Fourth Quarter 2012

5 February 2013

Dear Shareholders,

2012 was another challenging year for the banking industry as the weak and volatile macroeconomic environment and geopolitical risks impacted client confidence and regulatory pressure continued. Our employees rose to meet these challenges and maintained their focus on and commitment to our clients, whose best interests we continue to place at the center of everything we do. During the fourth quarter, we made substantial progress towards achieving our strategic objectives, including building our capital ratios and reducing risk-weighted assets. We made solid progress in many areas of the business and continued to address the challenges of the past. We also continued to demonstrate what can be achieved through hard work, innovative thinking and the execution of a forward-looking strategy that will allow us to unlock the full potential of our franchise.

In 2012, we made progress in addressing past challenges. Following thorough internal and external investigations into the LIBOR matter, we reached settlements with a number of regulators totaling approximately CHF 1.4 billion. We deeply regret that certain individuals within UBS were involved with the manipulation of LIBOR rates. Their actions were wholly unacceptable and underline why no amount of profit is worth more than the reputation of the bank. We have taken further action and strengthened our control processes and procedures to ensure our high standards are maintained.

We firmly believe that capital strength is the foundation of our success. It allows us the flexibility to execute our strategy and it reinforces client confidence while allowing us to address the challenges of the past. As a sign of that strength and of our continued confidence in the firm's future, we are recommending a 50% increase in our dividend for shareholders for the year to CHF 0.15 per share.

As a Swiss bank, UBS is subject to the most stringent regulatory requirements in the world. In 2012, we exceeded the capital targets we set ourselves for the year and enhanced our position as one of the world's best capitalized banks. On a fully applied basis, our Basel III common equity tier 1 capital ratio[1] rose by over 3 percentage points to 9.8%, meaning we have almost reached our regulator's 2019 minimum 10% requirement. Our Basel III phase-in common equity tier 1 capital ratio[1] increased by 4.6 percentage points to finish the year at 15.3%. We achieved these increases primarily through reductions in risk-weighted assets, with total reductions of over CHF 120 billion for the year. We also made good progress in relation to our balance sheet, which was reduced by CHF 158 billion over the year. Our Basel III funding and liquidity ratios remain above our regulator's 100% requirements and place us ahead of our peers. On costs, we experienced higher than expected legal costs and adverse foreign exchange movements, but our underlying progress on cost reduction is on track.

This strong financial position has enabled us to adapt successfully to the new operating environment and in 2012 our clients also recognized these achievements. Throughout the year we have focused on bringing our best ideas and advice and our global execution capabilities to our clients across the Group and they have rewarded us for it. We saw approximately CHF 47 billion of net new money inflows into our wealth management businesses. We also attracted CHF 14 billion of deposits in Switzerland, including the highest net new client assets for retail clients in Switzerland for over 10 years. Net new business volumes in Retail & Corporate were also very strong at almost 5% as we regained market share, especially in the Corporate and Institutional space.

In October, we announced our intention to accelerate the implementation of our strategy. The bank remains centered on wealth management and our universal banking activities in Switzerland, complemented by our Global Asset Management business and our Investment Bank. However, we have increased our pace of execution in two key areas: we are more rapidly and substantially reducing risk, complexity and the balance sheet in relation to Investment Bank activities, and we are taking decisive action to drive CHF 3.4 billion of incremental cost efficiencies across the Group.

As of the beginning of 2013, our Investment Bank has been fully adapted to Basel III, operating with risk-weighted assets of CHF 64 billion, below the CHF 70 billion target we set for the business for 2013. The business is now focused on its traditional strengths in advisory, research, equities, foreign exchange and precious metals and on delivering best-in-class expertise, solutions-led advisory, thought leadership and global execution capabilities to our clients even more efficiently and effectively. In order to create this new model, we are exiting business lines which are capital and balance sheet intensive and areas with high complexity and tail risks. The changes we have instituted have been well received by clients, shareholders and bondholders. Our wealth management clients continue to recognize the value of the services and execution capabilities provided by our Investment Bank and many of our corporate and institutional clients have signaled their approval and rewarded us for our long-term commitment to them.

