Third Quarter 2013

29 October 2013

Dear Shareholders,

It has been a year since we announced a significant acceleration in the implementation of our strategy. We have executed in a focused, determined and disciplined manner, while dealing with the headwinds that we, and the industry as a whole, continue to face. Today, we are in line with, or ahead of, many of our key targets, and our success has given our clients even greater confidence in the bank. We would like to offer our thanks to them and, most of all, to our staff for their dedication and commitment.

Capital strength remains critical to our success. Over the last twelve months, we strengthened our industry-leading Basel III common equity tier 1 (CET1) fully applied ratio by 260 basis points to 11.9%. This includes a 70 basis point improvement achieved in the third quarter and exceeds our year-end target. Over the last four quarters, we reduced risk-weighted assets (RWA) by over CHF 80 billion, or 27%, putting us well ahead of our year-end target. Most of this improvement was the result of continued steady progress in Corporate Center – Non-core and Legacy Portfolio. It was predominantly driven by disposals and other exposure reduction strategies and executed in a manner that protected shareholder value. We also continued to successfully deleverage our balance sheet, reducing total assets by over CHF 300 billion. Our phase-in leverage ratio improved to 4.2%, comfortably above our regulator's requirements. Our liquidity and funding positions remained strong and above regulatory requirements. During the year, we also achieved our CHF 2 billion run-rate cost savings target announced in August 2011.

This year, we have made substantial progress, demonstrating that our business model works in a variety of market conditions. Highlights include an approximate 20% increase in net new money inflows into our wealth management businesses, which reached over CHF 43 billion for the first three quarters of the year. Profits in Wealth Management Americas hit new highs as its adjusted[1] year-to-date profit before tax reached over USD 700 million, which already represents a record adjusted[1] full year profit for the business. Our Retail & Corporate business showed sustained profitability and attracted strong deposit inflows. Our more client-focused and less complex Investment Bank delivered significantly higher profitability while operating below strict balance sheet and RWA targets. It exceeded its annualized return on attributed equity (RoaE) target of greater than 15% achieving an annualized adjusted[1] RoaE of 34.1% for the first nine months of 2013.

Our financial success and commitment to clients have also been recognized by numerous prestigious domestic and international industry accolades. In the third quarter of 2013, and in recognition of Wealth Management's leading position and compelling growth prospects, Private Banker International awarded it the top spot as the largest private bank in Asia Pacific and also named the business as the "Outstanding Global Private Bank," "Outstanding Global Private Bank – Asia Pacific" and "Outstanding Private Bank for UHNW." In the second quarter, the Investment Bank was named in the Thomson Reuters Extel Survey as the top Pan European Equity House and awarded the top ranking for Equity Trading and Execution for the tenth and fourth consecutive years respectively. These, and the many other accolades we have been awarded, underline the enduring strength of our franchise.

Looking at the third quarter in more detail, in line with our previous quarterly outlook, market conditions and the macroeconomic environment were affected by the seasonal slowdown traditionally associated with the summer holiday season, continued uncertainty regarding US monetary and tapering issues, and increasing concerns around the outlook for economic growth in emerging markets. These factors, along with increased geopolitical tensions in the Middle East, added to the volatility and weighed on client confidence and activity levels, with client risk appetite remaining subdued throughout the quarter. This, in turn, affected the performance of all our businesses, with revenues, gross margin and net new money inflows down compared with the prior quarter.

For the third quarter of 2013, we reported a net profit attributable to UBS shareholders of CHF 577 million and diluted earnings per share of CHF 0.15. We recorded an adjusted[1] Group profit before tax of CHF 484 million. Lower revenues reflected declines in net interest and trading income and net fee and commission income only partly offset by a decrease in operating expenses. Other notable factors affecting the result included a net tax benefit of CHF 222 million compared with an expense of CHF 125 million in the prior quarter, and net profit attributable to preferred noteholders of zero compared with CHF 204 million in the prior quarter.

