Second Quarter 2012

31 July 2012

Dear Shareholders,

For the second quarter of 2012, we report a net profit attributable to UBS shareholders of CHF 425 million and diluted earnings per share of CHF 0.11. Despite challenging market conditions, we achieved a Group pre-tax profit of CHF 951 million, net new money inflows in our wealth management businesses improved further to CHF 13.2 billion and we increased our already industry-leading capital ratios, with our quarter-end Basel 2.5 tier 1 ratio rising to 19.2%. We also made substantial progress in our Basel III capital ratio[1] development during the quarter and have already surpassed our 13% common equity tier 1 target based on the phase-in rules taking effect on 1 January 2013. We are already managing the firm on a Basel III basis, and by doing so and executing on our capital plan, we clearly distinguish ourselves from our peers. Having already surpassed our Basel III capital target for 2012, we are accelerating towards our 2013 target. We will work to extend our advantage both on a Basel III phase-in basis and on a fully applied basis to ensure the firm is best placed to succeed in a more volatile banking environment.

During the second quarter, markets continued to be affected by economic and political challenges in Europe, the slowdown in the global economy and election year concerns in the US. The resulting volatility prompted clients to act with even greater caution, with many clients intensifying their focus on wealth preservation by increasing their allocation to cash and cash-like products. This prompted a substantial reduction in activity levels that affected all our businesses and resulted in our revenues declining over the quarter to CHF 6.4 billion.

In this challenging economic and political climate, clients, regulators and shareholders are seeking greater reassurance regarding the financial strength and stability of the world's financial institutions. More than ever, we believe our capital, liquidity and funding positions, as well as our transparency and consistency in communicating these strengths, clearly speak in favor of UBS. This strategic advantage provides comfort to our clients that UBS is strong, stable and financially sound in an otherwise adverse environment. At our Investor Day last year, we outlined our strategic objectives, highlighting our desire to build our capital ratios rapidly, primarily by reducing risk-weighted assets in our Investment Bank and Corporate Center legacy portfolio. In the second quarter, we continued to make good progress on this critical strategic objective, reducing Basel III risk-weighted assets by CHF 45 billion. We have also lowered our 2016 risk-weighted asset target for the Group by CHF 30 billion to approximately CHF 240 billion, and for the Investment Bank by CHF 15 billion to approximately CHF 135 billion. This refinement of our targets reflects our success in reducing risk-weighted assets, as well as the revised treatment of our SNB StabFund option that became effective in the second quarter. More importantly, it reflects our assessment that, in the longer term, the Investment Bank can perform within the target performance ranges we set last year with risk-weighted assets of less than CHF 135 billion. We are confident that our shareholders will continue to value our non-dilutive capital accretion strategy.

Our tier 1 capital position remains the best in our peer group, and at the end of the quarter stood at 19.2% under Basel 2.5 and 13.1% under the phase-in Basel III rules. We remain fully committed to consistent and transparent reporting of our position to ensure our progress is well understood by our clients and the market. In addition, our funding and liquidity positions are strong and we believe we are already compliant with future FINMA and Basel III liquidity requirements, well in advance of the mandatory implementation of these standards. We are confident that our strategy, which builds on our industry-leading capital position, our strong funding and liquidity positions, and our enduring commitment to our clients, benefits all our stakeholders. Accelerated inflows of net new money in our wealth management businesses and continuing deposit inflows in our Retail & Corporate business serve to emphasize that our clients also recognize the merits of our approach.

In these challenging markets, we are maintaining our vigilance on costs while exploring measures to improve our overall efficiency. During the quarter, we reduced costs in line with our CHF 2 billion cost reduction program announced last summer and, despite the effects of the rising US dollar, our cost base is approximately CHF 1 billion lower than in the first half of 2011. We remain confident we will deliver our entire planned savings by the end of 2013. We are reducing the structural costs of running the firm by improving our operating model, streamlining our product offering and optimizing the use of technology. This will benefit our clients by enabling us to deliver faster and better advice and services to them as we refocus expertise and resources on client-facing advisory and execution businesses, while reducing operational risks and controlling costs.

