

Basel II Pillar 3

1H09

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Corporate calendar and information sources

Corporate calendar

Publication of third quarter 2009 results	Tuesday, 3 November 2009
Publication of fourth quarter 2009 results	Tuesday, 9 February 2010
Annual general meeting	Wednesday, 14 April 2010
Publication of first quarter 2010 results	Tuesday, 4 May 2010

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Reporting publications

Annual publications: *Annual report* (SAP no. 80531; German and English). Includes a letter to shareholders and a description of: UBS's strategy, performance and responsibility; the strategy and performance of the business divisions and the Corporate Center; risk, treasury and capital management at UBS; corporate governance and executive compensation; and financial information, including the financial statements. *Review* (SAP no. 80530; English, German, French and Italian). The booklet contains key information on UBS's strategy and financials. *Compensation report* (SAP no. 82307; English and German). Compensation of senior management and the Board of Directors.

Quarterly publications: *Letter to shareholders* (English, German, French and Italian). The letter provides a quarterly update from UBS's executive management on the firm's strategy and performance. *Financial report* (SAP no. 80834; English). This report provides a detailed description of UBS's strategy and performance for the respective quarter.

How to order reports: The annual and quarterly publications are available in PDF format on the internet at www.ubs.com/investors/topics in the reporting section. Printed copies can be ordered from the investor services section of the website. Alternatively, they can be ordered by quoting the SAP number and the language preference, where applicable, from UBS AG, Information Center, P.O. Box, CH-8098 Zurich, Switzerland.

Other information

The Investor Relations website: www.ubs.com/investors. This provides the following information on UBS: financial information (including results-related SEC filings); corporate information; UBS share price charts and data and dividend information; the UBS event calendar; and the latest presentations by management for investors and financial analysts. Available in English and German, with some sections also available in French and Italian.

Results presentations: UBS's quarterly results presentations are webcast live. A playback of the most recent presentation is downloadable at www.ubs.com/presentations.

Messaging service/UBS news alert: On the www.ubs.com/newsalert website, it is possible to subscribe to receive news alerts about UBS via SMS or e-mail. Messages are sent in English, German, French or Italian and it is possible to state preferences for the theme of the alerts received.

Introduction

This report is an update as of 30 June 2009 of UBS's Basel II Pillar 3 quantitative disclosures published in UBS's restated 2008 annual report.

Basel II capital adequacy framework

UBS operates under the Basel II capital adequacy framework. This framework consists of three pillars, each of which focuses on a different aspect of capital adequacy. *Pillar 1* provides a framework for measuring minimum capital requirements for the credit, market and operational risks faced by banks. *Pillar 2* addresses the principles of the supervisory review process, emphasizing the need for a qualitative approach to supervising banks. The aim of Basel II *Pillar 3* is to encourage market discipline by requiring banks to publish a range of disclosures on risk and capital.

Basis of UBS's Pillar 3 disclosures as of 30 June 2009

The Swiss Financial Market Supervisory Authority (FINMA) requires UBS to publish comprehensive quantitative and qualitative Pillar 3 disclosures at least annually, as well as an update of quantitative disclosures and any significant changes to qualitative information at least semi-annually. This report presents UBS's Basel II Pillar 3 disclosures as of 30 June 2009 and consists of quantitative disclosures with explanatory text where needed.

This report should be read in conjunction with UBS's second quarter 2009 financial report published on 4 August 2009. In particular, some of the information shown in this report has been disclosed in UBS's second quarter 2009 finan-

cial report, where further explanations on the information can be found. Qualitative disclosures that provide a general summary of the firm's risk management objectives and policies, reporting system and definitions were previously published in the "Risk and Treasury Management" section of UBS's restated 2008 annual report and will be published annually. As of 30 June 2009, there are no significant changes to the qualitative Basel II Pillar 3 information published in UBS's restated 2008 annual report, except the changes to the methodology for designation of a reclassified security as an "impaired loan", as described in the "Credit risk" section in this report.

UBS's Basel II Pillar 3 disclosures are based on the measures of risk exposure that are used to calculate the regulatory capital that is required to underpin those risks. As noted in this report, in certain cases, however, UBS's Pillar 3 disclosures may differ from the way UBS assesses and manages the risks of the bank and how these are disclosed in UBS's quarterly and annual reports.

The naming conventions for the "Exposure segments" used in the following tables are based on the Bank for International Settlements (BIS) rules and differ from those under Swiss and EU regulations. "Sovereigns" under the BIS naming convention equate to "Central governments and central banks" as used under the Swiss and EU regulations. Similarly, "Banks" equate to "Institutions" and "Residential mortgages" equate to "Claims secured on residential real estate".

Capital requirements under Basel II

Measures of risk exposure

Measures of risk exposure may differ depending on the purpose for which exposures are calculated: financial accounting under International Financial Reporting Standards (IFRS), determination of regulatory capital or UBS's internal management. UBS's Basel II Pillar 3 disclosures are based on the measures of risk exposure that are used to calculate the regulatory capital that is required to underpin those risks. The table below provides a more detailed summary of the approaches used by UBS for the main risk categories for the determination of regulatory capital.

Category	UBS approach
Credit risk	Under the Advanced Internal Ratings Based (Advanced IRB) approach applied by UBS for the majority of its businesses, credit risk weights are determined by reference to internal counterparty ratings and loss-given default estimates. UBS uses internal models, approved by FINMA, to measure the credit risk exposures to third parties on over-the-counter derivatives and repurchase-style (repo-style) transactions. For a subset of its credit portfolio, UBS applies the Standardized approach, based on external ratings.
Non-counterparty related risk	Non-counterparty related assets such as UBS premises, other properties and equipment require capital underpinning according to prescribed regulatory risk weights.
Settlement risk	Capital requirements for failed transactions are determined according to the rules for failed trades and non-delivery-versus-payment transactions under the BIS Basel II framework.
Equity exposures outside trading book	Simple risk weight method under the IRB approach.
Market risk	Regulatory capital requirement is derived from UBS's Value at Risk (VaR) model, which is approved by FINMA.
Operational risk	UBS has developed a model to quantify operational risk, which meets the regulatory capital standard under the Basel II Advanced Measurement Approach (AMA) and is approved by FINMA.
Securitization exposures	Securitization exposures in the banking book are assessed using the Ratings Based approach under the IRB, applying risk weights based on external ratings.

