Third Quarter 2011

25 October 2011

Dear Shareholders

For the third quarter of 2011, we delivered a net profit attributable to UBS shareholders of CHF 1,018 million with diluted earnings per share of CHF 0.27. This was achieved despite the impact of the unauthorized trading incident and was affected by significant volatility in global financial markets.

Towards the end of the quarter, the Board of Directors regretfully accepted the resignation of Oswald J. Grübel. He felt it was his duty to take full responsibility for the unauthorized trading incident and decided that it was in the best interests of the firm for him to stand down as Group Chief Executive Officer. On behalf of the Board, management and employees across the firm, we would like to express our gratitude to him for the outstanding contribution he has made to the firm. Following the resignation, the Board of Directors appointed Sergio P. Ermotti as Group Chief Executive Officer on an interim basis, but with the full powers and authority commensurate with the position of Group Chief Executive Officer. Since then, we have worked closely together to ensure a seamless leadership transition that has allowed the firm's day-to-day operations to continue as normal. Furthermore, we have moved swiftly and decisively to protect your interests and those of the firm in the wake of the unauthorized trading incident.

We remain well positioned to meet future challenges in a rapidly changing banking environment. Our financial, capital and funding positions are unquestionably sound, underpinning our future success. Today we are one of the best capitalized banks in the world. We have significantly improved the quality of our capital base over recent quarters and this quarter our shareholder's equity increased by CHF 4.6 billion. Our Basel II tier 1 ratio remains one of the highest in the industry, improving further to 18.4% at the end of the quarter. Our conservative funding position is stable and comes from diversified sources, including our solid deposit base. With a focus on the banking environment of the future, we have continued to reduce our risk concentrations and to make our balance sheet more liquid and manageable. Although confidence levels in the banking industry as a whole remain subject to heightened concerns reflecting the eurozone debt crisis, our exposure to the sovereign debt of European countries not rated AAA/Aaa by the major rating agencies is limited and not a serious cause for concern.

As we look to the future, our strategy centers on our leading global wealth management businesses in combination with a competitive and successful investment bank, the leading retail and corporate bank in Switzerland and a world-class asset management firm. We will continue to invest in growth areas, including the Asia Pacific and Americas regions, the emerging markets and in our global wealth management franchise, and we will enhance further the alignment between our businesses. Our Investment Bank will continue acting as a valued partner to our institutional, corporate, sovereign and high and ultra high net worth clients. We are committed to the implementation of the Investment Bank's client-centric strategy, concentrating on advisory, capital markets and client flow and solutions businesses. This strategy is designed to reduce complexity in the Investment Bank and is consistent with the industry's changing capital requirements. It is also designed to ensure we deliver more reliable returns to our shareholders. We will provide more details on our strategy at our 2011 Investor Day.

During the third quarter we faced a distinct set of challenges. We, like many of you, were deeply disappointed by the unauthorized trading incident we discovered in September. We will both personally ensure that we address any institutional failings revealed by the ongoing independent investigations quickly and decisively. However, we will not let this incident define us, nor will we permit it to undermine the achievements we have made over recent years.

The quarter was characterized by a set of market conditions not seen since the height of the 2008 financial crisis. Sharp declines in all major equity indices, a widening of bank credit spreads and elevated levels of market volatility led to a spike in activity in late August, followed by a significant fall in activity as investors sought out safe haven investments and remained on the sidelines for the rest of the quarter. Consequently, client activity levels declined further from the already low levels seen in second quarter, leading to a reduction in overall revenues. These circumstances, as well as the CHF 1.8 billion trading income loss resulting from the unauthorized trading incident, led to a decline in Group revenues to CHF 6.4 billion compared with CHF 7.2 billion in the second quarter. Despite this, we achieved a Group pre-tax profit of CHF 980 million. The result also included an own credit gain of CHF 1.8 billion as our credit spreads widened and a gain of CHF 722 million in our Wealth Management and Retail & Corporate businesses following the sale of our strategic investment portfolio. On costs, we have taken a number of important steps in our previously announced CHF 2 billion cost reduction program, booking CHF 0.4 billion of restructuring charges in the quarter. Despite these charges, overall our expenses declined 2% to CHF 5.4 billion, primarily due to reduced personnel expenses.

