

Second Quarter 2007

14 August 2007

Dear shareholders,

During the quarter, stock markets recovered from the lows reached in mid-March. However, credit market conditions deteriorated sharply from the middle of June onwards. As in first quarter, UBS demonstrated that it is prepared for such mixed conditions, and showed increased results. While we did sustain trading losses in certain areas, these were balanced by income gains elsewhere, and, even excluding the gain on the disposal of our stake in Julius Baer, net attributable profit from the financial businesses reached a new record.

This quarter, our results include two items that had a significant impact on performance. The first was the CHF 1,926 million post-tax gain from the sale of our 20.7% stake in Julius Baer. A result of our disposal of Private Banks & GAM in 2005, the stake was held as a financial investment available-for-sale in our accounts. The gain from the sale is therefore included in performance from continuing operations. The second item is the charge related to the closure of Dillon Read Capital Management (DRCM). In May, we announced that DRCM, an alternative investment venture launched in 2006, had not met our expectations and, as a result, we had decided to close the business. This process has now been practically completed. We paid back DRCM's CHF 1.5 billion in outside investor interests, with clients receiving a positive return on their original investment. The portfolios, plus UBS's own capital that was previously managed by DRCM, have moved to the Investment Bank and are now managed within the fixed income division in an integrated fashion. The closure of DRCM led to a charge against profits of CHF 384 million pre-tax (CHF 229 million after tax). This includes accelerated amortization of deferred compensation of former DRCM employees and, to a lesser extent, writedowns for DRCM office leasehold improvements. Including both items – the gain from the sale of the Julius Baer stake and the charge for the closure of DRCM – our financial businesses achieved net profit attributable to UBS shareholders of CHF 5,152 million (from continuing operations). Without these two items, our result would have been CHF 3,455 million in second quarter 2007, up 14% from the same period a year earlier and 9% higher than the record first quarter 2007 performance.

Our key performance indicators – annualized return on equity (RoE), quarterly diluted earnings per share (EPS) and the cost/income ratio – were impacted by the same factors. Including them, RoE was 33.0%, EPS CHF 2.69 and the cost/income ratio 62.0%. Excluding them, RoE would have been 29.8% and EPS CHF 1.84, while the cost/income ratio would have been 68.0%, compared with 68.1% in first quarter.

Net fee and commission income reached a record high in second quarter 2007. At CHF 8,099 million, it represented 52% of operating income. The result was 26% higher than in the same quarter of 2006, and driven by improvements in practically all fee categories. The investment banking business saw a very strong rise in M&A and corporate finance fees and higher equity and debt underwriting fees. One measure of the strength of our market position is our global market share. According to *Dealogic*, this improved to 5.8% in first half 2007 from 4.9% a year earlier. We grew faster than the 21.3% rate of the overall fee pool and our rank rose to fourth from eighth. We achieved market share gains in all regions and product lines. Invested asset levels rose to CHF 3.3 trillion, and, as a result, asset-based fees in our asset and wealth management businesses rose.

Net new money inflows in second quarter 2007 remained strong. In our wealth management units, inflows totaled CHF 35.2 billion, with strong contributions from all markets. The asset management business, however, saw net outflows of CHF 2.0 billion. This reflected the redemption of the DRCM outside investor interests (CHF 1.5 billion) and net outflows from institutional equity mandates – which were partly offset by inflows into multi-asset mandates, alternative and quantitative investments and real estate. In first half 2007 and for the whole of UBS, the inflows of net new money totaled CHF 86.8 billion compared with CHF 84.3 billion in first half 2006 – clearly demonstrating the strength of our wealth and asset management capabilities.

