Second Quarter 2009

4 August 2009

Dear shareholders,

As previously communicated, turning around our business requires time and a steadfast commitment to the right strategy. While our second quarter results were clearly unsatisfactory, they show significant progress towards returning to profitability and restoring client trust.

In the second quarter, we recorded a net loss attributable to shareholders of CHF 1,402 million and an operating loss before tax of CHF 1,316 million. A CHF 582 million charge for restructuring costs adversely affected our results in the short term, but these costs were necessary for the achievement of the longer-term cost savings we have targeted. An even bigger driver of our quarterly loss was a charge of CHF 1,213 million due to the reversal of own credit. While this is accounted for as a charge to income, it largely reflects the significant improvement in our credit spreads during the quarter. The reported result also reflects a further goodwill impairment charge of CHF 492 million arising from the announced sale of UBS Pactual, that is expected to close in the third quarter. Excluding these three items, an operating profit before tax of CHF 971 million would have been recorded.

The operating performance of our businesses has improved compared with prior quarters. Group revenues were up 16%, mainly reflecting a marked reduction in losses from legacy risk positions in the fixed income business of the Investment Bank. Wealth Management & Swiss Bank saw a small increase in revenues, reflecting lower credit loss expenses and higher business volumes. Wealth Management Americas reported lower revenues than in the prior quarter, although revenues improved slightly on a US dollar basis. The Investment Bank's equities business and investment banking department both showed significant improvements in their quarterly performance. The business division's fixed income, currencies and commodities unit achieved a marked reduction in losses from legacy risk positions, but its underlying business remained weak. Global Asset Management reported improved revenues, primarily due to increased performance fees.

Net outflows of client assets continued. Wealth Management & Swiss Bank recorded net outflows of CHF 16.5 billion in the quarter. These outflows were concentrated in the international business, whereas the Swiss domestic business was quite stable. Accordingly, we believe that the US cross-border issue and our exit from the US cross-border business are having a major influence on these results. We believe that this was also the major factor, directly or indirectly, in Wealth Management Americas' net outflows of CHF 5.8 billion. Global Asset Management recorded net new money outflows of CHF 17.1 billion, mainly associated with clients moving away from money market investments and the follow-on effect of client withdrawals from our wealth management businesses. However, most of the lead investment performance indicators of this business division remained positive, and its equities unit saw the first net inflows in many quarters.

We have continued to reduce our fixed cost base in line with our strategic positioning plan. We are on track with our plans to reduce annual fixed costs by CHF 3.5–4.0 billion compared with 2008's run rate and to reduce total staff headcount to 67,500 by 2010. While expenses increased on a reported basis due to higher restructuring costs and higher personnel expenses, our fixed cost base declined and group headcount was down by 4,400 to just under 72,000.

We experienced further large reductions in our balance sheet and risk exposures. Our consolidated balance sheet fell by over CHF 250 billion in the second quarter, driven mainly by a reduction in carrying values in the derivatives books in the Investment Bank. Our risk-weighted assets fell by CHF 30 billion in the quarter to CHF 248 billion. Credit loss expenses were significantly lower in the second quarter than they have been in recent periods, reflecting the considerable progress we have made in reducing risk in the Investment Bank in our legacy positions. We have continued to take advantage of opportunities to restructure our exposure to monoline insurers. Although we have materially reduced our overall exposure to this sector, it is the principal remaining legacy risk category of concern to management.

Our capital base was strengthened by our recent share placement of approximately 293 million new shares from authorized capital, with our BIS tier 1 capital ratio increasing to 13.2% as of the end of June. Our quarter-end tier 1 capital ratio was considerably higher than that of most of our Eu-

UBS

ropean peers. Taking into account the estimated effects from the announced sale of UBS Pactual, BIS tier 1 capital would increase by approximately CHF 1 billion and risk-weighted assets would be CHF 3 billion lower. Upon closing, UBS's BIS tier 1 ratio is expected to increase by approximately 50 basis points, which would increase the 30 June 2009 pro forma ratio to 13.7%. As a result of our strengthened capital position and the further substantial reductions we have made to our balance sheet, the Group leverage ratio was 3.5%, exceeding the Swiss Financial Market Supervisory Authority's (FINMA's) 3% minimum.

