

First Quarter 2011

26 April 2011

Dear shareholders,

For the first quarter of 2011 we achieved a net profit attributable to UBS shareholders of CHF 1.8 billion. Diluted earnings per share for the first quarter increased to CHF 0.47 from CHF 0.43 in the prior quarter. Net new money for the Group increased to over CHF 22 billion, with positive net flows recorded across all of our asset-gathering businesses confirming the return of client trust and confidence. Our Basel II tier 1 capital ratio of 17.9% remains amongst the highest in the industry.

This quarter, markets were characterized by greater levels of volatility sparked by the natural disaster in Japan, political unrest in North Africa and the Middle East, and continued concerns regarding sovereign credit risk in Europe. The occurrence of these extraordinary events over such a short period undoubtedly dampened the high levels of client activity usually associated with the start of the calendar year. Taking into account the state of the market, our result for the first quarter was satisfactory. Nevertheless, it falls short of our overall ambitions for the firm.

Revenues for the Group increased to CHF 8.3 billion compared with CHF 7.1 billion in the fourth quarter of 2010. This reflects improved performance in our credit and equities trading businesses within the Investment Bank, while equities capital market revenues were lower. Credit loss expenses across the Group also declined. Own credit losses fell significantly as our credit spreads tightened, but less markedly than in the fourth quarter. Overall, Group operating income increased by 17%. Our operating expenses increased marginally, up by 3% from the fourth quarter. This reflects lower litigation charges which were offset by increased personnel costs including the annual salary increases that took effect in early March 2011. We recorded a net tax expense of CHF 426 million this quarter. This compares with a net tax benefit of CHF 469 million recorded in the fourth quarter, when we recognized additional deferred tax assets. At the end of the quarter our balance sheet assets stood at CHF 1,291 billion, down CHF 26 billion, mainly due to a decline in positive replacement values as the result of market and currency movements. Risk-weighted assets rose marginally to CHF 203 billion, partly attributable to the continued growth in our credit business.

Wealth Management's pre-tax profit increased to CHF 645 million from CHF 462 million in the fourth quarter of 2010. Revenues increased by 7% to CHF 1,928 million, largely due to higher fee and commission income as well as increased

interest income. Fee and trading income improved as the initiatives we implemented to grow investment mandates and provide leverage to our clients began to bear fruit. Net new money increased significantly to over CHF 11 billion compared with small net inflows in the prior quarter. This was the primary driver of a 3% increase in our invested assets, which stood at CHF 791 billion at the end of the quarter. The improvement in our revenue was the main contributor to the 6 basis point increase in our gross margin this quarter, with the gross margin standing at 98 basis points for the quarter. Costs were down by 4% compared with the prior quarter.

Retail & Corporate again delivered a stable performance. Pre-tax profit was up 4% to over CHF 400 million compared with the previous quarter. Higher operating income, mainly as a result of significantly lower credit loss expenses compared with the fourth quarter, was partly offset by an increase in operating expenses. During the first quarter, client deposits and loans increased but continuing low interest rates impacted net interest income.

In Wealth Management Americas we continued to make demonstrable progress in delivering on our strategy. Our key performance indicators – profitability and net new money – as well as financial advisor attrition rates all improved, continuing the trend seen over the last few quarters. Pre-tax profit increased to CHF 111 million compared with a small loss in the fourth quarter of 2010, reflecting lower charges for litigation provisions as well as continued revenue growth in US dollar terms, offset by currency movements between the US dollar and the Swiss franc. Net new money, at CHF 3.6 billion, improved for the fifth consecutive quarter. Alongside this continued growth in client confidence we were encouraged by the fact that financial advisor attrition rates for the first quarter fell to their lowest level since before the financial crisis.

Our Global Asset Management business recorded a pre-tax profit of CHF 124 million. This was down on the fourth quarter result, reflecting lower revenues. The decrease in revenues was mainly due to lower net management and performance fees in our alternative and quantitative business. Net new money improved to its highest level since the fourth quarter of 2006. Excluding money market flows, we achieved net inflows of CHF 7.2 billion in the first quarter. The invested asset base increased by CHF 10 billion to CHF 569 billion at the end of the quarter. This was primarily due to positive market movements and net new money, which were partly offset by the continued strengthening of the Swiss franc. Operating expenses decreased mainly as a result of reduced personnel costs.