Our employees continued to put our clients first and remained highly active during the quarter, enabling the majority of our businesses to deliver profit. Both wealth management businesses recorded net new money inflows, achieving a combined level broadly in line with the prior quarter. In our **Wealth Management** business, we achieved positive net new money, albeit at lower levels than in the second quarter. The deterioration in markets impacted the value of our invested assets, affecting earnings in our wealth management and other asset-gathering businesses. Wealth Management nevertheless delivered an increased profit of CHF 888 million, buoyed by gains from the abovementioned sale of the strategic investment portfolio which offset lower asset-based fees and lower transactional revenues. **Wealth Management Americas** continued to build on its performance track record in spite of the difficult environment, with net new money inflows increasing to CHF 4.0 billion from CHF 2.6 billion in the prior quarter. Our clients gave our financial advisors and our business a clear vote of confidence, as we recorded inflows from both new and existing financial advisors this quarter. The division delivered a profit of CHF 139 million, in line with the prior quarter. In US dollar terms, profits rose slightly compared with the second quarter. Our **Retail & Corporate** business also recorded a considerable rise in profits, to CHF 683 million, mainly due to gains on the abovementioned sale of the strategic investment portfolio. As a result of this, revenues increased significantly, but were partly offset by a CHF 73 million credit loss provision predominantly related to the effect of the strong Swiss franc on our Swiss corporate clients. **Global Asset Management's** profit decreased to CHF 79 million as currency effects and lower market valuations reduced fee income. Overall, we recorded moderate net new money outflows, but we continued to see inflows from third parties. Our **Investment Bank** recorded a loss of CHF 650 million. The result includes the impact of the abovementioned loss related to the unauthorized trading incident and own credit gains. Adverse market conditions, the strong Swiss franc and seasonal factors all contributed to a reduction in revenues across most of our businesses. However, these conditions presented opportunities for our foreign exchange business, where revenues improved significantly as our trading desks executed well for our clients and the investments made in our electronic trading platform continued to bear fruit. Our rates business also recorded improved revenues this quarter.

Outlook – Prospects for global economic growth remain largely contingent on the satisfactory resolution of eurozone sovereign debt and banking industry concerns, as well as issues surrounding US economic growth, employment and the US Federal budget deficit. In the absence of such developments, current market conditions and trading activity are unlikely to improve materially, potentially creating headwinds for growth in revenues and net new money. Nevertheless, we will continue to leverage our unparalleled client franchise and competitive advantages in wealth management through closer alignment with a more focused Investment Bank. Implementation of the Investment Bank's client-centric strategy will make the business less complex and more capital efficient and ensure it provides more reliable returns to our shareholders. Our financial, capital and funding positions remain solid and we believe the action we are taking now will strengthen the firm further, delivering improved value to our clients and shareholders. We have every reason to remain confident about our future.

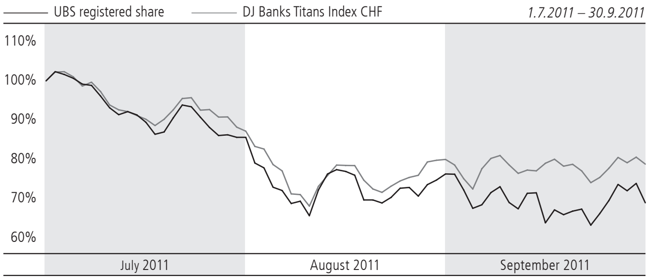
Yours sincerely

Kaspar Villiger Chairman of the Board of Directors	Sergio P. Ermotti Group Chief Executive Officer

Our key figures for the third quarter of 2011

UBS share performance

Third quarter 2011



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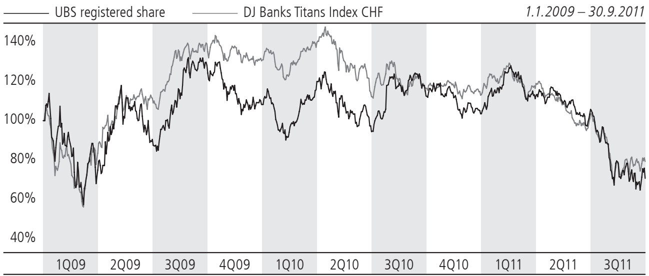

Group results

	For the quarter ended			Year-to-date	
CHF million, except where indicated	**30.9.11**	30.6.11	30.9.10	30.9.11	30.9.10
Operating income	**6,412**	7,171	6,658	21,926	24,853
Operating expenses	**5,432**	5,516	5,840	17,058	18,611
Operating profit from continuing operations before tax	**980**	1,654	818	4,868	6,242
Net profit attributable to UBS shareholders	**1,018**	1,015	1,664	3,840	5,871
Diluted earnings per share (CHF)[1]	**0.27**	0.26	0.43	1.00	1.53

1 Refer to "Note 8 Earnings per share (EPS) and shares outstanding" in the "Financial information" section of the third quarter 2011 report.