Capital

Capital

Capital adequacy

Although UBS determines published risk-weighted assets (RWA) according to the Basel II Capital Accord (BIS guidelines), the calculation of UBS's regulatory capital requirement is based on the regulations of FINMA, which result in higher RWA. Eligible capital is the same under BIS guidelines and FINMA regulations. This table provides an overview of UBS's capital adequacy.

<i>CHF million, except where indicated</i>	30.6.09	31.12.08
BIS tier 1 capital	32,640	33,154
<i>of which: hybrid tier 1 capital</i>	7,540	7,393
BIS total capital	43,871	45,367
BIS tier 1 capital ratio (%)	13.2	11.0
BIS total capital ratio (%)	17.7	15.0
BIS risk-weighted assets	247,976	302,273

Capital components

In order to determine eligible BIS tier 1 and total capital, specific adjustments must be made to equity attributable to UBS shareholders as defined by IFRS and shown on UBS's balance sheet. The most notable adjustments are the deductions for goodwill, intangible assets, investments in unconsolidated entities engaged in banking and financial activities, and own credit effects on liabilities designated at fair value. There is no difference in eligible capital between the BIS guidelines and FINMA regulations. This table provides an overview of the components of UBS's BIS tier 1 capital.

<i>CHF million</i>	30.6.09	31.12.08
Core capital prior to deductions	47,514	48,758
<i>of which: paid-in share capital</i>	323	293
<i>of which: share premium, retained earnings, currency translation differences and other elements</i>	39,651	41,072
<i>of which: non-innovative capital instruments</i>	1,843	1,810
<i>of which: innovative capital instruments</i>	5,697	5,583
Less: treasury shares / deduction for own shares ^{1,2}	(1,179)	(1,488)
Less: goodwill & intangible assets	(12,365)	(12,950)
Less: other deduction items ³	(1,329)	(1,167)
BIS tier 1 capital	32,640	33,154
Upper tier 2 capital	881	1,090
Lower tier 2 capital	11,679	12,290
Less: other deduction items ³	(1,329)	(1,167)
BIS total capital	43,871	45,367

¹ Consists of: i) net long position in own shares held for trading purposes; ii) own shares bought for cancellation (second trading line) and for unvested or upcoming share awards; iii) other treasury share positions net of delta-weighted obligations arising out of employee stock options granted prior to August 2006. ² Netting of own shares with share-based payment obligations is subject to a grandfathering agreement with the Swiss Financial Market Supervisory Authority (FINMA). ³ Positions to be deducted 50% from BIS tier 1 and 50% from total capital mainly consist of: net long position of non-consolidated participations in the finance sector; expected loss less general provisions (if positive) for the Advanced Internal Ratings Based (Advanced IRB) approach; expected loss for equities (simple risk weight method); and first loss positions from securitization exposures.

Segmentation of risk-weighted assets

This table provides an overview of the risk-weighted assets (RWA) by risk type. Refer to the "Risk exposures" section of this report for more information on RWA for the main risk categories.

CHF million	30.6.09			31.12.08
	Advanced	Standardized	Total	Total
BIS risk-weighted assets (RWA)				
Credit risk	114,681 ¹	36,010 ²	150,691	208,459
Sovereigns	5,210	731	5,941	10,196
Banks	20,672	1,922	22,595	28,209
Corporates	72,411	30,006	102,417	148,062
Residential mortgages	12,603	1,054	13,658	14,650
Other retail	3,785	2,296	6,081	7,342
Non-counterparty related risk		7,622	7,622	7,411
Settlement risk ³	56	90	146	256
Equity exposures outside trading book	6,465 ⁴		6,465	7,646
Market risk	22,034 ⁵	292 ⁶	22,327	27,614
Operational risk	45,989 ⁷		45,989	44,685
Securitization exposures	14,736		14,736	6,202
Total BIS risk-weighted assets	203,962	44,013	247,976	302,273
Additional risk-weighted assets according to FINMA regulations ⁸			29,883	32,620
Total FINMA risk-weighted assets			277,859⁹	334,893

¹ Advanced Internal Ratings Based (Advanced IRB) approach. ² BIS-defined Standardized approach. ³ Includes failed trades from non-delivery-versus-payment (non-DVP) transactions. ⁴ Simple risk weight method. Includes RWA of CHF 231 million for private equity exposures, CHF 1,182 million for exchange traded exposures and CHF 5,053 million for other equity exposures. ⁵ Value-at-Risk approach. ⁶ Reflects capital requirements for commodity risk. ⁷ Advanced Measurement Approach (AMA). ⁸ Reflects an additional charge of 10% on credit risk RWA for exposures treated under the standardized approach, a FINMA surcharge of 200% for RWA of non-counterparty related assets, and additional FINMA capital requirements for market risk. ⁹ As of 30 June 2009, the FINMA tier 1 ratio amounts to 11.7% and the FINMA total capital ratio to 15.8%. Taking into account the effects from the transitional provisions of the capital floor, which require that during the year 2009 Basel II capital requirements have to amount to at least 80% of Basel I capital requirements, FINMA RWA would increase by CHF 16.4 billion, resulting in a FINMA tier 1 ratio of 11.1% and a FINMA total capital ratio of 14.9%.

Risk exposures

Credit risk

UBS's Basel II Pillar 3 disclosure presents the details on the parameters and input data used in its regulatory capital calculation. Although the parameters applied under the Advanced Internal Ratings Based (Advanced IRB) approach are generally determined using the same methodologies, data and systems as UBS uses for internal risk quantification, there are nevertheless several differences due to regulatory floors, multipliers, eligibility criteria and exposure definitions that cause the figures presented in this section to deviate from the information disclosed within the "Risk management and control" section of UBS's restated 2008 annual report and UBS's second quarter 2009 financial report. The regulatory gross credit risk exposure also differs from that required to be reported under IFRS.

Credit risk exposures and risk-weighted assets

This table provides an overview of UBS's risk-weighted assets attributable to regulatory gross credit exposure.