We look forward to a definitive resolution of the US cross-border matter. On 31 July, the US Government stated that an agreement in principle had been reached on the major issues relating to the IRS's John Doe Summons enforcement action, and that the parties expect to resolve the remaining issues shortly. This is a positive development in a matter that has adversely affected our efforts to regain the trust of our clients and to restore momentum to our businesses.

Outlook – Market conditions improved steadily during the second quarter, with asset prices rising as investor confidence began to return in many credit and equity markets. In spite of these positive economic signs, the overall economic environment in most of the regions in which we operate remains recessionary. Sustainable recovery is not yet visible.

We have seen increased activity levels among our wealth management clients, whose investment behavior appears progressively less risk averse. This should improve the fee-earning potential of our wealth and asset management businesses. For our investment banking businesses, the current positive momentum in the equity markets provides a good backdrop for improvement in our equities and investment banking franchises. Credit markets are also buoyant, but our restrictive allocation of balance sheet and other resources to many of our fixed income businesses reflects our conservative view on risk taking as those businesses rebuild. Overall, our outlook remains cautious, consistent with our view that economic recovery will be constrained by low credit creation and the structural weaknesses in consumers' and governments' balance sheets.

4 August 2009

Yours sincerely,

UBS

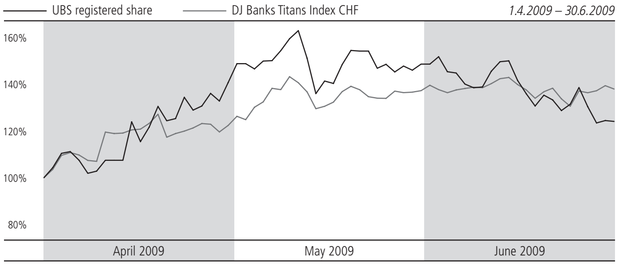
Kaspar Villiger
Chairman of the BoD

Oswald J. Grübel
Group Chief Executive Officer

UBS key figures

UBS share performance

Second quarter 2009



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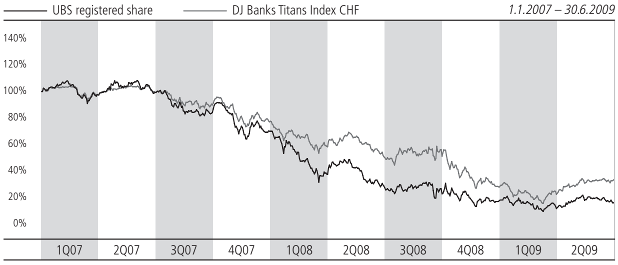

Group results

	As of or for the quarter ended			% change from		Year-to-date	
CHF million, except where indicated	**30.6.09**	31.3.09	30.6.08	1Q09	2Q08	30.6.09	30.6.08
Operating income	**5,770**	4,970	3,984	16	45	10,740	(50)
Operating expenses	**7,093**	6,528	8,110	9	(13)	13,621	15,957
Operating profit before tax (from continuing and discontinued operations)	**(1,316)**	(1,547)	(4,067)	15	68	(2,863)	(15,829)
Net profit attributable to UBS shareholders	**(1,402)**	(1,975)	(395)	29	(255)	(3,376)	(12,012)
Diluted earnings per share (CHF)[1]	**(0.39)**	(0.57)	(0.16)	32	(144)	(0.96)	(4.98)

Balance sheet and capital management

	As of or for the quarter ended		% change from
CHF million, except where indicated	**30.6.09**	31.3.09	1Q09
Total assets	**1,599,873**	1,861,326	(14)
Equity attributable to UBS shareholders	**33,545**	31,283	7
BIS total ratio (%)[2]	**17.7**	14.7	
BIS risk-weighted assets[2]	**247,976**	277,665	(11)

Key performance indicators[3]

	As of or for the quarter ended			Year-to-date	
CHF million, except where indicated	**30.6.09**	31.3.09	30.6.08	30.6.09	30.6.08
Performance					
Return on equity (RoE) (%)				(21.0)	(80.8)
Return on risk-weighted assets, gross (%)				8.9	0.2
Return on assets, gross (%)				1.3	0.0
Growth					
Net profit growth (%)[4]	**N/A**	N/A	N/A	N/A	N/A
Net new money (CHF billion)[5]	**(39.5)**	(14.9)	(43.8)	(54.4)	(56.5)
Efficiency					
Cost / income ratio (%)[6]	**115.2**	106.9	202.6	111.1	N/A
Capital strength					
BIS tier 1 ratio (%)[2]	**13.2**	10.5			
FINMA leverage ratio (%)[2]	**3.46**	2.71[7]			

