Second Quarter 2011

26 July 2011

Dear Shareholders

For the second quarter of 2011 we report a net profit attributable to UBS shareholders of CHF 1.0 billion. Diluted earnings per share for the second quarter were CHF 0.26 compared with CHF 0.47 in the first quarter. The quarter was characterized by lower client activity levels precipitated by ongoing concerns regarding the eurozone, the US budget deficit and the worsening global economic outlook. This had implications for many of our businesses, but in particular for the Investment Bank, which reported modest profits as lower client activity levels affected most businesses and widening credit spreads adversely affected trading businesses, particularly in fixed income. However, our wealth management businesses and our retail and corporate business delivered increased profitability in spite of these conditions. Net new money inflows for the Group were CHF 8.7 billion as our clients continued to entrust us with more of their assets, albeit at lower levels than in the first quarter. Our Basel II tier 1 capital ratio stood at 18.1% at the end of the quarter.

Revenues for the Group were CHF 7.2 billion compared with CHF 8.3 billion in the first quarter. The result reflects, in particular, lower levels of client activity and weak trading performance in our Fixed Income, Currencies and Commodities (FICC) business. Operating expenses were down for the Group as a whole, partly as a result of currency movements and lower personnel-related expenses. Net profit attributable to UBS shareholders was affected by a CHF 263 million dividend payment on trust preferred securities. We recorded tax expenses of CHF 377 million this quarter. At the close of the quarter, our balance sheet stood at CHF 1,237 billion, a decrease of CHF 55 billion on the first quarter, mainly as a result of currency movements. Risk-weighted assets were CHF 206 billion on a Basel II basis, broadly in line with the level recorded at the end of the first quarter.

Wealth Management delivered an improved performance with a pre-tax profit of CHF 672 million, an increase of 4%. Operating income was down by 3%, mainly due to a decline in fees on a lower invested asset base that reflected the strengthening of the Swiss franc. The gross margin on invested assets was 97 basis points for the quarter. Costs were down 7%, reflecting in part a reduction in personnel-related costs. Net new money inflows were CHF 5.6 billion, primarily from our strategic growth areas of the Asia Pacific region and the emerging markets as well as from ultra high net worth clients, despite continued outflows from the cross-border business relating to neighboring countries of Switzerland.

In our **Retail & Corporate** business, performance was steady with an increased pre-tax profit of CHF 421 million resulting from higher operating income and a decrease in operating expenses. Operating income was up 1% compared with the first quarter. This mainly reflects the fact that we did not record credit loss expenses for the business this quarter as well as certain non-recurring revenues mainly related to our equity participations. These factors offset the continued effects of low interest rate margins. Costs for the business decreased by 2%.

Wealth Management Americas continued to improve its performance this quarter, executing successfully on our plan for the business. Pre-tax profit improved to CHF 140 million, a CHF 29 million increase on the first quarter. In US dollar terms revenues were up by 4% as a result of higher fee and interest income on higher invested assets. We achieved net new money inflows of CHF 2.6 billion this quarter, mainly as a result of our success in recruiting new financial advisors, a creditable result given the seasonal tax-related outflows.

Our **Global Asset Management** business recorded a pre-tax profit of CHF 108 million compared with CHF 124 million in the prior quarter. The strengthening of the Swiss franc was a major factor this quarter, adversely affecting our invested asset base and consequently net management fees. The result also reflects lower performance fees, particularly in our alternative and quantitative business, where investment performance was solid but not sufficiently strong to generate sizeable fees. Operating expenses for the business decreased by 10%, mainly as a result of lower personnel expenses. Net new money inflows were CHF 1.1 billion.

The **Investment Bank** recorded a pre-tax profit of CHF 376 million compared with CHF 835 million in the first quarter. This performance reflects the decline in client volumes in most of our business lines and in particular the widening of credit spreads, which adversely affected a number of our trading businesses in FICC. Operating expenses were 15% lower than in the first quarter, mostly resulting from lower performance-related personnel costs.