Overall, these changes are making UBS even more stable and capable of delivering improved performance. They allow us to

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place even greater emphasis on the needs of our clients and make us better able to reward our shareholders with attractive and sustainable returns. For the Group, we are targeting a return on equity of at least 15% by 2015. Capital returns are a cornerstone of our strategy and we are committed to a total payout ratio of over 50% once we achieve our capital targets.

Looking at the fourth quarter, client activity levels were mixed, with the looming US fiscal cliff in particular leading to muted activity levels. In line with the announcement we made in December, we report a net loss attributable to UBS shareholders of CHF 1,890 million for the fourth quarter, and a pre-tax loss of CHF 1,823 million. This reflects provisions for litigation, regulatory and similar matters, including the settlements we reached in relation to LIBOR.

Our **Wealth Management** business recorded a pre-tax profit of CHF 398 million. Revenues were affected by lower interest income due to continued deposit margin pressure with rates near all-time lows. After higher client activity levels in the third quarter, transaction-based revenues fell as many clients adopted a cautious approach. The business recorded an increase in its expenses and invested asset base. Together, all these factors impacted its performance against targets. Nevertheless, Wealth Management continued to attract net new money with inflows totaling CHF 2.4 billion. Increased outflows from countries neighboring Switzerland were more than offset by the healthy inflows we saw from Asia Pacific, emerging markets and ultra high net worth clients globally.

Wealth Management Americas delivered another strong performance with a pre-tax profit of USD 216 million and strong net new money inflows of USD 8.8 billion, the highest fourth quarter inflows since 2007. Revenues in the quarter rose primarily on increased recurring fees on higher invested assets, but additional litigation provisions meant the overall pre-tax result showed a moderate downtick from last quarter's record result. The business continued to perform well against its targets. Its cost/income ratio and gross margin on invested assets both remained within target ranges, while its annualized net new money growth rate improved significantly and exceeded its target performance range.

Our **Retail & Corporate** business delivered another resilient performance with a pre-tax profit of CHF 361 million and continued strong net new business volume growth. Revenues rose slightly on higher net interest income and increased net fee and commission income reflecting increased corporate finance activity during the quarter. Expenses also increased. The business remained above its target range for net new business volume growth and within its target performance ranges for its cost/income ratio and net interest margin. In November, UBS was named Banker Magazine's "Bank of the Year 2012 Switzerland," the latest in a series of prestigious awards we received throughout the year and further recognition of our success as we consolidate and expand our position as the leading universal bank in Switzerland.

Our **Global Asset Management** business continued to deliver in what was a challenging year for the asset management industry as a whole. In the fourth quarter, it recorded an increased pre-tax profit of CHF 149 million. The result reflected higher net management fees, especially in global real estate, and higher performance fees, mainly in its O'Connor single-manager funds in alternative and quantitative investments and in its global real estate business. The division achieved this improved result despite restructuring charges of CHF 15 million. Net new money outflows this quarter caused the business to remain outside its net new money growth target range. However, we are pleased to report the business recorded improvements to its gross margin and cost/income ratio in the fourth quarter and both are within the targeted performance ranges.

For the fourth quarter, the **Investment Bank** recorded a pre-tax loss of CHF 557 million. Our actions to accelerate the implementation of our Investment Bank strategy led to lower revenues, particularly in fixed income, currencies and commodities, as we downsized and prepared to exit a number of businesses. While our cash equities business recorded a slight increase in revenues, the overall equities performance was affected by trading losses in derivatives. However, many other core businesses reported increased revenues. In foreign exchange, revenues increased due to improved performance in precious metals, and we continued to execute well for our clients and to benefit from our investments in our electronic trading platforms. Investment banking also performed well, with advisory revenues up by 8% and capital markets revenues up by 14%.

We took the result of the Compensation Report vote at our 2012 AGM very seriously and initiated in-depth discussions with our shareholders to better understand their views. To ensure our continued success, we must continue to attract, retain and motivate the best people while ensuring we align pay with long-term sustainable performance. We have therefore implemented changes for 2012 that reconcile the needs of the firm, its businesses and our shareholders. These changes strengthen the link to medium- and longer-term performance and also provide our employees the opportunity to benefit from improved longer-term sustainable performance. The changes include multi-year performance conditions, which incentivize a stronger focus on results and our value proposition. Overall vesting periods have been lengthened including those for the Equity Ownership Plan.

