Third Quarter 2008

4 November 2008

Dear shareholders,

For third quarter 2008, we recorded a profit attributable to UBS shareholders of CHF 296 million, an improvement on the results of the prior four quarters. The result was achieved in the context of a general market environment characterized by falling equity markets, record-level volatility in most asset classes and a sharp decline in indicators of economic activity worldwide. During the quarter, one of our major competitors filed for bankruptcy and the governments of several countries discussed possible measures that could be taken to stabilize the financial system.

Our third quarter result led to a September month-end tier 1 ratio of 10.8% and a total capital ratio of 14.9% at the end of September – levels substantially higher than those of most of our competitors. Key items impacting the third quarter result were USD 4.4 billion of writedowns and losses on risk positions, a gain from own credit of CHF 2.2 billion and a tax credit of CHF 0.9 billion. Total personnel expenses fell 13% compared with the prior quarter.

The divisions – referred to as business groups before the strategic changes announced in the prior quarter's letter to shareholders – had disappointing results in extremely adverse circumstances. Positive contributions were produced by Global Wealth Management & Business Banking, with pre-tax profits of CHF 1.9 billion, and Global Asset Management, with a pre-tax profit of CHF 415 million that includes a gain from the sale of a minority stake in a private equity company. The Investment Bank lost CHF 2.7 billion as the writedowns and losses mentioned above more than offset the gain from own credit and cost-cutting measures related to the repositioning of the division. Corporate Center approximately broke even.

There were sizeable net new money outflows in Global Wealth Management & Business Banking and Global Asset Management in third quarter 2008. Net outflows reflect a number of factors, including: clients seeking to diversify their exposure to individual financial institutions, a general trend of clients to deleverage, the disappointing performance of certain funds managed by Global Asset Management in prior periods, the impact of publicity concerning our ongoing exit from certain US cross-border operations for US private clients, and concerns on the part of some clients about the financial position of UBS.

While the third quarter results illustrate the progress we have made in risk and balance sheet reduction, it became clear that we would be well served by taking further decisive action to exit our legacy risk positions if we were to assuage client concern and bolster client confidence in our bank. Accordingly, as announced on 16 October 2008, UBS reached an agreement with the Swiss National Bank (SNB) under which UBS will sell up to USD 60 billion of currently illiquid securities and other assets to a newly formed fund to be controlled by the SNB. With this transaction, UBS caps its future potential losses from these assets, reduces its risk-weighted assets, materially de-risks and reduces its balance sheet and is no longer subject to the funding risk of the assets transferred. In particular, US real estate-related net risk positions outside the fund will be reduced to nearly zero. As a consequence, UBS will incur no further writedowns or losses on the transferred assets, thus significantly reducing uncertainty for UBS shareholders and clients. UBS will retain an option to participate in the fund's upside and this will be marked at fair value. The fund's equity capital, of up to USD 6 billion, is to be provided by UBS but sold to the SNB for a nominal amount, resulting in a loss to be recognized in fourth quarter 2008 as detailed in our third quarter 2008 financial report. For further information, refer to the "Transaction with the Swiss National Bank" sidebar on pages 6 to 8 of the report.

In addition, we have taken the opportunity to strengthen our equity capital base and, as also announced on 16 October 2008, are proposing to issue CHF 6 billion of new mandatory convertible notes (MCNs) to the Swiss Confederation. On full conversion, these notes would give the Swiss Confederation a 9.3% holding in UBS. Upon your approval of this transaction, UBS's tier 1 ratio would be further, and significantly, strengthened.

We have now passed several important milestones on the road to restoring our financial standing and reputation. At the extraordinary general meeting of 2 October 2008, you elected Sally Bott, Rainer-Marc Frey, Bruno Gehrig and William G. Parrett to the Board of Directors (BoD). As already announced, Markus U. Diethelm joined UBS as Group General Counsel and John Cryan has taken over as Group Chief Financial Officer in September 2008. The BoD has appointed Philip Lofts to the Group Executive Board, who will replace Joe Scoby as Chief Risk Officer effective 4 November 2008. On 3 October 2008, we announced the repositioning of the Investment Bank, which will reprioritize its business portfolio to preserve its core strengths and client franchises across the equities, investment banking and fixed income, currencies and commodities business areas, while downsizing or exiting certain business activities. This will lead to greater efficiencies and a further reduction in the Investment Bank's headcount, risk exposures and balance sheet.

Progress continues to be made in our "Risk renewal plan", which is supported and supervised by the Swiss Federal Banking Commission. The plan was implemented in order to overhaul the approach we take to risk management, strategy and planning, the processes used to value and estimate the risk of our positions, the integrity of underlying data on our holdings, and the system architecture needed to support all of these processes. The plan will deliver a robust system of risk control that fully addresses the weaknesses exposed in 2007. It is expected that material progress will have been achieved by the end of 2009, with some components running into 2010.

