The Swiss bank is seeking to wring better returns from a pared-down operation. Bloomberg News

ZURICH—UBS AG UBSN.VX +0.12% Tuesday posted a gain in second-quarter profit, even as Switzerland's largest bank agreed to pay a legal settlement in Germany and disclosed U.S. probes into its dark-pool alternative-trading system.

UBS reported a net profit of 792 million Swiss francs ($876 million) for the period, compared with 690 million francs in the same quarter last year, as the bank seeks better returns from a pared-down operation.

Analysts had expected UBS to post a second-quarter net profit of 750 million francs, according to a poll by The Wall Street Journal.

UBS has been operating a slimmer investment banking operation recently, capping the unit's balance sheet at 70 billion francs of risk-weighted assets and cutting back on riskier trades. UBS reported on Tuesday a 25% decline in pretax operating profit in the quarter compared with the same period last year, to 579 million francs, as revenues from equities and foreign-exchange trading fell. The investment bank's return on attributed equity was 31.3%, down from 36.9% in the period last year.
While UBS has scaled back on many aspects of investment banking, it has sought to focus on its core business of managing money for wealthy clients. According to data published recently by Scorpio Partnership, UBS retained its position as the world's largest wealth manager last year, with nearly $2 trillion in assets under management.

UBS's wealth-management business drew in net new money of 10.7 billion francs in the quarter, compared with 10.1 billion francs in the period last year, with pretax operating profit at the division falling 36% compared with the same period last year, to 355 million francs, thanks to litigation charges and other items.

Pretax profit at UBS's Wealth Management Americas business fell 3% to 238 million francs.

Like other Swiss banks, UBS's private banking business has been pressured by foreign tax authorities eager to track down undeclared accounts.

UBS announced Tuesday that it has settled a German investigation into its role aiding tax evasion among German clients by paying roughly 300 million euros ($403 million). UBS previously settled a related issue in the U.S.

UBS said it booked 120 million francs in provisions related to the German settlement in its second-quarter results.

Last week, French magistrates expanded a separate probe into UBS's role aiding tax evasion among French clients to include an investigation into alleged efforts to launder the proceeds. The magistrates requested the bank post a related bond of 1.1 billion euros ($1.5 billion), an amount UBS called "unwarranted."

In other regulatory matters, UBS said it is responding to inquiries from the U.S. Securities and Exchange Commission and others about its dark-pool platform. The bank said the probe targets "order types and disclosure practices that were discontinued two years ago," and added that it is cooperating. UBS operates one of the largest dark-pool platforms in the U.S.

UBS has also previously disclosed being the subject, alongside other banks, of multiple regulatory probes into the manipulation of foreign exchange markets. UBS has also said it is conducting an internal probe of its foreign-exchange business, and reiterated Tuesday that it would "take appropriate action with respect to certain personnel as a result."

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