Finance

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Annualized figures for the first nine months of 2010 contained in this presentation do not constitute estimates of the actual 2010 full-year results.

Key messages

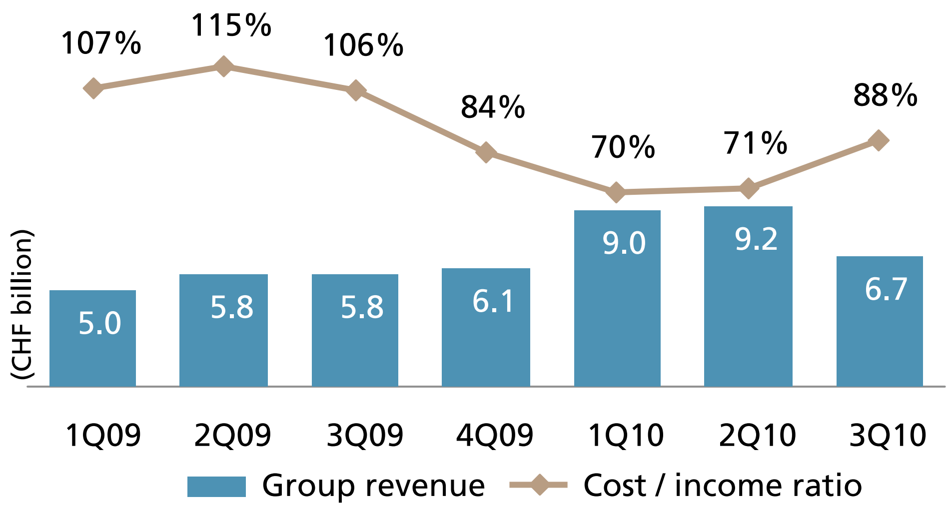
We are scaled for growth and reconfirm our CHF 15 billion Group pre-tax profit target in the medium-term

We believe we can achieve required levels of capital through retained earnings

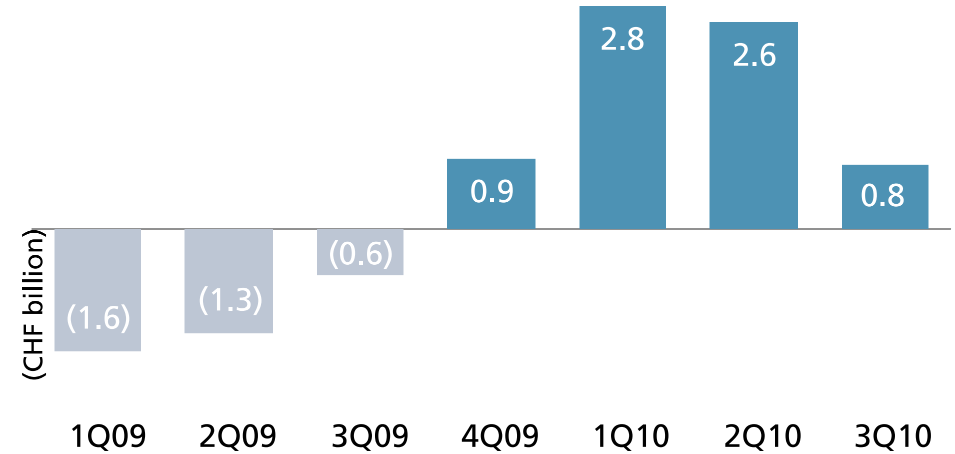
Improved profitability may give rise to further deferred tax asset recognition

