

Second Quarter 2008

12 August 2008

Dear shareholders,

UBS recorded a net loss attributable to shareholders of CHF 358 million in second quarter 2008. The result reflects realized and unrealized losses of USD 5.1 billion on risk positions, mainly on exposures related to US residential real estate and other credit positions. We also booked a provision of USD 900 million (CHF 919 million) related to auction rate securities. We recognized a net income tax benefit of CHF 3,829 million. Though clearly unsatisfactory, this outcome in the second quarter of 2008 was an improvement on the results of the prior two quarters.

During the second quarter, we further reduced our legacy risk positions. Details are given in our second quarter 2008 report. This predominantly resulted from asset disposals and, to some extent, further valuation adjustments. The largest transaction was the sale of US mortgage-backed securities to a fund managed by BlackRock for USD 15.0 billion in May 2008.

The balance sheet totaled CHF 2,078 billion at 30 June 2008, compared with CHF 2,231 billion at 31 March 2008, a decline of 7%. Risk-weighted assets fell by 3% to CHF 323 billion over second quarter 2008. We successfully completed our rights issue in June 2008. The expansion of our equity base and the lower level of risk-weighted assets resulting from our risk and balance sheet reduction have allowed us to rebuild our capital ratios to the very strong levels we enjoyed prior to the outbreak of the credit crisis. Our tier 1 ratio of 11.6% and our total capital adequacy ratio of 15.7% are among the highest in the global banking industry.

We also continued to adjust our costs downwards in line with the lower levels of activity we saw – and expect to continue to see in the immediate future – from all our clients, including private and institutional investors as well corporate and other issuers. Total operating expenses rose by 3% compared with first quarter 2008, affected by the provision related to auction rate securities, but decreased by 18% compared with second quarter 2007. We reduced the number of people employed at UBS by 3% over the quarter to 81,452. There will be further savings in future quarters, with a Group efficiency program now under way.

During the second quarter, the Board of Directors (BoD) issued new organizational regulations that clarify the separation of responsibilities between UBS's BoD and its executive management. In the new corporate governance model: the BoD has clear responsibility for setting strategy and supervises and monitors the business; the Chief Executive Officer (CEO) is fully responsible for the executive management of the bank; and the duties of the former Chairman's Office are now allocated to an increased number of BoD committees. Risk governance has been overhauled and clarified, with the BoD ultimately responsible, through its newly established Risk Committee, for the highest level portfolio as well as risk concentration measures and limits.

Today, along with the release of second quarter results, we propose four candidates for election to the BoD, as well as various other important changes. This follows the completion of a strategic review by the BoD in conjunction with the Group CEO. We also announce changes to the Group Executive Board (GEB). The overall purpose of these changes is to increase our strategic flexibility, simplify the way UBS operates and improve transparency of the results of each part of the business and accountability at levels of management, all of which are essential steps on to a recovery in financial performance, reputation and shareholder value. The seven streams, in what is a major project to re-engineer UBS, are:

- revised incentive systems to reward divisional management and staff for shareholder value creation in their own business divisions (during fourth quarter 2008);
- further enhancements to the funding framework so that the costs and structure of the liabilities of each business division approximate those of stand-alone competitors (end 2009);
- adjustments to the executive governance structure to reflect the above changes (by end third quarter 2008);
- development of targets and performance indicators consistent with the repositioning of the business divisions;
- reduction of the size and scope of the Corporate Center in line with the re-allocation of process ownership to the divisions;
- review of inter-divisional servicing, revenue sharing and referral arrangements (mid 2009); and
- continuation of the strategic cost reduction program targeted at increasing the efficiency of the Group.

UBS expects the change program to be complete by the end of 2009. At the end of this project, UBS will have greatly increased strategic flexibility and a set of businesses that, though they operate under one brand, are accountable for their own financial results and the risk and resources they deploy to achieve them.

These changes will build on a number of operational achievements during the quarter.

As mentioned above, you – our shareholders – subscribed for CHF 15.6 billion in new equity in the rights issue. This is a vote of confidence by you in the fundamental strengths of our businesses that we deeply appreciate.

We introduced a Group-wide efficiency project to systematically identify opportunities to reduce or eliminate unneeded or duplicative activities, processes and costs. The results of this project will allow us to, quickly and effectively, implement Corporate Center cost reductions and allocate certain Corporate Center tasks to the business groups.

We developed, subject to regulatory approval, a trust structure that will offer to purchase tax-exempt auction preferred stock (APS) at par, plus accrued and unpaid dividends, from clients who held these securities at UBS with a record date of 15 July 2008.

