

Second Quarter 2010

27 July 2010

Dear shareholders,

We are pleased to report a net profit attributable to UBS shareholders of CHF 2,005 million. This was a good performance in volatile market conditions. In the first half of 2010 we earned CHF 4,207 million, a marked improvement on the same period last year. Diluted earnings per share for the quarter were CHF 0.52, making earnings per share CHF 1.10 for the first half of 2010, compared with a loss per share of CHF 0.96 in the first half of 2009. This is considerable progress and we remain confident that we are on course to meet our mid-term targets.

Revenues increased 2% compared with the first quarter to CHF 9,185 million. Wealth Management & Swiss Bank revenues were stable at CHF 2,886 million and Wealth Management Americas delivered revenue growth of 9%, despite growing client risk aversion. Our major flow businesses in the Investment Bank, equities and foreign exchange, achieved higher revenues, but this was more than offset by reduced revenues, mostly in credit and emerging markets, reflecting lower client activity levels. Our investment banking department revenues decreased in the context of a contraction of the global fee pool since the first quarter. This quarter we recorded expenses of CHF 242 million in relation to the UK Bank Payroll Tax (BPT), and a CHF 146 million charge for restructuring costs, primarily in relation to real estate rationalization, booked in Wealth Management Americas. These charges were the main drivers of a 6% increase in operating expenses. Underlying costs were broadly flat compared with the first quarter as lower accruals for variable compensation offset higher general and administrative expenses. Operating profit was CHF 2.6 billion in the quarter compared with CHF 2.8 billion in the first quarter.

Following Swiss parliamentary approval of the US-Swiss Government Agreement, we continue to focus on comprehensive and timely compliance with our obligations under the agreements with the US Department of Justice and the Securities and Exchange Commission. By October, UBS expects to be in a position to achieve a comprehensive resolution of all outstanding matters with the US Government related to the US cross-border business. We would like to thank both the Swiss and US governments and the Swiss parliament for their efforts to satisfactorily resolve the US-Swiss Government Agreement.

Our risk management framework has proven to be robust in testing market conditions. In light of these conditions, we adopted a more cautious approach to risk-taking during the quarter. In the Investment Bank, our average trading risk decreased and we achieved further significant reductions in our

residual risk positions. Risk-weighted assets, at CHF 205 billion, were down slightly as we continued to reduce the overall risk profile of the Group. While our balance sheet increased by 8%, this mostly reflected higher replacement values for our derivative instruments, which are highly sensitive to market volatility. Our BIS tier 1 capital ratio continued to increase and stood at 16.4% on 30 June 2010 compared with 16.0% at the end of the prior quarter. Our FINMA leverage ratio was 4.1%, unchanged from the first quarter. We continue to focus on cost discipline, and the run-rate of our fixed costs remained in line with our CHF 20 billion annual target.

We have improved the performance of our Wealth Management & Swiss Bank business. Profits were broadly stable and net new money outflows decreased to CHF 5.5 billion compared with CHF 8.2 billion in the first quarter.

Wealth Management's pre-tax profit of CHF 658 million was 5% lower than in the first quarter, as broadly stable revenues were offset by higher operating expenses. The gross margin increased to 95 basis points per annum, up 2 basis points from the first quarter. Stable revenues were earned on an invested asset base that declined 2% quarter-on-quarter in average terms, mostly reflecting the effects of lower market values. Expenses increased 2%, partly due to the UK BPT charges as well as the full effect of annual salary increases. At the end of the second quarter, client advisor numbers stood at 4,112, down 1% from the previous quarter. Net new money outflows continued to ease, with CHF 5.2 billion recorded in the quarter compared with CHF 8.0 billion in the first quarter.

Retail & Corporate's pre-tax result was CHF 473 million, up 2% on the first quarter. Increased credit-related fee income more than offset lower brokerage and sales commissions. Costs continued to be tightly managed and the cost/income ratio for Retail & Corporate remained stable at 52.1%.

During the quarter, Wealth Management Americas outlined a number of key initiatives to build revenues, improve financial advisor retention and streamline the cost base to meet the CHF 1 billion pre-tax profit target previously announced at our Investor Day in 2009. The second phase of the cost restructuring program was initiated during this quarter, with CHF 146 million of costs booked primarily in relation to a reduction in the property portfolio. Wealth Management Americas recorded a pre-tax loss of CHF 67 million compared with a pre-tax profit of CHF 15 million in the first quarter. However, excluding restructuring charges, the pre-tax profit improved to CHF 79 million compared with CHF 36 million in the first quarter. Net new money inflows, including US interest and dividends as is consistent with US market practice, were CHF 2.0 billion. For the second

quarter in succession, net new money was generated by financial advisors employed with UBS for more than one year. We are also encouraged by reduced attrition rates overall across our financial advisor force, a key driver of net new money inflows.