CHF million	Exposure			Average regulatory risk-weighting ²	Risk-weighted assets
	Regulatory gross credit exposure	Less: regulatory credit risk offsets and adjustments ¹	Regulatory net credit exposure		
Cash and balances with central banks	35,380	(30)	35,350	1%	400
Due from banks	27,550	(2,669)	24,881	22%	5,401
Loans	271,604	(13,067)	258,537	21%	54,762
Financial assets designated at fair value	11,233	(6,176)	5,057	26%	1,314
Off-balance sheet ³	44,021	(531)	43,490	25%	11,011
Banking products	389,788	(22,472)	367,316	20%	72,888
Derivatives	118,594		118,594	42%	49,781
Securities financing	61,620		61,620	12%	7,330
Traded products	180,214		180,214	32%	57,111
Trading portfolio assets	25,316	(74)	25,242	33%	8,380
Financial investments available-for-sale ⁴	3,015		3,015	10%	311
Accrued income and prepaid expenses	6,079	(221)	5,858	87%	5,120
Other assets	7,187	(13)	7,174	96%	6,882
Other products	41,596	(307)	41,289	50%	20,693
Total 30.6.09	611,598	(22,779)	588,819	26%	150,691
Total 31.12.08	715,064	(33,116)	681,947	31%	208,459

¹ Regulatory credit risk offsets and adjustments mainly include margin accounts for derivatives. ² The calculation of risk-weighted assets is based on the various credit risk parameters of the Advanced Internal Ratings Based (Advanced IRB) approach and the Standardized approach respectively. ³ Includes contingent claims and undrawn irrevocable credit facilities. ⁴ Financial investments available-for-sale exclude equity positions.

Regulatory gross credit exposure

Regulatory gross credit exposure by geographical region

This table provides a breakdown of UBS's credit risk portfolio by major types of credit exposure according to classes of financial instruments and also by geographical regions. The geographical breakdown below is based on the legal domicile of the customer.

<i>CHF million</i>	Switzerland	Other Europe	North America ¹	Latin America	Asia / Pacific	Africa / Middle East	Total regulatory gross credit exposure	Total regulatory net credit exposure
Cash and balances with central banks	17,926	14,448	145	13	2,848	0	35,380	35,350
Due from banks	370	15,373	5,992	82	5,470	263	27,550	24,881
Loans	160,508	26,012	63,663	4,535	13,660	3,225	271,604	258,537
Financial assets designated at fair value	51	2,075	8,789	42	252	25	11,233	5,057
Off-balance sheet	6,584	9,328	25,360	668	1,734	347	44,021	43,490
Banking products	185,439	67,236	103,948	5,340	23,965	3,860	389,788	367,316
Derivatives	7,160	48,335	50,850	737	9,957	1,554	118,594	118,594
Securities financing	6,505	20,801	20,644	104	13,255	311	61,620	61,620
Traded products	13,665	69,136	71,494	841	23,212	1,865	180,214	180,214
Trading portfolio assets	2,172	14,442	6,834	634	1,108	126	25,316	25,242
Financial investments available-for-sale ²	28	2,310	472	3	2	199	3,015	3,015
Accrued income and prepaid expenses	443	1,016	4,321	66	206	27	6,079	5,858
Other assets	3,605	1,444	1,504	259	368	7	7,187	7,174
Other products	6,248	19,212	13,131	963	1,684	358	41,596	41,289
Total regulatory gross credit exposure 30.6.09	205,352	155,584	188,573	7,144	48,861	6,083	611,598	588,819
Total regulatory gross credit exposure 31.12.08	208,777	184,294	257,654	8,887	48,037	7,415	715,064	681,947

¹ North America includes the Caribbean. ² Financial investments available-for-sale exclude equity positions.

Regulatory gross credit exposure by counterparty type

This table provides a breakdown of UBS's credit risk portfolio by major types of credit exposure according to classes of financial instruments and also by counterparty type. Note that the classification of counterparty type is based on UBS's internal classifications and not the Basel II defined exposure segments used in certain other tables in this section.

<i>CHF million</i>	Private individuals	Corporates ¹	Public entities (including sovereigns and central banks)	Banks and multilateral institutions	Total regulatory gross credit exposure	Total regulatory net credit exposure
Cash and balances with central banks			35,263	117	35,380	35,350
Due from banks			205	27,345	27,550	24,881
Loans	154,373	109,546	7,685		271,604	258,537
Financial assets designated at fair value		6,286	42	4,904	11,233	5,057
Off-balance sheet	3,145	38,604	865	1,406	44,021	43,490
Banking products	157,518	154,438	44,061	33,773	389,788	367,316
Derivatives	546	64,335	20,438	33,275	118,594	118,594
Securities financing	112	31,269	17,678	12,562	61,620	61,620
Traded products	658	95,604	38,116	45,836	180,214	180,214
Trading portfolio assets		10,190	14,362	764	25,316	25,242
Financial investments available-for-sale ²	4	267	2,638	106	3,015	3,015
Accrued income and prepaid expenses	4,368	1,403	30	278	6,079	5,858
Other assets	1,490	4,724	157	816	7,187	7,174
Other products	5,862	16,584	17,187	1,963	41,596	41,289
Total regulatory gross credit exposure 30.6.09	164,038	266,624	99,363	81,572	611,598	588,819
Total regulatory gross credit exposure 31.12.08	165,016	344,012	89,627	116,408	715,064	681,947

¹ Includes corporates and non-bank financial institutions. ² Financial investments available-for-sale exclude equity positions.

Regulatory gross credit exposure by residual contractual maturity

This table provides a breakdown of UBS's portfolio by major types of credit exposure according to classes of financial instruments and also by maturity. The breakdown below is based on residual contractual tenor.