Looking at the performance of our businesses in more detail, **Wealth Management** reported a solid adjusted[1] profit before tax of CHF 617 million. Transactional revenues fell as a result of the aforementioned seasonal slowdown in client activity levels, particularly in Asia Pacific. Consequently, the business's gross margin was 5 basis points lower at 85 basis points. Despite this, we saw continued net new money inflows from all regions, particularly from Asia Pacific and Switzerland, with total net new money inflows of CHF 5.0 billion in the quarter. Operating expenses declined, mainly as the prior quarter included a charge in

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relation to the Swiss-UK tax agreement, and due to lower personnel expenses in the third quarter, partly offset by increased charges for provisions for litigation, regulatory and similar matters. The business reported an improved adjusted[1] cost/income ratio which remained comfortably within the target range.

Following its record profit in the prior quarter, **Wealth Management Americas** delivered an adjusted[1] profit before tax of USD 232 million and invested assets hit a record high of USD 919 billion. The result included trading losses and credit loss expenses related to the Puerto Rico municipal market, and a charge related to the partial settlement of a previously discontinued US defined benefit pension plan. Net fee and commission income was down as transaction-based revenue fell on subdued client activity levels. Managed account fees and interest income, however, continued to grow. Net interest income increased due to higher results from the available-for-sale portfolio. Net new money for the quarter was USD 2.1 billion and, while positive for the thirteenth consecutive quarter, was below the target growth range. The business maintained both its cost/income ratio and its gross margin within target ranges.

Our **Retail & Corporate** business delivered its best quarterly result in three years. Its adjusted[1] profit before tax increased to CHF 417 million reflecting improved income and lower costs. Revenues were higher and included a gain on sale from the partial divestment of our participation in Euroclear. Lower personnel costs were the main driver of reduced operating expenses. The business met all its performance targets during the quarter. Its cost/income ratio improved and was well within the target range. Net interest margin was down slightly but remained within its target range. Net new business volume growth improved in both our private and corporate businesses and was within its target range. The business was named "Best Domestic Cash Manager" by Euromoney for the third consecutive year.

Our **Global Asset Management** business delivered an adjusted[1] profit before tax of CHF 130 million. Overall revenues declined as net management fees fell, largely as a result of changes in the asset mix and lower average invested assets during the quarter. Higher performance fees in O'Connor were more than offset by lower performance fees in traditional investments and alternative investment solutions. The business's gross margin was just below its target range, and its adjusted cost/income ratio was slightly above its target range. Excluding money market flows, net new money outflows were CHF 3.9 billion, mainly from third-party clients.

The **Investment Bank** delivered an adjusted[1] profit before tax of CHF 335 million and operated well below its risk and balance sheet targets, responding to reduced client demand by deploying fewer resources. Revenues were lower across all businesses reflecting the seasonal slowdown in markets. Costs declined mainly as a result of lower variable compensation charges and the cost/income ratio remained within its target range. We are pleased to see that in a challenging and seasonally slow quarter the business achieved an annualized adjusted[1] RoaE for the third quarter of 16.8%. Lower credit and market risk RWA led to a decrease in fully applied Basel III RWA, which stood at CHF 59 billion at the end of the quarter, consistent with our target of less than CHF 70 billion.

Corporate Center – Core Functions reported an adjusted[1] loss before tax of CHF 540 million, down on the prior quarter, mainly due to higher operating expenses and lower Treasury income. **Corporate Center – Non-core and Legacy Portfolio** reported an improved adjusted[1] loss before tax of CHF 688 million as a result of lower charges for provisions for litigation, regulatory and similar matters and as the prior quarter included an impairment charge related to certain disputed receivables. Revenues in rates and credit portfolios within Non-core decreased as did the gain from the revaluation of our option to acquire the SNB StabFund's equity within the Legacy Portfolio. We continued to make further progress in reducing balance sheet total assets, which declined by CHF 45 billion. Fully applied BIS Basel III RWA decreased by CHF 9 billion to CHF 69 billion.