In Global Asset Management, net new money inflows from third-party clients were CHF 11.0 billion in the quarter. Overall, net new money inflows were CHF 3.4 billion, as inflows from third-party clients were partially offset by outflows from clients of UBS's wealth management businesses. Pre-tax profit was CHF 117 million compared with CHF 137 million in the first quarter. Revenues were stable with higher management fees offsetting declining performance fees in a volatile market. Costs increased 5% due to amortization of prior year compensation awards.

The Investment Bank is making good progress against its strategic goals. The Investment Bank recorded a pre-tax profit of CHF 1,314 million compared with CHF 1,190 million in the first quarter. Equities revenues were up 9% compared with the first quarter at CHF 1,365 million, demonstrating the strength of our largest flow business in unstable markets. Revenues in the fixed income, currencies and commodities trading business declined to CHF 1,703 million, due to defensive positioning of our books in the quarter and lower client activity, with declines in credit and emerging markets offsetting gains in our foreign exchange business, which benefited from higher market volatility and stronger client flows. Taken together, the Investment Bank's revenues, excluding a CHF 595 million own credit gain on financial liabilities designated at fair value, decreased 15%. Costs were CHF 2,788 million, up 3% on the previous quarter, but included a CHF 228 million charge relating to the UK BPT. Excluding this tax, costs fell on reduced accruals for variable compensation.

During the second quarter, we took another important step in expanding our presence into emerging markets by agreeing to acquire Link Investimentos, one of the largest independent broker-dealers in Brazil. We believe that it is crucial to have an on-the-ground presence with local expertise to serve our clients in Brazil.

We are working to strengthen and position the new UBS for longer-term success. Our recently refreshed graduate recruitment and internship programs have already started to de-

liver, with the class of 2010 so far attracting 669 new graduates and 829 interns.

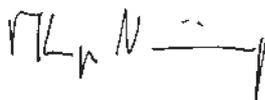
Switzerland is our home market and is at the heart of UBS. We have a long and proud heritage here and we will continue to invest in our home market. We want to ensure that our valued Swiss customers continue to enjoy the best possible service at UBS. As part of this commitment, we will be investing in the refurbishment of all of our 300 branch offices, the most comprehensive refurbishment in our history. Our customers will be welcomed into our branches which have been designed specifically to improve our customers' banking experience, helping to ensure that UBS remains the first choice in Switzerland. We are also continuing our tradition of supporting organizations and individuals within the communities in which we live and work. We are delighted to announce that we are supporting the UBS Kids Cup, an athletics competition that will involve up to 70,000 children aged 7 to 15, helping to promote health and well-being across the country.

The regulatory landscape for large financial institutions continued to develop dynamically, nationally and internationally, in the areas of capital, liquidity, compensation and corporate structure. The G20 and the Financial Stability Board emphasized the need to ensure that transition arrangements to new standards do not put the economic recovery at risk. Major recent events have included the completion of the consultation and impact analysis phase of the "Basel 3" process to develop new international capital and liquidity standards, and the passage of financial regulatory reform in the US. It will take some time before the regulatory changes on national and international levels, and their consequences for UBS and other major financial institutions, are clear.

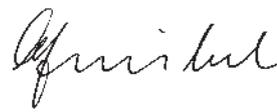
Outlook – Concerns about the sustainability of the global economic recovery may leave markets volatile and with little direction. We believe that this could lead to more subdued client activity levels across our businesses. In addition, we expect that our portfolio management fee income will be lower than in the second quarter due to the lower level of invested assets at the end of June.

We are delivering on our strategy and expect to make further progress over the coming quarters. We are confident about our future.