Footnotes: 1 Refer to "Note 8 Earnings per share (EPS) and shares outstanding" in the financial statements of the second quarter 2009 report. 2 Refer to the "Capital management" section of the second quarter 2009 report. 3 For the definitions of UBS's key performance indicators refer to the "Key performance indicators" section on page 11 of UBS's first quarter 2009 report. 4 Not meaningful if either the current period or the comparison period is a loss period. 5 Excludes interest and dividend income. 6 Not meaningful if operating income before credit loss (expense) / recovery is negative. 7 Restatement for netting of cash collateral in first quarter 2009 reduced adjusted assets by CHF 62 billion and improved FINMA leverage ratio to 2.71% from 2.56%.

UBS key figures

Reporting by business division

CHF million	Total operating income			Total operating expenses			Performance before tax from continuing operations		
For the quarter ended	30.6.09	31.3.09	% change	30.6.09	31.3.09	% change	30.6.09	31.3.09	% change
Wealth Management & Swiss Bank	2,914	2,892	1	1,983	1,815	9	932	1,077	(13)
Wealth Management Americas	1,368	1,409	(3)	1,589	1,444	10	(221)	(35)	(531)
Global Asset Management	530	502	6	448	561	(20)	82	(59)	
Investment Bank	532	(661)		2,378	2,501	(5)	(1,846)	(3,162)	42
Corporate Center	425	827	(49)	695	206	237	(270)	621	
UBS	5,770	4,970	16	7,093	6,528	9	(1,323)	(1,558)	15

Additional information

	As of or for the quarter ended			% change from	
CHF million, except where indicated	30.6.09	31.3.09	30.6.08	1Q09	2Q08
Invested assets (CHF billion)	2,250	2,182	2,763	3	(19)
Personnel (full-time equivalents)	71,806	76,206	81,452	(6)	(12)
Market capitalization[1]	42,872	31,379	62,874	37	(32)
Long-term ratings					
Fitch, London	A+	A+	AA–		
Moody's, New York[2]	Aa2	Aa2	Aa1		
Standard & Poor's, New York	A+	A+	AA–		

Footnotes: 1 Refer to the "UBS registered shares" section of the second quarter 2009 report. 2 On 15 June 2009 Moody's has placed the long-term debt and deposit ratings of UBS AG and affiliates on review for possible downgrade.

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) future developments in the markets in which UBS operates or to which it is exposed, including movements in securities markets, credit spreads, currency exchange rates and interest rates; (2) the effect of the current economic environment or other developments on the financial position or creditworthiness of UBS's customers and counterparties; (3) changes in the availability of capital and funding, including any changes in UBS's credit spreads and ratings; (4) the outcome and possible consequences of pending or future actions or inquiries concerning UBS's cross-border banking business by tax or regulatory authorities in the United States and other jurisdictions; (5) the degree to which UBS is successful in effecting organizational changes and implementing strategic plans, including the recently announced cost reductions, and whether those changes and plans will have the effects intended; (6) UBS's ability to retain and attract the employees that are necessary to generate revenues and to manage, support and control its businesses; (7) political, governmental and regulatory developments, including the effect of more stringent capital requirements and the possible imposition of additional legal or regulatory constraints on UBS's activities; (8) changes in accounting standards or policies, and accounting determinations affecting the recognition of gain or loss, the valuation of goodwill and other matters; (9) limitations on the effectiveness of UBS's internal processes for risk management, risk control, measurement and modeling, and of financial models generally; (10) changes in the size, capabilities and effectiveness of UBS's competitors; (11) the occurrence of operational failures, such as fraud, unauthorized trading and systems failures; and (12) technological developments. In addition, actual results could depend on other factors that we have previously indicated could adversely affect our business and financial performance which are contained 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 restated Annual Report on Form 20-F/A for the year ended 31 December 2008. 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.