Our financial performance has improved

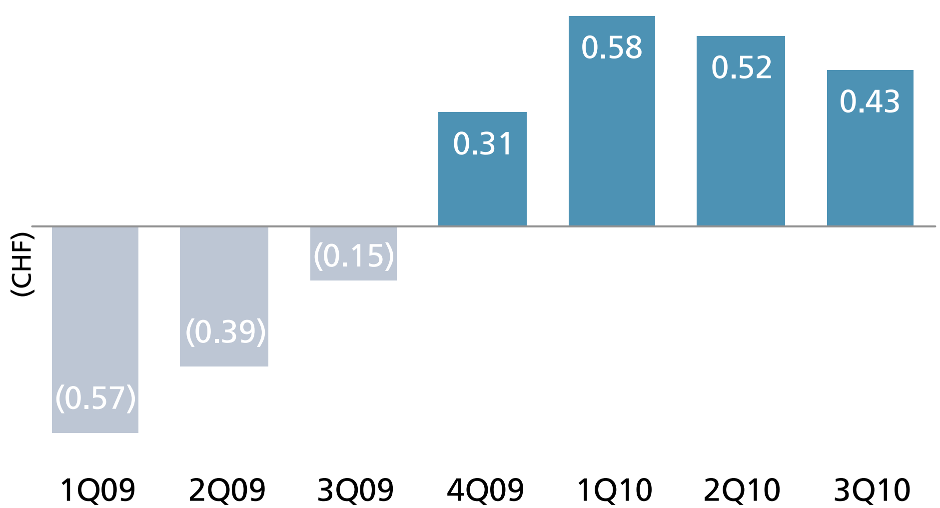
Group revenues



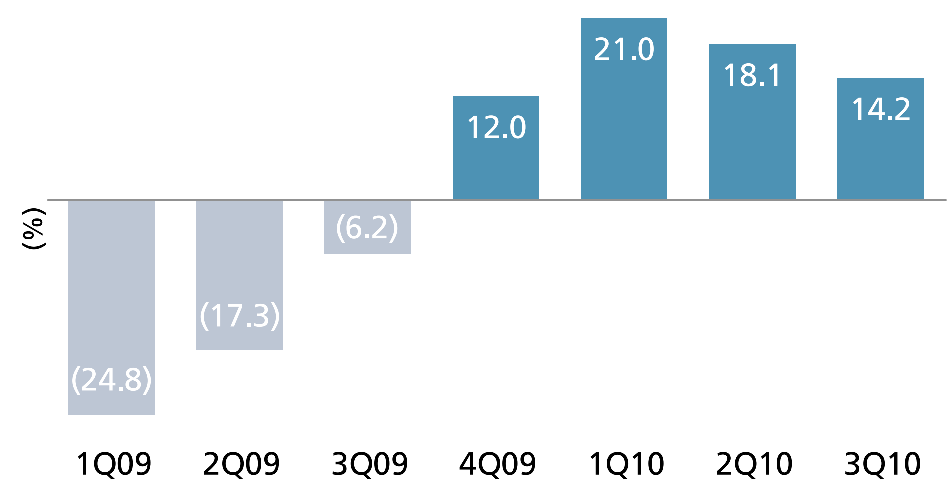
Group pre-tax profit



Diluted earnings per share



Return on equity[1]



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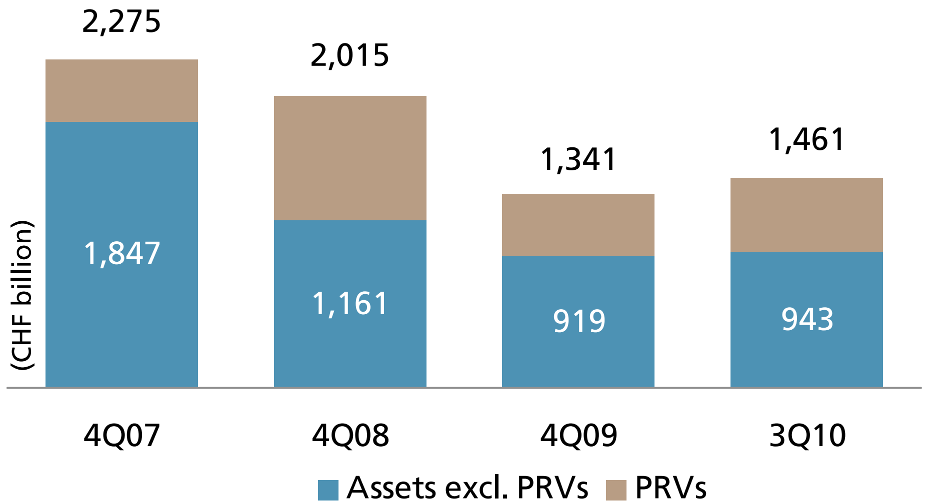
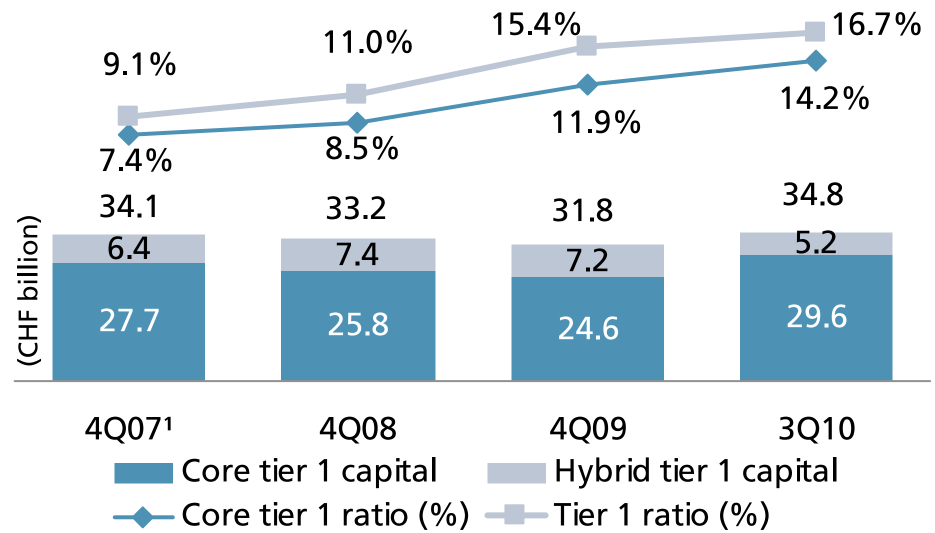
1 Quarterly net profit attributable to UBS shareholders annualized / average equity attributable to UBS shareholders