We have subsequently announced a comprehensive settlement with the SEC and certain US state regulatory authorities, in principle, for all clients holding auction rate securities and booked a provision of USD 900 million (CHF 919 million).

We further expanded the footprint of our European wealth management business through the acquisition of Vermogens-Groep of the Netherlands.

UBS will set up operations in the Kingdom of Saudi Arabia and has selected a CEO for UBS Saudi Arabia. In addition, UBS has applied for a license to operate in Qatar and will expand Investment Banking Department and Equity research coverage in the region. This set of initiatives reflects UBS's long-term commitment to the Middle East and will help achieve its goal of becoming one of the region's leading financial services providers.

It is now quite clear that the world's financial industry has experienced an event so extreme, and so rare, that we struggle to find historical parallels. There are very many lessons to learn from the fact that UBS was so badly affected. One thing that is clear is that regulatory scrutiny will continue to grow, and this might constrain UBS's options in the future. We are fully committed to putting into place fundamental changes to the way UBS is run, both in the way it makes strategic decisions and in the way these are carried out. The effect of these changes will

not be easily visible in the firm's immediate financial results: instead, their success will be established only when UBS has recovered its financial standing and reputation, and when you – our shareholders – have begun to see a recovery in the value we create for you.

Outlook: In the second half of the year we do not expect any improvement in current adverse economic and financial market trends. We will continue our program to reduce personnel levels, costs and risk concentrations.

12 August 2008

UBS



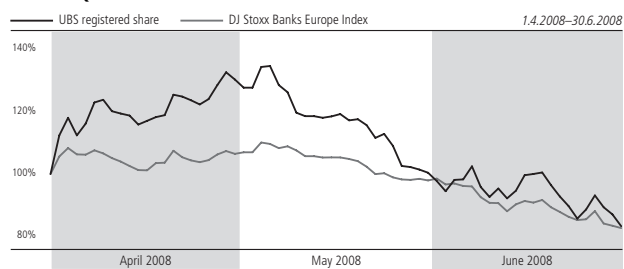
Peter Kurer
Chairman



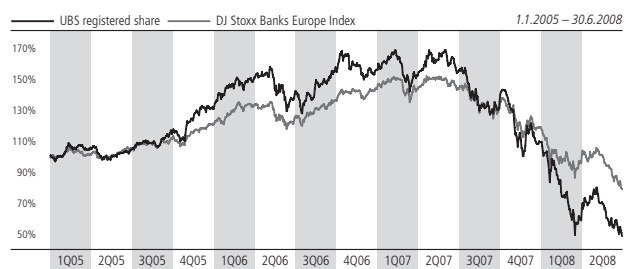
Marcel Rohner
Chief Executive Officer

UBS share performance

Second Quarter 2008



Since 2005



Performance indicators

	Quarter ended			% change from		Year-to-date	
	30.6.08	31.3.08	30.6.07	1Q08	2Q07	30.6.08	30.6.07
Diluted EPS (CHF) ¹	(0.14)	(5.23)	2.48	97		(4.97)	3.82
Diluted EPS from continuing operations (CHF) ¹	(0.17)	(5.26)	2.36	97		(5.02)	3.70
Return on equity attributable to UBS shareholders (%) ²						(84.7)	32.4
Return on equity attributable to UBS shareholders from continuing operations (%) ²						(85.7)	31.8
Cost/income ratio (%) ³	200.7	N/A ⁴	61.9				65.4
Net new money (CHF billion) ⁵	(43.8)	(12.8)	34.0			(56.5)	86.8

Group results

CHF million	Quarter ended			% change from		Year-to-date	
	30.6.08	31.3.08	30.6.07	1Q08	2Q07	30.6.08	30.6.07
Operating income	4,021	(3,952)	16,014		(75)	69	29,500
Operating expenses	8,110	7,847	9,909	3	(18)	15,957	19,289
Operating profit before tax (from continuing and discontinued operations)	(4,030)	(11,679)	6,112	65		(15,710)	10,224
Net profit attributable to UBS shareholders	(358)	(11,535)	5,547	97		(11,893)	8,578

Long-term ratings

	As of		
	30.6.08	31.3.08	30.6.07
Fitch, London	AA-	AA	AA+
Moody's, New York ⁶	Aa2	Aa1	Aaa
Standard & Poor's, New York	AA-	AA	AA+

Footnotes: 1 For the earnings per share calculation, see Note 8 of the second quarter 2008 report. 2 Net profit attributable to UBS shareholders year-to-date (annualized as applicable) / average equity attributable to UBS shareholders less distributions (estimated as applicable). 3 Operating expenses / operating income before credit loss expense or recovery. 4 The cost/income ratio is not meaningful due to negative income. 5 Excludes interest and dividend income. 6 Moody's long-term rating was changed to Aa2 on 4 July 2008 and to Aa1 on 1 April 2008.

