Second Quarter 2013

30 July 2013

Dear Shareholders,

For the second quarter of 2013, we reported a net profit attributable to UBS shareholders of CHF 690 million and diluted earnings per share of CHF 0.18. We delivered a strong performance in an environment that continued to be challenging. We recorded pre-tax charges for the quarter totaling approximately CHF 865 million for all litigation matters and certain other significant provisions and an impairment charge related to certain disputed receivables. Despite this, we reported a profit before tax for the quarter of over CHF 1 billion. Our underlying result illustrates the strength of our business model, the intensity of our client focus and the commitment of our people. This clearly indicates that we are successfully executing on our strategy to ensure our firm's future success.

Not unexpectedly, and as we indicated in our previous outlook statement, financial markets and the macroeconomic environment generally remained unsettled. Volatility heightened towards the end of the quarter as markets reacted negatively to indications that the US Federal Reserve may begin tapering its asset-purchasing program, as well as to mounting concerns about China's growth prospects, ongoing eurozone issues and increasing geopolitical tensions. These factors, together with the prospect of rising interest rates, interrupted the market rally which began at the outset of the year. Client activity levels in the quarter were down overall compared with the strong first quarter, and client risk appetite remained subdued.

Despite these challenges, we continued to deliver against our targets and returned an adjusted[1] Group profit before tax of CHF 1,022 million. Following the strong first quarter, adjusted[1] revenues for the Group reflected lower net interest and trading income that was partly offset by an increase in net fee and commission income. Adjusted[1] operating expenses increased due to higher litigation and regulatory expenses as well as a charge of over CHF 100 million related to UBS's pre-agreed share of the wider industry guarantee payment in relation to the Swiss-UK tax agreement. Other notable factors affecting the second quarter result were lower variable compensation accruals and a tax expense of CHF 125 million. Net profit attributable to preferred noteholders was CHF 204 million compared with zero in the first quarter.

We continued to improve our industry-leading capital ratios significantly through continued risk-weighted asset (RWA) reductions, and made good progress with balance sheet deleveraging. Halfway through the year, we surpassed our year-end Basel III RWA target, having reduced our fully applied Basel III RWA by CHF 20 billion to CHF 239 billion. Our BIS Basel III fully applied common equity tier 1 (CET1) ratio rose to 11.2%, an improvement of 1.1 percentage points on the prior quarter. On a phase-in basis, our BIS Basel III CET1 ratio was 16.2%, an improvement of 0.9 percentage points on the prior quarter. We achieved balance sheet reductions of CHF 85 billion, reflecting the significant progress we have made, especially in the Non-core and Legacy Portfolio. Our phase-in Swiss SRB leverage ratio increased to 3.9%, and we are comfortably above our regulator's requirements for leverage, liquidity and funding ratios. We expect to exercise the option to acquire the SNB StabFund's equity in the fourth quarter of this year. We estimate that this transaction will boost our industry-leading fully applied BIS Basel III CET1 ratio by 70 to 90 basis points in the fourth quarter.

UBS is regulated from a capital standpoint primarily under the Basel III and Swiss SRB rules as applied to systemically relevant banks in Switzerland. Our regulator FINMA, along with the Basel Committee in consultation with the broadest group of banks, has been at the forefront of developing ambitious and demanding capital requirements aimed at addressing issues arising from the financial crisis, as well as ensuring improved resolution and recovery. Complying with all these requirements along the established timelines ensures a coherent, consistent and balanced approach to managing a global bank. This was an important factor in the development of our current strategy. We have fully implemented Basel III measures and we comply with and, in many cases, exceed the requirements of all currently applicable regulations. This gives us a distinct perspective on recent developments in the regulatory space.

While we welcome the abovementioned developments, the impact of further regulatory measures should be considered carefully. We are therefore taking the opportunity to add our views to the debate and comment on the refinement proposed by the Basel Committee in relation to the leverage ratio. We believe it is important that regulators ensure the quality of both the numerator, or capital base, and the denominator, or total exposure. High-quality common equity and loss-absorbing capital are a critical part of the equation. The size of balance sheet matters, but quality must not be overlooked. The last financial crisis underlined the importance of liquidity to the industry. It would therefore be counterproductive to penalize banks for maintaining liquidity buffers designed to make them safer.