Our financial condition is strong

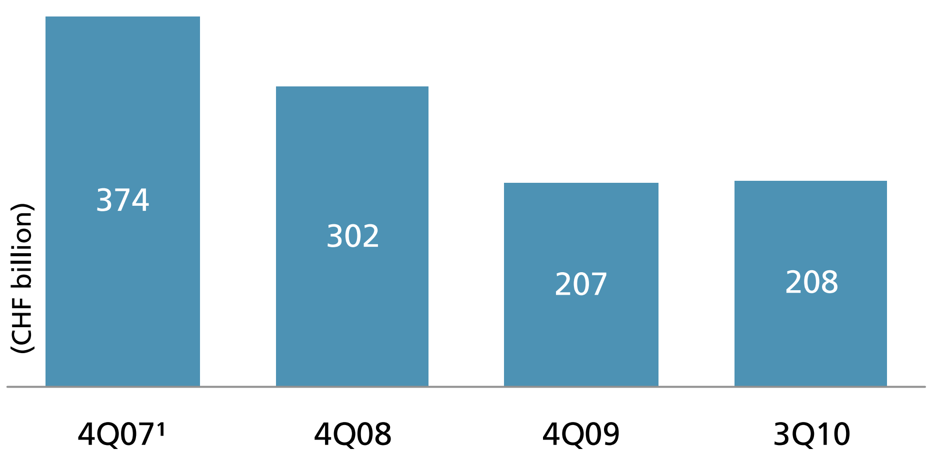
Balance sheet



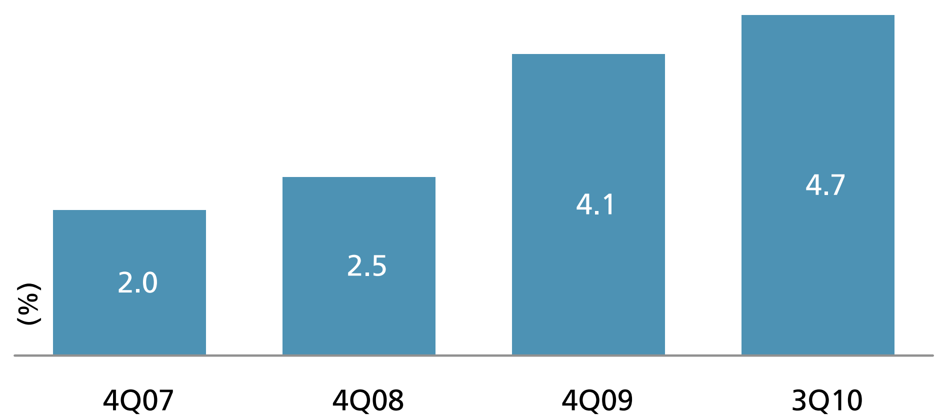
Tier 1 capital and capital ratios



Risk-weighted assets



Leverage / common equity ratio[2]