In addition to a challenging operating environment, there were several other significant factors that affected our results in the second quarter. The widening of our credit spreads resulted in an own credit gain of CHF 239 million recorded in our Corporate Center. In our Investment Bank's Equities business, we incurred losses related to the Facebook initial public offering, as discussed below. Net profit attributable to non-controlling interests was CHF 273 million due to dividend payments on trust preferred securities and represents the vast majority of the net profit allocation to non-controlling interest equity holders we expect for the year.

Our clients' continued trust in our **Wealth Management** business was evident from the increased net new money inflows recorded across all regions in the second quarter, with inflows improving by CHF 2.8 billion to CHF 9.5 billion, placing the business at the upper end of its target range for net new money growth. We attracted strong inflows from our strategic growth areas in Asia Pacific and the emerging markets, where we continued to attract experienced client advisors, as well as from our home market of Switzerland and globally from ultra high net worth clients. The business recorded a pre-tax profit of CHF 502 million for the quarter. Revenues were down due to a decline in non-recurring fees and trading income that reflected adverse market conditions and lower activity levels. Net interest income rose on higher treasury-related income and deposit and lending volumes, which benefited from net inflows and favorable currency effects. Looking at performance against the target ranges we announced at our Investor Day 2011, the business's cost/income ratio was slightly above target due to the effects of lower operating income and slightly higher operating expenses. The gross margin for the quarter dropped to 89 basis points as a result of lower income and a higher invested asset base. We are pleased to report that UBS won the award for best global wealth manager in Euromoney magazine's prestigious Awards for Excellence in 2012, illustrating the wide recognition of our standing as the world's leading wealth manager.

Our **Wealth Management Americas** business continued to deliver for the firm with a record profit of USD 211 million in the second quarter, mostly due to increased managed account fees as invested assets rose and also on higher realized gains from the available-for-sale portfolio. The business's strategic banking and lending initiatives continued to bear fruit, with a 21% growth in average mortgage balances and an increase in securities-backed lending balances. Net new money inflows were USD 3.8 billion, as we continued to attract experienced financial advisors. The business remained broadly in line with its target range for net new money growth despite the effects of US tax-related outflows traditionally seen in the second quarter. In addition, advisor attrition rates remain low and illustrate the continued confidence that experienced industry professionals have in the business's future. We are pleased to report the business remains within its stated cost/income ratio target range.

Our firm is the world's leading wealth manager, with more than CHF 1.5 trillion in invested assets and the top global high net worth and ultra high net worth franchises, and we will build on this position by accelerating our growth in key markets. In the second quarter, we took significant steps to ensure all our wealth management clients globally receive the best possible investment advice. Our global wealth management Chief Investment Office aggregates our global coverage with local insight and expertise to provide a clearer picture of the issues affecting the world's capital markets and the global economy. The appointment of five regional chief investment officers in the second quarter has augmented this capability, enabling us to deliver even better and faster investment advice to our globally diverse client base. We also brought together the research expertise of our Wealth Management Americas and Wealth Management businesses, significantly strengthening our ability to analyze the markets and deliver even better investment advice to our clients. We believe these significant improvements clearly differentiate UBS from its peers, adding great value for all our wealth management clients globally while ensuring more efficient and cost-effective delivery of these services.

Our **Retail & Corporate** business is crucial to the success of the Group as it delivers stable revenues and profitability, and provides growth opportunities for our other businesses. Pre-tax profit for the business for the second quarter was CHF 399 million, a notable achievement given the continued low interest rate environment that illustrates the success of our ongoing pricing initiatives and continued growth in new client assets. Revenues were down slightly, mainly as a result of increased, but still very modest, credit loss expenses. The business executed strongly against all its target ranges with its net interest margin up slightly to 161 basis points, comfortably within its target range. This increase reflected higher client deposits and slightly higher average loan volumes, and this moderate level of growth in loan volumes is in line with our strategy to grow our business in high-quality loans. The business remained within its cost/income target range, reflecting the progress we are making in implementing efficiency measures, and also remains on track to achieve its target for net new business volume growth, with significant client deposits recorded in both the retail and corporate businesses. Again, we are pleased to note that UBS was recognized in Euromoney's Awards for Excellence, winning the award for best bank in Switzerland.