<i>CHF million</i>	Due in 1 year or less	Due over 1 to 5 years	Due over 5 years	Other ¹	Total regulatory gross credit exposure	Total regulatory net credit exposure
Cash and balances with central banks				35,380	35,380	35,350
Due from banks	3,431	278	140	23,701	27,550	24,881
Loans	104,880	79,520	43,871	43,332	271,604	258,537
Financial assets designated at fair value	2,616	6,611	1,429	577	11,233	5,057
Off-balance sheet	10,600	31,230	1,321	870	44,021	43,490
Banking products	121,528	117,638	46,761	103,860	389,788	367,316
Derivatives	38,575	31,087	48,931	1	118,594	118,594
Securities financing	18,696	80	119	42,725	61,620	61,620
Traded products	57,271	31,167	49,050	42,726	180,214	180,214
Trading portfolio assets	19,460	3,371	2,271	214	25,316	25,242
Financial investments available-for-sale ²	2,617	17	378	3	3,015	3,015
Accrued income and prepaid expenses				6,079	6,079	5,858
Other assets				7,187	7,187	7,174
Other products	22,077	3,387	2,650	13,482	41,596	41,289
Total regulatory gross credit exposure 30.6.09	200,876	152,193	98,461	160,068	611,598	588,819
Total regulatory gross credit exposure 31.12.08	247,904	171,558	125,600	170,001	715,064	681,947

¹ Includes positions without an agreed residual contractual maturity, for example loans without a fixed term, on which notice of termination has not been given. ² Financial investments available-for-sale exclude equity positions.

Regulatory gross credit exposure segment covered by guarantees and credit derivatives

This table provides a breakdown of collateral information, showing exposures covered by guarantees and those covered by credit derivatives, according to Basel II defined exposure segments.

<i>CHF million</i>	Exposure covered by guarantees ¹	Exposure covered by credit derivatives
Exposure segment		
Corporates	3,668	27,832
Sovereigns	147	167
Banks	476	133
Residential mortgages	13	0
Other retail	737	0
Total regulatory gross credit exposure 30.6.09	5,040	28,131
Total regulatory gross credit exposure 31.12.08	4,302	28,368

¹ Includes guarantees and standby letters of credit provided by third parties, mainly banks.

Derivation of regulatory net credit exposure

This table provides a derivation of the regulatory net credit exposure from the regulatory gross credit exposure according to the Advanced IRB approach and the Standardized approach. The table also provides a breakdown according to Basel II defined exposure segments.

<i>CHF million</i>	Advanced IRB approach	Standardized approach	Total 30.6.09	Total 31.12.08
Total regulatory gross credit exposure	532,736	78,862	611,598	715,064
Less: regulatory credit risk offsets and adjustments ¹	(16,787)	(5,992)	(22,779)	(33,116)
Total regulatory net credit exposure	515,949	72,870	588,819	
Total 31.12.08	592,107	89,841		681,947

Breakdown of regulatory net credit exposure by exposure segment

Corporates	165,800	35,072	200,872	286,321
Sovereigns	59,073	26,749	85,822	70,089
Banks	112,354	6,549	118,903	142,473
Residential mortgages	117,245	1,463	118,708	118,540
Other retail	61,477	3,037	64,514	64,525
Total regulatory net credit exposure	515,949	72,870	588,819	
Total 31.12.08	592,107	89,841		681,947

¹ Regulatory credit risk offsets and adjustments mainly include margin accounts for derivatives.

Advanced IRB approach

Advanced IRB approach: regulatory net credit exposure by UBS-internal rating

This table provides a breakdown of the regulatory net credit exposure of UBS's credit portfolio using the Advanced IRB approach according to UBS-internal rating classes.

	UBS-internal rating						Total regulatory net credit exposure	
	Investment grade			Sub-investment grade		Defaulted ¹		
<i>CHF million, unless otherwise stated</i>	0/1	2/3	4/5	6–8	9–13		30.6.09	31.12.08
Regulatory net credit exposure-weighted average (probability of default)	0.004%	0.060%	0.268%	0.990%	5.177%		0.485%	0.484%
Exposure segment								
Corporates	4,384	66,314	37,740	37,607	14,211	5,544	165,800	237,704
Sovereigns	36,723	21,861	427	25	30	8	59,073	45,270
Banks	4,880	84,462	21,029	1,434	379	169	112,354	130,493
Residential mortgages	2	5,447	52,137	52,956	5,894	809	117,245	116,539
Other retail		51,988	4,150	4,375	745	219	61,477	62,101
Total 30.6.09	45,990	230,071	115,483	96,397	21,259	6,749	515,949	
Total 31.12.08	61,691	261,108	134,083	102,651	24,929	7,644		592,107

¹ Values of defaulted derivative contracts are based on replacement values, including "add-ons" used in the calculation of regulatory capital.

Advanced IRB approach: exposure-weighted average loss given default (LGD) by UBS-internal rating

This table provides a breakdown of the net exposure-weighted average loss given default (LGD) for UBS's credit portfolio exposures calculated using the Advanced IRB approach, according to UBS-internal rating classes.

	UBS-internal rating						Regulatory net credit exposure-weighted average LGD (%)	
	Investment grade			Sub-investment grade				
	0/1	2/3	4/5	6–8	9–13		30.6.09	31.12.08
Regulatory net credit exposure-weighted average LGD (%)								
Corporates	33	37	35	33	27		36	35
Sovereigns	38	47	74	36	18		41	37
Banks	34	29	34	41	47		31	26
Residential mortgages	10	10	10	10	10		10	11
Other retail		20	20	18	20		20	16
Average 30.6.09	37	31	23	20	22		27	
Average 31.12.08	25	28	26	21	26			26

Advanced IRB approach: exposure-weighted average risk weight by UBS-internal rating

This table provides a breakdown of the net exposure-weighted average risk weight for UBS's credit portfolio exposures calculated using the Advanced IRB approach according to UBS-internal rating classes.

	UBS-internal rating						Regulatory net credit exposure-weighted average risk weight (%)	
	Investment grade			Sub-investment grade				
	0/1	2/3	4/5	6–8	9–13		30.6.09	31.12.08
Regulatory net credit exposure-weighted average risk weight (%)								
Corporates	13	17	34	64	79		40	39
Sovereigns	1	18	46	64	60		8	19
Banks	14	12	28	78	157		17	17
Residential mortgages	1	2	5	12	27		10	10
Other retail		3	11	22	30		6	8
Average 30.6.09	4	12	19	34	64		20	
Average 31.12.08	8	13	28	35	87			24

Standardized approach

Regulatory gross and net credit exposure by risk weight under the Standardized approach

This table provides a breakdown of the regulatory gross and net credit exposure by risk weight for UBS's credit portfolio exposures treated under the Standardized approach in which the risk weights are based on regulatory values or external ratings, according to Basel II defined exposure segments.