…and we will continue to carefully manage our resources to deliver our medium-term targets

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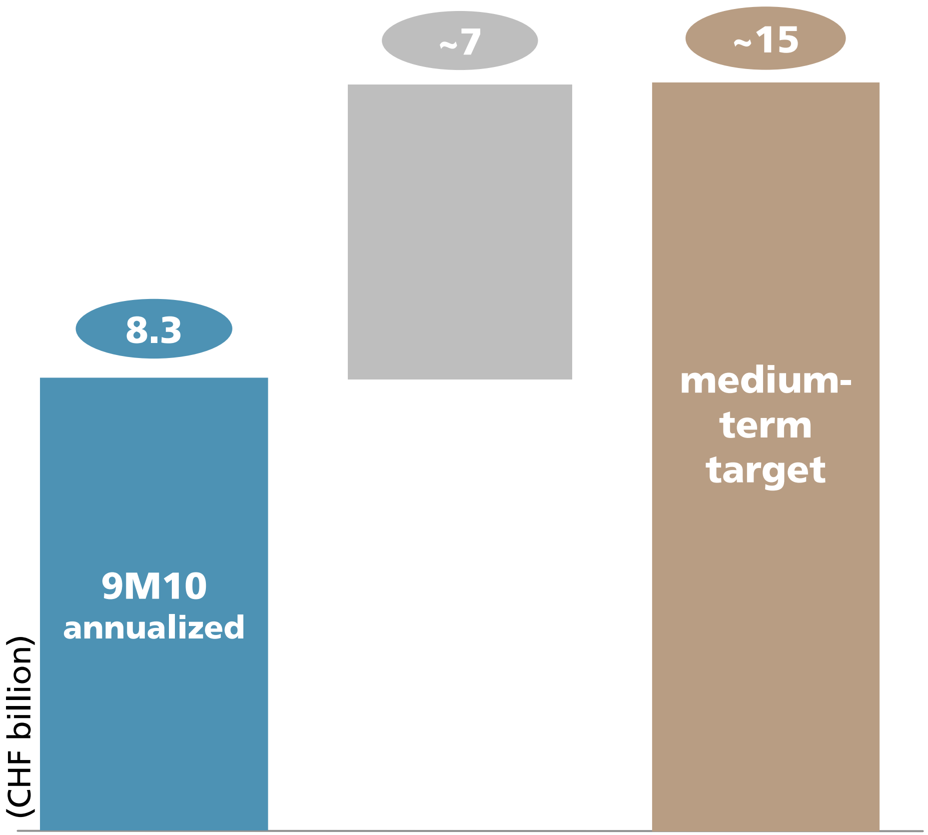
1 Capital information in 4Q07 under Basel 1
2 Equity attributable to UBS shareholders / total assets adjusted for PRVs based on capital adequacy netting

