First Quarter 2007

3 May 2007

Dear shareholders,

Equity markets got off to a positive start this year, but corrected downwards in late February and early March. However, after the US Federal Reserve's decision to leave its key interest rates unchanged, investor confidence stabilized and markets closed the quarter slightly higher than they began. Despite the market turbulence, which was to some extent anticipated, UBS's performance was strong and consistent, with record profits in each business group and for the financial business overall – demonstrating the value of our diversified earnings mix.

As we wrote to you last time, we have been concentrating on executing our growth agenda. This includes integrating our recent acquisitions, the biggest of which was Banco Pactual. UBS Pactual, as we have renamed it, has now been with us for a full quarter, and we are pleased to confirm that it is delivering a valuable contribution ahead of our original expectations. Fee income in UBS's asset management business, in particular the investment fund business, has been bolstered by our strengthened presence in Brazil. According to Dealogic, the Investment Bank was involved in 28% of first quarter's transactions in Brazil, including the IPO of JBS, one of the largest global meat processors. In our credit fixed income and rates business, revenues from Latin America, part of the emerging markets initiative, have almost doubled after the inclusion of UBS Pactual.

Our other fixed income growth initiatives are progressing according to plan. We continue to work on improving our competitive position. As a result, revenues from the Investment Bank's credit fixed income, rates and FXCCT businesses were up 19% from a year earlier and 41% higher than fourth quarter 2006.

In February, we opened a new branch in Dubai. UBS has been present in the Middle East for over forty years, and the Dubai office will allow us to enhance the services from all our business groups to clients in the Gulf while providing improved local access to our international clients. In April, we also took another step in the process of expanding our presence in China by completing the acquisition of a 20% shareholding in UBS Securities, the new name of the restructured Beijing Securities, consistent with the restructuring proposal approved by the State Council.

New initiatives need continued attention to ensure they deliver the best long-term value to our shareholders and clients. The development of Dillon Read Capital Management, including its return on UBS proprietary capital, interest from third-party investors and the initiative's operational complexity, has not met our original expectations. Our executive team conducted a review of its prospects. As a result, we are considering whether or not we should redeem the recently launched external fund of DRCM and explore alternatives for clients currently invested in the fund. We are also looking at DRCM's structure, and evaluating how UBS's proprietary capital would best be managed.

Looking at first quarter results in more detail – our financial businesses, whose performance we focus on, reported another record result from continuing operations, with attributable profit of CHF 3,182 million, up 4% from first and fourth quarter 2006. This was driven by revenue growth in all our businesses and came 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.

Operating income rose, even though credit loss recoveries fell as expected and despite the absence of last year's gains from the sale of our stake in the New York Stock Exchange. Growth was driven by fee and commission income, which reached its highest level since 2001 and represents more than half of total income. Invested asset levels increased to CHF 3.1 trillion, as a result of strong net new money inflows as well as higher financial markets compared with first quarter a year earlier. This drove asset-based fees up in both our wealth and asset management businesses. Compared with first quarter 2006, fee-based revenues in the Investment Bank grew substantially in all businesses. We gained market share in both equity and debt underwriting, with the latter benefiting from a strong global syndicated finance performance. In corporate finance, we took advantage of the continued market momentum in mergers and acquisitions, as clients sought to grow and transform their businesses, improving our competitive position in all regions. Higher fees from our 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 our trading businesses rose in first quarter 2007, with equities, in particular, being positively impacted by favorable market conditions in Europe and Asia Pacific. Our prime services business benefited from increased client balances while 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 and collateral trading 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.

Net income from interest margin businesses also rose in first quarter 2007, due to an increase in spreads on client deposits and growth in wealth management's collateralized lending business. Our domestic Swiss mortgage business grew. The wealth management business also benefited from increased deposit and loan volumes, driven by organic growth and acquisitions.

This resulted in overall UBS net profit attributable to you, our shareholders, of CHF 3,275 million in first quarter 2007. While this is a CHF 229 million decline from a year earlier, last year's figures included a CHF 290 million after-tax gain from the sale of Motor-Columbus.

UBS

Our record first quarter 2007 performance highlights the strength of our wealth management business. Its power remains unmatched across the industry. Wealthy clients around the globe entrusted us with a total CHF 44.8 billion in net new money in first quarter, 85% of our total net new money inflow. Asian markets continue to be a major contributor to this success, as well as the domestic European business. This quarter, we were pleased to see strong inflows of CHF 10.9 billion from our domestic US business, as a result of our success in attracting new customers and increasing the levels of funds invested by existing ones. We continued to hire advisors in our international and Swiss business, and were pleased to retain a majority of advisors from our recent acquisition of McDonald Investments in the US. In addition, our US-based wealth management business has started to expand its products and sales support capabilities in order to take full advantage of our integrated global wealth management platform.

The cost/income ratio of our business improved to 68.1% in first quarter. Higher revenues, up 9%, drove the improvement compared with first quarter 2006; personnel expenses were up 10% compared with first quarter 2006 as our firm continued to expand. In first quarter 2007, we continued to hire personnel in key areas of our business. In the Investment Bank, we hired at a slower rate than a year earlier, and staff numbers rose only 1% from the end of last year. Amortization of intangible assets rose compared with first quarter 2006 as a consequence of the acquisitions we made last year. General and administrative expenses were down, primarily due to the absence of the provision for the Sumitomo settlement recorded a year earlier. This was mostly offset by increased costs as a result of 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.

