Second Quarter 2006

15 August 2006

Dear shareholders,

The sudden decline in equities in the middle of May, after a strong start to the quarter, provided a valuable reminder of the risks that are inherent in financial markets. UBS's performance, despite the market reversal, was strong. Net profit attributable to you, our shareholders, including industrial holdings, was CHF 3,147 million in second quarter. Financial businesses contributed CHF 3,032 million to the total. This result was down a marginal 0.5% from first quarter, our all-time high, and 43.6% higher than the same period a year earlier.

Fee income comprised more than half of overall income in second quarter. Asset-based revenues, such as fees from investment funds or portfolio management, continued to benefit from the high levels of invested assets. Performance fees rose compared with a year earlier, although in the alternative and quantitative investments area of the asset management business they declined from first quarter. Underwriting fees were at a record on growth in equity underwriting across the globe. In investment banking, we did especially well in Asia, including acting as joint global coordinator and bookrunner in the initial public offering of the Bank of China. Corporate finance fees were up from the same period a year earlier in a brisk merger and acquisitions environment. Brokerage fees from institutional and private clients rose, with activity being especially vigorous at the beginning of the quarter.

Revenues from trading activities rose in all products from a year earlier. In equities, the rise was led by derivatives and the expansion of prime brokerage. Fixed income saw increases in mortgage-backed securities and derivatives. Foreign exchange trading revenues also rose.

Performance was further helped by gains on the disposal of financial investments held in the Investment Bank.

Our cost/income ratio improved to 66.7%, down from 71.2% in second quarter 2005. We achieved this by growing revenues faster than costs, even though we continued to invest in our infrastructure and the development of new products and services. Personnel expenses rose in line with revenues, and staff levels rose in all our businesses and in all regions. We hired both client-facing personnel and specialists in support functions. General and administrative expenses also rose. This was mostly because of the year earlier release of provisions although it was also due to increased spending related to higher business volume.

Annualized return on equity for the first half of 2006 was 29.6%, up from 26.9% in the same period a year earlier. Diluted earnings per share in second quarter was CHF 1.48, up 51% from second quarter 2005, on a combination of the increase in net profit and a 2% reduction in the average number of shares outstanding on our continued share buybacks.

Net new money remained healthy. In second quarter, net inflows totaled CHF 36.3 billion, up from CHF 31.0 billion a year earlier. The wealth management units recorded inflows of CHF 31.2 billion, driven by all-time high inflows from Asian and European clients. In the US, inflows of net new money declined, reflecting the usual weakening in second quarter when annual income tax payments are due. Net new money in the asset management business also slowed, with inflows into asset allocation funds and alternative investments partly offset by outflows in some institutional mandates and in our business with financial intermediaries. Invested assets totaled CHF 2,657 billion at the end of June, down 4% from 31 March 2006, with the US dollar's decline against the Swiss franc and market movements outweighing strong net new money.

We remain focused on our strategic initiatives. Structural developments in various markets have created broad client demand for new financial advice, solutions, execution, and risk intermediation. This gives us a large number of long-term opportunities, warranting sustained investment in personnel, infrastructure, and the commitment of financial capital.

Emerging economies are a promising segment where we continue to gain ground. With the acquisition of the Brazilian financial services firm Banco Pactual, which is still subject to regulatory approval, we will become the leading investment bank and asset management firm as well as an increasingly important wealth manager in the significant and growing Brazilian market. In June, China's securities regulator granted preparatory approval for the restructuring of Beijing Securities which will see UBS become the first foreign firm to invest directly in, and manage, a full-service domestic Chinese securities firm. In the same month, we received a banking licence from the Central Bank of Russia, enabling us to expand our local fixed income business. We plan to offer wealth and asset management services, along with ruble fixed income and foreign exchange trading alongside our existing Russian operations in equities and investment banking.

We continue to implement growth initiatives in investment banking and securities. The acquisition of ABN AMRO's global futures and options business is an investment in scalable infrastructure, ensuring that we continue to exploit product commoditization and globalization in exchange traded derivatives. In July, we received antitrust clearance for the transaction from the US Federal Trade Commission, and we expect it to close around the end of third quarter, once we have received further regulatory approvals.

UBS

As with our overall strategy, these investments are driven by long-term opportunities to expand and strengthen our business worldwide in response to evolving client needs – and are not just a reaction to cyclical market trends. Some of the initiatives mentioned earlier will naturally lead to an increase in our risk profile, especially in emerging markets, where our exposure has been too low for the past few years. We will continue to balance risk and return and avoid concentrations of risks.

Outlook – The more difficult trading conditions that developed towards the end of second quarter have continued. Growing geopolitical concerns, combined with worries about the pace of future economic growth, inflation and the implications for monetary policy and interest rates, continue to affect investor activity and invested asset levels. This could indicate a return to a more normal seasonal pattern for financial firms, where a strong start to the year is followed by softening performance in second half.

On the other hand, corporate sector balance sheets and profits remain robust, merger and acquisition activity strong, and the secular growth drivers for the wealth and asset management industry remain intact. The deal pipeline of our Investment Bank remains healthy. When market conditions become more difficult, the trust that clients have in our advice becomes especially important. We believe this will be another year of strong results.

15 August 2006

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.