We are reconfirming our medium-term targets

Pre-tax profit

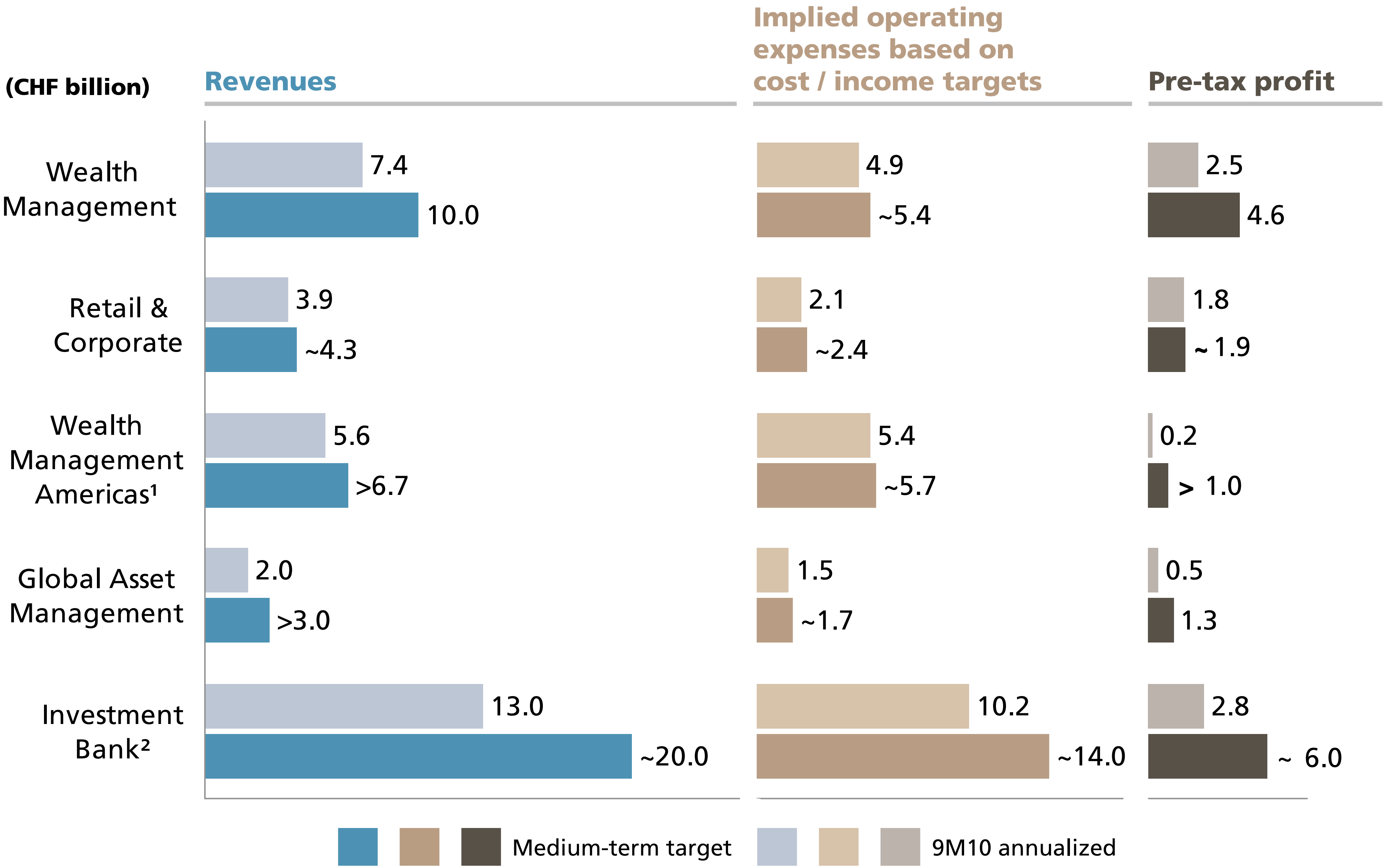


	9M10	Medium-term target
Balance sheet excl. PRVs (CHF trillion)	0.9	1.0
Core tier 1 capital[1] (CHF billion)	30	45-50
Cost / income ratio	~75%	65-70%
Return on equity	18%	15-20%

1 9M10 capital is under Basel 2

And we are scaled for growth

Medium-term targets by business division



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1 9M10 annualized excludes net restructuring charges of CHF 167 million and provision related to an arbitration matter of CHF 78 million
2 9M10 annualized excludes own credit