As we announced last quarter, we expect to acquire the equity of the SNB StabFund in the fourth quarter of this year. We are pleased to say that we now anticipate that this event would increase our industry-leading fully applied and phase-in BIS Basel III CET1 capital ratios by approximately 100 basis points in the fourth quarter, an increase on the previous guidance of 70–90 basis points and 55–80 basis points respectively. We also expect that any consequential additions to our balance sheet and risk-weighted assets will be de minimis.

In line with our strategy to capture gross cost savings of CHF 5.4 billion by the end of 2015, we continued to implement measures designed to improve our long-term efficiency. During the quarter, we announced the creation of the UBS Nashville Business Solutions Center in the US as part of our strategy to create regional centers of excellence for our support functions. This will allow us to increase operational effectiveness and collaboration across the Americas region, and complements our existing service center in Poland and our outsourcing relationships in India. Our pipeline of almost 120 ongoing efficiency initiatives and planned commitments spans nine Corporate Center functions along with business division-specific measures. We are committed to meeting our projected level of cost savings and these initiatives are contributing to a holistic transformation of how we operate.

At the end of the quarter, we received an order from FINMA announcing the imposition, with effect from 1 October 2013, of a temporary 50% add-on to our advanced measurement approach-based operational risk-related RWA in relation to known or unknown litigation, compliance and other operational risk matters. FINMA informed us that its decision was based on a comparison of recent loss history with the capital underpinning for operational risks. Its assessment is not based upon and does not correspond to the approach required under IFRS for litigation, regulatory and similar matters and other classes of provisions and contingent liabilities. FINMA also committed to review this add-on periodically for possible reduction considering the provisions established and the development of the relevant litigation and other matters over time.

Starting in the fourth quarter of 2013, this temporary add-on is expected to result in additional operational risk-related RWA of approximately CHF 28 billion on both a fully applied and a phase-in basis. Currently, we estimate the effect of this will be to reduce our fully applied Basel III CET1 ratio by 130 basis points. However, the aforementioned 100 basis point contribution from the StabFund means the net effect on our fully applied CET1 ratio will be a reduction of approximately 30 basis points.

Our ability to absorb this event is a prime example of the benefits of our strong capital position and our emphasis on building best-in-class capital ratios. We continue to target a fully applied Basel III CET1 ratio of 13% in 2014, and reaffirm our commitment to a total payout ratio of greater than 50% after we have achieved this capital target. Without the complete removal of the temporary add-on, our ambition to achieve a Group return on equity of 15% by 2015 will be delayed by at least one year.

Our firm's longstanding and active community affairs program focuses on promoting education and entrepreneurship, and is supported by the volunteering efforts of our employees across the globe. In the UK, the firm was recently awarded the UK government's national Big Tick Award for our partnership with the Bridge Academy and our Employee Volunteering program. This came on top of the 25th Anniversary Lord Mayor of London's Dragon Award in recognition of the achievements of our community affairs program over the past 25 years. In Asia Pacific, we continue to run the UBS Tohoku Project in northeast Japan. Launched in 2011, this is a five-year commitment to help rebuild the region's infrastructure and provide leadership and business support to restore economic activity. In the Americas, we recently announced new strategic partnerships with Venture for America and American Corporate Partners, organizations which share our commitment to supporting national job creation and community development. UBS Switzerland works with several partners supporting young entrepreneurs and is the main sponsor of the national Young Enterprise Switzerland (YES) competition. Each year, the competition final gives 25 talented college students the opportunity to showcase their products and services to a wider audience.

UBS co-launched the Thun Group of Banks' discussion paper on banking and human rights. The paper is based on the United Nations' Guiding Principles on Business and Human Rights in the financial industry and reflects our commitment to promoting and respecting such rights. Additionally, we are pleased to note that UBS was named in the Dow Jones Sustainability Indices (DJSI) during the quarter. The DJSI track the leading sustainability-driven companies worldwide.

