines global scale and focus on growth in a unique way. Our businesses occupy strong market positions in those segments of the financial industry that are expected to grow significantly faster than the economy as a whole over the long term.

In the short term, as the economic cycle matures, investors might become more sensitive to any disappointing political or economic developments, so our top-class risk control remains paramount. However, for UBS, 2007 has started on a positive note, with a strong deal pipeline and continued investor confidence and activity. With a global presence that is balanced across the Americas, Europe and Asia Pacific, the building blocks of our growth strategy are firmly in place. Last year we made a highly concentrated number of acquisitions while investing heavily in organic growth. In 2007, our focus will be on integrating our new areas of activity and we expect to start seeing the benefits from them materializing for our clients and shareholders.

13 February 2007

UBS



Marcel Ospel
Chairman



Peter Wuffli
Chief Executive Officer



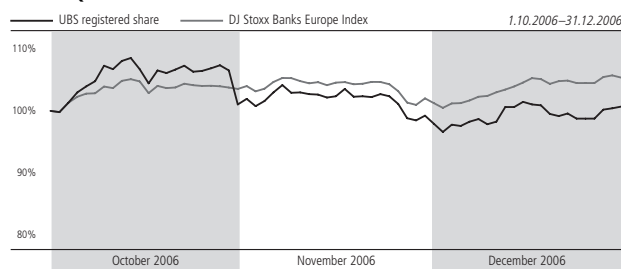
Every quarter, we update our shareholders on our businesses around the world by including feature articles in our quarterly reports.

This quarter, we discussed business and market developments worldwide related to climate change and wrote about the success of our integrated German business model. You can access all these at www.ubs.com/investors by clicking "Quarterly Themes".

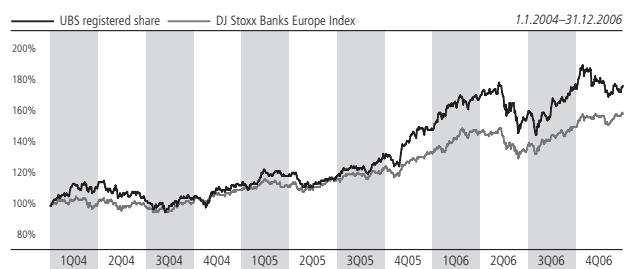
Or you can order the full quarterly report (English only) from UBS AG, Economic Information Center, GHDE, CK9K-AUL, P.O. Box, CH-8098 Zurich, Switzerland.

UBS share performance

Fourth Quarter 2006



Since 2004



Shareholder returns

	Quarter ended			% change from		Year ended	
	31.12.06	30.9.06	31.12.05	3Q06	4Q05	31.12.06	31.12.05
Diluted EPS (CHF)¹							
as reported	1.66	1.07	3.14	55	(47)	5.95	6.68
from continuing operations	1.54	1.07	1.28	44	20	5.58	4.66
Return on equity attributable to UBS shareholders (%)^{2,3}							
as reported						28.2	39.6
from continuing operations						26.4	27.6

Financial strength & ratings

	As of		
	31.12.06	30.9.06	31.12.05
BIS Tier 1 capital ratio (%) ⁴	11.9	12.3	12.9
Long-term ratings			
Fitch, London	AA+	AA+	AA+
Moody's, New York	Aa2	Aa2	Aa2
Standard & Poor's, New York	AA+	AA+	AA+

UBS net profit

CHF million	Quarter ended			% change from		Year ended	
	31.12.06	30.9.06	31.12.05	3Q06	4Q05	31.12.06	31.12.05
Net profit attributable to UBS shareholders	3,407	2,199	6,487	55	(47)	12,257	14,029
Net profit attributable to minority interests	96	105	162	(9)	(41)	493	661
Net profit	3,503	2,304	6,649	52	(47)	12,750	14,690

Other key figures

CHF million	As of			% change from	
	31.12.06	30.9.06	31.12.05	30.9.06	31.12.05
Equity attributable to UBS shareholders ³	49,801	48,209	44,130	3	13
Market capitalization	154,222	156,615	131,949	(2)	17

Footnotes: 1 For the EPS calculation, see note 8 to the financial statements of the fourth quarter 2006 report. 2 Net profit attributable to UBS shareholders/ average equity attributable to UBS shareholders less distributions. 3 Equity attributable to UBS shareholders on 30 September 2006 and 31 December 2005 has been adjusted. For more information, see note 1 to the financial statements of the fourth quarter 2006 report. 4 Includes hybrid Tier 1 capital, please refer to the BIS capital and ratios table in the capital management section of the fourth quarter 2006 report.

All share and earnings per share figures reflect the 2-for-1 share split made on 10 July 2006.

Key figures Financial Businesses

Income statement

CHF million	Quarter ended			% change from		Year ended	
	31.12.06	30.9.06	31.12.05	3Q06	4Q05	31.12.06	31.12.05
Operating income	12,272	10,462	10,593	17	16	47,171	39,896
Operating expenses	8,645	7,715	7,417	12	17	32,782	27,704
Net profit attributable to UBS shareholders	3,055	2,118	6,337	44	(52)	11,253	13,517
Net profit attributable to UBS shareholders from continuing operations	3,055	2,114	2,597	45	18	11,249	9,442

Performance indicators

	Quarter ended			Year ended	
	31.12.06	30.9.06	31.12.05	31.12.06	31.12.05
Cost/income ratio (%)	70.6	73.8	70.9	69.7	70.1
Net new money (CHF billion)	25.5	41.9	31.1	151.7	148.5

Personnel

Full-time equivalents	As of			% change from	
	31.12.06	30.9.06	31.12.05	30.9.06	31.12.05
Switzerland	27,018	26,736	26,028	1	4
Rest of Europe / Middle East / Africa	12,687	12,235	11,007	4	15
Americas	30,819	29,630	27,136	4	14
Asia Pacific	7,616	6,992	5,398	9	41
Total	78,140	75,593	69,569	3	12

Reporting by Business Group and Unit

CHF million	Total operating income			Total operating expenses			Performance before tax from continuing operations		
	31.12.06	31.12.05	% change	31.12.06	31.12.05	% change	31.12.06	31.12.05	% change
Global Wealth Management & Business Banking									
Wealth Management International & Switzerland	2,813	2,419	16	1,395	1,302	7	1,418	1,117	27
Wealth Management US	1,582	1,408	12	1,408	1,325	6	174	83	110
Business Banking Switzerland	1,305	1,279	2	708	738	(4)	597	541	10
Global Asset Management	943	698	35	543	393	38	400	305	31
Investment Bank	5,602	4,590	22	4,246	3,218	32	1,356	1,372	(1)
Corporate Center	27	199	(86)	345	441	(22)	(318)	(242)	(31)
Financial Businesses	12,272	10,593	16	8,645	7,417	17	3,627	3,176	14

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 2005. UBS is not under any obligation to (and expressly disclaims any such obligation to) update or alter its forward-looking statements whether as a result of new information, future events, or otherwise.