Looking at the performance of our businesses in more detail, **Wealth Management** delivered a strong performance and attracted robust net new money. Adjusted for restructuring charges and excluding the abovementioned charge related to the Swiss-UK tax agreement, profit before tax was CHF 711 million and represented the business's highest quarterly profit for four

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years. Stronger revenues reflected higher recurring fees on higher average invested assets, as well as the success of the business's pricing initiatives and solid mandate sales. The business's gross margin was one basis point lower at 90 basis points, as average invested assets increased faster than revenue. At over CHF 10 billion, net new money was strong and driven primarily by inflows from ultra high net worth clients across all regions. Costs increased mainly as a result of the aforementioned charge. The adjusted[1] cost/income ratio of 69.0% and the net new money growth rate of 4.6% both remained within target ranges.

Wealth Management Americas continued to perform strongly, with the business reporting a new record profit before tax of USD 258 million. Revenues increased mainly as a result of higher managed account fees on higher average invested assets, partly offset by lower realized gains on sales of financial investments held in the available-for-sale portfolio. The business continued to make progress with its lending initiatives, with increases in both average mortgage balances and average securities-backed lending balances. Net new money for the quarter was USD 2.8 billion, partly reflecting withdrawals as a result of the US tax payment season and compared with a strong first quarter. As a result, net new money growth was outside the target range. The business maintained both its adjusted[1] cost/income ratio and its gross margin within target ranges.

We are pleased to report that our wealth management businesses won significant external recognition during the second quarter. UBS reclaimed the top spot in the Scorpio annual private banking benchmark for 2012, with the report confirming that we are both the largest and fastest-growing large-scale wealth manager in the world[2]. We were also named "Best Global Wealth Manager" by Euromoney for the second consecutive year.

Adjusted[1] profit before tax in our **Retail & Corporate** business increased to CHF 390 million, reflecting disciplined revenue growth and continued cost control. The success of pricing initiatives, higher treasury-related revenues and a small increase in average loan volumes benefited the business's net interest margin, which remained well within its target range. The business's adjusted[1] cost/income ratio was within its target range, reflecting higher income and an almost stable cost base. The second quarter's net new business volume was mixed, with continued growth in loans and retail deposits offset by a small number of outflows from corporate clients. The business's net new business volume growth over the last two years has outpaced GDP in Switzerland, and we are confident that this trend will continue over the longer term. As an acknowledgment of the strong performance of our Retail & Corporate business in our home market, UBS was named "Best Bank in Switzerland" by Euromoney for the second consecutive year.

Global Asset Management's adjusted[1] profit before tax was stable at CHF 152 million. The business recorded higher adjusted[1] net management fees on higher average invested assets which were mostly offset by lower performance fees, predominantly in alternative and quantitative investments in a challenging quarter. Excluding money market flows, which continued to be volatile, net inflows from third-party clients stood at CHF 1.6 billion. Despite remaining outside its net new money target range, the business's gross margin and adjusted[1] cost/income ratio were within target ranges.

The **Investment Bank** remained highly focused on using its resources efficiently. It delivered a strong performance in volatile markets with an adjusted[1] profit before tax of CHF 806 million, generating a substantial adjusted[1] return on attributed equity for the quarter of 38%. The business continued to operate within the limits set for RWA and its funded balance sheet. Our equities business delivered its best second-quarter performance in three years, with revenues up in both cash and prime services. Performance in FX, rates and credit was impacted by increased volatility and lower liquidity. Advisory revenues increased significantly across all regions reflecting a large number of private transactions despite a decline in the fee pool for public transactions. However, this was more than offset by lower equity capital market revenues. The business's adjusted[1] cost/income ratio was slightly below its 65–85% target range. The Thomson Reuters Extel Survey 2013 ranked the business as the number one Pan-European Equity House and number one for Equity Trading and Execution for the tenth and fourth consecutive years, respectively.

