Third Quarter 2006

31 October 2006

Dear shareholders,

In our last letter, we said that our business might revert to a more typical seasonal pattern – a strong start to the year, followed by a softening of performance in second half. And, in fact, financial markets in third quarter were significantly quieter than in the same period in 2005, when we did not experience the usual summer slowdown in trading volumes. The effects of the May and June market correction continued to be felt through lower institutional and private client trading volumes in the first part of the quarter. Sentiment only improved towards the end of summer, particularly in September, and we therefore were not able to match the results achieved earlier in the year.

Including industrial holdings, net profit from continuing operations attributable to you, our shareholders, in third quarter 2006 was CHF 2,195 million. Diluted earnings per share were CHF 1.07, down 13% from a year earlier. Annualized return on equity, at 25.8%, was well above our over-the-cycle target of 20%, but down from 27.4% in 2005.

Our financial businesses contributed CHF 2,114 million to attributable profit. This is 30% lower than second quarter 2006 and 16% below the third quarter 2005 result. Operating income fell 13% from second quarter 2006, in the context of weaker markets and in the absence of disposal gains, which benefited results in second quarter. Compared to third quarter a year earlier, income was up 1%. Weaker revenues from trading activities, mainly in the equities and rates businesses in the Investment Bank, were offset by improvements in other areas, such as fee and commission income. Net income from interest margin products rose on higher margin lending volumes in the wealth management businesses and the continued growth of our Swiss mortgage business, as well as wider spreads on client deposits.

Net fee and commission income rose in third quarter from a year earlier to reach 58% of overall operating income. The Investment Bank generated strong revenues in the advisory and debt underwriting businesses. Debt capital markets recovered significantly from a year earlier. The mergers and acquisitions environment was vigorous.

Notable transactions included advising the world's leading iron ore miner, Companhia Vale do Rio Doce (CVRD), on its acquisition of Canadian-based nickel company Inco. In leveraged finance, where we were less strong in the past, we participated in a number of major capital market transactions, including the offering for Anadarko Petroleum in its acquisition of Kerr-McGee Corporation and Western Gas, and Blackstone's acquisition of Travelport.

Asset-based fees rose compared with a year earlier in the wealth and asset management businesses, reflecting higher market valuations and sustained asset gathering. Across UBS, inflows of net new money were still a very strong CHF 41.9 billion, but weaker than the third quarter 2005 record of CHF 51.2 billion. The inflow of net new money in the first nine months of 2006 totaled CHF 126.2 billion, equivalent to 5% of the underlying asset base at year-end 2005 – a clear indicator of the continued trust clients place in our service capabilities and investment advice. In third quarter 2006, the wealth management units achieved inflows of CHF 26.8 billion, driven primarily by healthy contributions from Asian and American clients. In Global Asset Management, net new money, excluding money market flows, was CHF 6.7 billion. Inflows were seen in alternative and quantitative investments, fixed income, real estate, and multi-asset mandates.

Invested assets were at a record CHF 2,879 billion at the end of third quarter.

This quarter's cost rise is noticeable. Operating expenses were up 8% from third quarter a year ago. This led our cost/income ratio to deteriorate to 73.8%, a level not seen in the last two years. A significant driver behind this development was the addition of over 5,000 people to our business. We hired in areas where we see long-term growth potential, in either new businesses or where we expect volumes to expand in existing business lines. Personnel numbers rose in our wealth management businesses worldwide – where we employed client advisors and support staff to serve the booming economies of Asia Pacific and strongly expanding markets in Germany and Italy. In the US, personnel numbers were boosted by the first-time inclusion of Piper Jaffray from August 2006. Growth initiatives in our Investment Bank required the recruitment of personnel in fixed income and investment banking, as well as increased staff numbers in support and control functions. Higher staff levels led to rising salary expenses, which were partly offset by a reduction in accruals for performance-related compensation.