CHF million	Risk weighting					Total exposure	
	0%	>0–35%	36–75%	76–100%	150%	30.6.09	31.12.08
Regulatory gross credit exposure							
Corporates		7,081	1,078	29,183	2,264	39,606	53,651
Sovereigns	25,991		203	688		26,882	24,885
Banks		4,780	3,029	44		7,853	13,654
Residential mortgages			818	645		1,463	2,065
Other retail			3,030		27	3,058	2,476
Total 30.6.09	25,991	11,861	8,159	30,560	2,291	78,862	
Total 31.12.08	23,884	14,773	8,732	47,731	1,612		96,731
Regulatory net credit exposure¹							
Corporates		7,081	1,078	24,649	2,264	35,072	48,618
Sovereigns	25,917		203	628		26,749	24,818
Banks		4,581	1,924	44		6,549	11,979
Residential mortgages			818	645		1,463	2,001
Other retail			3,009		27	3,037	2,424
Total 30.6.09	25,918	11,662	7,032	25,966	2,291	72,870	
Total 31.12.08	23,884	14,165	7,550	42,630	1,611		89,841

¹ For traded products, the regulatory gross credit exposure is equal to the regulatory net credit exposure.

Eligible financial collateral recognized under Standardized approach

This table provides a breakdown of the financial collateral which is eligible for recognition in the regulatory capital calculation under the Standardized approach, according to Basel II defined exposure segments.

CHF million	30.6.09		31.12.08	
	Regulatory net credit exposure under Standardized approach	Eligible financial collateral recognized in capital calculation ¹	Regulatory net credit exposure under Standardized approach	Eligible financial collateral recognized in capital calculation ¹
Exposure segment				
Corporates	35,072	7,554	48,618	8,911
Sovereigns	26,749	1,165	24,818	1,148
Banks	6,549	5,759	11,979	5,942
Residential mortgages	1,463	0	2,001	64
Other retail	3,037	21	2,424	648
Total	72,870	14,499	89,841	16,713

¹ The eligible financial collateral reflects the impact of the application of regulatory haircuts. For traded products it is the difference between the IFRS reported values and the regulatory net credit exposure.

Impairment, default and credit loss

Impaired asset exposures include loans, off-balance sheet claims, securities financing transactions, derivative contracts and certain assets and securities that were reclassified from "Held for trading" to "Loans and receivables" in fourth quarter 2008 and first quarter 2009.

Methodology for designation of a reclassified security as an "impaired loan"

UBS periodically revises its estimated cash flows associated with the portfolio of reclassified securities backed by multiple assets. Adverse revisions in cash flow estimates are recognized in profit or loss as credit loss expenses. Increases in estimated future cash receipts as a result of increased recoverability are recognized as an adjustment to the effective interest rate on the loan from the date of the change.

Effective 1 April 2009, UBS implemented a threshold for designating a reclassified security as an "impaired loan". Under this policy, a reclassified security is considered impaired if the carrying value at balance sheet date is on a cumulative basis 5% or more below the carrying value at reclassification date adjusted for redemptions. Refer to the "Risk management and control" section of UBS's second quarter 2009 financial report for more information on this policy. In order to provide comparability, UBS has restated its impaired lending portfolio as at 31 December 2008 to CHF 13.9 billion from CHF 15.7 billion.

Impaired assets by geographical region

This table provides a breakdown of credit exposures arising from impaired assets and allowances/provisions by geographical region, based on the legal domicile of the customer.

CHF million	Regulatory gross credit exposure	Impaired assets ¹	Specific allowances, provisions and credit valuation adjustments	Exposure net of specific allowances, provisions and credit valuation adjustments	Collective allowances and provisions	Total allowances, provisions and specific credit valuation adjustments	Total allowances, provisions and specific credit valuation adjustments 31.12.08
Switzerland	205,352	1,387	(856)	530	(41)	(897)	(873)
Other Europe	155,584	2,697	(1,416)	1,281		(1,416)	(1,138)
North America ²	188,573	8,708	(4,883)	3,825		(4,883)	(4,808)
Latin America	7,144	143	(66)	76		(66)	(56)
Asia / Pacific	48,861	1,357	(731)	626		(731)	(361)
Africa / Middle East	6,083	86	(34)	53		(34)	(41)
Total 30.6.09	611,598	14,378	(7,986)	6,391	(41)	(8,027)	
Total 31.12.08	715,064	13,947	(7,252)	6,695	(23)		(7,275)

¹ Values of defaulted derivative contracts (CHF 5,710 million) are based on replacement values and do not include "add-ons" used in the calculation of regulatory capital. ² North America includes the Caribbean.

Impaired assets by exposure segment

This table provides a breakdown of credit exposures arising from impaired assets and allowances/provisions according to Basel II defined exposure segments.

CHF million	Regulatory gross credit exposure	of which: impaired assets ¹	Specific allowances, provisions and credit valuation adjustments	Collective allowances and provisions ²	Total allowances, provisions and specific credit valuation adjustments ²	Write-offs ³	Total allowances, provisions and specific credit valuation adjustments 31.12.08
Corporates	244,390	13,325	(7,503)		(7,503)	(742)	(6,777)
Sovereigns	87,490	14	(10)		(10)	(2)	(12)
Banks	96,258	68	(51)		(51)	(1)	(20)
Residential mortgages	118,804	338	(100)		(100)		(103)
Other retail	64,656	633	(322)		(322)	(24)	(340)
Not allocated segment ⁴				(41)	(41)		(23)
Total 30.6.09	611,598	14,378	(7,986)	(41)	(8,027)	(769)	
Total 31.12.08	715,064	13,947	(7,252)	(23)	(7,275)	(868)	(7,275)

¹ Values of defaulted derivative contracts (CHF 5,710 million) are based on replacement values and do not include "add-ons" used in the calculation of regulatory capital. ² Collective credit valuation adjustments of CHF 5.1 billion are partially included in the upper tier 2 capital and therefore not included in this table. ³ The write-offs refer to those recorded during the period from 1 January 2009 to 30 June 2009. ⁴ Collective loan loss allowances & provisions are not allocated to individual counterparties and thus also not to exposure segments.