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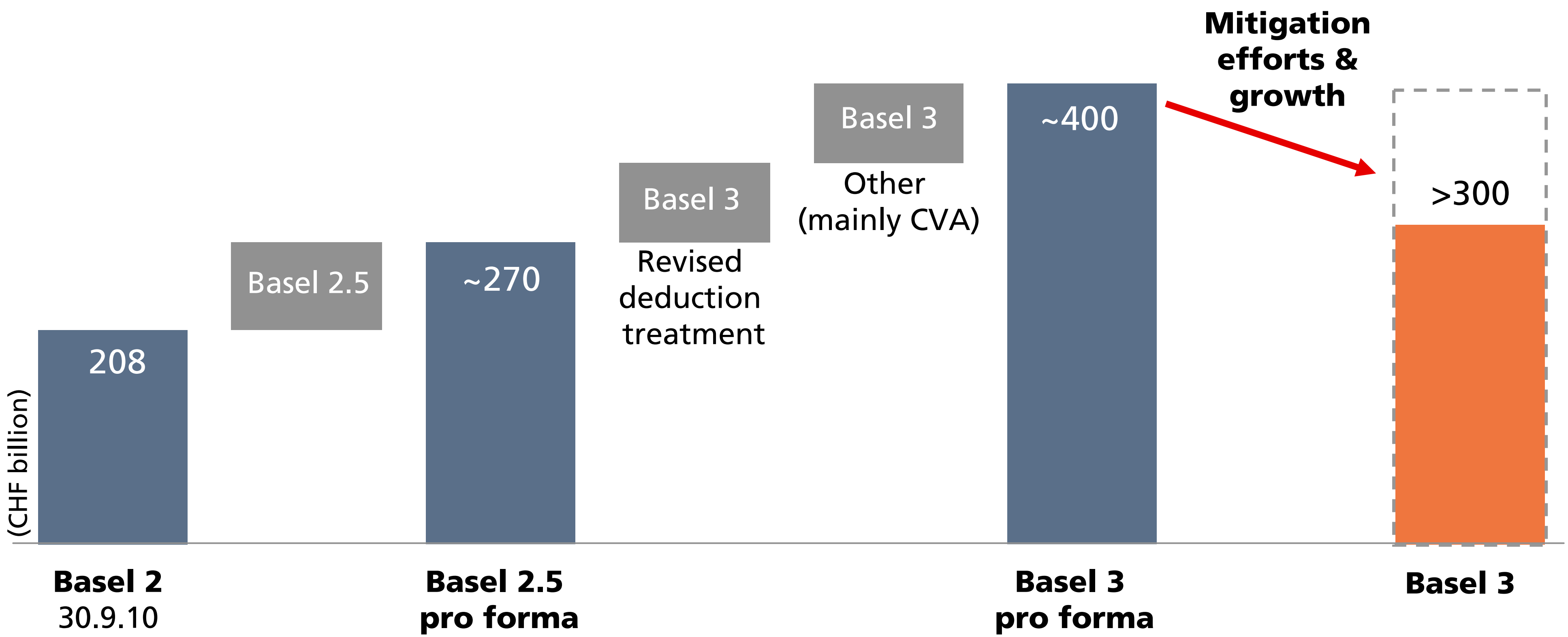
Risk-weighted assets under Basel 3