The Investment Bank delivered a pre-tax profit of CHF 835 million compared with CHF 100 million in the fourth quarter of 2010. Excluding own credit losses of CHF 133 million, the Investment Bank's pre-tax profit was CHF 967 million, up from CHF 608 million on the same basis in the fourth quarter. Equities revenues increased, benefiting from stronger client flows and increased trading activity in the US and Asia Pacific region. Revenues in our fixed income, currencies and commodities (FICC) business rose to CHF 1,801 million, largely as a result of increased revenues in our credit business. Investment banking revenues declined, reflecting lower equities capital market revenues. This quarter, the Investment Bank recorded a net credit loss recovery of CHF 1 million compared with credit loss expenses of CHF 108 million in the fourth quarter of 2010. Operating expenses increased to CHF 2,610 million, reflecting higher personnel costs.

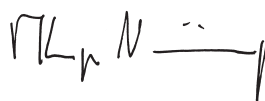
In March 2011 the world witnessed the devastation caused by the earthquake and tsunami in northeast Japan. We offer our deepest sympathy to all who have been affected. We have operated in Japan since 1965 and employ over one thousand people there, mainly in Tokyo. The business has been, and will continue to be, important to the Group as a whole and remains a valuable business hub in Asia. We are proud that the determination and professionalism of our staff in Japan ensured that our business continued to operate normally in the aftermath of the disaster, amidst great uncertainty and disruption. It will take a long time before the affected areas are fully recovered and we will continue to provide all the support we can.

Following the too-big-to-fail consultation process in Switzerland, the Swiss Federal Council formally submitted proposed legislation to the Swiss parliament. We support many of the proposed measures, but we feel strongly that in order to preserve the stability and competitiveness of Switzerland as a global financial center it is vital that there be international co-ordination of regulatory measures as well as the timetable for implementation. We remain concerned that the

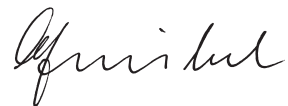
international regulatory environment increasingly lacks consistency and we will continue to monitor and analyze global regulatory developments, and the effect they will have on the profitability of our businesses as well as on our corporate structure and, where necessary, take appropriate action.

Outlook – In the second quarter we expect trading volumes in the equity markets to remain at or around the levels that obtained in the first quarter. This should support transaction-based income in our wealth management businesses and flow trading in the Investment Bank. Price volatility will also continue to present potentially attractive buying opportunities for our clients and investment managers. Volatility in currency markets is likely to continue, driven by concerns about European sovereign debt and developments in the Middle East and Japan. Notwithstanding the emergence of inflation in a number of economies, we expect short-term interest rates in the West, and in particular in Switzerland, to remain low, continuing to constrain interest margins, particularly in our wealth management businesses and in our Swiss retail and corporate banking operations. Subject to market conditions, we expect to see some improvement in a number of our business lines in the Investment Bank, even taking into account the constraint imposed on some of our FICC businesses by our focus on controlling risk levels. The competition for talent in certain regions and recent base salary increases will put some pressure on our expense base. Nevertheless, we remain confident that we can continue to build on the progress we have made.

Yours sincerely,



Kaspar Villiger
Chairman of the Board
of Directors

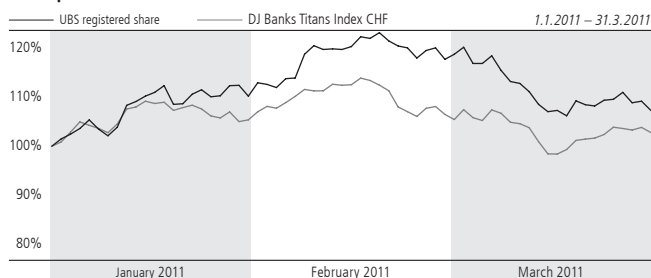


Oswald J. Grübel
Group Chief Executive Officer

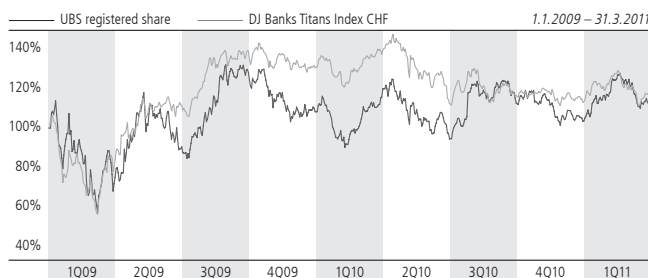
Our key figures for the first quarter of 2011