Outlook – At the start of the fourth quarter, the fiscal debate in the US highlighted the fact that many of the underlying challenges related to structural fiscal and economic issues remain. Consequently, for the fourth quarter of 2013, client confidence and activity levels may continue to be impacted by the continued absence of sustained and credible improvements to unresolved European sovereign debt and banking system issues and US fiscal and monetary issues, and by the mixed outlook for global growth. This would once again make improvements in prevailing market conditions unlikely, and would consequently generate headwinds for revenue growth, net interest margins and net new money. Nevertheless, we expect 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.

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 loss on financial liabilities designated at fair value for the Group of CHF 147 million in 3Q13 (own credit gain of CHF 138 million in 2Q13), gains on sales of real estate for the Group of CHF 207 million (gains on sales of real estate of CHF 19 million in 2Q13), and net restructuring charges of CHF 188 million for the Group in 3Q13 (net charges of CHF 140 million in 2Q13).

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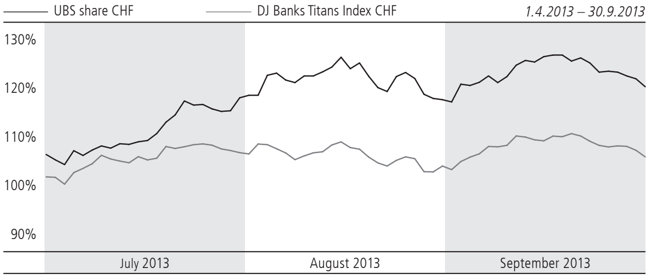
Our key figures for the third quarter of 2013

UBS share performance

Third quarter 2013



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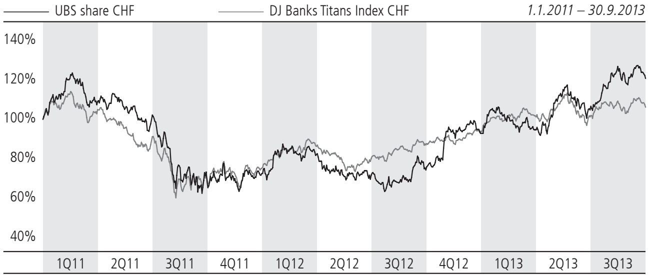

Group results

	For the quarter ended			Year-to-date	
CHF million, except where indicated	**30.9.13**	30.6.13	30.9.12	30.9.13	30.9.12
Operating income	**6,261**	7,389	6,290	21,425	19,215
Operating expenses	**5,906**	6,369	8,816	18,602	19,172
Operating profit / (loss) before tax	**356**	1,020	(2,526)	2,823	43
Net profit / (loss) attributable to UBS shareholders	**577**	690	(2,134)	2,255	(576)
Diluted earnings per share (CHF)[1]	**0.15**	0.18	(0.57)	0.59	(0.15)

1 Refer to "Note 8 Earnings per share (EPS) and shares outstanding" in the "Financial information" section of the third 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	
	30.9.13	30.6.13	30.9.12	30.9.13	30.9.12
Performance					
Return on equity (RoE) (%)	**4.9**	5.9	(17.3)	6.4	(1.6)
Return on tangible equity (%)[2]	**5.9**	7.0	9.1	7.6	8.4
Return on risk-weighted assets, gross (%)[3]	**10.8**	11.7	12.1	11.5	11.9
Return on assets, gross (%)	**2.3**	2.5	1.8	2.5	1.9
Growth					
Net profit growth (%)[4]	**(16.4)**	(30.2)	N/A	N/A	N/A
Net new money growth (%)[5]	**(0.2)**	1.8	2.5	1.8	1.7
Efficiency					
Cost / income ratio (%)	**94.1**	86.2	137.3	86.7	99.3