Corporate Center – Core Functions reported an adjusted[1] loss before tax of CHF 275 million compared with a loss before tax of CHF 398 million in the prior quarter, mainly due to lower operating expenses. **Non-core and Legacy Portfolio** reported an adjusted[1] loss before tax of CHF 909 million, mainly due to higher charges for provisions for litigation, regulatory and similar matters, an impairment charge related to certain disputed receivables, lower revenues in rates and credit portfolios within Non-core, and a lower gain from the revaluation of our option to acquire the SNB StabFund's equity. We continued to make good progress in reducing balance sheet assets, which declined by CHF 82 billion. Fully applied BIS Basel III RWA decreased by CHF 17 billion to CHF 78 billion.

In May, our shareholders approved all agenda items as proposed by the Board of Directors at the UBS Annual General Meeting of Shareholders. Reto Francioni was elected to the Board and, as previously stated, we believe he will strengthen the Board further, bringing his unique experience and insights to bear for the benefit of the firm. Wolfgang Mayrhuber decided not to stand for re-election to the Board after accepting the post of Chairman of Deutsche Lufthansa AG. We would like to reiterate our thanks to him for his dedication and commitment to UBS over many years and we wish him well in his new role. We would also like to take this opportunity to thank our shareholders for their continued loyalty and support.

We marked the 20th anniversary of UBS's association with Art Basel by announcing a new global partnership, underlining our shared commitment to support and promote contemporary art. UBS already supports Art Basel across its shows in Basel and Miami Beach and, starting next year, we will also provide support in Hong Kong as lead partner. This multi-year agreement complements our aim of creating a global platform from which to develop and promote the visual arts for the benefit of our clients and the public.

We continue to be mindful of our obligations to the communities in which we operate and our aim of being a responsible corporate citizen. In June, the UBS Optimus Foundation announced a new partnership with the Children's Investment Fund Foundation, the governments of Canada and the United Kingdom and with private donors in a major new global initiative to put nutrition at the center of the global development agenda. The Foundation plans to raise CHF 65 million to help improve children's nutrition and prevent death from malnutrition. It will commit CHF 15 million to nutrition-related projects in developing countries, and will also match donations made by UBS clients to the new and innovative Nutrition for Growth facility.

Outlook – At the end of the second quarter, the market reaction to the eventual end of quantitative easing in the US served as a reminder that looser monetary policy across the globe has not resolved the underlying challenges related to structural fiscal and economic issues. For the first half of 2013, our revenue growth and business flows evidence the fact that we continued to manage our businesses effectively in challenging market conditions. However, for the third quarter of 2013, client confidence and activity levels could be impacted further by the continued absence of sustained and credible improvements to unresolved European sovereign debt and banking system issues and US fiscal issues, and by the mixed outlook for global growth. This would make improvements in prevailing market conditions unlikely and, together with the seasonal decline in activity levels traditionally associated with the summer holiday season, would consequently generate headwinds for revenue growth, net interest margins and net new money. Nevertheless, we remain confident that our wealth management businesses will continue to attract net new money, reflecting new and existing clients' steadfast trust in the firm, and 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 Unless otherwise indicated, "adjusted" figures exclude each of the following items, to the extent applicable, on a Group and business division level: own credit gain on financial liabilities designated at fair value for the Group of CHF 138 million in 2Q13 (CHF 181 million loss in 1Q13), net restructuring charges of CHF 140 million for the Group in 2Q13 (net charges of CHF 246 million in 1Q13), a gain of CHF 34 million on the disposal of Global Asset Management's Canadian domestic business in 1Q13, a gain on the sale of the remaining proprietary trading business in the Investment Bank of CHF 55 million and an associated foreign currency translation loss of CHF 24 million in Corporate Center – Core Functions in 1Q13, and a net loss of CHF 92 million for the Group incurred on the buyback of debt in a public tender offer in 1Q13. 2 The Scorpio Partnership Private Banking Benchmark 2013 – banks with assets under management of over USD 1 trillion.