During the quarter, the Board of Directors and senior management reconfirmed our broad strategic direction. We are confident that we will create the most value for our clients and shareholders as an integrated bank with a client-focused business model. In order to ensure continued improvements in our profitability, we will develop our leading wealth management businesses, including further investing in our onshore businesses and the ultra high net worth client segment, while expanding our activities in the Asia Pacific region and the emerging markets. The benefits of a globally competitive investment bank and a successful asset management business are also crucial to our future. In our home market, Switzerland, we aim to maintain our leading position.

Over the last four quarters, we have witnessed a decline in returns for the banking industry as a whole, reflecting deleveraging and actions being taken in advance of increased capital requirements. A weakening economic outlook and higher future capital requirements may extend or exacerbate these trends. Given these circumstances, we will continue to evaluate potential changes to our businesses, corporate structure and booking model. The fundamental shift in the global financial environment also has implications for our medium-term targets, which were set in 2009 and based on market and regulatory assumptions that are now outdated. While we continue to be optimistic that we will deliver higher profitability, we believe that our 2009 target for pre-tax profits is unlikely to be achieved in the time period originally envisaged.

Last year, we successfully achieved our goal of reducing fixed costs to below CHF 20 billion. However, in the current environment, we need to be ever more vigilant around our levels of expenditure. As a result, we will initiate further cost reductions to align our expense base to current market conditions. We will nevertheless continue investing in key growth areas that underpin our long-term success.

At the UBS Annual General Meeting in April, our shareholders approved the 2010 Annual Report and Group Financial Statements, elected Joseph Yam to the Board of Directors and reelected the incumbent members of the Board.

On 1 July, we announced that Axel Weber, former President of the German Bundesbank, will be nominated for election to the UBS Board of Directors. Subject to his election, he will be appointed as non-independent Vice Chairman and is then expected to become Chairman of the Board in 2013. We are delighted to have someone of Axel Weber's caliber as a future Board member and future Chairman. His outstanding reputation and extremely broad expertise in international finance and banking, as well as his strong leadership experience, will be an invaluable addition to the firm, helping to ensure stability and a smooth leadership transition as we position the firm for future growth.

Outlook – Current economic uncertainty shows little sign of abating. We therefore do not envisage material improvements in market conditions in the third quarter of 2011, particularly given the seasonal decline in activity levels traditionally associated with the summer holiday season, and expect these conditions to continue to constrain our results. In the second half of 2011, we may recognize deferred tax assets that could reduce our full-year effective tax rate. The levy imposed by the United Kingdom on bank liabilities, formally introduced just after the end of the second quarter, is expected to reduce the Investment Bank's performance before tax by approximately CHF 100 million before the end of 2011. As a result of our intention to initiate cost reduction measures, it is likely that we will book significant restructuring charges later this year. Going forward, our solid capital position and financial stability as well as our sharpened focus on cost discipline will enable us to build further on the progress we have already made.

Yours sincerely,

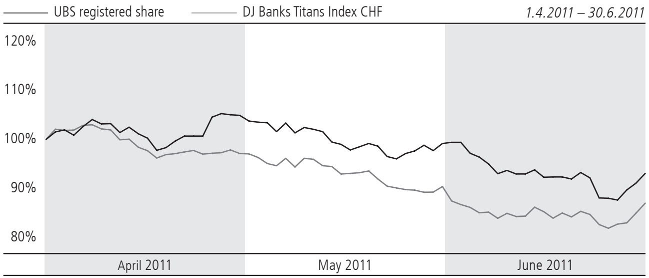
Kaspar Villiger Chairman of the Board of Directors	Oswald J. Grübel Group Chief Executive Officer

UBS

Our key figures for the second quarter of 2011

UBS share performance

Second quarter 2011



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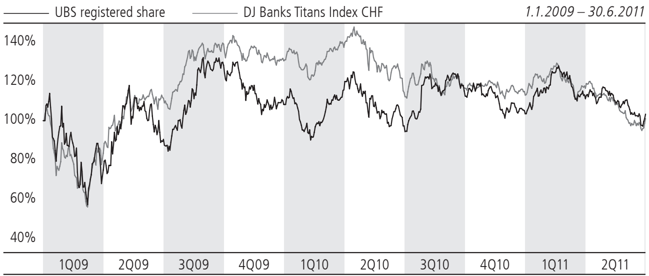