We will also introduce a new plan, the Deferred Contingent Capital Plan, which has many of the features of the loss-absorbing capital we offer to investors and a "high trigger" capital ratio threshold. Effectively this means employees would forfeit deferred compensation balances under this plan if a 7% Basel III common equity tier 1 ratio level is breached. Additionally, the immediate one-year cash cap for individuals has been reduced by half while the amount of shares a Group Executive Board member is required to hold has been increased.

While we made significant progress in many areas throughout 2012, the bank's performance reflects the effects of the challenging operating environment during the year, the costs involved in reshaping the business and the actions we took to address the challenges we faced. Consequently, the firm's performance award pool for 2012 is CHF 2.5 billion, 7% lower than for the financial year 2011 and 42% lower than for the financial year 2010. We believe the reduced award pool and the significant adjustments to our compensation plans illustrate our continued commitment to a "pay for performance" culture. The changes we made will help reinforce the importance of accountability and enhance an incentive structure that provides a balanced approach, rewarding employees who execute our strategy successfully for the benefit of our shareholders.

Outlook – While progress was made on many issues during 2012, many of the underlying challenges remain at the start of the new year. Failure to achieve further sustained and credible improvements to the eurozone sovereign debt situation, European banking system issues, unresolved US fiscal issues, ongoing geopolitical risks and the outlook for growth in the global economy would continue to exert a strong influence on client confidence and, thus, activity levels in the first quarter of 2013. It would make further improvements in prevailing market conditions unlikely and would consequently generate headwinds for revenue growth, net interest margins and net new money. Nevertheless, and despite the lack of progress on certain bilateral tax treaties, 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. We are confident that the actions we have taken will ensure the firm's long-term success and will deliver sustainable returns for our shareholders going forward.

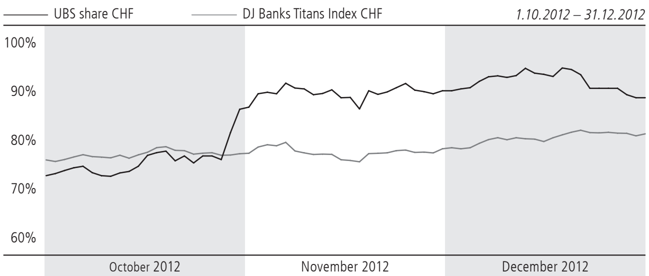
Yours sincerely,

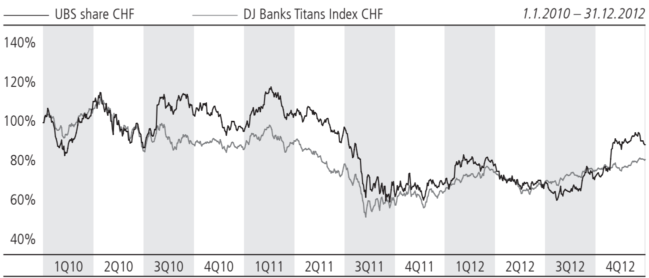
Axel A. Weber Chairman of the Board of Directors	Sergio P. Ermotti Group Chief Executive Officer

1 The pro-forma Basel III information is not required to be presented because Basel III requirements were not in effect on 31 December 2012. Such measures are non-GAAP financial measures as defined by SEC regulations. We nevertheless include information on the basis of Basel III requirements because they are effective as of 1 January 2013 and significantly impact our RWA and eligible capital. The calculation of our pro-forma Basel III RWA combines existing Basel 2.5 RWA, a revised treatment for low-rated securitization exposures that are no longer deducted from capital but are risk-weighted at 1250%, and new model-based capital charges. Some of these new models require final regulatory approval and therefore our pro-forma calculations include estimates (discussed with our primary regulator) of the effect of these new capital charges which will be refined as models and the associated systems are enhanced.