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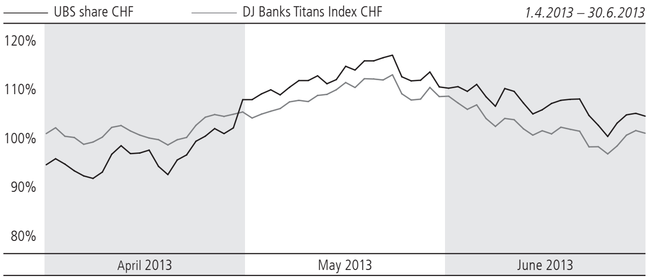
Our key figures for the second quarter of 2013

UBS share performance

Second quarter 2013



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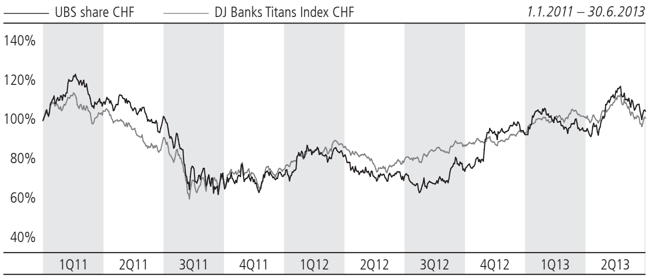

Group results

	For the quarter ended			Year-to-date	
CHF million, except where indicated	**30.6.13**	31.3.13	30.6.12	30.6.13	30.6.12
Operating income	**7,389**	7,775	6,402	15,164	12,925
Operating expenses	**6,369**	6,327	5,400	12,697	10,356
Operating profit / (loss) before tax	**1,020**	1,447	1,002	2,467	2,569
Net profit / (loss) attributable to UBS shareholders	**690**	988	524	1,678	1,558
Diluted earnings per share (CHF)[1]	**0.18**	0.26	0.14	0.44	0.41

1 Refer to "Note 8 Earnings per share (EPS) and shares outstanding" in the "Financial information" section of the second quarter 2013 report for more information.

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

	For the quarter ended			Year-to-date	
	30.6.13	31.3.13	30.6.12	30.6.13	30.6.12
Performance					
Return on equity (RoE) (%)	**7.2**	8.5	6.3	7.2	6.3
Return on tangible equity (%)[2]	**8.5**	10.1	8.1	8.5	8.1
Return on risk-weighted assets, gross (%)[3]	**11.8**	11.9	11.7	11.8	11.7
Return on assets, gross (%)	**2.5**	2.5	1.9	2.5	1.9
Growth					
Net profit growth (%)[4]	**(30.2)**	N/A	(49.4)	7.7	(44.5)
Net new money growth (%)[5]	**1.8**	3.7	1.8	2.8	1.2
Efficiency					
Cost / income ratio (%)	**86.2**	81.2	84.3	83.6	80.3

	As of			As of	
CHF million, except where indicated	**30.6.13**	31.3.13	31.12.12	30.6.13	30.6.12
Capital strength					
BIS Basel III common equity tier 1 capital ratio (%, phase-in)[6]	**16.2**	15.3	15.3	16.2	
BIS Basel III common equity tier 1 capital ratio (%, fully applied)[6]	**11.2**	10.1	9.8	11.2	
Swiss SRB leverage ratio (%)[6, 7]	**3.9**	3.8	3.6	3.9	
Balance sheet and capital management					
Total assets	**1,129,071**	1,213,844	1,259,797	1,129,071	1,410,233
Equity attributable to UBS shareholders	**47,073**	47,239	45,949	47,073	50,503
Total book value per share (CHF)	**12.49**	12.57	12.26	12.49	13.47
Tangible book value per share (CHF)	**10.73**	10.79	10.54	10.73	10.87
BIS Basel III common equity tier 1 capital (phase-in)[6]	**39,398**	40,235	40,032	39,398	
BIS Basel III common equity tier 1 capital (fully applied)[6]	**26,817**	26,176	25,182	26,817	
BIS Basel III risk-weighted assets (phase-in)[6]	**242,626**	262,454	261,800	242,626	
BIS Basel III risk-weighted assets (fully applied)[6]	**239,182**	258,701	258,113	239,182	
BIS Basel III total capital ratio (%, phase-in)[6]	**20.5**	18.9	18.9	20.5	
BIS Basel III total capital ratio (%, fully applied)[6]	**13.5**	11.8	11.4	13.5	