RWAs will be more volatile in the new regulatory environment

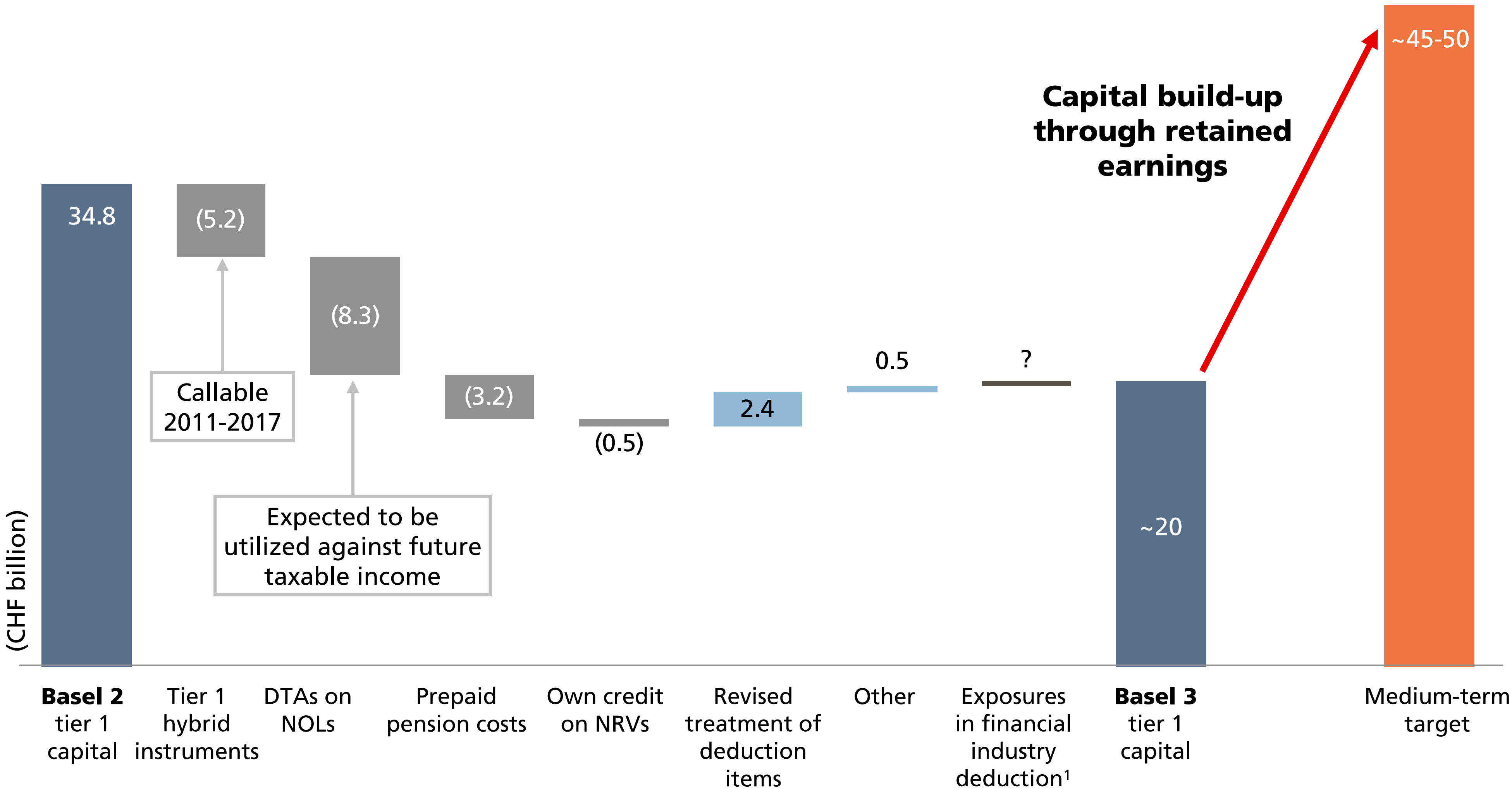


- The impact of Basel 3 can be mitigated by:
  - Reducing securitization exposure esp. residual risk positions (e.g. student loan ARS inventory)
  - Changes to the hedging of counterparty risk
  - The roll-off of replacement values
  - Moving trades from OTC to central counterparty settlement and clearing

We will actively manage risk positions to mitigate the impact of regulatory changes

Tier 1 capital: Basel 2 to Basel 3

We can achieve required levels of capital through retained earnings



We do not expect to pay dividends for some time to come

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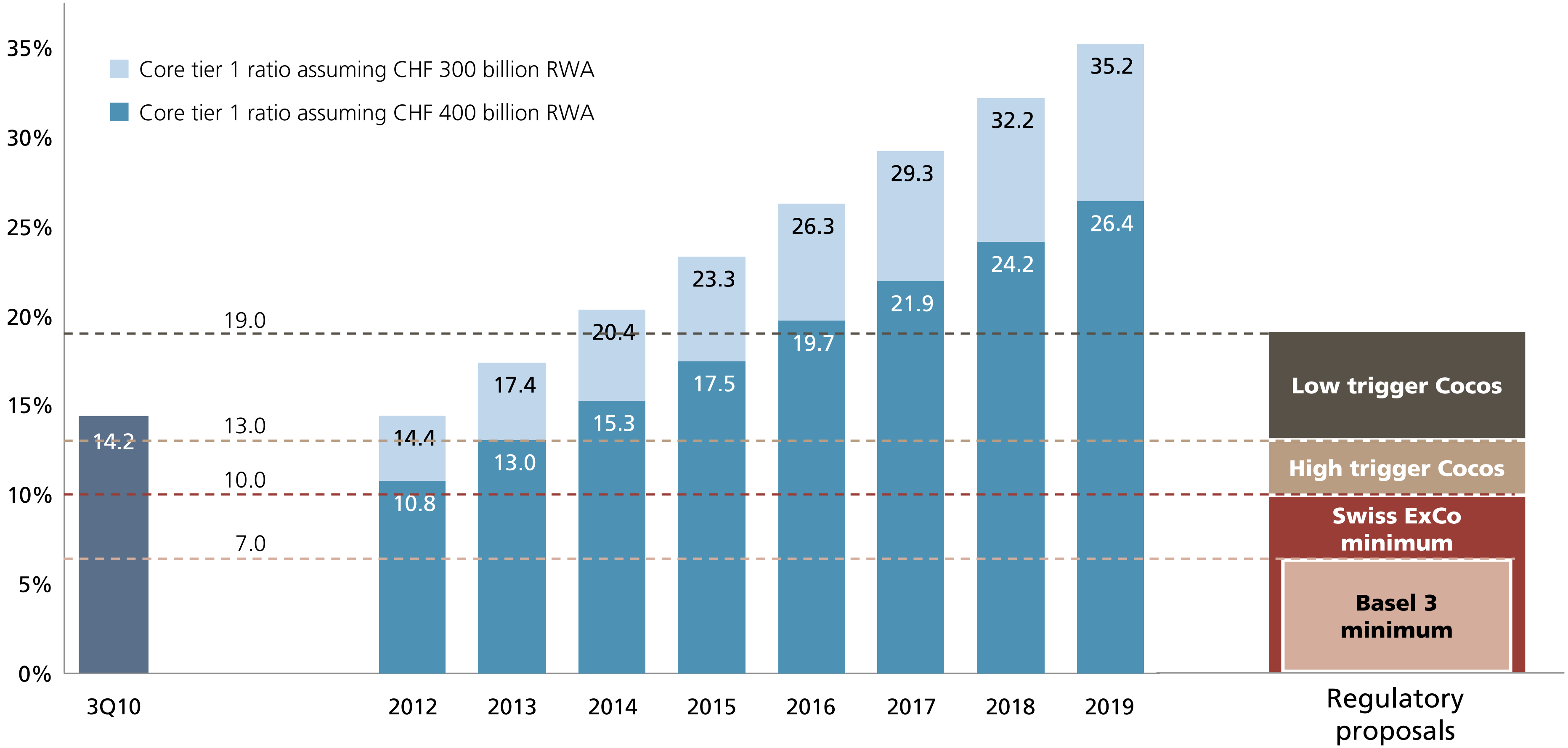
1 Rules have not yet been defined