Balance sheet and capital management

CHF million	As of			% change from	
	30.6.08	31.3.08	30.6.07	31.3.08	30.6.07
Total assets	2,077,635	2,231,019	2,540,057	(7)	(18)
Equity attributable to UBS shareholders	44,283	16,386	51,146	170	(13)
Market capitalization ¹	62,874	59,843	151,203	5	(58)
BIS Tier 1 capital ratio (%) ²	11.6	6.9	12.3 ³		

Personnel⁴

Full-time equivalents	As of			% change from	
	30.6.08	31.3.08	30.6.07	31.3.08	30.6.07
Switzerland	27,516	27,946	27,318	(2)	1
Rest of Europe/Middle East/Africa	13,095	13,675	13,352	(4)	(2)
Americas	30,428	31,766	31,933	(4)	(5)
Asia Pacific	10,413	10,452	8,954	0	16
Total	81,452	83,839	81,557	(3)	0

Reporting by Business Group and Unit

CHF million	Total operating income			Total operating expenses			Performance before tax from continuing operations		
	30.6.08	30.6.07	% change	30.6.08	30.6.07	% change	30.6.08	30.6.07	% change
Global Wealth Management & Business Banking									
Wealth Management International & Switzerland	2,859	3,202	(11)	1,593	1,673	(5)	1,266	1,529	(17)
Wealth Management US	1,477	1,693	(13)	2,218	1,554	43	(741)	139	
Business Banking Switzerland	1,229	1,362	(10)	631	785	(20)	598	577	4
Global Asset Management	808	1,078	(25)	456	871	(48)	352	207	70
Investment Bank	(2,302)	6,224		2,931	4,565	(36)	(5,233)	1,659	
Corporate Center	(50)	2,455		281	461	(39)	(330)	1,994	
UBS	4,021	16,014	(75)	8,110	9,909	(18)	(4,089)	6,105	

Footnotes: ¹ For further details please refer to the share information on page 92 of the second quarter 2008 report. ² For further details please refer to the capital management section of the second quarter 2008 report. ³ The calculation prior 2008 is based on the Basel I approach. ⁴ Excludes personnel from Private Equity (part of Corporate Center).

Cautionary Statement Regarding Forward-Looking Statements | This release contains statements that constitute "forward-looking statements", including but not limited to statements relating to the risks arising from the current market crisis and other risks specific to UBS's business, strategic initiatives, future business development and economic performance. While these forward-looking statements represent UBS's judgments and expectations concerning the development of its business, 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 extent and nature of future developments in the United States mortgage market and in other market segments that have been or may be affected by the current market crisis; (2) other market and macro-economic developments, including movements in local and international securities markets, credit spreads, currency exchange rates and interest rates; (3) changes in internal risk control and limitations in the effectiveness of UBS's internal processes for risk management, risk control, measurement and modeling, and of financial models generally; (4) the degree to which UBS is successful in implementing its remediation plans and strategic and organizational changes, and whether those plan and changes will have the effects anticipated; (5) developments relating to UBS's access to capital and funding, including any changes in UBS's credit spreads and ratings; (6) changes in the financial position or creditworthiness of UBS's customers, obligors and counterparties, and developments in the markets in which they operate; (7) management changes and changes to the structure of UBS's Business Groups; (8) the occurrence of operational failures, such as fraud, unauthorized trading and systems failures; (9) legislative, governmental and regulatory developments, including the possible imposition of more stringent capital requirements and of direct or indirect regulatory constraints on US's activities; (10) the possible consequences of ongoing governmental investigations of certain of UBS's past business activities; (11) competitive pressures; (12) technological developments; and (13) the impact of all such future developments on positions held by UBS, on its short-term and longer-term earnings, on the cost and availability of funding and on UBS's capital ratios.

In addition, these results could depend on other factors that we have previously indicated could adversely affect our business and financial performance which are contained in other parts of this document and in our past and future filings and reports, including those filed with the SEC. More detailed information about those factors is set forth elsewhere in this document and 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 2007. UBS is not under any obligation to (and expressly disclaims any such obligation to) update or alter its forward-looking statements, whether as a result of new information, future events, or otherwise.