Changes in allowances, provisions and specific credit valuation adjustments

This table provides a breakdown of movements in the specific and collective allowances and provisions for impaired assets, including changes in the credit valuation allowance for derivatives.

CHF million	Specific allowances and provisions for banking products and securities financing	Specific credit valuation adjustments for derivatives	Total specific allowances, provisions and credit valuation adjustments	Collective allowances and provisions ¹	For the six months ended 30.6.09	For the twelve months ended 31.12.08
Opening balance as at 1.1.09	3,047	4,205	7,252	23	7,275	Opening balance as at 1.1.08 1,981
Write-offs	(769)		(769)		(769)	(868)
Recoveries (on written-off positions)	25		25		25	44
Increase / (decrease) in credit loss allowances, provisions and specific credit valuation adjustments ²	1,505	(19)	1,486	18	1,504	7,545
Foreign currency translations and other adjustments	106	(114)	(8)		(8)	(867)
Transfers						(561)
Closing balance as at 30.6.09	3,913	4,072	7,986	41	8,027	Closing balance as at 31.12.08 7,275

¹ Collective credit valuation adjustments of CHF 5.1 billion are partially included in the upper tier 2 capital and therefore not included in this table. ² Total credit risk loss (credit loss expense and changes in specific credit valuation adjustments).

Other credit risk tables

Total credit loss

This table provides a breakdown of the credit loss amount charged against UBS's income statement in the last two quarters according to Basel II defined exposure segments of the Advanced IRB approach.

CHF million	For the six months ended 30.6.09			For the twelve months ended 31.12.08
	Credit loss expense	Specific credit valuation adjustments for defaulted derivatives	Total credit loss	Total credit loss
Corporates ¹	1,446	(19)	1,427	6,681
Sovereigns	(1)		(1)	
Banks	31		31	547
Residential mortgages	(2)		(2)	(1)
Retail, other	34		34	342
Not specified ²	15		15	(24)
Total	1,523	(19)	1,504	7,545

¹ Includes credit losses from reclassified securities, which amounted to CHF 326 million. ² Includes changes in collective loan loss allowances and provisions.

Credit exposure of derivative instruments

This table provides an overview of UBS's credit exposures arising from derivatives. Exposures are provided based on the balance sheet carrying values of derivatives as well as regulatory net credit exposures. The net balance sheet credit exposure differs from the regulatory net credit exposures because of differences in valuation methods and the netting and collateral deductions used for accounting and regulatory capital purposes. Specifically, net current credit exposure is derived from gross positive replacement values, whereas regulatory net credit exposure is calculated using UBS-internal credit valuation models.

<i>CHF million</i>	30.6.09	31.12.08
Gross positive replacement values	505,395	860,943
Netting benefits recognized ¹	(407,178)	(651,756)
Collateral held	(48,870)	(51,765)
Net current credit exposure	49,347	157,422
Regulatory net credit exposure (total counterparty credit risk)²	118,571	190,047
of which treated with internal models (effective expected positive exposure (EPE)) ²	101,782	164,707
of which treated with supervisory approaches (current exposure method) ²	16,789	25,340
Breakdown of collateral held		
Cash collateral	45,518	46,967
Securities collateral and debt instruments collateral (excluding equity)	3,169	4,246
Equity instruments collateral	101	121
Other collateral	82	430
Total collateral held	48,870	51,765

¹ Based on Swiss Financial Market Supervisory Authority (FINMA) netting rules and the capital adequacy scope of consolidation. Reflects the impact of legally enforceable netting agreements (including cash collateral) with the same counterparty. ² Derivatives exposure is defined as regulatory net credit risk exposure.

Credit derivatives

This table provides an overview of UBS's credit derivative portfolio by product group using notional values. The table also provides a breakdown of credit derivative positions used to risk manage UBS's credit portfolio (banking book for regulatory purposes) and those arising through intermediation activities (trading book for regulatory capital purposes).

<i>Notional amounts, CHF million</i>	Regulatory banking book			Regulatory trading book			Total	
	Protection bought	Protection sold	Total	Protection bought	Protection sold	Total		
Credit default swaps ¹	23,694	605	24,299	1,578,905	1,409,953	2,988,857	3,013,156	3,617,457
Total return swaps		61	61	38,580	5,338	43,918	43,979	24,044
Total 30.6.09	23,694	666	24,360	1,617,485	1,415,291	3,032,776	3,057,136	
Total 31.12.08	26,297	2,196	28,492	2,135,468	1,477,542	3,613,009		3,641,502

¹ Notional amounts of credit derivatives are based on accounting definitions and do not include any netting benefits. For capital underpinning of the counterparty credit risk of derivative positions, the effective expected positive exposure (or current exposure method) is taken.

Equity exposures outside trading book

Equity exposures for banking book positions

This table provides an overview of UBS's equity investments held in the banking book for regulatory capital purposes. The calculation of equity investment exposures for financial accounting under IFRS differs from that required for regulatory capital purposes. The table illustrates these two measures of exposure as well as the key differences between them.

The IFRS view differs from the regulatory capital view primarily due to: (i) differences in the basis of valuation – IFRS is based on “fair value accounting” whereas the “lower of cost or market value” (LOCOM) and “cost less impairment” methods are used for regulatory capital purposes; (ii) positions that may be subject to a different designation for regulatory capital purposes; and (iii) differences in the scope of consolidation for IFRS, for example, special purpose entities consolidated for IFRS but not for regulatory capital purposes.

Realized and unrealized gains and losses are also disclosed in the table below. Unrealized gains and losses of equity investments available-for-sale were included in the amount recognized on the balance sheet. The carrying value of equity investments available-for-sale and equity investments designated at fair value through profit or loss equals their fair value. Fair values and share prices for publicly quoted equity investments are not materially different.