Our key figures for the fourth quarter of 2012

UBS share performance





Group results

	For the quarter ended			Year ended	
CHF million, except where indicated	**31.12.12**	30.9.12	31.12.11	31.12.12	31.12.11
Operating income	**6,222**	6,287	5,862	25,443	27,788
Operating expenses	**8,044**	8,816	5,381	27,216	22,482
Operating profit before tax	**(1,823)**	(2,529)	481	(1,774)	5,307
Net profit attributable to UBS shareholders	**(1,890)**	(2,137)	323	(2,511)	4,138
Diluted earnings per share (CHF)[1]	**(0.50)**	(0.57)	0.08	(0.67)	1.08

1 Refer to "Note 9 Earnings per share (EPS) and shares outstanding" in the "Financial information" section of our fourth quarter 2012 report for more information.

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

	For the quarter ended			Year ended	
In %	**31.12.12**	30.9.12	31.12.11	31.12.12	31.12.11
Performance					
Return on equity (RoE)				(5.2)	9.1
Return on tangible equity[2]				1.6	11.9
Return on risk-weighted assets, gross[3]				12.0	13.7
Return on assets, gross				1.9	2.1
Growth					
Net profit growth[4]	**N/A**	N/A	(68.0)	N/A	(44.5)
Net new money growth[5]	**1.2**	2.5	1.1	1.6	1.9
Efficiency					
Cost / income ratio	**128.8**	137.4	91.6	106.5	80.7

	As of		
CHF million, except where indicated	**31.12.12**	30.9.12	31.12.11
Capital strength			
BIS tier 1 capital ratio (%)[6]	**21.3**	20.2	15.9
FINMA leverage ratio (%)[6]	**6.3**	6.1	5.4
Balance sheet and capital management			
Total assets	**1,259,232**	1,366,136	1,416,962
Equity attributable to UBS shareholders	**45,895**	48,065	48,530
Total book value per share (CHF)[7]	**12.25**	12.83	12.95
Tangible book value per share (CHF)[7]	**10.52**	11.06	10.36
BIS core tier 1 capital ratio (%)[6]	**19.0**	18.1	14.1
BIS total capital ratio (%)[6]	**25.2**	23.6	17.2
BIS risk-weighted assets[6]	**192,505**	210,278	240,962
BIS tier 1 capital[6]	**40,982**	42,396	38,370

1 For the definitions of our key performance indicators, refer to the "Measurement of performance" section of our Annual Report 2011. 2 Net profit attributable to UBS shareholders on a year-to-date basis before amortization and impairment of goodwill and intangible assets / average equity attributable to UBS shareholders less average goodwill and intangible assets on a year-to-date basis. 3 Based on Basel 2.5 risk-weighted assets for 2012. Based on Basel II risk-weighted assets for 2011. 4 Not meaningful and not included if either the reporting period or the comparison period is a loss period. 5 Group net new money includes net new money for Retail & Corporate and excludes interest and dividend income. 6 Capital management data is disclosed in accordance with the Basel 2.5 framework. Refer to the "Capital management" section of our fourth quarter 2012 report for more information. 7 Refer to the "Capital management" section of our fourth quarter 2012 report for more information.

Additional information (continued)

	As of		
CHF million, except where indicated	**31.12.12**	30.9.12	31.12.11
Invested assets (CHF billion)[1]	**2,230**	2,242	2,088
Personnel (full-time equivalents)	**62,628**	63,745	64,820
Market capitalization[2]	**54,729**	43,894	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 fourth 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	**31.12.12**	30.9.12	% change	**31.12.12**	30.9.12	% change	**31.12.12**	30.9.12	% change
Wealth Management	**1,748**	1,789	(2)	**1,350**	1,207	12	**398**	582	(32)
Wealth Management Americas	**1,614**	1,561	3	**1,414**	1,340	6	**201**	221	(9)
Investment Bank	**1,682**	2,277	(26)	**2,239**	5,132	(56)	**(557)**	(2,856)	(80)
Global Asset Management	**492**	468	5	**343**	342	0	**149**	126	18
Retail & Corporate	**933**	932	0	**572**	537	7	**361**	395	(9)
Corporate Center	**(248)**	(740)	(66)	**2,127**	258	724	**(2,375)**	(998)	138
UBS	**6,222**	6,287	(1)	**8,044**	8,816	(9)	**(1,823)**	(2,529)	(28)