

# Fourth Quarter 2009

9 February 2010

Dear shareholders,

**2009 was a transformative year for UBS.** The actions we took have created a solid foundation that will support us in rebuilding our reputation, sustainable profitability and shareholder value. We achieved a significant milestone in the fourth quarter by returning to profitability. With substantial change behind us, we have entered 2010 with renewed energy and will focus on executing our strategy in order to further rebuild our profitability.

We entered 2009 at the height of the crisis, and we ended the year well capitalized with a BIS tier 1 ratio of 15.4% compared with 11.0% one year before. Cost and headcount targets that were to be met by the end of 2010 have largely been achieved. Headcount has been reduced by 12,550 personnel and our fixed cost base has been reduced by over CHF 3 billion in the last year. We have substantially reduced risk in the business and reduced our assets and leverage. Risk-weighted assets and our balance sheet are down more than 30% compared with the prior year-end, and our FINMA leverage ratio improved to 3.93% from 2.45% one year earlier.

**We achieved positive operating performance across all business divisions.** In the fourth quarter, we reported a net profit attributable to shareholders of CHF 1,205 million, compared with a loss of CHF 564 million in the previous quarter. The quarter included reduced own credit charges on financial liabilities designated at fair value, lower variable compensation expenses, and a tax credit that is mainly attributable to the revaluation of deferred tax assets.

Wealth Management & Swiss Bank reported a profit of CHF 1,109 million before tax, an increase of 40% from the previous quarter, due mostly to reduced accruals for variable compensation on a revenue base that was broadly flat. Net new money outflows were disappointing at CHF 33.2 billion compared with CHF 16.7 billion in the third quarter. Invested assets of CHF 22.8 billion were affected by the Italian tax amnesty, of which CHF 14.3 billion were retained within UBS. At the same time, inflows in the Swiss corporate and institutional clients business continued, and we also saw inflows in the Asia Pacific region.

Wealth Management Americas reported a pre-tax profit of CHF 178 million, up from CHF 110 million in the third quarter. This improvement primarily reflects a non-recurring interest income credit, increased fee income, as well as lower variable compensation-related accruals. Outflows of net new money were CHF 12.0 billion compared with CHF 9.9 billion, reflecting limited recruiting of experienced financial advisors which did not offset financial advisor attrition. We remain encouraged as invested assets per financial advisor have increased during the quarter and are amongst the highest in the industry.

Global Asset Management reported a profit of CHF 284 million before tax, up CHF 154 million from the prior quarter, due mostly to lower accruals for variable compensation which more than offset reduced performance fees. Net new money outflows were CHF 11.0 billion compared with CHF 10.0 billion, and were concentrated mainly in money market funds.

The Investment Bank reported a pre-tax profit of CHF 297 million compared with a loss of CHF 1,370 million in the third quarter. While the investment banking department improved its results compared with the previous quarter, the sales and trading activities of the Investment Bank's equities and fixed income, currencies and commodities businesses were affected by sharp declines in trading and client activity, particularly in the latter part of the quarter, in common with the broader markets. The fourth quarter result included a credit due to changes in the calculation of own credit from prior periods, which led to a reallocation of negative revenues to the Corporate Center from the Investment Bank.

The Corporate Center's pre-tax result from continuing operations was a loss of CHF 956 million compared with a loss of CHF 255 million in the prior quarter. The fourth quarter result was primarily attributable to the abovementioned changes to the calculation of own credit.

**Our BIS tier 1 ratio rose to 15.4%, up from 15.0% at the end of September.** The balance sheet of the Group was further reduced in the fourth quarter by CHF 136 billion to CHF 1,341 billion, and risk-weighted assets declined slightly to CHF 207 billion, compared with CHF 211 billion in the third quarter.

**During the fourth quarter we set a clear strategic direction to build a new UBS.** At our Investor Day in November, we outlined our new strategic direction and the targets we have established for ourselves. Our goals are to strengthen our position as a leading global wealth management business, to be a leading client-focused investment bank and to be economically profitable in every segment, market and business in which we operate. We aim to substantially improve our operating performance, building toward our medium-term target of CHF 15 billion in annual profits before tax.

Within the organization, we have also established the vision and values needed to fully transform our business and deliver on our strategic plans. These values focus on strengthening and safeguarding our reputation, fully integrating the bank and ensuring excellence in execution.

Our reputation is our most valuable asset and is ultimately defined by the actions and decisions we make every day. To safeguard our reputation, we have introduced more disciplined and effective governance processes. We have recently updated our "Code of Business Conduct and Ethics", which sets out the prin-

principles for our employees to follow when dealing with stakeholders. It emphasizes the importance of recognizing personal responsibility for our corporate behavior. Our management team is committed to enforcing these principles.