	Book value	
<i>CHF million</i>	30.6.09	31.12.08
Equity investments		
Financial investments available-for-sale	1,829	1,681
Financial assets designated at fair value	849	1,079
Investments in associates	877	892
Total equity investments under IFRS	3,555	3,653
<i>Realized gains and (losses), net</i>	45	815
<i>Unrealized gains and (losses), net</i>	477	421
Consolidation scope adjustment	(48)	(80)
Other positions designated equity exposures under BIS	876	405
Total equity exposure under BIS	4,383	3,978
<i>of which to be risk weighted¹</i>		
<i>publicly traded</i>	1,520	829
<i>privately held</i>	1,637	2,275
<i>of which deducted from equity</i>	1,226	874
Capital requirement according to simple risk weight method	517	612
Total capital charge	1,743	1,486
Unrealized gains included in tier 2	65	69

¹ The split between the “publicly traded” and “privately held” exposures on 31 December 2008 has been adjusted to conform with the presentation applied for 30 June 2009. The total exposure on 31 December 2008 was not affected by this change.

Risk-weighted assets (RWA) attributable to equity exposures outside trading book were CHF 6,465 million as of 30 June 2009, compared with CHF 7,646 million as of 31 December 2008.

Market risk

Risk-weighted assets (RWA) attributable to market risk were CHF 22,327 million as of 30 June 2009, compared with CHF 27,614 million as of 31 December 2008. The market risk regulatory capital requirement is 8% of the respective RWA. Market risk regulatory capital and RWA are derived from UBS's VaR model and subject to regulatory determined multipliers.

Value at Risk

UBS: Value at Risk (10-day, 99% confidence, five years of historical data)

CHF million	For the six months ended 30.6.09				For the year ended 31.12.08			
	Min.	Max.	Average	30.6.09	Min.	Max.	Average	31.12.08
Business divisions								
Investment Bank	209	541	391	245	240	601	374	485
Wealth Management & Swiss Bank ¹	0	1	0	0				
Wealth Management Americas ¹	15	24	18	21	1	17	4	16
Global Asset Management	0	7	2	2	1	7	2	6
Corporate Center	3	67	17	10	3	93	26	10
Diversification effect	²	²	(42)	(41)	²	²	(34)	(25)
Total regulatory VaR	206	545	386	238	246	609	373	492
Diversification effect (%)			(10)	(15)			(8)	(5)
Management VaR³	188	473	299	193	246	521	320	459

¹ Split of former Global Wealth Management & Business Banking into Wealth Management & Swiss Bank and Wealth Management Americas not available for 2008, therefore all 2008 Global Wealth Management & Business Banking figures shown under Wealth Management Americas. ² As the minimum and maximum occur on different days for different risk types, it is not meaningful to calculate a portfolio diversification effect. ³ Includes all positions subject to internal management VaR limits.

Investment Bank: Value at Risk (10-day, 99% confidence, five years of historical data)

CHF million	For the six months ended 30.6.09				For the year ended 31.12.08			
	Min.	Max.	Average	30.6.09	Min.	Max.	Average	31.12.08
Risk type								
Equities	55	115	79	57	82	185	131	117
Interest rates (including credit spreads)	226	552	393	284	217	659	397	544
Foreign exchange	18	55	29	22	12	58	28	30
Energy, metals and commodities	14	25	18	16	14	60	30	22
Diversification effect	¹	¹	(128)	(134)	¹	¹	(212)	(229)
Total regulatory VaR	209	541	391	245	240	601	374	485
Diversification effect (%)			(25)	(35)			(36)	(32)
Management VaR²	183	454	301	183	239	499	316	424

¹ As the minimum and maximum occur on different days for different risk types, it is not meaningful to calculate a portfolio diversification effect. ² Includes all positions subject to internal management VaR limits.

UBS: Value at Risk (1-day, 99% confidence, five years of historical data)¹

CHF million		For the six months ended 30.6.09				For the year ended 31.12.08			
		Min.	Max.	Average	30.6.09	Min.	Max.	Average	31.12.08
Investment Bank	Regulatory VaR ²	80	167	124	86	96	210	132	162
	Management VaR ³	70	159	100	72	101	171	125	160
UBS	Regulatory VaR ²	79	170	125	87	97	207	133	163
	Management VaR ³	71	166	102	71	101	169	125	159

¹ 10-day and 1-day VaR results are separately calculated from underlying positions and historical market moves. They cannot be inferred from each other. ² Backtesting is based on regulatory VaR. ³ Includes all positions subject to internal management VaR limits.

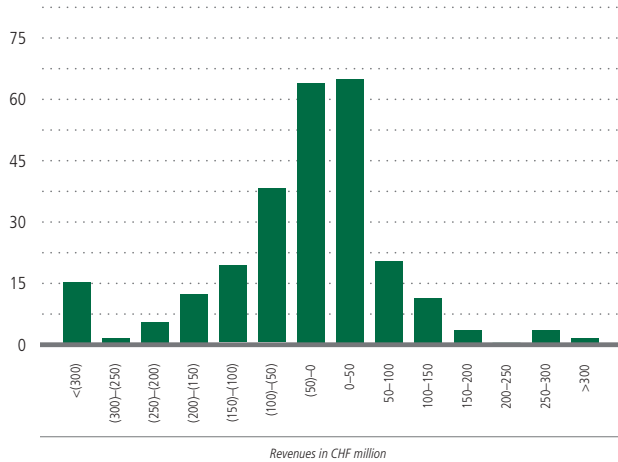
Backtesting

UBS experienced four backtesting exceptions in the first half of 2009. Backtesting is based on regulatory VaR.