In a challenging quarter for the asset management industry as a whole, our **Global Asset Management** business nevertheless delivered a pre-tax profit of CHF 118 million. The result was affected by significantly lower performance fees, which more than offset slightly higher net management fees. The gross margin for the business remains within its stated target range, although its cost/income ratio fell outside its range in the second quarter. Despite an improving performance, the business remained outside its net new money growth range. For the business to achieve this target, a sustained improvement in the current dynamic around money market funds and client confidence levels remains essential. Nevertheless, we are pleased to note that third-party net new money inflows excluding money market funds were CHF 3.4 billion compared with outflows through this channel last quarter. Total net new money flows, excluding money market funds, were positive in the second quarter at CHF 1.2 billion.

In the second quarter, despite challenging operating conditions, our **Investment Bank** continued its decisive and disciplined reduction of risk-weighted assets, with Basel III risk-weighted assets decreasing to CHF 170 billion. Operating income declined as the weak operating environment deteriorated, further impacting most areas of the business. The results also include a number of notable items that adversely affected the Investment Bank's performance, including losses related to the Facebook initial public offering (IPO). In total, this led to a pre-tax loss of CHF 130 million. We are pleased to note that in the Euromoney Awards for Excellence, UBS won in several categories, including best investment bank in Asia and best equity house in China. Our clients also benefit from our well-established European research capability that provides in-depth and comprehensive regional analysis with global insight. In recognition of this, our clients voted UBS the leading Pan European Brokerage firm for Equity Linked Research for a record twelfth consecutive year, one of several high-profile awards for the firm in the Thomson Reuters Extel Survey. We believe our success in these awards illustrates our progress in implementing our strategy, and recognizes the fact that we continue to deliver the best possible advice, products and services to our clients.

Due to the gross mishandling of Facebook's market debut by NASDAQ, we recorded a loss of CHF 349 million in our US Equities business as a result of our efforts to provide best execution for our clients. As a market maker in one of the largest IPOs in US history, we received significant orders from clients, including clients of our wealth management businesses. Due to multiple operational failures by NASDAQ, UBS's pre-market orders were not confirmed for several hours after the stock had commenced trading. As a result of system protocols that we had designed to ensure our clients' orders were filled consistent with regulatory guidelines and our own standards, orders were entered multiple times before the necessary confirmations from NASDAQ were received and our systems were able to process them. NASDAQ ultimately filled all of these orders, exposing UBS to far more shares than our clients had ordered. UBS's loss resulted from NASDAQ's multiple failures to carry out its obligations, including both opening the Facebook stock for trading and not halting trading in the stock during the day. We will take appropriate legal action against NASDAQ to address its gross mishandling of the offering and its substantial failures to perform its duties. Although as in all such matters there can be no assurance as to the amount of any recovery we may obtain, we intend to pursue compensation for the full extent of our losses.

During the quarter, the firm also underwent some important senior management changes. At our Annual General Meeting of Shareholders in May, shareholders elected Axel A. Weber to the Board, along with Isabelle Romy and Beatrice Weder di Mauro. Following the meeting, the Board of Directors appointed Axel A. Weber as the new Chairman of UBS, marking the end of Kaspar Villiger's successful tenure as Chairman of the Board of Directors. Kaspar led the firm through some testing times and we would like to take this opportunity to offer our sincere thanks to him for his great commitment and dedication over the past three years, and wish him well for the future. At the meeting, shareholders also approved the proposed distribution of a nominal dividend of CHF 0.10 per share for the financial year 2011, the first step in our stated plans to implement a progressive capital returns program.

In keeping with the firm's long-standing support of the contemporary arts, and as part of our 150th anniversary celebrations, in April we announced a long-term commitment with the Solomon R. Guggenheim Foundation to support art, artists, and curators from some of the most vibrant regions of the world – South and Southeast Asia, Latin America, the Middle East and Africa. This global initiative, which includes the creation of the Guggenheim UBS MAP, will chart the diverse contemporary art currents in these regions and encompass acquisitions, touring exhibitions, education programs, and long-term curatorial residencies at the Guggenheim Museum in New York. We look forward to a collaboration that will help bring contemporary art to a wider audience and open important new perspectives both locally and internationally.