General and administrative expenses rose compared to a year earlier. In third quarter 2006, we recorded a provision of CHF 141 million related to a long-term lease on an office building in New Jersey. The main reason for the increase in costs, however, is the expansion of our business in the last year and investments in support of further growth. In the Investment Bank, our infrastructure is crucial to support current revenue generation and enable quick and effective responses to new business opportunities. Costs for IT and outsourcing rose, as we continued to build capacity, increase efficiency, and, at the same time, reduce the complexity of our IT architecture. This represents a considerable investment, which, over the long term, will allow us to scale our platform and reduce unit costs. Professional fees rose in third quarter 2006 from a year earlier as, among other reasons, we finalized the set-up of Dillon Read Capital Management (DRCM), while general marketing and public relations costs increased on further investments in our brand.

UBS

Investment spending requires focus and discipline. While costs such as travel and entertainment, telecommunications and administration rose on the expansion of the business, we will continue to monitor – closely – all types of expenses that do not directly support revenues. We also meticulously track the progress of our strategic initiatives, some of which are already showing tangible results. Our commodities business, which we started expanding a year ago, has begun to record handsome levels of revenue. DRCM, our new alternative investment management business, is making progress. Completion of our announced acquisitions remains on track. The Piper Jaffray branch network transaction closed on 11 August. The purchase of ABN AMRO's global futures and options business closed on 30 September, while the McDonald Investments branch network is expected to close in first quarter 2007 and the Banco Pactual transaction is seen closing around the turn of the year.

Our strategy is geared for the long term and we have shown, as with our European wealth management business and US investment banking expansion drives, that revenues will materialize – even if it takes time. Those that require considerable infrastructure, such as the expansion of our local fixed income business in emerging markets, the dedication to talent development and the penetration of the Asia Pacific wealth management market, are broad, extensive commitments that do not allow for shortcuts. We are certain of the fundamental strategy behind these initiatives and will continue to pursue them while, as a matter of course, updating you regularly on their progress. In this vein, this quarter's report includes feature articles on our commodities business, DRCM and the creation of a regional training center for wealth management employees in Singapore.

Outlook – A discernible pick-up in market activity in September has carried over into a good start to the fourth quarter. Equity indices have climbed to new records. Short-term expectations for economic growth are positive, industry deal pipelines and investor confidence intact. Our competitive strength will allow us to capture revenue opportunities around the world while we continue to execute our strategy and invest in our areas of focus.

Developments in the world's financial markets – which remain an important driver in many of our businesses – are never fully predictable. Thanks to the strong performance in the first half of 2006 and the resilience of our revenues through a difficult summer, results for the first nine months are significantly stronger than in the same period a year ago. At this point, it looks as though we will remember 2006 as another record year for UBS – in terms of both financial results and strategic progress.

31 October 2006

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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.

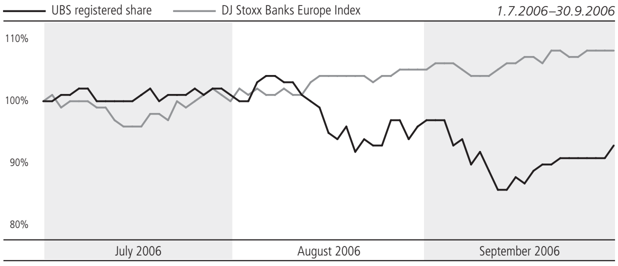
This quarter, we wrote about how, over the next few years, our new regional training facility in Singapore should help us raise the number of Asia Pacific wealth management client advisors. We also wrote about Dillon Read Capital Management (DRCM), now part of Global Asset Management, while, in a separate article, we provided further details on progress in our efforts to strengthen our Investment Bank's commodities presence. You can access all three 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

Third Quarter 2006



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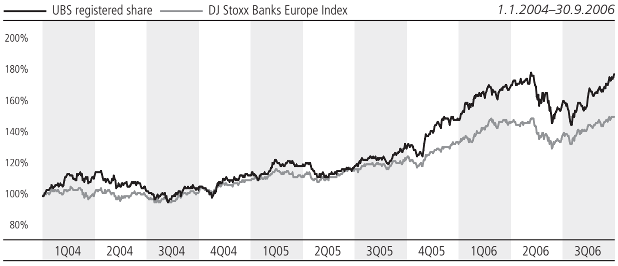