Key performance indicators, balance sheet and capital management[1]

	For the quarter ended			Year-to-date	
CHF million, except where indicated	**30.9.11**	30.6.11	30.9.10	30.9.11	30.9.10
Performance					
Return on equity (RoE) (%)				10.7	17.6
Return on risk-weighted assets, gross (%)				14.4	15.9
Return on assets, gross (%)				2.3	2.3
Growth					
Net profit growth (%)[2]	**0.3**	(43.8)	(17.0)	(34.6)	N/A
Net new money (CHF billion)[3]	**4.9**	8.7	1.2	35.9	(21.4)
Efficiency					
Cost / income ratio (%)	**83.6**	77.1	88.1	77.5	75.2

	As of		
CHF million, except where indicated	**30.9.11**	30.6.11	31.12.10
Capital strength			
BIS tier 1 ratio (%)[4]	**18.4**	18.1	17.8
FINMA leverage ratio (%)[4]	**5.4**	4.8	4.4
Balance sheet and capital management			
Total assets	**1,446,845**	1,236,770	1,317,247
Equity attributable to UBS shareholders	**51,817**	47,263	46,820
Total book value per share (CHF)[4]	**13.85**	12.54	12.35
Tangible book value per share (CHF)[4]	**11.34**	10.19	9.76
BIS total ratio (%)[4]	**20.0**	19.5	20.4
BIS risk-weighted assets[4]	**207,257**	206,224	198,875
BIS tier 1 capital[4]	**38,121**	37,387	35,323

1 For the definitions of our key performance indicators, refer to the "Measurement and analysis of performance" section on page 33 of our Annual Report 2010. **2** Not meaningful if either the current period or the comparison period is a loss period. **3** Excludes interest and dividend income. **4** Refer to the "Capital management" section of the third quarter 2011 report.

Results by reporting segment

CHF million	Total operating income			Total operating expenses			Performance from continuing operations before tax		
For the quarter ended	**30.9.11**	30.6.11	% change	**30.9.11**	30.6.11	% change	**30.9.11**	30.6.11	% change
Wealth Management	**2,178**	1,867	17	**1,290**	1,194	8	**888**	672	32
Retail & Corporate	**1,218**	974	25	**535**	552	(3)	**683**	421	62
Wealth Management & Swiss Bank	**3,396**	2,840	20	**1,825**	1,747	4	**1,571**	1,094	44
Wealth Management Americas	**1,294**	1,284	1	**1,154**	1,144	1	**139**	140	(1)
Global Asset Management	**399**	444	(10)	**321**	337	(5)	**79**	108	(27)
Investment Bank	**1,428**	2,604	(45)	**2,078**	2,229	(7)	**(650)**	376	
Corporate Center	**(105)**	(2)		**55**	61	(10)	**(160)**	(63)	(154)
UBS	**6,412**	7,171	(11)	**5,432**	5,516	(2)	**980**	1,654	(41)

Additional information

CHF million, except where indicated	**30.9.11**	30.6.11	31.12.10
Invested assets (CHF billion)	**2,025**	2,069	2,152
Personnel (full-time equivalents)	**65,921**	65,707	64,617
Market capitalization[1]	**40,390**	58,745	58,803

1 Refer to the appendix "UBS registered shares" of the third quarter 2011 report.

Cautionary Statement Regarding Forward-Looking Statements | This document 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) developments in the markets in which UBS operates or to which it is exposed, including movements in securities prices or liquidity, credit spreads, currency exchange rates and interest rates and the effect of economic conditions and market developments on the financial position or creditworthiness of UBS's clients and counterparties; (2) changes in the availability of capital and funding, including any changes in UBS's credit spreads and ratings; (3) the ability of UBS to retain earnings and manage its risk-weighted assets in order to comply with Swiss capital requirements without adversely affecting its business; (4) changes in financial regulation in Switzerland, the US, the UK and other major financial centers which may impose constraints on or necessitate changes in the scope and location of UBS's business activities and in its legal and booking structures, including the imposition of more stringent capital and liquidity requirements, incremental tax requirements and constraints on remuneration, some of which may affect UBS in a different manner or degree than they affect competing institutions; (5) possible constraints that regulatory authorities might impose directly or indirectly on UBS's business activities, whether as a consequence of the recently announced unauthorized trading or for other reasons; (6) changes in UBS's competitive position, including whether differences in regulatory requirements among the major financial centers will adversely affect UBS's ability to compete in certain lines of business, (7) the liability to which UBS may be exposed due to litigation, contractual claims and regulatory investigations, some of which stem from the market events and losses incurred by clients and counterparties during the financial crisis; (8) the effects on UBS's cross-border banking business of tax treaties recently concluded by Switzerland and future tax or regulatory developments; (9) 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; (10) UBS's ability to retain and attract the employees necessary to generate revenues and to manage, support and control its businesses; (11) changes in accounting standards or policies, and accounting determinations affecting the recognition of gain or loss, the valuation of goodwill and other matters; (12) limitations on the effectiveness of UBS's internal processes for risk management, risk control, measurement and modeling, and of financial models generally; (13) whether UBS will be successful in keeping pace with competitors in updating its technology, particularly in trading businesses; and (14) the occurrence of operational failures, such as fraud, unauthorized trading and systems failures, either within UBS or within a counterparty. Our business and financial performance could be affected by other factors identified 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 2010. 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.

Rounding | Numbers presented throughout this report may not add up precisely to the totals provided in the tables and text. Percentages and percent changes are calculated based on rounded figures displayed in the tables and text and may not precisely reflect the percentages and percent changes that would be derived based on figures that are not rounded.