Investment Bank: backtesting revenues¹ distribution

Frequency in number of days

1 July 2008 – 30 June 2009

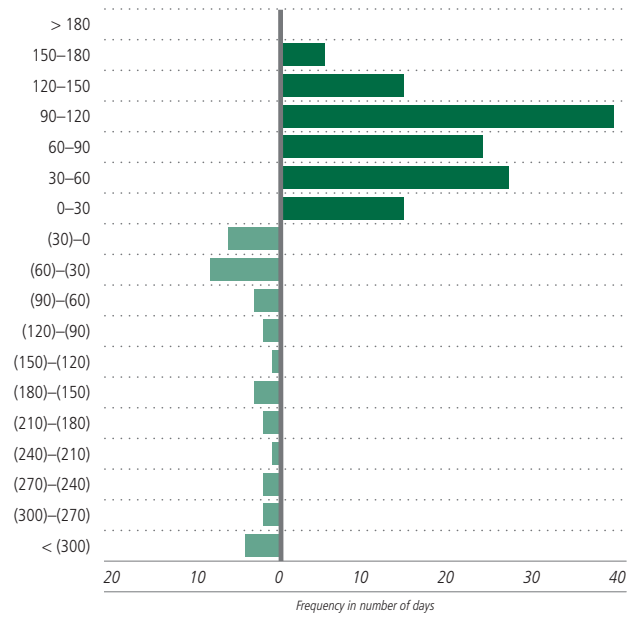


¹ Backtesting revenues exclude non-trading revenues, such as commissions and fees, and revenues from intraday trading.

Investment Bank: analysis of negative backtesting revenues¹

CHF million

1 July 2008 – 30 June 2009



¹ Backtesting revenues exclude non-trading revenues, such as commissions and fees, and revenues from intraday trading. Analysis for loss days only.

Operational risk

Risk-weighted assets (RWA) attributable to operational risk were CHF 45,989 million as of 30 June 2009, compared with CHF 44,685 million as of 31 December 2008. RWA for operational risk purposes considers both historical losses and forward-looking scenarios. The increase in RWA was primarily attributable to the recognition within the historical loss component of the settlement agreements with the US Department of Justice and the US Securities and Exchange Commission related to UBS's US cross-border business and announced in February 2009. The operational risk regulatory capital requirement is 8% of the respective RWA.

Securitization

Securitization activity

This table shows exposures that have been securitized by UBS via traditional securitization. It also shows any gains or losses recognized on sales into these traditional securitization structures for regulatory capital purposes. The exposure values disclosed are based on the transaction date and were accounted for at fair value pre-securitization (the resulting gain or loss is not significant). UBS retained securitization tranches for all traditional securitizations made in 2008.

CHF million	Amount of exposures securitized		Recognized gain or loss on sale	
	For the six months ended 30.6.09	For the twelve months ended 31.12.08	For the six months ended 30.6.09	For the twelve months ended 31.12.08
For the six months ended				
Residential mortgages	0	577	0	(13)
Commercial mortgages	0	964	0	13
Other	0	0	0	0
Total	0	1,541	0	0

In addition, no synthetic securitizations occurred during 2008 nor the first half of 2009.

Total outstanding exposures securitized – synthetic securitizations

This table provides a breakdown of the inventory of the total outstanding exposures that were securitized by UBS via synthetic securitizations as part of its global reference linked note program. Historically, UBS retained securitization tranches from its synthetic securitizations. The exposure values disclosed are calculated on the basis of their regulatory exposure value.

CHF million	Amount of exposures securitized	
	30.6.09	31.12.08
Residential mortgages	301	433
Commercial mortgages	205	596
Other ¹	4,736	9,657
Total	5,242	10,686

¹ Includes multi-asset securitization structures which reference residential mortgages, commercial mortgages, credit card receivables, corporate debt and other asset backed securities.

Amount of impaired / past due assets securitized – synthetic securitizations

This table provides a breakdown of the inventory of outstanding impaired or past due exposures that have been securitized by UBS via synthetic securitization. The exposure values are based on the amounts referenced in the transaction and are included in the disclosure below once a credit event has occurred.

CHF million	Amount of exposures past due / impaired	
	30.6.09	31.12.08
Residential mortgages	0	22
Commercial mortgages	0	0
Other	70	190
Total	70	212

Losses recognized on originated transactions

This table provides a breakdown of losses recognized by UBS on securitization tranches purchased or retained that result from a securitization originated by UBS, after taking into account the offsetting effects of any credit protection that is an eligible risk mitigation instrument for the retained or repurchased tranche. UBS partially reports such exposures on a fair value and partially on a cost less impairment basis.

CHF million	Amounts of losses recognized	
	For the six months ended 30.6.09	For the twelve months ended 31.12.08
Residential mortgages	1	789
Commercial mortgages	4	153
Other	40	291
Total	45	1,233

Securitization exposures retained or purchased

This table provides a breakdown of securitization exposures purchased or retained by UBS, irrespective of its role in the securitization transaction. The exposure values disclosed are calculated on the basis of their regulatory exposure value.

Exposure type CHF million	Exposure amount	
	30.6.09	31.12.08
Residential mortgages	304	592
Commercial mortgages	380	583
Other ¹	36,186	33,960
Total	36,870	35,135

¹ Includes auction rate securities positions and purchase commitments to clients. Also includes multi-asset securitization structures which reference residential mortgages, commercial mortgages, credit card receivables, corporate debt and other asset backed securities.

Capital charge for securitization exposures retained or purchased

This table provides a breakdown of securitization exposures purchased or retained by UBS, irrespective of its role in the securitization transaction, as well as a breakdown of the related capital requirement.

CHF million	Exposure amount		Capital charge	
	30.6.09	31.12.08	30.6.09	31.12.08
over 0–20%	31,345	32,576	409	332
over 20–35%	1,848	464	52	13
over 35–50%	1,084	253	34	11
over 50–75%	62	321	4	19
over 75–100%	861	1,181	73	100
over 100–150%	–	–	–	–
over 150–250%	126	24	27	5
over 250–300%	–	–	–	–
over 300–350%	–	–	–	–
over 350–375%	–	–	–	–
over 375–400%	–	–	–	–
over 400–625%	178	10	64	4
over 625–1250%	938	–	516	13
deducted from capital	428	306	428	306
Total	36,870	35,135	1,607	803

Risk-weighted assets (RWA) for securitization exposures were CHF 14,736 million as of 30 June 2009, compared with CHF 6,202 million as of 31 December 2008. This change is mainly due to ratings downgrades of positions. The market risk regulatory capital requirement is 8% of the respective RWA.

Rounding | Numbers presented throughout this report may not add up precisely to the totals provided in the tables. 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.

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