As we indicated at the start of this letter, trading businesses are by their nature volatile. Reflecting mixed market developments, the second quarter 2007 result from our trading businesses saw significant swings in both directions. Overall, net income from trading businesses was CHF 3,106 million, down 9% from second quarter 2006. Equities revenues rose from the same quarter a year earlier, supported by positive market conditions, generating strong revenues in Europe. However, we were not satisfied with our fixed income performance. Continued difficulties in the US mortgage securities market led to lower revenues in our rates business and further losses in some of DRCM's former portfolios. The DRCM business itself contributed net negative revenues of approximately CHF 230 million in second quarter 2007. These developments were partially offset by robust credit fixed income results, which rose on global credit trading and proprietary strategies.

Over the last two years, each of our businesses has exhibited periods of excellent performance. As our strategy is long-term and not built on the assumption that markets are always benign, we focus on fundamental trends in client behavior and client needs to identify opportunities for sustainable growth. We also take into account the many challenges and risks we face. In the latest scheduled annual review of our strategy, the Board of Directors and the Group Executive Board concluded that our direction, strategic position and choice of businesses should remain unchanged. In particular, we reaffirmed our belief that our "one firm" approach creates more value for clients and, in turn, for shareholders. Growth in all business groups, and in all countries, is higher than it would be if our business groups operated independently of one another.

As you know, we are working on a number of growth initiatives that are at various stages of implementation. Among them are the expansion of the European wealth management business and US wealth management, together with investment in the Investment Bank fixed income businesses, where we recently appointed Andre Esteves as the new head. The basic strategy of these initiatives remains unchanged. In implementing them, however, we need to balance revenue opportunities with operational and economic efficiency. Thus, the tactics involved in executing our growth strategy will continue to be adapted to varying market conditions.

Outlook – This quarter's downturn in credit and equity markets was a timely reminder of the nature of financial risk, and has continued into third quarter. Our asset and wealth management businesses show sustained strength, and investment banking deal pipelines remain promising. However, markets are currently very volatile, and forecasting is even more difficult than usual. If the current turbulent conditions prevail throughout the quarter, we will probably see a very weak trading result in the Investment Bank, offset by predictable earnings from wealth and asset management. This makes it likely that profits in the second half of 2007 will be lower than in the second half of last year.

14 August 2007

UBS



Marcel Ospel
Chairman



Marcel Rohner
Chief Executive Officer



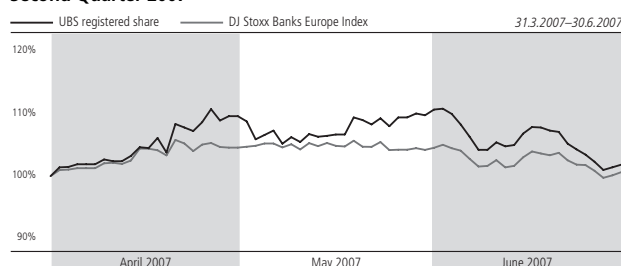
Every quarter, we update our shareholders on our businesses around the world by including a number of feature articles in our quarterly reports.

This quarter, we wrote about our new onshore wealth management business in Russia and took a closer look at how the US-based wealth management business has enhanced its performance and client services in the two years since being integrated into the Global Wealth Management & Business Banking Business Group. We also discuss Global Asset Management's new infrastructure investment business. You can access the three stories at www.ubs.com/investors by clicking "Quarterly Themes".

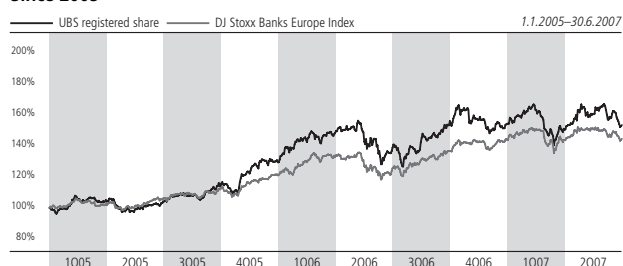
Or you can order the full quarterly report (English only) from UBS AG, Economic Information Center, GHDE, CK9K-AUL, P.O. Box, CH-8098 Zurich, Switzerland.