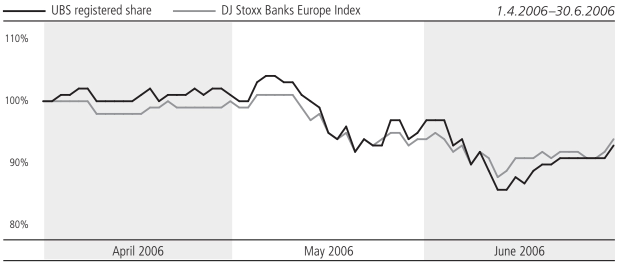
This quarter, we wrote about the new strategy of our US-based wealth management business. We also wrote about the Investment Bank's new "unbundled" services in the UK, as now required by regulators, which clearly separate the different elements in trading commissions. You can access both at **www.ubs.com/investors** 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 key figures

UBS share performance

Second Quarter 2006



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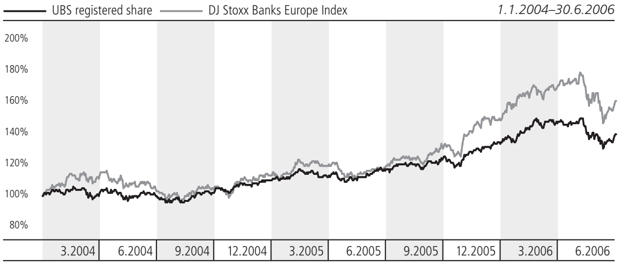

Shareholder returns

	Quarter ended			% change from		Year to date	
	30.6.06	31.3.06	30.6.05	1Q06	2Q05	30.6.06	30.6.05
Diluted EPS (CHF) [1]							
as reported	**1.51**	1.69	1.01	(11)	50	3.21	2.24
from continuing operations	**1.48**	1.54	0.98	(4)	51	3.03	2.14
Return on equity attributable to UBS shareholders (%) [2]							
as reported						31.4	28.2
from continuing operations						29.6	26.9

Financial strength & ratings

	As at		
	30.6.06	31.3.06	30.6.05
BIS Tier 1 capital ratio (%) [3]	**12.2**	12.9	12.2
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

	Quarter ended			% change from		Year to date	
CHF million	**30.6.06**	31.3.06	30.6.05	1Q06	2Q05	30.6.06	30.6.05
Net profit attributable to UBS shareholders	**3,147**	3,504	2,147	(10)	47	6,651	4,772
Net profit attributable to minority interests	**103**	189	146	(46)	(29)	292	354
Net profit	**3,250**	3,693	2,293	(12)	42	6,943	5,126

Other key figures

	As at			% change from	
CHF million	**30.6.06**	31.3.06	30.6.05	31.3.06	30.6.05
Equity attributable to UBS shareholders	**45,465**	47,850	38,002	(5)	20
Market capitalization	**140,729**	150,663	108,193	(7)	30

Footnotes: 1 For the EPS calculation, see note 8 to the financial statements of the second quarter 2006 report. 2 Net profit attributable to UBS shareholders year to date (annualized)/average equity attributable to UBS shareholders less distributions (estimated as applicable). 3 Includes hybrid Tier 1 capital, please refer to the BIS capital and ratios table in the capital management section of the second 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

	Quarter ended			% change from		Year to date	
CHF million	**30.6.06**	31.3.06	30.6.05	1Q06	2Q05	30.6.06	30.6.05
Operating income	**12,057**	12,380	9,089	(3)	33	24,437	18,900
Operating expenses	**8,017**	8,405	6,421	(5)	25	16,422	13,141
Net profit attributable to UBS shareholders	**3,032**	3,048	2,111	(1)	44	6,080	4,538
Net profit attributable to UBS shareholders from continuing operations	**3,032**	3,048	2,010	(1)	51	6,080	4,317

Performance indicators

	Quarter ended			Year to date	
	30.6.06	31.3.06	30.6.05	30.6.06	30.6.05
Cost/income ratio (%)	**66.7**	68.4	71.2	67.5	70.3
Net new money (CHF billion)	**36.3**	48.0	31.0	84.3	66.2

Personnel Financial Businesses

	As at			% change from	
Full-time equivalents	**30.6.06**	31.3.06	30.6.05	31.3.06	30.6.05
Switzerland	**25,904**	25,645	26,385	1	(2)
Rest of Europe/Middle East/Africa	**11,716**	11,341	11,257	3	4
Americas	**27,874**	27,356	26,587	2	5
Asia Pacific	**6,388**	5,868	4,971	9	29
Total	**71,882**	70,210	69,200	2	4

Reporting by Business Group and Unit

CHF million	Total operating income			Total operating expenses			Performance before tax from continuing operations		
For the quarter ended	**30.6.06**	30.6.05	% change	**30.6.06**	30.6.05	% change	**30.6.06**	30.6.05	% change
Global Wealth Management & Business Banking									
Wealth Management International & Switzerland	**2,732**	2,164	26	**1,449**	1,201	21	**1,283**	963	33
Wealth Management US	**1,380**	1,220	13	**1,201**	1,126	7	**179**	94	90
Business Banking Switzerland	**1,357**	1,275	6	**725**	711	2	**632**	564	12
Global Asset Management	**740**	549	35	**406**	329	23	**334**	220	52
Investment Bank	**5,715**	3,801	50	**3,961**	2,685	48	**1,754**	1,116	57
Corporate Center	**133**	80	66	**275**	369	(25)	**(142)**	(289)	51
Financial Businesses	**12,057**	9,089	33	**8,017**	6,421	25	**4,040**	2,668	51