Integrating the bank is critical to serve our clients comprehensively, to improve sales performance and to drive efficiencies across our businesses. As an example, we have formed a new Investment Products and Services (IPS) unit, which will enable us to meet client needs rapidly and directly, by bringing together experts from the various businesses and extending their knowledge from the development stage through to execution. We will also be aligning our approach across the equities and fixed income, currencies and commodities businesses to improve the flow of information, enhance the relationships we have with our clients, and improve our product delivery capabilities. We are committed to delivering the highest standards of execution to our clients. These guiding principles will be the foundation of our success.

**Our efforts to reposition the firm are taking place alongside ongoing regulatory changes.** Proposed changes with regard to capital and liquidity adequacy, mitigation of the “too big to fail” issue, financial products regulation, compensation rules or the US “Volcker” proposals may have profound consequences for the industry as a whole. We will maintain flexibility in our business model to adjust to future regulatory changes.

**We are continuing to meet our obligations under the settlement with the US Internal Revenue Service (IRS) relating to the John Doe summons proceeding.** As a result, the IRS has withdrawn the summons with prejudice with respect to all accounts other than the approximately 4,450 accounts for which the IRS requested information from Switzerland pursuant to the settlement and in accordance with the Swiss-US Double Taxation Treaty (DTT).

On 21 January 2010, the Swiss Federal Administrative Court found that the DTT did not provide a basis for turning over information with respect to one category of the 4,450 accounts. It is important to understand that the agreement to provide information with respect to all other categories of accounts is not affected

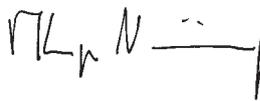
by this decision. Nor does the Court decision affect the settlement’s requirement that the summons be immediately withdrawn with prejudice as to all remaining accounts covered by it if the IRS receives information on 10,000 UBS accounts from various sources. Among the potential sources are the approximately 15,000 accounts disclosed pursuant to the IRS’s voluntary compliance initiative, although it is not yet clear how many of these are UBS account holders. We are confident that the Swiss and US governments will undertake cooperative discussions, as required by the settlement, to find alternative mechanisms for fulfilling the parties’ obligations, and we are fully supportive of these efforts.

**Outlook** – In the coming quarters, we expect to see the effects of the progress we have made in improving operating efficiency, reducing risk, and rebuilding and re-focusing our businesses. We are confident that the measures we are taking to address the causes of client asset outflows will be effective, but in the immediate future we still expect to report outflows, with some pressure on margins. The Investment Bank’s results always depend heavily on market vitality, and client activity levels have been high in January. Although we cannot predict how long this attractive trading environment will continue, we expect that the Investment Bank’s performance for 2010 as a whole will improve, in part because its residual risk positions should have a much reduced impact on results.

9 February 2010

Yours sincerely,

UBS



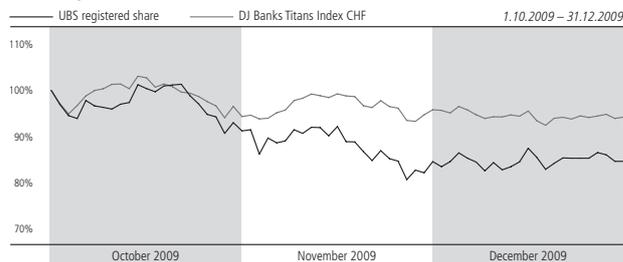
Kaspar Villiger  
Chairman of the Board  
of Directors



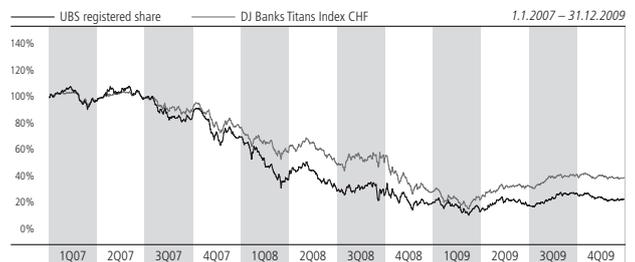
Oswald J. Grübel  
Group Chief Executive Officer

## UBS share performance

## Fourth quarter 2009



## Since 2007



## Group results

CHF million, except where indicated	For the quarter ended			Year ended	
	31.12.09	30.9.09	31.12.08	31.12.09	31.12.08
Operating income	6,095	5,766	(4,696)	22,601	796
Operating expenses	5,183	6,359	6,562	25,162	28,555
Operating profit before tax (from continuing and discontinued operations)	888	(593)	(11,239)	(2,569)	(27,560)
Net profit attributable to UBS shareholders	1,205	(564)	(9,563)	(2,736)	(21,292)
Diluted earnings per share (CHF) <sup>1</sup>	0.31	(0.15)	(2.99)	(0.75)	(7.63)

Key performance indicators, balance sheet and capital management<sup>2</sup>

CHF million, except where indicated	For the quarter ended			Year ended	
	31.12.09	30.9.09	31.12.08	31.12.09	31.12.08
<b>Performance</b>					
Return on equity (RoE) (%)				(7.8)	(58.7)
Return on risk-weighted assets, gross (%)				9.9	1.2
Return on assets, gross (%)				1.5	0.2
<b>Growth</b>					
Net profit growth (%) <sup>3</sup>	N/A	N/A	N/A	N/A	N/A
Net new money (CHF billion) <sup>4</sup>	(56.2)	(36.7)	(85.8)	(147.3)	(226.0)
<b>Efficiency</b>					
Cost / income ratio (%)	83.9	106.1	N/A	103.0	753.0