UBS share performance

Second Quarter 2007



Since 2005



Shareholder returns

	Quarter ended			% change from		Year to date	
	30.6.07	31.3.07	30.6.06	1Q07	2Q06	30.6.07	30.6.06
Diluted EPS (CHF)¹							
as reported	2.82	1.62	1.51	74	87	4.45	3.21
from continuing operations	2.69	1.62	1.49	68	81	4.31	2.97
Return on equity attributable to UBS shareholders (%)²							
as reported						33.6	31.6
from continuing operations						33.0	29.3

Financial strength & ratings

	As of		
	30.6.07	31.3.07	30.6.06
BIS Tier 1 capital ratio (%) ³	12.3	11.7	12.1
Long-term ratings			
Fitch, London	AA+	AA+	AA+
Moody's, New York	Aaa	Aa2	Aa2
Standard & Poor's, New York	AA+	AA+	AA+

UBS net profit

CHF million	Quarter ended			% change from		Year to date	
	30.6.07	31.3.07	30.6.06	1Q07	2Q06	30.6.07	30.6.06
Net profit attributable to UBS shareholders	5,622	3,275	3,147	72	79	8,897	6,651
Net profit attributable to minority interests	149	162	103	(8)	45	311	292
Net profit	5,771	3,437	3,250	68	78	9,208	6,943

Other key figures

CHF million	As of			% change from	
	30.6.07	31.3.07	30.6.06	31.3.07	30.6.06
Equity attributable to UBS shareholders	51,259	51,606	45,156	(1)	14
Market capitalization	151,203	149,157	140,729	1	7

Footnotes: 1 For the EPS calculation, see note 8 to the financial statements of the second quarter 2007 report. 2 Net profit attributable to UBS shareholders year to date (annualized as applicable) / 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 2007 report.

Key figures Financial Businesses

Income statement

CHF million	Quarter ended			% change from		Year to date	
	30.6.07	31.3.07	30.6.06	1Q07	2Q06	30.6.07	30.6.06
Operating income	15,651	13,347	12,057	17	30	28,998	24,437
Operating expenses	9,695	9,091	8,017	7	21	18,786	16,422
Net profit attributable to UBS shareholders	5,411	3,188	3,032	70	78	8,599	6,080
Net profit attributable to UBS shareholders from continuing operations	5,152	3,182	3,032	62	70	8,334	6,080

Performance indicators

	Quarter ended			Year to date	
	30.6.07	31.3.07	30.6.06	30.6.07	30.6.06
Cost/income ratio (%)	62.0	68.1	66.7	64.8	67.5
Net new money (CHF billion)	34.0	52.8	36.3	86.8	84.3

Personnel

Full-time equivalents	As of			% change from	
	30.6.07	31.3.07	30.6.06	31.3.07	30.6.06
Switzerland	27,315	27,258	25,904	0	5
Rest of Europe / Middle East / Africa	13,355	13,311	11,716	0	14
Americas	31,933	31,769	27,874	1	15
Asia Pacific	8,954	8,299	6,388	8	40
Total	81,557	80,637	71,882	1	13

Reporting by Business Group and Unit

CHF million	Total operating income			Total operating expenses			Performance before tax from continuing operations		
	30.6.07	30.6.06	% change	30.6.07	30.6.06	% change	30.6.07	30.6.06	% change
Global Wealth Management & Business Banking									
Wealth Management International & Switzerland	3,196	2,732	17	1,653	1,449	14	1,543	1,283	20
Wealth Management US	1,693	1,380	23	1,532	1,201	28	161	179	(10)
Business Banking Switzerland	1,406	1,357	4	769	725	6	637	632	1
Global Asset Management	1,078	740	46	1,012	406	149	66	334	(80)
Investment Bank	6,217	5,715	9	4,402	3,961	11	1,815	1,754	3
Corporate Center	2,061	133		327	275	19	1,734	(142)	
Financial Businesses	15,651	12,057	30	9,695	8,017	21	5,956	4,040	47

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 obligation to) update or alter its forward-looking statements whether as a result of new information, future events, or otherwise.