Shareholder returns

	Quarter ended			% change from		Year to date	
	30.9.06	30.6.06	30.9.05	2Q06	3Q05	30.9.06	30.9.05
Diluted EPS (CHF) [1]							
as reported	**1.07**	1.51	1.32	(29)	(19)	4.28	3.57
from continuing operations	**1.07**	1.48	1.23	(28)	(13)	4.04	3.37
Return on equity attributable to UBS shareholders (%) [2]							
as reported						27.4	29.0
from continuing operations						25.8	27.4

Financial strength & ratings

	As at		
	30.9.06	30.6.06	30.9.05
BIS Tier 1 capital ratio (%) [3]	**12.3**	12.2	11.3
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	**30.9.06**	30.6.06	30.9.05	2Q06	3Q05	30.9.06	30.9.05
Net profit attributable to UBS shareholders	**2,199**	3,147	2,770	(30)	(21)	8,850	7,542
Net profit attributable to minority interests	**105**	103	145	2	(28)	397	499
Net profit	**2,304**	3,250	2,915	(29)	(21)	9,247	8,041

Other key figures

	As at			% change from	
CHF million	**30.9.06**	30.6.06	30.9.05	30.6.06	30.9.05
Equity attributable to UBS shareholders	**48,403**	45,465	39,019	6	24
Market capitalization	**156,615**	140,729	116,732	11	34

Footnotes: 1 For the EPS calculation, see note 8 to the financial statements of the third 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 third 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	**30.9.06**	30.6.06	30.9.05	2Q06	3Q05	30.9.06	30.9.05
Operating income	**10,462**	12,057	10,403	(13)	1	34,899	29,303
Operating expenses	**7,715**	8,017	7,146	(4)	8	24,137	20,287
Net profit attributable to UBS shareholders	**2,118**	3,032	2,642	(30)	(20)	8,198	7,180
Net profit attributable to UBS shareholders from continuing operations	**2,114**	3,032	2,528	(30)	(16)	8,194	6,845

Performance indicators

	Quarter ended			Year to date	
	30.9.06	30.6.06	30.9.05	30.9.06	30.9.05
Cost / income ratio (%)	**73.8**	66.7	68.9	69.4	69.8
Net new money (CHF billion)	**41.9**	36.3	51.2	126.2	117.4

Personnel

	As at			% change from	
Full-time equivalents	**30.9.06**	30.6.06	30.9.05	30.6.06	30.9.05
Switzerland	**26,736**	25,904	26,834	3	0
Rest of Europe / Middle East / Africa	**12,235**	11,716	11,546	4	6
Americas	**29,630**	27,874	26,891	6	10
Asia Pacific	**6,992**	6,388	5,231	9	34
Total	**75,593**	71,882	70,502	5	7

Reporting by Business Group and Unit

CHF million	Total operating income			Total operating expenses			Performance before tax from continuing operations		
For the quarter ended	**30.9.06**	30.9.05	% change	**30.9.06**	30.9.05	% change	**30.9.06**	30.9.05	% change
Global Wealth Management & Business Banking									
Wealth Management International & Switzerland	**2,611**	2,358	11	**1,385**	1,192	16	**1,226**	1,166	5
Wealth Management US	**1,423**	1,296	10	**1,380**	1,301	6	**43**	(5)	
Business Banking Switzerland	**1,297**	1,272	2	**729**	719	1	**568**	553	3
Global Asset Management	**728**	671	8	**444**	363	22	**284**	308	(8)
Investment Bank	**4,500**	4,691	(4)	**3,417**	3,305	3	**1,083**	1,386	(22)
Corporate Center	**(97)**	115		**360**	266	35	**(457)**	(151)	(203)
Financial Businesses	**10,462**	10,403	1	**7,715**	7,146	8	**2,747**	3,257	(16)

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