CHF million, except where indicated	As of		
	31.12.09	30.9.09	31.12.08
<b>Capital strength</b>			
BIS tier 1 ratio (%) <sup>5</sup>	15.4	15.0	11.0
FINMA leverage ratio (%) <sup>5</sup>	3.93	3.51	2.45
<b>Balance sheet and capital management</b>			
Total assets	1,340,538	1,476,053	2,014,815
Equity attributable to UBS shareholders	41,013	39,536	32,531
BIS total ratio (%) <sup>5</sup>	19.8	19.4	15.0
BIS risk-weighted assets <sup>5</sup>	206,525	210,763	302,273
BIS tier 1 capital <sup>5</sup>	31,798	31,583	33,154

**Footnotes:** 1 Refer to "Note 8 Earnings per share (EPS) and shares outstanding" in the "Financial information" section of the fourth quarter 2009 report. 2 For the definitions of UBS's key performance indicators refer to the "Key performance indicators" section on page 11 of UBS's first quarter 2009 report. 3 Not meaningful if either the current period or the comparison period is a loss period. 4 Excludes interest and dividend income. 5 Refer to the "Capital management" section of the fourth quarter 2009 report.

## Reporting by business division

CHF million	Total operating income			Total operating expenses			Performance before tax from continuing operations		
	31.12.09	30.9.09	% change	31.12.09	30.9.09	% change	31.12.09	30.9.09	% change
For the quarter ended									
Wealth Management & Swiss Bank	2,769	2,814	(2)	1,660	2,023	(18)	1,109	792	40
Wealth Management Americas	1,395	1,378	1	1,217	1,268	(4)	178	110	62
Global Asset Management	537	567	(5)	253	437	(42)	284	130	118
Investment Bank	2,097	1,167	80	1,800	2,537	(29)	297	(1,370)	
Corporate Center	(703)	(160)	(339)	253	95	166	(956)	(255)	(275)
<b>UBS</b>	<b>6,095</b>	<b>5,766</b>	<b>6</b>	<b>5,183</b>	<b>6,359</b>	<b>(18)</b>	<b>912</b>	<b>(593)</b>	

## Additional information

CHF million, except where indicated	As of		
	31.12.09	30.9.09	31.12.08
Invested assets (CHF billion)	2,233	2,258	2,174
Personnel (full-time equivalents)	65,233	69,023	77,783
Market capitalization <sup>1</sup>	57,108	67,497	43,519
<b>Long-term ratings</b>			
Fitch, London	A+	A+	A+
Moody's, New York	Aa3	Aa2	Aa2
Standard & Poor's, New York	A+	A+	A+

**Footnote:** 1 Refer to the "UBS registered shares" section of the fourth quarter 2009 report.

**Cautionary Statement Regarding Forward-Looking Statements** | This release contains statements that constitute "forward-looking statements", including but not limited to management's outlook for UBS's financial performance and statements relating to the anticipated effect of transactions and strategic initiatives on UBS's business and future development. While these forward-looking statements represent UBS's judgments and expectations concerning the matters described, 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) future developments in the markets in which UBS operates or to which it is exposed, including movements in securities markets, credit spreads, currency exchange rates and interest rates; (2) the effect of the current economic environment or other developments on the financial position or creditworthiness of UBS's customers and counterparties; (3) changes in the availability of capital and funding, including any changes in UBS's credit spreads and ratings; (4) the consequences of the recent Swiss court decision relating to the provision of certain UBS client data to the US Internal Revenue Service, including possible effects on UBS's 2009 settlements with US authorities and on its businesses; (5) the outcome and possible consequences of pending or future actions or inquiries concerning UBS's cross-border banking business by tax or regulatory authorities in various other jurisdictions; (6) the degree to which UBS is successful in effecting organizational changes and implementing strategic plans, and whether those changes and plans will have the effects intended; (7) UBS's ability to retain and attract the employees that are necessary to generate revenues and to manage, support and control its businesses; (8) possible political, legal and regulatory developments, including the effect of more stringent capital and liquidity requirements, constraints on remuneration and the imposition of additional legal or regulatory constraints on UBS's activities; (9) changes in accounting standards or policies, and accounting determinations affecting the recognition of gain or loss, the valuation of goodwill and other matters; (10) limitations on the effectiveness of UBS's internal processes for risk management, risk control, measurement and modeling, and of financial models generally; (11) changes in the size, capabilities and effectiveness of UBS's competitors; (12) the occurrence of operational failures, such as fraud, unauthorized trading and systems failures, either within UBS or within a counterparty; and (13) technological developments. In addition, actual 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 restated Annual Report on Form 20-F/A for the year ended 31 December 2008. 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.