UBS share performance

First quarter 2011



Since 2009



Group results

	For the quarter ended		
CHF million, except where indicated	31.3.11	31.12.10	31.3.10
Operating income	8,344	7,141	9,010
Operating expenses	6,110	5,928	6,200
Operating profit from continuing operations before tax	2,235	1,214	2,810
Net profit attributable to UBS shareholders	1,807	1,663	2,202
Diluted earnings per share (CHF) ¹	0.47	0.43	0.58

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

Key performance indicators, balance sheet and capital management¹

	As of or for the quarter ended		
CHF million, except where indicated	31.3.11	31.12.10	31.3.10
Performance			
Return on equity (RoE) (%)	15.5	16.7	21.0
Return on risk-weighted assets, gross (%)	16.6	15.5	17.1
Return on assets, gross (%)	2.6	2.3	2.6
Growth			
Net profit growth (%)	8.7	(0.1)	78.9
Net new money (CHF billion) ²	22.3	7.1	(18.0)
Efficiency			
Cost/income ratio (%)	73.3	81.1	69.7
Capital strength			
BIS tier 1 ratio (%) ³	17.9	17.8	
FINMA leverage ratio (%) ³	4.6	4.4	
Balance sheet and capital management			
Total assets	1,291,286	1,317,247	
Equity attributable to UBS shareholders	46,695	46,820	
BIS total ratio (%) ³	19.4	20.4	
BIS risk-weighted assets ³	203,361	198,875	
BIS tier 1 capital ³	36,379	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 Excludes interest and dividend income.

³ Refer to the "Capital management" section of the first 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	31.12.10	% change	31.12.10	31.12.10	% change	31.12.10	31.12.10	% change
Wealth Management	1,928	1,803	7	1,283	1,341	(4)	645	462	40
Retail & Corporate	965	931	4	562	544	3	403	387	4
Wealth Management & Swiss Bank	2,893	2,734	6	1,844	1,885	(2)	1,049	849	24
Wealth Management Americas	1,347	1,379	(2)	1,236	1,411	(12)	111	(32)	
Global Asset Management	496	542	(8)	373	394	(5)	124	148	(16)
Investment Bank	3,445	2,177	58	2,610	2,078	26	835	100	735
Corporate Center	163	308	(47)	46	160	(71)	116	149	(22)
UBS	8,344	7,141	17	6,110	5,928	3	2,235	1,214	84

Additional information

CHF million, except where indicated	31.3.11	31.12.10	31.3.10
Invested assets (CHF billion)	2,198	2,152	2,267
Personnel (full-time equivalents)	65,396	64,617	64,293
Market capitalization ¹	63,144	58,803	65,660

¹ Refer to the appendix "UBS registered shares" of the first 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 recommended 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) 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, (6) the liability to which UBS may be exposed due to legal claims and regulatory investigations, including those stemming from market dislocation and losses incurred by clients and counterparties during the financial crisis; (7) the outcome and possible consequences of pending or future inquiries or actions concerning UBS's cross-border banking business by tax or regulatory authorities in various jurisdictions; (8) 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; (9) UBS's ability to retain and attract the employees necessary to generate revenues and to manage, support and control its businesses; (10) changes in accounting standards or policies, and accounting determinations affecting the recognition of gain or loss, the valuation of goodwill and other matters; (11) limitations on the effectiveness of UBS's internal processes for risk management, risk control, measurement and modeling, and of financial models generally; (12) whether UBS will be successful in keeping pace with competitors in updating its technology, particularly in trading businesses; and (13) 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.