Group results

	As of or for the quarter ended			Year-to-date	
CHF million, except where indicated	**30.6.11**	31.3.11	30.6.10	30.6.11	30.6.10
Operating income	**7,171**	8,344	9,185	15,515	18,195
Operating expenses	**5,516**	6,110	6,571	11,626	12,772
Operating profit from continuing operations before tax	**1,654**	2,235	2,614	3,889	5,424
Net profit attributable to UBS shareholders	**1,015**	1,807	2,005	2,822	4,207
Diluted earnings per share (CHF)[1]	**0.26**	0.47	0.52	0.73	1.10

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

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

	As of or for the quarter ended			Year-to-date	
CHF million, except where indicated	**30.6.11**	31.3.11	30.6.10	30.6.11	30.6.10
Performance					
Return on equity (RoE) (%)				12.0	19.5
Return on risk-weighted assets, gross (%)				15.3	17.5
Return on assets, gross (%)				2.4	2.6
Growth					
Net profit growth (%)[2]	**(43.8)**	8.7	(8.9)	(32.9)	N/A
Net new money (CHF billion)[3]	**8.7**	22.3	(4.7)	31.0	(22.7)
Efficiency					
Cost / income ratio (%)	**77.1**	73.3	71.2	75.0	70.5

	As of		
CHF million, except where indicated	**30.6.11**	31.3.11	31.12.10
Capital strength			
BIS tier 1 ratio (%)[4]	**18.1**	17.9	17.8
FINMA leverage ratio (%)[4]	**4.8**	4.6	4.4
Balance sheet and capital management			
Total assets	**1,236,770**	1,291,286	1,317,247
Equity attributable to UBS shareholders	**47,263**	46,695	46,820
Total book value per share (CHF)	**12.54**	12.28	12.35
Tangible book value per share (CHF)	**10.19**	9.74	9.76
BIS total ratio (%)[4]	**19.5**	19.4	20.4
BIS risk-weighted assets[4]	**206,224**	203,361	198,875
BIS tier 1 capital[4]	**37,387**	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 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 2011 report.

Results by reporting segment

CHF million	Total operating income			Total operating expenses			Performance from continuing operations before tax		
For the quarter ended	**30.6.11**	31.3.11	% change	**30.6.11**	31.3.11	% change	**30.6.11**	31.3.11	% change
Wealth Management	**1,867**	1,928	(3)	**1,194**	1,283	(7)	**672**	645	4
Retail & Corporate	**974**	965	1	**552**	562	(2)	**421**	403	4
Wealth Management & Swiss Bank	**2,840**	2,893	(2)	**1,747**	1,844	(5)	**1,094**	1,049	4
Wealth Management Americas	**1,284**	1,347	(5)	**1,144**	1,236	(7)	**140**	111	26
Global Asset Management	**444**	496	(10)	**337**	373	(10)	**108**	124	(13)
Investment Bank	**2,604**	3,445	(24)	**2,229**	2,610	(15)	**376**	835	(55)
Corporate Center	**(2)**	163		**61**	46	33	**(63)**	116	
UBS	**7,171**	8,344	(14)	**5,516**	6,110	(10)	**1,654**	2,235	(26)

Additional information

CHF million, except where indicated	**30.6.11**	31.3.11	31.12.10
Invested assets (CHF billion)	**2,069**	2,198	2,152
Personnel (full-time equivalents)	**65,707**	65,396	64,617
Market capitalization[1]	**58,745**	63,144	58,803

1 Refer to the appendix "UBS registered shares" of the second 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 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; (7) the effects on UBS's cross-border banking business of tax treaties currently being negotiated by Switzerland and future tax or regulatory developments; (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.

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.