Outlook: As in recent quarters, the degree of progress towards achieving sustained and material improvements to eurozone sovereign debt and European banking system issues, as well as the extent of uncertainty surrounding geopolitical tensions, the global economic outlook and the US fiscal "cliff", will continue to exert a strong influence on client confidence and, thus, activity levels in the third quarter of 2012. Failure to make progress on these key issues, accentuated by the reduction in market activity levels typically seen in the third quarter, would make further improvements in prevailing market conditions unlikely and would thus generate headwinds for revenue growth, net interest margins and net new money. Despite these challenges, we remain confident that our asset-gathering businesses as a whole will continue to attract net new money, reflecting our clients' steadfast trust in the firm and their recognition of our continuing efforts to strengthen UBS. We will strive to deliver on our strategy, which focuses on prudent liquidity management, reducing risk and complexity, and improving our position as one of the best-capitalized banks in the world. We have the utmost confidence in our ability to deliver on our strategy by adapting our execution in a changing environment.

Yours sincerely

Axel A. Weber
Chairman of the
Board of Directors

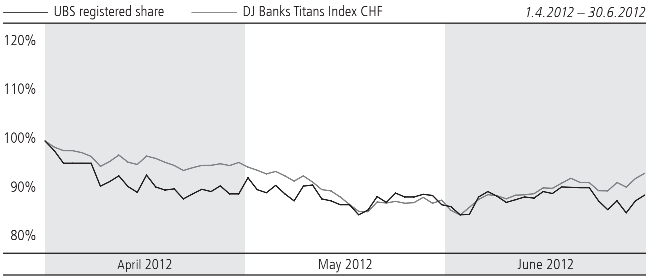
Sergio P. Ermotti
Group Chief Executive Officer

1 The calculation of our pro-forma Basel III risk-weighted assets combines existing Basel 2.5 risk-weighted assets, a revised treatment for low-rated securitization exposures which are no longer deducted from capital but are risk-weighted with 1250%, and new capital charges based on models. Some of these new models still require regulatory approval and therefore our pro-forma calculations include estimates of the impact of these new capital charges which will be refined as models and the associated systems are enhanced.

Our key figures for the second quarter of 2012

UBS share performance

Second quarter 2012



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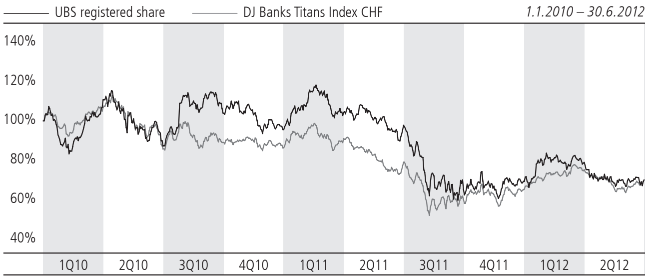

Group results

	For the quarter ended			Year-to-date	
CHF million, except where indicated	**30.6.12**	31.3.12	30.6.11	30.6.12	30.6.11
Operating income	**6,408**	6,525	7,171	12,934	15,515
Operating expenses	**5,457**	5,221	5,516	10,678	11,626
Operating profit before tax	**951**	1,304	1,654	2,256	3,889
Net profit attributable to UBS shareholders	**425**	827	1,015	1,252	2,822
Diluted earnings per share (CHF)[1]	**0.11**	0.22	0.26	0.33	0.73

1 Refer to "Note 8 Earnings per share (EPS) and shares outstanding" in the "Financial information" section of our second quarter 2012 report for more information.