Yours sincerely,



Kaspar Villiger
Chairman of the Board
of Directors

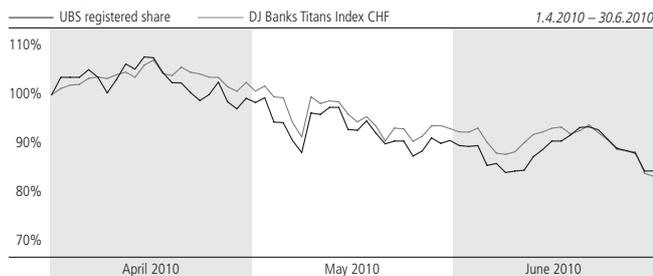


Oswald J. Grübel
Group Chief Executive Officer

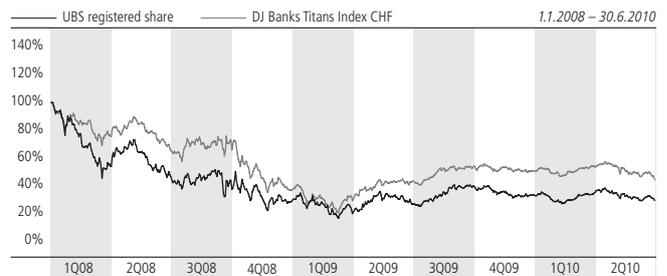
Our key figures for the second quarter 2010

UBS share performance

Second quarter 2010



Since 2008



Group results

CHF million, except where indicated	For the quarter ended			Year-to-date	
	30.6.10	31.3.10	30.6.09	30.6.10	30.6.09
Operating income	9,185	9,010	5,770	18,195	10,740
Operating expenses	6,571	6,200	7,093	12,772	13,621
Operating profit before tax (from continuing operations)	2,614	2,810	(1,323)	5,424	(2,881)
Net profit attributable to UBS shareholders	2,005	2,202	(1,402)	4,207	(3,376)
Diluted earnings per share (CHF) ¹	0.52	0.58	(0.39)	1.10	(0.96)

¹ Refer to "Note 8 Earnings per share (EPS) and shares outstanding" in the "Financial information" section of the second quarter 2010 report.

Key performance indicators, balance sheet and capital management¹

in %, except where indicated	For the quarter ended			Year-to-date	
	30.6.10	31.3.10	30.6.09	30.6.10	30.6.09
Performance					
Return on equity (RoE)				19.5	(21.0)
Return on risk-weighted assets, gross				17.5	8.9
Return on assets, gross				2.6	1.3
Growth					
Net profit growth ²	(8.9)	78.9	N/A	N/A	N/A
Net new money (CHF billion) ³	(4.7)	(18.0)	(39.5)	(22.7)	(54.4)
Efficiency					
Cost/income ratio	71.2	69.7	115.2	70.5	111.1

CHF million, except where indicated	As of		
	30.6.10	31.3.10	31.12.09
Capital strength			
BIS tier 1 ratio (%) ⁴	16.4	16.0	15.4
FINMA leverage ratio (%) ⁴	4.12	4.12	3.93
Balance sheet and capital management			
Total assets	1,458,223	1,356,427	1,340,538
Equity attributable to UBS shareholders	46,017	42,800	41,013
BIS total ratio (%) ⁴	20.4	20.0	19.8
BIS risk-weighted assets ⁴	204,848	209,138	206,525
BIS tier 1 capital ⁴	33,685	33,404	31,798

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 2009. 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 second quarter 2010 report.

Reporting by business division

CHF million	Total operating income			Total operating expenses			Performance before tax from continuing operations		
	For the quarter ended	30.6.10	31.3.10	% change	30.6.10	31.3.10	% change	30.6.10	31.3.10
Wealth Management	1,891	1,904	(1)	1,232	1,208	2	658	696	(5)
Retail & Corporate	995	978	2	522	512	2	473	465	2
Wealth Management & Swiss Bank	2,886	2,882	0	1,754	1,720	2	1,131	1,161	(3)
Wealth Management Americas	1,485	1,362	9	1,552	1,347	15	(67)	15	
Global Asset Management	522	521	0	405	385	5	117	137	(15)
Investment Bank	4,101	3,889	5	2,788	2,699	3	1,314	1,190	10
Treasury activities and other corporate items	191	356	(46)	72	49	47	119	306	(61)
UBS	9,185	9,010	2	6,571	6,200	6	2,614	2,810	(7)

Additional information

CHF million, except where indicated	As of		
	30.6.10	31.3.10	31.12.09
Invested assets (CHF billion)	2,180	2,267	2,233
Personnel (full-time equivalents)	63,876	64,293	65,233
Market capitalization ¹	55,393	65,660	57,108

¹ Refer to the appendix "UBS registered shares" of the second quarter 2010 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) 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 clients and counterparties; (3) changes in the availability of capital and funding, including any changes in UBS's credit spreads and ratings; (4) changes and possible prospective changes (announced or unannounced) 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 unanticipated impediments to the final resolution of the US cross-border banking matter; (6) 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 other jurisdictions; (7) 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; (8) UBS's ability to retain and attract the employees necessary to generate revenues and to manage, support and control its businesses; (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. 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 2009. 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.