UBS

Outlook – Since the beginning of fourth quarter, we have seen many difficult conditions across equity, credit and money markets worldwide. We expect that such conditions will continue to affect our clients' assets, and therefore our fee-earning businesses. Our operating expenses will continue to be trimmed where possible, and a range of efficiency and personnel reduction programs are already in place to make this happen.

Our results for fourth quarter 2008 will include two large accounting effects. Since the announcement of the SNB transaction, credit spreads on UBS's debts have narrowed significantly. If this persists, some or most of the accumulated CHF 4.8 billion own credit gain on liabilities we hold at fair value will reverse. In addition, a loss will be recognized on the sale of the equity in the fund sold to the SNB – partly offset by recognition of the value of UBS's option to buy the equity back in the future. A possible reversal of the above mentioned own credit gain would not affect our tier 1 capital balance and tier 1 ratio. The transfer of assets into the SNB fund, and the loss recognized on the sale of the equity, will reduce our risk-weighted assets and our tier 1 capital balance. After the planned issuance of the MCNs to the Swiss Confederation, the tier 1 capital balance would be slightly higher than its value prior to the transaction and the tier 1 ratio would improve.

During these extraordinary times, our priority continues to be the management of our resources, including costs and all elements of risk capital, as strictly as possible while continuing to strive for the level of excellence in products, services and advice that our clients are accustomed to expect.

4 November 2008

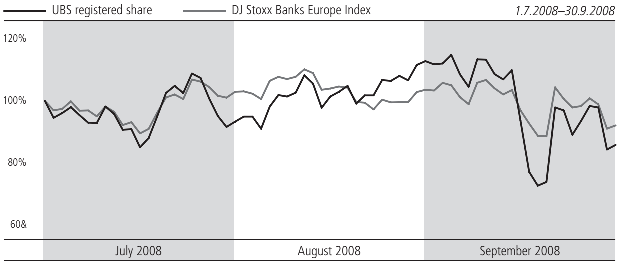
UBS

Peter Kurer	Marcel Rohner
Chairman	Chief Executive Officer

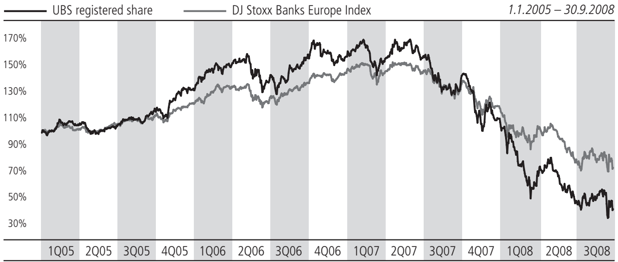
UBS key figures

UBS share performance

Third Quarter 2008



Since 2005



Performance indicators

	Quarter ended			% change from		Year-to-date	
	30.9.08	30.6.08	30.9.07	2Q08	3Q07	30.9.08	30.9.07
Diluted earnings per share (EPS) (CHF)[1]	**0.09**	(0.14)	(0.41)			(4.41)	3.45
Diluted EPS from continuing operations (CHF)[1]	**0.09**	(0.17)	(0.45)			(4.46)	3.28
Return on equity (RoE) attributable to UBS shareholders (%)[2]						(43.9)	19.9
RoE attributable to UBS shareholders from continuing operations (%)[2]						(44.4)	19.0
Cost / income ratio (%)[3]	**102.1**	200.7	113.9			348.5	74.0
Net new money (CHF billion)[4]	**(83.6)**	(43.8)	38.3			(140.2)	125.1

Group results

	Quarter ended			% change from		Year-to-date	
CHF million	**30.9.08**	30.6.08	30.9.07	2Q08	3Q07	30.9.08	30.9.07
Operating income	**5,556**	4,021	6,353	38	(13)	5,625	35,853
Operating expenses	**6,036**	8,110	7,256	(26)	(17)	21,993	26,545
Operating profit before tax (from continuing and discontinued operations)	**(480)**	(4,030)	(805)	88	40	(16,189)	9,419
Net profit attributable to UBS shareholders	**296**	(358)	(858)			(11,597)	7,720

Long-term ratings

	As of		
	30.9.08	30.6.08	31.12.07
Fitch, London	**AA–**[5]	AA–	AA
Moody's, New York	**Aa2**	Aa1	Aaa
Standard & Poor's, New York	**AA–**	AA–	AA

Footnotes: 1 Details of the earnings per share calculation can be found in Note 8 to the financial statements of the third quarter 2008 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 Operating expenses / operating income before credit loss expense or recovery. 4 Excludes interest and dividend income. 5 Fitch's long-term rating was changed to A+ on 24 October 2008.