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

	For the quarter ended			Year-to-date	
In %, except where indicated	**30.6.12**	31.3.12	30.6.11	30.6.12	30.6.11
Performance					
Return on equity (RoE)				4.7	12.0
Return on risk-weighted assets, gross[2]				11.8	15.3
Return on assets, gross				1.9	2.4
Growth					
Net profit growth	**(48.6)**	159.2	(43.8)	(55.6)	(32.9)
Net new money growth[3]	**1.8**	0.6	1.7	1.2	2.9
Efficiency					
Cost / income ratio	**85.1**	80.5	77.1	82.8	75.0

	As of		
CHF million, except where indicated	**30.6.12**	31.3.12	31.12.11
Capital strength			
BIS tier 1 capital ratio (%)[4]	**19.2**	18.7	15.9
FINMA leverage ratio (%)[4]	**5.6**	5.6	5.4
Balance sheet and capital management			
Total assets	**1,412,043**	1,365,837	1,419,162
Equity attributable to UBS shareholders	**54,716**	53,226	53,447
Total book value per share (CHF)[5]	**14.60**	14.10	14.26
Tangible book value per share (CHF)[5]	**12.00**	11.62	11.68
BIS core tier 1 capital ratio (%)[4]	**17.2**	16.7	14.1
BIS total capital ratio (%)[4]	**21.8**	21.1	17.2
BIS risk-weighted assets[4]	**214,676**	211,092	240,962
BIS tier 1 capital[4]	**41,210**	39,570	38,370

1 For the definitions of our key performance indicators, refer to the "Measurement of performance" section of our Annual Report 2011. 2 Based on Basel 2.5 risk-weighted assets for 2012. Based on Basel II risk-weighted assets for 2011. 3 Group net new money includes net new money for Retail & Corporate and excludes interest and dividend income. 4 Capital management data is disclosed in accordance with the Basel 2.5 framework. Refer to the "Capital management" section of our second quarter 2012 report for more information. 5 Refer to the "Capital management" section of our second quarter 2012 report for more information.

Results by business division and Corporate Center

CHF million	Total operating income			Total operating expenses			Operating profit before tax		
For the quarter ended	**30.6.12**	31.3.12	% change	**30.6.12**	31.3.12	% change	**30.6.12**	31.3.12	% change
Wealth Management	**1,734**	1,769	(2)	**1,232**	966	28	**502**	803	(37)
Wealth Management Americas	**1,497**	1,425	5	**1,297**	1,235	5	**200**	190	5
Investment Bank	**1,736**	2,903	(40)	**1,867**	2,173	(14)	**(130)**	730	
Global Asset Management	**446**	478	(7)	**328**	322	2	**118**	156	(24)
Retail & Corporate	**927**	936	(1)	**527**	361	46	**399**	575	(31)
Corporate Center	**68**	(985)		**206**	165	25	**(138)**	(1,150)	88
UBS	**6,408**	6,525	(2)	**5,457**	5,221	5	**951**	1,304	(27)

Additional information

	As of		
CHF million, except where indicated	**30.6.12**	31.3.12	31.12.11
Invested assets (CHF billion)[1]	**2,163**	2,115	2,088
Personnel (full-time equivalents)	**63,520**	64,243	64,820
Market capitalization[2]	**42,356**	48,488	42,843

1 In the first quarter of 2012, we have refined our definition of invested assets. Refer to the "Recent developments and financial reporting structure changes" section of our first quarter 2012 report for more information. Group invested assets includes invested assets for Retail & Corporate. 2 Refer to the appendix "UBS shares" of our second quarter 2012 report for more information.

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 reduce its Basel III risk-weighted assets in order to comply with future Swiss capital requirements without materially adversely affecting its profitability; (4) changes in financial legislation and 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; (5) possible constraints or sanctions that regulatory authorities might impose on UBS, including as a consequence of the unauthorized trading incident announced in September 2011; (6) changes in UBS's competitive position, including whether differences in regulatory capital and other 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, including those stemming from the market events and losses incurred by clients and counterparties during the financial crisis of 2007 to 2009 and from the ongoing investigations relating to the setting of LIBOR and other reference rates; (8) the effects on UBS's cross-border banking business of tax treaties negotiated or under discussion between Switzerland and other countries 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; (14) the occurrence of operational failures, such as fraud, unauthorized trading and systems failures, either within UBS or within a counterparty; and (15) the effect that these or other factors or unanticipated events may have on our reputation and the additional consequences that this may have on our business and performance. 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 2011. 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.