	As of			As of	
CHF million, except where indicated	**30.9.13**	30.6.13	31.12.12	30.9.13	30.9.12
Capital strength					
BIS Basel III common equity tier 1 capital ratio (%, phase-in)[6]	**17.5**	16.2	15.3	17.5	
BIS Basel III common equity tier 1 capital ratio (%, fully applied)[6]	**11.9**	11.2	9.8	11.9	
Swiss SRB leverage ratio (%)[6, 7]	**4.2**	3.9	3.6	4.2	
Balance sheet and capital management					
Total assets	**1,049,101**	1,129,071	1,259,797	1,049,101	1,366,776
Equity attributable to UBS shareholders	**47,403**	47,073	45,949	47,403	48,125
Total book value per share (CHF)	**12.58**	12.49	12.26	12.58	12.85
Tangible book value per share (CHF)	**10.89**	10.73	10.54	10.89	11.08
BIS Basel III common equity tier 1 capital (phase-in)[6]	**38,963**	39,398	40,032	38,963	
BIS Basel III common equity tier 1 capital (fully applied)[6]	**26,019**	26,817	25,182	26,019	
BIS Basel III risk-weighted assets (phase-in)[6]	**222,306**	242,626	261,800	222,306	
BIS Basel III risk-weighted assets (fully applied)[6]	**218,926**	239,182	258,113	218,926	
BIS Basel III total capital ratio (%, phase-in)[6]	**21.8**	20.5	18.9	21.8	
BIS Basel III total capital ratio (%, fully applied)[6]	**14.3**	13.5	11.4	14.3	

1 For the definitions of our key performance indicators, refer to the "Measurement of performance" section of our Annual Report 2012. In the third quarter of 2013, the definitions of certain key performance indicators were amended. Refer to the "Regulatory and legal developments and financial reporting changes" section of the third quarter 2013 report for more information. 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 third quarter 2013 report for more information. 7 SRB: systemically relevant banks.

Additional information

	As of			As of	
CHF million, except where indicated	**30.9.13**	30.6.13	31.12.12	30.9.13	30.9.12
Invested assets (CHF billion)[1]	**2,339**	2,348	2,230	2,339	2,242
Personnel (full-time equivalents)	**60,635**	60,754	62,628	60,635	63,745
Market capitalization[2]	**71,066**	61,737	54,729	71,066	43,894

1 Group invested assets includes invested assets for Retail & Corporate. **2** Refer to the "UBS shares" section of the third 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	**30.9.13**	30.6.13	% change	**30.9.13**	30.6.13	% change	**30.9.13**	30.6.13	% change
Wealth Management	**1,837**	1,953	(6)	**1,282**	1,396	(8)	**555**	557	0
Wealth Management Americas	**1,610**	1,680	(4)	**1,408**	1,449	(3)	**202**	232	(13)
Investment Bank	**1,707**	2,250	(24)	**1,456**	1,475	(1)	**251**	775	(68)
Global Asset Management	**447**	489	(9)	**329**	352	(7)	**118**	138	(14)
Retail & Corporate	**958**	948	1	**556**	571	(3)	**402**	377	7
Corporate Center	**(297)**	69		**875**	1,127	(22)	**(1,172)**	(1,058)	11
of which: Core Functions	***(197)***	*(5)*		***282***	*126*	*124*	***(479)***	*(131)*	*266*
of which: Non-core and Legacy Portfolio	***(100)***	*73*		***593***	*1,001*	*(41)*	***(693)***	*(927)*	*(25)*
UBS	**6,261**	7,389	(15)	**5,906**	6,369	(7)	**356**	1,020	(65)

Cautionary Statement Regarding Forward-Looking Statements | This report 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 (RWA), 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, incremental tax requirements, additional levies or constraints on remuneration; (5) uncertainty as to when and to what degree the Swiss Financial Market Supervisory Authority (FINMA) will approve reductions to the temporary 50% add-on to UBS's operational risk-related RWA effective from the fourth quarter of 2013 or approve a limited reduction of capital requirements due to measures to reduce resolvability risk; (6) 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, resolvability requirements and the pending Swiss parliamentary proposals for mandatory structural reform of banks; (7) 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; (8) 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; (9) 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; (10) 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; (11) 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; (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; 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 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.