UBS key figures

Balance sheet and capital management

	As of			% change from	
CHF million	**30.9.08**	30.6.08	31.12.07	30.6.08	31.12.07
Total assets	**1,996,719**	2,079,758	2,274,891	(4)	(12)
Equity attributable to UBS shareholders	**46,412**	45,939	36,875	1	26
Market capitalization[1]	**54,135**	62,874	108,654	(14)	(50)
BIS Tier 1 capital ratio (%)[2]	**10.8**[3]	12.0	9.1[4]		

Personnel[5]

	As of			% change from	
Full-time equivalents	**30.9.08**	30.6.08	30.9.07	30.6.08	30.9.07
Switzerland	**27,026**	27,516	27,863	(2)	(3)
UK	**7,607**	8,003	8,862	(5)	(14)
Rest of Europe	**4,938**	4,962	4,706	0	5
Middle East/Africa	**139**	130	134	7	4
USA	**27,530**	28,356	30,409	(3)	(9)
Rest of Americas	**2,077**	2,073	2,013	0	3
Asia Pacific	**10,248**	10,413	9,827	(2)	4
Total	**79,565**	81,452	83,814	(2)	(5)

Reporting by division

CHF million	Total operating income			Total operating expenses			Performance before tax from continuing operations		
For the quarter ended	**30.9.08**	30.6.08	% change	**30.9.08**	30.6.08	% change	**30.9.08**	30.6.08	% change
Global Wealth Management & Business Banking									
Wealth Management International & Switzerland	**2,609**	2,859	(9)	**1,499**	1,593	(6)	**1,110**	1,266	(12)
Wealth Management US	**1,469**	1,477	(1)	**1,267**	2,218	(43)	**203**	(741)	
Business Banking Switzerland	**1,186**	1,229	(3)	**638**	631	1	**548**	598	(8)
Global Asset Management	**827**	808	2	**413**	456	(9)	**415**	352	18
Investment Bank	**(750)**	(2,302)	67	**1,998**	2,931	(32)	**(2,748)**	(5,233)	47
Corporate Center	**215**	(50)		**222**	281	(21)	**(7)**	(330)	98
UBS	**5,556**	4,021	38	**6,036**	8,110	(26)	**(480)**	(4,089)	88

Footnotes: 1 For further details please refer to the share information on page 92 of the third quarter 2008 report. 2 For further details please refer to the "Capital management" section of the third quarter 2008 report. 3 Reflects the capital ratios according to Basel II data only. Taking into account the effects from the transitional provisions of the capital floor, which require that during the year 2008 Basel II capital requirements have to amount to at least 90% of Basel I capital requirements, the tier 1 capital ratio would amount to 10.2% and the total capital ratio to 14.0%, respectively. 4 The calculation prior to 2008 is based on the Basel I approach. 5 Excludes personnel from private equity (part of Corporate Center).

Cautionary Statement Regarding Forward-Looking Statements | This release contains statements that constitute "forward-looking statements", including but not limited to statements relating to the anticipated effect of transactions described herein, risks arising from the current market crisis and other risks specific to UBS's business, strategic initiatives, future business development and economic performance. While these forward-looking statements represent UBS's judgments and expectations concerning the development of its business, a number of risks, uncertainties and other important factors could cause actual developments and results to differ materially from UBS's expectations. These factors include, but are not limited to: (1) the extent and nature of future developments in the United States mortgage market and in other market segments that have been or may be affected by the current market crisis and their affect on the remaining net and gross exposures to be held by UBS following the transactions described herein, (2) developments affecting the availability of capital and funding to UBS and other financial institutions, including any changes in UBS's credit spreads and ratings; (3) other market and macroeconomic developments, including movements in local and international securities markets, credit spreads, currency exchange rates and interest rates; (4) changes in internal risk control and limitations in the effectiveness of UBS's internal processes for risk management, risk control, measurement and modeling, and of financial models generally; (5) the possible consequences of ongoing governmental investigations of certain of UBS's past business activities; (6) the degree to which UBS is successful in implementing its remediation plans and strategic and organizational changes, and whether those plan and changes will have the effects anticipated; (7) changes in the financial position or creditworthiness of UBS's customers, obligors and counterparties, and developments in the markets in which they operate; (8) management changes and changes to the structure of UBS's business divisions; (9) the occurrence of operational failures, such as fraud, unauthorized trading and systems failures; (10) legislative, governmental and regulatory developments, including the possible imposition of new or more stringent capital requirements and of direct or indirect regulatory constraints on UBS's activities; (11) changes in accounting standards or policies, and accounting determinations affecting the recognition of gain or loss, the valuation of goodwill and other assets or other matters; (12) changes and the effect competitive pressures; (13) technological developments; and (14) the impact of all such future developments on positions held by UBS, on its short-term and longer-term earnings, on the cost and availability of funding and on UBS's capital ratios. In addition, these results could depend on other factors that we have previously indicated could adversely affect our business and financial performance which are contained in our past and future filings and reports, including those filed with the SEC. More detailed information about those factors is set forth 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 2007. UBS is not under any obligation to (and expressly disclaims any obligation to) update or alter its forward-looking statements, whether as a result of new information, future events, or otherwise.