Annualized return on equity from continuing operations, at 28.7%, was down from 29.6% in the same quarter a year earlier as the increase in attributable net profit was offset by the rise in average equity following strong retained earnings. It was still well above our target of 20% minimum over the cycle. Diluted earnings per share from continuing operations, at CHF 1.62, were 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 we continued to repurchase shares. In first quarter 2007, under our old 2006/2007 buyback program which ended in early March, we repurchased shares for CHF 800 million. In our new 2007/2010 program, launched right afterwards, we repurchased shares worth CHF 500 million. Our share buybacks this year already correspond to about two-thirds of the total share repurchases made in 2006.

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, we do not expect the difficulties being experienced in the US mortgage market to have a negative long-term effect on a global scale.

We are convinced that clients will increasingly seek our advice, with financial markets just as challenging as ever. Our deal pipeline remains strong and our business model and balanced global presence provide us 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.

3 May 2007

UBS

Marcel Ospel
Chairman

Peter Wuffli
Chief Executive Officer

Changes in the Board of Directors

Our Annual General Meeting in 2007 marked the end of Sir Peter Davis's term of office as a member of the Board of Directors, a post he had held since 2001 and gave up after reaching the maximum age limit.

The AGM elected Sergio Marchionne to the Board of Directors for a three-year term. Sergio Marchionne, Chief Executive Officer of Fiat S.p.A., Torino, is now a non-executive member of the board.

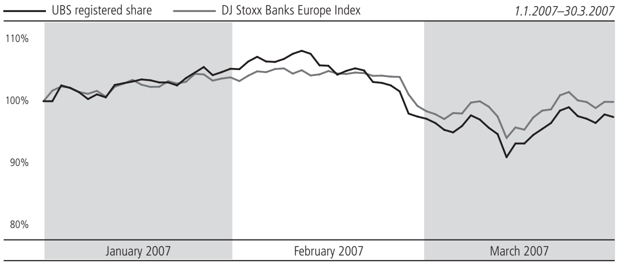
Stephan Haeringer was re-elected for a further three-year term as an executive member of the Board of Directors.

The directorial mandates of Helmut Panke, holder of several board memberships, including one as a member of the Board of Directors of Microsoft Corporation, and Peter Spuhler, owner of Stadler Rail AG (Switzerland), were also confirmed for a further three-year term.

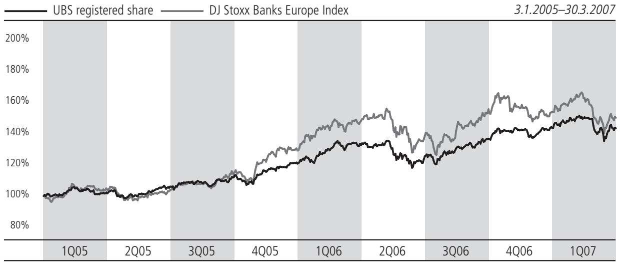
UBS key figures

UBS share performance

First Quarter 2007



Since 2005



Shareholder returns

	Quarter ended			% change from	
	31.3.07	31.12.06	31.3.06	4Q06	1Q06
Diluted EPS (CHF)[1]					
as reported	**1.62**	1.66	1.69	(2)	(4)
from continuing operations	**1.62**	1.54	1.48	5	9
Return on equity attributable to UBS shareholders (%)[2]					
as reported	**28.8**	28.2	33.9		
from continuing operations	**28.7**	26.5	29.6		

Financial strength & ratings

	As of		
	31.3.07	31.12.06	31.3.06
BIS Tier 1 capital ratio (%)[3]	**11.7**	11.9	12.9
Long-term ratings			
Fitch, London	**AA+**	AA+	AA+
Moody's, New York[4]	**Aa2**	Aa2	Aa2
Standard & Poor's, New York	**AA+**	AA+	AA+

UBS net profit

	Quarter ended			% change from	
CHF million	**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)
Net profit attributable to minority interests	**162**	96	189	69	(14)
Net profit	**3,437**	3,503	3,693	(2)	(7)

Other key figures

	As of			% change from	
CHF million	**31.3.07**	31.12.06	31.3.06	31.12.06	31.3.06
Equity attributable to UBS shareholders	**51,606**	49,686	47,541	4	9
Market capitalization	**149,157**	154,222	150,663	(3)	(1)

Footnotes: 1 For the EPS calculation, see note 8 to the financial statements of the first 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 first quarter 2007 report. 4 Moody's long-term rating was changed to Aaa effective 20 April 2007.

Key figures Financial Businesses

Income statement

	Quarter ended			% change from	
CHF million	**31.3.07**	31.12.06	31.3.06	4Q06	1Q06
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	**3,188**	3,055	3,048	4	5
Net profit attributable to UBS shareholders from continuing operations	**3,182**	3,055	3,048	4	4

Performance indicators

	Quarter ended		
	31.3.07	31.12.06	31.3.06
Cost / income ratio (%)	**68.1**	70.6	68.4
Net new money (CHF billion)	**52.8**	25.5	48.0

Personnel

	As of			% change from	
Full-time equivalents	**31.3.07**	31.12.06	31.3.06	31.12.06	31.3.06
Switzerland	**27,258**	27,018	25,645	1	6
Rest of Europe / Middle East / Africa	**13,311**	12,687	11,341	5	17
Americas	**31,769**	30,819	27,356	3	16
Asia Pacific	**8,299**	7,616	5,868	9	41
Total	**80,637**	78,140	70,210	3	15

Reporting by Business Group and Unit

CHF million	Total operating income			Total operating expenses			Performance before tax from continuing operations		
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

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.