Basel 3 and Swiss regulatory proposals – illustrative example

We expect to meet regulatory proposals within the implementation timeframe

- Assumptions:
  - Additions to tier 1 capital of CHF 2.4 billion from 2012 due to the revised deduction treatment for securitizations
  - Deductions to tier 1 capital of CHF 7 billion from end of 2012 (Basel 3: start 2014 with 5-year phase-in period thereafter)
  - Approximately half of the current deferred tax assets on NOLs utilized by 2013 (CHF 8.3 billion at 30.9.10)
  - All future earnings retained: based on analysts' estimates[1] between now and 2012, thereafter flat



1 Based on consensus estimates collected on 14.10.10 from 28 sell-side analysts, not UBS targets. Earnings shown are not endorsed or verified by UBS, but are used for illustrative purposes only

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Deferred tax assets on net operating losses

We have recognized deferred tax assets on a limited portion of our tax losses

Unrecognized tax loss carry forwards tax-effected **CHF 21.0 billion**
Recognized DTAs on net operating losses (NOLs) **CHF 8.3 billion[2]**

- Unrecognized tax loss carry-forwards of CHF 21.0 billion tax-effected
  - Represents tax losses available to be offset against potential tax adjustments or future taxable income (CHF 54.3 billion x tax rate of ~39%[1])
- Profitability assumptions over a 5-year horizon form the basis for the recognition of deferred tax assets (DTAs)
  - Longer term changes in earnings will have an impact
  - The haircuts currently applied to Investment Bank (50%) and WMA (25%) profit forecasts for DTA recognition purposes may be reduced based on the development of a profitability track record
- 5-year profitability assumptions are reviewed quarterly
  - Significant DTA revaluations are dependent on the availability of new profit forecasts and / or changes in assumptions based on past performance or changes in business activities
  - All other things equal, the level of US DTAs will remain constant for some time as additional unrecognized tax losses will be recognized and offset the use of DTAs against profit in a given year
- Largest proportion of unrecognized tax losses in the US and UK
  - US federal tax losses can be carried forward for 20 years, indefinitely in the UK

Improved profitability may give rise to further recognition of DTAs

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1 Most available tax losses were incurred in the US. These gave rise to US tax losses and also Swiss tax losses from the write-down of US subsidiaries in UBS AG
2 Total DTAs CHF 8,852 million on 30.9.10, of which CHF 8,345 million DTAs on NOLS and CHF 507 million other DTAs relating to compensation and benefits, trading assets and other

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