1 For the definitions of our key performance indicators, refer to the "Measurement of performance" section of our Annual Report 2012. 2 Net profit attributable to UBS shareholders before amortization and impairment of goodwill and intangible assets / average equity attributable to UBS shareholders less average goodwill and intangible assets. 3 Based on BIS Basel III risk-weighted assets (phase-in) for 2013. Based on Basel 2.5 for 2012. 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 Numbers for 31 December 2012 are on a pro-forma basis. Refer to the "Capital management" section of the second quarter 2013 report for more information. 7 SRB: systemically relevant banks.

Additional information (continued)

	As of			As of	
CHF million, except where indicated	**30.6.13**	31.3.13	31.12.12	30.6.13	30.6.12
Invested assets (CHF billion)[1]	**2,348**	2,373	2,230	2,348	2,163
Personnel (full-time equivalents)	**60,754**	61,782	62,628	60,754	63,520
Market capitalization[2]	**61,737**	55,827	54,729	61,737	42,536

1 Group invested assets includes invested assets for Retail & Corporate. 2 Refer to the appendix "UBS shares" of the second quarter 2013 report for more information.

Results by business division and Corporate Center

CHF million	Total operating income			Total operating expenses			Operating profit / (loss) before tax		
For the quarter ended	**30.6.13**	31.3.13	% change	**30.6.13**	31.3.13	% change	**30.6.13**	31.3.13	% change
Wealth Management	**1,953**	1,913	2	**1,396**	1,250	12	**557**	664	(16)
Wealth Management Americas	**1,692**	1,618	5	**1,449**	1,384	5	**243**	234	4
Investment Bank	**2,250**	2,783	(19)	**1,475**	1,806	(18)	**775**	977	(21)
Global Asset Management	**489**	517	(5)	**352**	327	8	**138**	190	(27)
Retail & Corporate	**948**	919	3	**571**	572	0	**377**	347	9
Corporate Center	**57**	24	138	**1,127**	989	14	**(1,070)**	(964)	11
of which: Core Functions	***(17)***	*(479)*	*(96)*	***126***	*239*	*(47)*	***(142)***	*(719)*	*(80)*
of which: Non-core and Legacy Portfolio	***73***	*504*	*(86)*	***1,001***	*749*	*34*	***(927)***	*(245)*	*278*
UBS	**7,389**	7,775	(5)	**6,369**	6,327	1	**1,020**	1,447	(30)

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) the degree to which UBS is successful in executing its announced strategic plans and related organizational changes, its efficiency initiatives and its planned reduction in Basel III risk-weighted assets, and whether in each case those plans and changes will, when implemented, have the effects intended; (2) 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; (3) changes in the availability of capital and funding, including any changes in UBS's credit spreads and ratings; (4) changes in financial legislation and regulation in Switzerland, the US, the UK and other major financial centers which may impose more stringent capital and liquidity requirements or incremental tax requirements and constraints on remuneration; (5) possible changes to the legal entity structure or booking model of UBS Group in response to enacted, proposed or future legal and regulatory requirements, including capital requirements, the proposal to require non-US banks to establish intermediate holding companies for their US operations, and resolvability requirements; (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, or possible constraints or sanctions that regulatory authorities might impose on UBS, due to litigation, contractual claims and regulatory investigations; (8) the effects on UBS's cross-border banking business of tax or regulatory developments and of possible changes in UBS's policies and practices relating to this business; (9) UBS's ability to retain and attract the employees necessary to generate revenues and to manage, support and control its businesses, which may be affected by competitive factors including differences in compensation practices; (10) changes in accounting standards or policies, and accounting determinations or interpretations 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; (13) the occurrence of operational failures, such as fraud, unauthorized trading and systems failures; and (14) 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 2012. 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.